

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2018.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-33863

XINYUAN REAL ESTATE CO., LTD.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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79 Jianguo Road, Chaoyang District
Beijing 100025
People's Republic of China
(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class

American Depositary Shares, each representing two common shares,
par value US\$0.0001 per share

Name of Each Exchange on Which Registered

New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of issued and outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. 119,805,636 common shares, par value US\$0.0001 per share, as of December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- “we,” “us,” “our company,” “our,” “the Group” or “Xinyuan” refers to Xinyuan Real Estate Co., Ltd., its predecessor entities and its subsidiaries;
- “shares” or “common shares” refers to our common shares, par value US\$0.0001 per share;
- “ADSs” refers to our American depositary shares, each of which represents two common shares, and “ADRs” refers to the American depositary receipts that evidence our ADSs;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purposes of this Form 20-F only, Taiwan, Hong Kong and Macau;
- “U.S.” or “United States” refers to the United States of America;
- “GFA” refers to gross floor area. The amounts for “total GFA” in this annual report are the amounts of total saleable residential and commercial GFA and are derived on the following basis:
 - for properties that are sold, the stated GFA is based on the sales contracts relating to such property; GFA may be adjusted based on final examination upon delivery of the property;
 - for unsold properties that are completed or under construction, the stated GFA is calculated based on the detailed construction blueprint and the calculation method approved by the PRC government for saleable GFA, after necessary adjustments; and
 - for properties that are under planning, the stated GFA is based on the land grant contract and our internal projection;
- “RMB” or “Renminbi” refers to the legal currency of China and “US\$” or “U.S. dollars” refers to the legal currency of the United States; and
- “sq.m” refers to square meters used as unit of area.

At present, there is no uniform standard to categorize the different types and sizes of cities in China. In this annual report, we refer to certain larger and more developed cities as tier I, tier II and tier III cities based on the categorization developed by China Business Network Co., Ltd., a financial media group. Their ranking system relies on commercial data from over 170 brands, customer behavior data from 19 internet companies, as well as big data from relevant statistics institutions.

Facts and statistics in this annual report relating to China, the Chinese economy and the China property development industry are sourced from various publicly available government and official sources, as indicated herein and may include projections based on a number of assumptions. We believe that the sources of this information are appropriate sources for such information. However, we cannot independently verify such information. Further, if one or more of the assumptions underlying the market data turn out to be incorrect, the actual results may differ from the projections based on these assumptions.

This annual report includes our audited consolidated financial statements for the years ended December 31, 2016, 2017 and 2018 and as of December 31, 2017 and 2018. Our financial statements and other financial data included in this annual report are presented in U.S. dollars. Our business and operations are primarily conducted in China through our PRC subsidiaries. The functional currency of our PRC subsidiaries is RMB. The functional currency of our U.S. subsidiaries is the U.S. dollar. The financial statements of our PRC subsidiaries are translated into U.S. dollars, using published exchange rates in China, based on (i) year-end exchange rates for assets and liabilities and (ii) average yearly exchange rates for revenues and expenses. Capital accounts are translated at historical exchange rates when the transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income in our shareholders’ equity. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or RMB, as the case may be, at any particular rate or at all.

The RMB is not freely convertible into foreign currency. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of the RMB into foreign exchange and through restrictions on foreign trade. Since 2005, the People's Bank of China (the "PBOC"), has allowed the RMB to fluctuate within a narrow and managed band against a basket of foreign currencies, according to market demand and supply conditions.

Our common shares are traded on the New York Stock Exchange (the "NYSE"), in the form of ADSs under the symbol "XIN." Each ADS represents two common shares. The closing price of our ADSs on the NYSE as of April 26, 2019 was US\$4.51 per ADS.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "is expected to," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions or negatives of such expressions. These forward-looking statements include, among others, statements about:

- our anticipated growth strategies;
- our future business development, results of operations and financial condition;
- our expectations with respect to our ability to acquire adequate suitable land use rights for future development; and
- our belief with respect to market opportunities in, and growth prospects of, our target markets.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. However, a number of known and unknown risks, uncertainties and other factors could affect the accuracy of these statements. Among the important factors to consider in evaluating our forward-looking statements are:

- our ability to continue to implement our business model successfully;
- our ability to secure adequate financing for our project developments;
- our ability to successfully sell or complete our property projects under construction and planning;
- our ability to enter into new geographic markets or new lines of business and expand our operations;
- the marketing and sales ability of our third-party sales agents;

- the performance of our third party contractors;
- laws, regulations and policies relating to real estate developers and the real estate industry in the markets in which we operate;
- our ability to obtain permits and licenses to carry on our business in compliance with applicable laws and regulations;
- competition from other real estate developers;
- the growth of the real estate industry in the markets in which we operate; and
- fluctuations in general economic and business conditions in the markets in which we operate.

You should read thoroughly this annual report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this annual report include additional factors which could adversely impact our business and financial performance, including the risks outlined under “Item 3. Key Information — D. Risk Factors.” Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by applicable securities laws.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data

Our Selected Consolidated Financial Data

The following selected consolidated statements of comprehensive income and other financial data for the years ended December 31, 2016, 2017 and 2018, other than earnings per ADS data, and the consolidated balance sheet data as of December 31, 2017 and 2018 have been derived from our audited consolidated financial statements which are included elsewhere in this annual report. Our audited consolidated financial statements have been prepared and presented in accordance with United States generally accepted accounting principles, or U.S. GAAP. Except for changes in operating subsidiaries, our consolidated financial statements have been prepared as if our current corporate structure had been in existence throughout the relevant periods.

Our selected consolidated statements of comprehensive income data for the years ended December 31, 2014 and 2015 and our selected consolidated balance sheet data as of December 31, 2014, 2015 and 2016 have been derived from our audited consolidated financial statements included in prior years' annual reports.

The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report

	Years ended December 31,				
	2014	2015	2016	2017	2018
	US\$	US\$	US\$	US\$	US\$
(in thousands except share, per share and per ADS data)					
Consolidated Statements of Comprehensive Income					
Total revenue	919,748	1,164,324	1,561,625	1,976,907	2,217,551
Total costs of revenue	(677,582)	(891,334)	(1,203,636)	(1,517,279)	(1,602,073)
Selling and distribution expenses	(39,494)	(52,126)	(58,214)	(75,724)	(83,592)
General and administrative expenses	(105,622)	(115,329)	(120,416)	(136,845)	(156,456)
Operating income	97,050	105,535	179,359	247,059	375,430
Net income	48,496	66,481	79,463	80,111	105,952
Net loss/(income) attributable to non-controlling interest	19	1	(6,485)	(16,483)	(32,917)
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders	48,515	66,482	72,978	63,628	73,035
Earnings per share					
-Basic	0.32	0.47	0.55	0.49	0.57
-Diluted	0.29	0.45	0.53	0.48	0.57
Shares used in computation					
-Basic	151,935,765	142,625,427	133,261,510	128,704,610	127,129,478
-Diluted	177,118,235	146,487,949	137,653,029	131,605,868	129,140,830
Earnings per ADS ⁽¹⁾					
-Basic	0.64	0.93	1.10	0.99	1.14
-Diluted	0.58	0.91	1.06	0.97	1.14

(1) Earnings per ADS are calculated based on each ADS representing two common shares.

	Years ended December 31,				
	2014	2015	2016	2017	2018
	US\$	US\$	US\$	US\$	US\$
Cash dividends declared per ADS	0.20	0.20	0.30	0.40	0.40

	Years ended December 31,				
	2014	2015	2016	2017	2018
Other Operating Data					
Number of projects launched	9	6	4	5	17
Aggregate GFA delivered ⁽¹⁾ (m ²)	374,615	560,232	1,278,492	1,200,222	644,378

(1) Delivery occurs when we have obtained all the completion acceptance certificates required by the PRC government in respect of the apartment and deliver full access to the apartment, such as the keys, to the buyer.

The following table presents a summary of our consolidated balance sheet data as of December 31, 2014, 2015, 2016, 2017 and 2018:

	As of December 31,				
	2014	2015	2016	2017	2018
	US\$	US\$	US\$	US\$	US\$
(in thousands except share, per share and per ADS data)					
Consolidated Balance Sheet Data ⁽¹⁾					
Cash and cash equivalents	140,495	387,528	578,244	894,551	674,142
Restricted cash	368,874	363,137	328,499	566,676	511,875
Deposits for land use rights	299,739	46,199	153,252	103,716	42,254
Real estate property under development ⁽²⁾	1,714,575	1,887,322	1,719,135	1,996,001	4,068,716
Total current assets	3,070,459	3,262,964	3,931,445	5,070,212	6,691,222
Total assets	3,231,526	3,561,387	4,236,445	6,384,434	8,033,713
Total current liabilities	1,592,633	1,650,883	2,060,609	3,674,819	5,069,869
Long-term bank loans	52,296	13,860	235,885	11,019	720,039
Other long-term debt	576,204	910,008	974,791	1,404,814	1,040,455
Common shares	15,831	15,835	16,051	16,314	16,399
Total Xinyuan Real Estate Co., Ltd. shareholders' equity	960,631	935,970	900,260	992,572	680,370

(1) Financial information for PRC subsidiaries is first prepared in RMB and then translated into U.S. dollars for assets and liabilities at the year-end exchange rate and, for revenues and expenses at the yearly average exchange rate. The rates used are set forth in the table below. Capital accounts are translated at their historical exchange rates when the transactions occurred.

	As of and for the Year Ended December 31,				
	2014	2015	2016	2017	2018
Period-end US\$: RMB exchange rate	6.1190	6.4936	6.9370	6.5342	6.8632
Period average US\$: RMB exchange rate	6.1424	6.2272	6.6401	6.7547	6.6118

As of April 26, 2019, the US\$: RMB exchange rate was 6.7307.

(2) Includes real estate property under development recorded under current assets and non-current assets.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related to Our Business

We are a holding company that depends on dividend payments from our subsidiaries for funding.

We are a holding company established in the Cayman Islands and operate most of our business and operations through our subsidiaries in China. Our ability to pay dividends to our shareholders and to service our indebtedness outside of China depends significantly upon dividends that we receive from our subsidiaries in China. To the extent our U.S., Malaysia and UK operations continue to grow, we may in the future also depend on dividends from our U.S., Malaysia and UK subsidiaries. If our subsidiaries incur indebtedness or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries, including wholly foreign-owned enterprises and domestic companies, is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its statutory capital reserve fund until the cumulative amount of such reserves reaches 50.0% of its respective registered capital and, with the approval of a shareholder meeting or general shareholder meeting, a PRC subsidiary may set aside a certain amount of after-tax profit to its general reserves. As of December 31, 2018, our statutory reserves amounted to US\$166.5 million. Our statutory reserves are not distributable as cash dividends. Dividends paid by the PRC subsidiaries may also be subject to PRC withholding tax. In addition, restrictive covenants in bank credit facilities, bonds, other long-term debt agreements, joint venture agreements or other agreements that we or our subsidiaries currently have or may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

Our business requires access to substantial financing. Our failure to obtain adequate financing in a timely manner could severely adversely restrict our ability to complete existing projects, expand our business, or repay our obligations and affect our financial performance and condition.

Our property development business is capital intensive. To date, we have funded our operations primarily through bank borrowings, proceeds from sales and pre-sales of our properties and proceeds from issuance of equity and debt securities. We obtain commercial bank financing for our projects through credit lines extended on a case-by-case basis. Our ability to secure sufficient financing for land use rights acquisition and property development and repayment of our existing onshore and offshore debt obligations depends on a number of factors that are beyond our control, including lenders' perceptions of our creditworthiness, sufficiency of collateral, if any, market conditions in the capital markets, investors' perception of our securities, the PRC economy and PRC government regulations that affect the availability and cost of financing for real estate companies or property purchasers.

Since 2003, PRC commercial banks have been prohibited, under the guidelines of the PBOC, from advancing loans to fund the payment of land use rights. We generate significant cash flow through pre-sales, which are subject to government restrictions. In particular, PRC regulations on the pre-sales of properties generally provide that the proceeds from the pre-sales of a real estate project may only be used for the construction of such project. Any additional potential government restrictions on pre-sales could significantly increase our financing needs. Moreover, our ability to move cash through inter-company transfers or transfer funds from onshore subsidiaries to our offshore parent company is limited by PRC government regulations, which limits our ability to use excess cash resources in one subsidiary to fund the obligations of another subsidiary or our offshore parent company. In addition, reserve requirement applicable to PRC commercial banks generally limit, and any increases in such reserve requirements could further limit, the amount of commercial bank credit available to businesses in China, including us.

Furthermore, various other PRC regulations restrict our ability to raise capital through external financing and other methods, including, without limitation, the following:

- we cannot borrow from a PRC bank for a particular project if we do not have the land use rights certificate for that project;
- we cannot pre-sell uncompleted residential units in a project prior to achieving certain development milestones specified in related regulations;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the total investment amount of that project from our own capital;
- property developers are strictly restricted from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located; and
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.

On February 13, 2017, the Asset Management Association of China issued the Administrative Rules for the Filing of Private Equity and Asset Management Plans by Securities and Futures Institutions No. 4 — Investment in Real Estate Developers and Projects by Private Equity and Asset Management Plans (“Rule 4”). Rule 4 provides that the Asset Management Association of China will temporarily suspend accepting any private equity and asset management plan which makes a direct or indirect investment in any ordinary residential property project located in specified cities where the property prices are considered to have risen too fast, including Beijing, Shanghai, Guangzhou, Suzhou, Tianjin, Wuhan, Zhengzhou, Jinan and Chengdu, where the Company operates. In addition, a private equity and asset management plan may not be used to finance any real estate developer, whether in the form of bank entrusted loans, trust plans or transfers of beneficial interests in assets, for the purpose of acquiring land use rights or supplementing working capital.

In the United States, we currently have three development projects in the Brooklyn, Manhattan and Queens boroughs of New York City. Pre-sale proceeds (i.e., deposits and other sales proceeds received before the conveyance of title to the buyer) cannot be used to finance project construction under local laws and regulations applicable to the New York projects, so we are financing their development through internal funds and bank loans, causing us to utilize more of our own funds to undertake larger construction debt obligations and to bear higher borrowing costs.

As of December 31, 2018, our contractual obligations amounted to US\$5,283.8 million, primarily arising from contracted construction costs or other capital commitments for future property developments and debt obligations. Of this amount, US\$2,615.1 million was due within one year.

There can be no assurance that our internally generated cash flow and external financing will be sufficient for us to meet our contractual and financing obligations in a timely manner. Due to the current measures imposed by the PRC government (as well as other measures that may be imposed in the future) which limit our access to additional capital, as well as restrictions imposed on our conduct under existing debt arrangements, we cannot assure you that we will be able to obtain sufficient funding to finance intended purchases of land and land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost or at all. Our failure to obtain adequate financing in a timely manner and on reasonable terms could severely adversely (1) restrict our ability to complete existing projects, expand our business, or repay our obligations and (2) affect our cash flow, liquidity, financial performance and condition.

If we are unable to manage successfully our expansion into other cities in China, we will not be able to execute our business plan.

A key aspect of our historical business plan has been to expand our residential property development operations into high growth cities in China, from our initial focus on Zhengzhou. We plan to expand into new cities as suitable opportunities arise. The development of real estate projects in other cities will impose significant demands on our management and other operational resources. Moreover, we will face additional competition and will need to establish brand recognition and market acceptance for our developments in these new markets. Each city has its unique market conditions, customer requirements and local regulations related to the local real estate industry. If we are unable to successfully develop and sell projects outside of our existing markets, our future growth may be limited and we may not generate adequate returns to cover our investments in these new markets. In addition, if we expand our operations to other cities with higher land prices, our costs may increase, which may lead to a decrease in our profit margin, or impairments resulting from land value decreases.

We are in the early stages of expanding into markets outside of China in which we have limited or no development experience and which may require us to spend significant resources, and there can be no assurance that we will be able to succeed in any such market.

While our primary focus continues to be residential real estate markets in high-growth cities in China, we have begun expanding into other markets on an opportunistic basis. In the US, we currently have a completed project in the Williamsburg neighborhood of Brooklyn, New York (“New York Oosten Project”), an ongoing residential ground-up development project in Manhattan, New York, and an early stage project in the Flushing neighborhood of Queens, New York. Any change in federal income tax laws that increase the effective costs of owning a home would have an adverse effect on the demand for homes in the United States which could negatively affect any properties we may develop in the United States.

In 2014, we acquired 100% of the shares of a Malaysian company, which owns offshore landfill development rights for a total area of 170 acres (approximately 687,966 square meters). As of the end of 2018, around 30 acres of the land has been reclaimed size up the schedule of contract. We anticipate that the entirety of the reclamation work will be completed in the first half of 2020. We have no development experience in Malaysia, nor have we ever engaged in landfill reclamation projects. All of our prior operations have involved real estate development undertaken on raw land, and we cannot assure you that we will be able to complete successfully the required landfill reclamation.

In 2018, we acquired a 50% equity stake in MDL, the developer of the Madison Project, a 0.38 hectare (approximately 0.94 acre) development located adjacent to Canary Wharf, in London, United Kingdom. Given the uncertainties relating to Britain leaving the European Union, the London real estate market is unstable and it is difficult to estimate the impact to real estate business.

Given our limited experience in markets outside of China market, it may be difficult for us to forecast accurately our future revenues and expenses related to existing and future projects in the United States, the UK, or Malaysia. Further, locating appropriate future projects in those and other non-China markets and generating future revenues from such projects may require us to expend significant capital and management resources.

In addition, we may not be able to develop a successful property development business in any given market. Our ability to develop a successful property developments business in any given market will depend on a number of factors including many outside of our control, such as the status of the country's/region's economy in general and in our target markets, consumer confidence levels, unemployment levels, interest rates and the ability of potential purchasers to obtain mortgage financing.

Our business is sensitive to the general economic conditions in the countries, city and specific target markets in which we operate. A severe or prolonged downturn in the global economy generally and particularly in the countries or regions in which we have development projects could materially and adversely affect our revenues and results of operations.

The real estate market is sensitive to general economic conditions, financial conditions, including interest rates, availability of capital, employment rates, and other economic and financial conditions in the local market and the broader region or country as well as global economic conditions. Significant downturns and instability in the global economy or in the country and local markets in which we operate or the perception that they could occur, could depress economic activity and restrict our access to capital. In addition, any such events could negatively affect our customers in one or more markets, including their access to financing or willingness to engage in a major financial transaction, such as purchasing a home. As a result, our business, financial condition and results of operations could be negatively affected and affect our operations.

In our China markets, any slowdown in China's economic development could lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of homes, and our homebuyers may also defer, reduce or cancel purchases of our units. We have experienced volatilities in demand from time to time in the recent years due to the strict mortgage policy and other measures taken by the PRC government to slow down the rapid increase in housing prices. To the extent any fluctuations in the Chinese economy significantly affect homebuyers' demand for our units or change their spending habits, our results of operations may be materially and adversely affected.

The PRC economy also faces challenges in the short to medium term. Continued turbulence in the international markets and prolonged declines in consumer spending, including home purchases, as well as any slowdown of economic growth in China, may adversely affect our liquidity and financial condition.

Our US property developments are sensitive to the general economic conditions in the United States and the condition of the U.S. housing market in particular. The U.S. housing industry is highly cyclical and is significantly affected by changes in industry conditions, as well as in global and local economic conditions, such as changes in employment and income levels, availability of financing for buyers, interest rates, levels of new and existing homes for sale demographic, trends and housing demand. Deterioration in industry conditions in the United States or in broader economic conditions could have additional material adverse effects on our business expansion in the United States and financial results.

There have been significant changes and proposed changes to U.S. trade policies, treaties, tariffs and taxes, including trade policies and tariffs regarding China, which have created significant uncertainty about the future relationship between the United States and China, as well as other countries, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade with those countries.

We may be unable to acquire desired development sites at commercially reasonable costs.

Our revenue depends on the completion and sale of our projects, which in turn depends on our ability to acquire development sites. Our land costs are a major component of our cost of real estate sales and increases in such costs could diminish our gross margin. In China, the PRC government controls the supply of land and regulates land sales and transfers in the secondary market. As a result, the policies of the PRC government, including those related to land supply and urban planning, affect our ability to acquire, and our costs of acquiring, land use rights for our projects. In recent years, the PRC government has introduced various measures attempting to moderate investment in the property market in China. Although we believe that these measures are generally targeted at the luxury property market and speculative purchases of land and properties, we cannot assure you that the PRC government will not introduce other measures in the future that would adversely affect our ability to obtain land for development. We currently acquire our development sites primarily by bidding for government land, supplemented in some instances by direct negotiations with local governments prior to land auctions or by acquisition of local developers or by investment in an entity that holds land use rights. Under current regulations, land use rights acquired from government authorities for commercial and residential development purposes must be purchased through a public tender, auction or listing-for-sale. Competition in these bidding processes has resulted in higher land use rights costs for us over the past few years, and we may not successfully obtain desired development sites due to the increasingly intense competition in the bidding processes. Moreover, the supply of potential development sites in any given city will diminish overtime, and we may find it increasingly difficult to identify and acquire attractive development sites at commercially reasonable costs in the future.

We rely on third-party contractors who may not perform at acceptable quality levels or in a timely manner.

Substantially all of our project construction and related work are outsourced to third-party contractors their performance may not meet our level of standards or specifications. Negligence, delay or poor work quality by contractors may result in defects in our buildings or residential units, which could in turn cause us to suffer financial losses, harm our reputation or expose us to third-party claims. If the performance of any third party contractor is not satisfactory or is delayed, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects, and which could cause the completion of our property developments to be delayed. We work with multiple contractors on different projects and cannot guarantee that we can effectively monitor their work at all times. Although our construction and other contracts contain provisions designed to protect us, we may be unable to successfully enforce these rights and, even if we are able to successfully enforce these rights, the third-party contractors may not have sufficient financial resources to compensate us. Moreover, the contractors may undertake projects from other property developers, engage in risky undertakings or encounter financial or other difficulties, such as supply shortages, labor disputes or work accidents, which may cause delays in the completion of our property projects or increases in our costs. In addition, consistent with what we believe is the customary industry practice in China, our contractors typically do not maintain insurance coverage on our properties under construction.

We may be unable to complete our property developments on time or at all.

The progress and costs for a development project can be adversely affected by many factors, including, without limitation:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- shortages of materials, equipment, contractors and skilled labor or increased labor or raw material costs;
- disputes with our third-party contractors;
- failure by our third-party contractors to comply with our designs, specifications or standards;
- difficult geological situations or other geotechnical issues;
- onsite labor disputes or work accidents; and
- natural catastrophes or adverse weather conditions, including strong winds, storms, floods, and earthquakes.

Any construction delays, or failure to complete a project according to our planned specifications or budget, may delay our property sales, which could adversely affect our revenues, cash flows and our reputation.

Under PRC laws and regulations and our pre-sale contracts, we are required to compensate purchasers for late delivery of or failure to complete our pre-sold units. If the delay extends beyond the contractually specified period, the purchasers may become entitled to terminate the pre-sale contracts and claim damages.

Proceeds from pre-sale of our properties are an important source of financing for our property developments. Under PRC laws, we are not permitted to commence pre-sales until we have completed certain stages of the construction process for a project. Consequently, a significant delay in the construction of a project could restrict our ability to pre-sell our properties, which could extend the recovery period for our capital outlay. This, in turn, could have an adverse effect on our cash flow, business and financial position.

Changes of laws and regulations with respect to pre-sales may adversely affect our cash flow position and performance.

We depend on cash flows from pre-sale of properties as an important source of funding for our property development projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the construction of the specific developments. In addition, a number of cities in which we are operating business, such as Tianjin, Sichuan and Shandong, have established local rules and conditions for the pre-sale permits application, especially for the custody of pre-sale funds. Such local regulatory measures have not materially affected or restricted our operation or our use of pre-sale funds yet. However, we cannot assure you that the PRC national government or the local governmental authorities will not implement further restrictions on the pre-sale of properties, which may affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

The results of our operations may fluctuate from period to period as we derive our revenue principally from the sale of properties and we rely on our unsold inventory of units.

We derive the majority of our revenue from the sale of properties that we have developed. Our results of operations tend to fluctuate from period to period due to a combination of factors, including the overall schedule of our property development projects, the timing of the sale of properties that we have developed, the size of our land bank, our revenue recognition policies and changes in costs and expenses, such as land acquisition and construction costs. The number of properties that we can develop or complete during any particular period is limited due to the size of our land bank, the substantial capital required for land acquisition and construction, as well as the development periods required before positive cash flows may be generated. For real estate sales contracts for which we have an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. In addition, several properties that we have developed or that are under development are large scale and developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period.

The recognition of our real estate revenue and costs is dependent upon our estimation of our total project revenue and costs.

For real estate sales contracts for which we have an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies.” Under both methods, revenue and costs are calculated based on an estimation of total project costs and total project revenues, which are revised on a regular basis as the work progresses. Any material deviation between actual and estimated total project revenues and costs may result in an increase, a reduction or an elimination of reported revenues or costs from period to period, which will affect our gross profit and net income.

We face risks related to our back-to-back loans.

With our operations in the U.S. markets and now other non-PRC jurisdictions, we have seen and expect to continue to experience an increasing need of non-RMB financings with respect to project developments and future expansions. We currently satisfy our non-RMB denominated financing requirements through four ways: dividends distributions from our PRC subsidiaries, which are subject to 10% withholding tax payment, back-to-back loan arrangements, high yield bond issuances and construction loan financing from local banks. Under back-to-back loan arrangements, our PRC subsidiaries make deposits denominated in RMB into banks in China as collateral to request the banks in China to issue standby letters denominated in U.S. dollars or other currencies in the same amount as the RMB collateral to their outbound branches, and our project companies outside the PRC enter into loans denominated in U.S. dollars or other currencies with such outbound branches in the same amount specified in such standby letters in accordance with to the Provisions on the Administration of Foreign Exchange for Cross-border Guarantee issued by the State Administration of Foreign Exchange of the People’s Republic of China (the “SAFE”), effective June 1, 2014. SAFE registration requirements apply to overseas back-to-back loan arrangements and the use of proceeds of such loans must comply with certain requirements. Any change in laws or regulations to restrict or forbid back-to-back loan transactions in the future may adversely affect our non-PRC companies’ financing. In addition, we are exposed to exchange rate fluctuation and foreign exchange control risks under the current back-to-back loan model, which may adversely affect our business condition and results of operation.

We are subject to certain restrictive covenants and risks normally associated with debt financing which may limit our ability to take certain corporate actions, including incurring additional debt, which could materially and adversely affect our business and financial condition.

We are subject to certain restrictive covenants in our loan agreements with certain commercial banks. Certain loan agreements contain covenants providing that, among other matters, we or our relevant PRC operating subsidiaries may not enter into mergers, joint ventures or restructurings, decrease our registered share capital, transfer material assets, including shares of subsidiaries, engage in material investments, liquidate, change our shareholding, or distribute dividends without the relevant lenders' prior written consent or unless we fully settle the outstanding amounts under the relevant loan agreements. In addition, certain of our loan agreements contain cross- default clauses. If any cross default occurs, these banks are entitled to accelerate payment of all or any part of the loan under their relevant loan agreements and to enforce all or any of the security for such loans. Further, the onshore corporate bonds issued by Xinyuan (China) Real Estate, Ltd. ("Xinyuan China"), our wholly-owned PRC subsidiary, contain restrictions on certain business activities of Xinyuan China when in default on payment of interest or principal, including, among others, limitations on distributions of net income, limitations on certain expenditures, or business combination transactions. Our future bank and other borrowings may contain similar restrictions or cross-default provisions.

Our outstanding debt securities also contain certain covenants that restrict our ability to take other corporate actions. The indentures governing our Senior Secured Notes contain covenants that, among other things, restrict our ability and our restricted subsidiaries' abilities (as defined in the relevant indenture) to incur additional debt or issue preferred stock, to make certain payments or investments, to pay dividends, to purchase or redeem capital stock, sell assets, or make certain other payments, subject to certain qualifications and exemptions and satisfaction of certain conditions.

As a result of any such covenants in current or future financing documents, our ability to pay dividends or other distributions on our common shares and ADSs may be limited. Such covenants may also restrict our ability to raise additional capital in the future through bank borrowings, mortgage financings, and debt and equity issuances and may restrict our ability to engage in some transactions that we believe to be of benefit to us. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and operating results, as well as cash flow and cash that is available for distributions.

In addition, our obligations under our Senior Secured Notes are guaranteed by various of our subsidiaries, and the guarantee by our wholly-owned subsidiary, Xinyuan Real Estate, Ltd., or Xinyuan Ltd, which indirectly holds all of our assets and operations in China is secured by a pledge of our shares of the other guarantor subsidiaries subject to limited exceptions. If we default under any of the Senior Secured Notes, the holders thereof may enforce their claims against those shares. In such an event, the holders of the Notes could gain ownership of the shares of Xinyuan Ltd., and, as a result, own and control all of our subsidiaries in China. We conduct substantially all of our operations in China, and if we default under any of the Notes, we could lose control or ownership of our assets and operations in China.

We rely on our key management members.

We depend on the services provided by key management members. Competition for management talent is intense in the property development sector. In particular, we are highly dependent on Mr. Yong Zhang, our founder and Chairman. We do not maintain key employee insurance. In the event that we lose the services of any key management member, we may be unable to identify and recruit suitable successors in a timely manner or at all, which will adversely affect our business and operations. Moreover, we may need to employ and retain more management personnel to support an expansion into high growth cities on a much larger geographical scale as well as our expansion in the United States, Malaysia, England and other areas. If we cannot attract and retain suitable personnel, especially at the management level, our business and future growth will be adversely affected.

We provide guarantees for the mortgage loans of our customers in China which expose us to risks of default by our customers.

We pre-sell properties before actual completion and, in accordance with PRC industry practice, our customers' mortgage banks require us to guarantee our customers' mortgage loans. Typically, we provide guarantees to PRC banks with respect to loans procured by the purchasers of our properties for the total mortgage loan amount until the completion of the registration of the mortgage with the relevant mortgage registration authorities, which generally occurs within six to 12 months after the purchasers take possession of the relevant properties. In line with what we believe to be industry practice, we rely on the credit evaluation conducted by mortgagee banks and do not conduct our own independent credit checks on our customers. The mortgagee banks typically require us to maintain, as restricted cash, up to 10% of the mortgage proceeds paid to us as security for our obligations under such guarantees. If a purchaser defaults on its payment obligations during the term of our guarantee, the mortgagee bank may deduct the delinquent mortgage payment from the security deposit. If the delinquent mortgage payments exceed the security deposit, the banks may require us to pay the excess amount. If multiple purchasers default on their payment obligations, we will be required to make significant payments to the banks to satisfy our guarantee obligations. Factors such as a significant decrease in housing prices, increase in interest rates or the occurrence of natural catastrophes, among others, could result in a purchaser defaulting on its mortgage payment obligations. If we are unable to resell the properties underlying defaulted mortgages on a timely basis or at prices higher than the amounts of our guarantees and related expenses, we will suffer financial losses. We paid US\$1,820,324, and US\$788,644, and US\$1,659,652 to satisfy guarantee obligations related to customer defaults for the years ended December 31, 2016, 2017 and 2018.

As of December 31, 2017 and 2018, our outstanding guarantees in respect of our customers' mortgage loans amounted to US\$1,569.8 million and US\$1,988.6 million, respectively. If substantial defaults by our customers occur and we are called upon to honor our guarantees, our financial condition, cash flow and results of operations will be materially adversely affected.

Our level of indebtedness could have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities.

As of December 31, 2018, the outstanding balance of our total indebtedness amounted to US\$ 3,452.1 million. Our level of indebtedness could have an adverse effect on us. For example, it could:

- require us to dedicate a large portion of our cash flow from operations as well as the proceeds of certain financings and asset dispositions to fund payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- make it more difficult for us to satisfy our obligations under our debt securities and other indebtedness;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or relating to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future or increase the cost of such funding;
- restrict us from making strategic acquisitions, exploring business opportunities or selling assets;
- place us at a competitive disadvantage compared to any competitors that have less debt; and
- make it more difficult for us to satisfy our obligations with respect to our debt.

Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future, which in turn is dependent on various factors. For a discussion of these factors, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Principal Factors Affecting Our Results of Operations.”

Our financing costs are subject to changes in interest rates.

The rates of interest payable on our PRC long-term bank loans are adjustable based on the range of 100% to 206.32% of the PBOC benchmark rate, which fluctuates from time to time. As of December 31, 2018, the principal amount of our aggregate outstanding variable rate debt was US\$1,033.5 million. A hypothetical 1% increase in annual interest rates would increase our interest expenses by US\$10.3 million based on our debt level at December 31, 2018. In connection with our U.S. projects and UK projects, we entering into U.S. dollar and British pound denominated loans, which will subject us to additional interest rate fluctuation risks, including fluctuations of the London Interbank Offered Rate (“LIBOR”).

We are subject to potential environmental liability.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given development site vary significantly according to the site’s location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. Although the environmental investigations conducted by local PRC environmental authorities have not revealed any environmental liability related to our China projects that we believe would have a material adverse effect on our business, financial condition or results of operations to date, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that future environmental investigations will not reveal material environmental liability. Also, we cannot assure you that the PRC, United States, Malaysian or UK governments will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance of which may cause us to incur significant capital expenditure. See “Item 4. Information on the Company — B. Business Overview — Environmental Matters.”

Our business expansion and business diversification requires proper allocation of our management resources and qualified employees.

In recent years, we expanded our operations into the U.S., Malaysia and the UK while also expanding our operations in China. Such expansion, with more diversified business focuses in terms of market regions and types of business, demand proper allocation of our management resources. In addition, our Malaysia acquisition, which involves land reclamation activities in which we have no prior experience and which presents risks we have not previously encountered or dealt with, may require additional skill sets on the part of our management. If our management fails to satisfy these increased demands, we may not be able to carry out our business expansion and project development successfully. In addition, if we are unable to recruit or retain a sufficient number of qualified employees for the continuation and expansion of our business, our business and prospects may be adversely affected.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. There may be license and compliance requirements regarding new lines of business, including special requirements for foreign-invested enterprises. The development and marketing of new lines of business or new products and services could distract our management from our core business. In addition, we may invest significant time and resources into these new lines of business or new products and services. Initial timetables for the introduction and development of new lines of business or new products and services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business or new product or service could have a significant impact on the effectiveness of our system of internal control. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition.

Failure to maintain the security of our information and technology networks, including personally identifiable and customer information and proprietary business information, could significantly adversely affect us.

Security breaches and other disruptions of our information and technology networks could compromise our information and expose us to liability, reputational harm and significant remediation costs, which could cause material harm to our business and financial results. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information, and information relating to our customers and information of our employees, contractors and vendors, in our on our networks. Despite our security measures, and those of our third-party service providers, our information technology and infrastructure may be vulnerable to attacks by third parties or breached due to employee error, malfeasance or other disruptions. A significant theft, loss, corruption, exposure, fraudulent use or misuse of customer, employee or other personally identifiable or proprietary business data, noncompliance with our contractual or other legal obligations regarding such data could result in significant remediation and other costs, fines, litigation or regulatory actions against us. Such an event could additionally disrupt our operations, harm our relationships with contractors and vendors, damage our reputation, result in the loss of a competitive advantage, which could adversely affect our business, revenues, competitive position and investor confidence. Additionally, we rely on third parties to support our information and technology networks, and as a result have less direct control over our data and information technology systems. Such third parties are also vulnerable to security breaches and compromised security systems, for which we may not be indemnified and which could materially adversely affect us.

Interruption or failure of our information technology, communications systems or data services could impair our ability to operate our business effectively, which could damage our reputation and materially harm our operating results.

Our business requires the continued operation of information technology and communication systems and network infrastructure. Our information technology and communications systems are vulnerable to damage or disruption from fire, power loss, telecommunications failure, system malfunctions, computer viruses, cyber-attacks, natural disasters such as hurricanes, earthquakes and floods, acts of war or terrorism, employee errors or malfeasance, or other events which are beyond our control. We may be a target of cyberattacks and viruses, which could expose us to liability, reputational harm and significant remediation costs and cause material harm to our business and financial results. In addition, the operation and maintenance of our systems and networks is in some cases dependent on third-party service providers for which there is no certainty of uninterrupted availability. Any of these events could cause system interruption, delays and loss, corruption or exposure of critical data or intellectual property and may also disrupt our ability to interact with our customers, contractors and vendors. Further, any such event could result in substantial recovery and remediation costs and liability to customers and third parties.

We may fail to obtain or maintain, or may experience material delays in obtaining, necessary government approvals for any major property development, which will adversely affect our business.

The real estate industry in China is strictly regulated by the PRC government. Property developers in China must abide by various laws and regulations, including implementation rules implemented by local governments to enforce these laws and regulations. Before commencing, and during the course of, development of a property project, we need to apply for or renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, construction site planning permits, construction work planning permits, construction permits, pre-sale permits and completion acceptance certificates. We need to satisfy various requirements to obtain these approval certificates and permits, and to meet specific conditions in order for the government authorities to renew relevant approval certificates and permits. We cannot guarantee that we will not encounter serious delays or difficulties in the future. In the event that we fail to obtain the necessary governmental approvals for any of our major property projects, or a serious delay occurs in the government's examination and approval process, we may not be able to maintain our development schedule and our business and cash flows may be adversely affected.

Regulations in the United States, Malaysia and the United Kingdom could increase the cost and limit the availability of our project development in these jurisdictions and adversely affect our business or financial results.

As we expand our business in the U.S., Malaysia and UK markets, we will continue to be subject to extensive and complex regulations in these jurisdictions that affect land development and home construction, including zoning, density restrictions, building design and building standards, as well as environmental laws. These regulations often provide broad discretion to the administering governmental authorities as to the conditions we must meet prior to being approved, if approved at all. We are subject to determinations by these authorities as to the adequacy of water and sewage facilities, roads and other local services. New housing developments may also be subject to various assessments for public improvements. The project in Malaysia is at the stage of land reclamation, which is subject to environment impact assessment and conditions imposed thereon by the regulatory bodies. Any of these regulatory issues can limit or delay construction and increase our operating costs. We are also subject to a variety of local, state and/or federal laws and regulations concerning protection of health, safety and the environment. These matters may result in delays, may cause us to incur substantial compliance, remediation, mitigation and other costs or subject us to costs from fines, penalties and related litigation. These laws and regulations can also prohibit or severely restrict development and homebuilding activity in environmentally sensitive areas.

Increases in the price of raw materials or labor costs may increase our cost of sales and reduce our earnings.

We outsource the design and construction of our projects under development to third-party service providers. Our third-party contractors are responsible for providing labor and procuring almost all of the raw materials used in our project developments. Our PRC construction contracts typically provide for fixed or capped payments, but the payments are subject to changes in PRC government-suggested prices for certain raw materials we use, such as steel and cement. In addition, China's overall economy and the average wage in China have increased in recent years and are expected to grow in the near future. The average wage level for the employees has also increased for the past periods. Any increase in raw materials costs, labor costs or other costs which may result in adjustments in payments under any of our construction contracts could result in an increase in our construction costs. In the event that the price of any raw materials, including cement, concrete blocks and bricks, or labor cost increase in the future, such increase could be passed on to us by our contractors, and our construction costs would increase accordingly. Passing such increased costs to our customers may result in reduced sales and delay our ability to complete sales for our projects. Any input cost increase could reduce our earnings to the extent we are unable to pass these increased costs to our customers.

Retail and commercial investment properties and properties held for sale are generally illiquid investments and the lack of alternative uses of such properties could limit our ability to respond to changes in the performance of our properties.

As of December 31, 2018, we had approximately 86,951, 116,288, 12,187, 18,936 and 3,904 square meters of retail investment properties in Zhengzhou, Xi'an, Changsha Chengdu and Kunshan, in China, respectively. As of December 31, 2018, we also have three projects under construction at which we plan to develop commercial property for lease with a planned GFA of approximately 199,855 square meters. We anticipate that we may prudently and gradually increase our retail and commercial investment properties as appropriate opportunities arise in the future. Any form of real estate investment is difficult to liquidate and, as a result, our ability to sell our properties in response to changing economic, financial and investment conditions is limited. In addition, we may also need to incur operating and capital expenditures to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that we can obtain financing at a reasonable cost for such expenditures, or at all.

Furthermore, aging of retail and commercial investment properties or properties held for sale, changes in economic and financial conditions or changes in the competitive landscape in the PRC or U.S. property markets, may adversely affect the amounts of rentals and revenue we generate from, as well as the fair value of, these properties. However, our ability to convert any of these properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC or may require zoning or other approvals in the United States and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financings can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our retail and commercial investment properties, as well as properties held for sale, may adversely affect our business, financial condition, cash flow and results of operations.

We may engage in joint ventures, which could result in unforeseen expenses or disruptive effects on our business.

From time to time, we have engaged and may consider engaging in joint ventures with other businesses to develop a property. Any joint venture that we determine to pursue will be accompanied by a number of risks. We may not be in a position to exercise sole decision-making authority regarding the joint ventures. We may not be able to control the quality of products produced by the joint venture. Depending on the terms of the joint venture agreement, we may require the consent of our joint venture partners for the joint venture to take certain actions, such as making distributions to the partners. A joint venture partner may encounter financial difficulties and become unable to meet obligations with regard to funding of the joint venture. In addition, our joint venture partners and the joint ventures themselves may hold different views or have different interests from ours, and therefore may compete in the same market with us, in which case our interest and future development may be materially adversely affected.

Any future acquisitions could expose us to unforeseen risks or place additional strain on the management and other resources.

As part of our business strategy, we regularly evaluate investments in, or acquisitions of, subsidiaries, joint ventures, and we expect that we will continue to make such investments and acquisitions in the future. Any potential future acquisition may be accompanied by a number of risks, including risks relating to the evolving legal landscape in China. An acquired business may underperform relative to expectations or may expose us to unexpected liabilities. Acquisitions of entities that own real estate may involve risks in addition to the risks inherent in a real estate acquisition, because the acquisition of an entity generally includes all of the liabilities of the entity — known and unknown, fixed and contingent — rather than only the liabilities related to the real estate. These liabilities, which could be material, may include liabilities not disclosed by the seller of the entity or not discovered during our due diligence. In addition, the integration of any acquisition could require substantial management attention and resources. If we were unable to successfully manage the integration and ongoing operations, or hire and retain additional personnel necessary for the running of the expanded business, the results of our operations and financial performance could be adversely affected.

Acquisitions may result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our businesses, financial condition and results of operations. In particular, if any of the acquired businesses fails to perform as we expect, we may be required to recognize a significant impairment charge, which may materially and adversely affect our businesses, financial condition and results of operations. As a result, there can be no assurance that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational integration or our investment return target.

Our failure to successfully manage our business expansion, would have a material adverse effect on our results of operations and prospects.

Our expansion has created, and will continue to place, substantial demand on our resources. Managing our growth and integrating the acquired businesses will require us to, among other things:

- comply with the laws, regulations and policies applicable to the acquired businesses, including obtaining timely approval for the real estate construction as required under the PRC law;
- maintain adequate control on our business expansion to prevent, among other things, project delays or cost overruns;
- manage relationships with employees, customers and business partners during the course of our business expansion;

- attract, train and motivate members of our management and qualified workforce to support successful business expansion;
- access debt, equity or other capital resources to fund our business expansion, which may divert financial resources otherwise available for other purposes;
- divert significant management attention and resources from our other businesses; and
- strengthen our operational, financial and management controls, particularly those of our newly acquired subsidiaries, to maintain the reliability of our reporting processes.

Any difficulty meeting the foregoing or similar requirements could significantly delay or otherwise constrain our ability to implement our expansion plans, or result in failure to achieve the expected benefits of the combination or acquisition or write-offs of acquired assets or investments, which in turn would limit our ability to increase operational efficiency, reduce costs or otherwise strengthen our market position. Failure to obtain the intended economic benefits from the business expansion could adversely affect our business, financial condition, results of operations and prospects. In addition, we may also experience mixed results from our expansion plans in the short term.

Regulations in the PRC may make it more difficult for us to pursue growth through acquisitions.

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex, including the *Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009, and the *Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises*, or the Security Review Rules issued by the Ministry of Commerce of the People's Republic of China (the "MOFCOM") in August 2011. These laws and regulations impose requirements in some instances that MOFCOM must be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Anti-Monopoly Law of PRC requires that MOFCOM be notified in advance of any concentration of undertaking if certain thresholds are triggered. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by MOFCOM. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current plans to do so, we may elect to grow our business in the future in part by directly acquiring complementary businesses in China.

Our development plan may be adversely affected in the event that relocation issues related to government housing expropriations are not successfully settled by the relevant PRC governmental authorities.

We acquire property for development through bidding, auctions and listing procedures held by the government or through acquisitions of third parties. Some of the property we acquire from the government may have been made available through expropriation. On January 21, 2011, the PRC State Council issued the *Regulations on the Expropriation and Compensation of Houses on State-owned Land*, which provides that government entities at the city and county level are responsible for overseeing housing expropriation and compensation within their respective administrative regions. The regulations mandate that a compensation agreement be entered into between the relevant housing expropriation department and the entities or individuals whose houses have been expropriated addressing, among others things, the mode of payment and the amount of compensation, the period of payment, the removal expenses, temporary placement or transitional housing expenses, losses from the closure of business operations, the time period within which the entities or individuals must vacate the expropriated premises, the type of transitional accommodation and the period of transition. The compensation payable may not be less than the market value of property of a similar nature as of the date when the expropriation notice was issued. Under the regulations, property developers are prohibited from participating in the relocation arrangements. Given the fact that the completion of the relocation procedures is the condition precedent for the relevant PRC governmental authorities to grant land use rights, any failure of the PRC governmental authorities in handling the relocation issues may cause substantial delays in the granting process of land use rights. If we cannot obtain the land use rights from the relevant governmental authorities in time, our development plan may be delayed and we may not be able to complete the development and sell the property according to plan. This will, in turn, adversely affect our business operations.

We do not have insurance to cover potential losses and claims.

We do not maintain insurance policies for properties that we have delivered to our customers, and we maintain only limited insurance coverage against potential losses or damages with respect to our properties in the PRC before their delivery to customers. Although we require our contractors to carry insurance, we believe most of our contractors do not comply with this requirement. Our contractors may not be sufficiently insured themselves or have the financial ability to absorb any losses that arise with respect to our projects or pay our claims. In addition, there are certain types of losses, such as losses due to earthquakes, which are currently uninsurable in China. While we believe that our practice is in line with the general practice in the PRC property development industry, there may be instances when we will have to internalize losses, damages and liabilities because of the lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations. In addition, while we carry limited insurance on our operations in the United States, Malaysia and the UK, such insurance may not be adequate to compensate us for any losses, damages and liabilities we might incur with regard to our properties.

We may suffer a penalty or even forfeit land to the PRC government if we fail to comply with procedural requirements applicable to land grants from the government or the terms of the land use rights grant contracts.

According to the relevant PRC laws and regulations, if we fail to develop a property project according to the terms of the land use rights grant contract, including those relating to the payment of land premiums, specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, may impose a penalty or may order us to forfeit the land. Specifically, under current PRC laws and regulations, if we fail to pay land premiums in accordance with the payment schedule set forth in the relevant land use rights grant contract, the relevant PRC land bureau may issue a warning notice to us, impose late payment penalties or even require us to forfeit the related land to the PRC government. The late payment penalties are usually calculated based on the overdue days for the land premium payments. Furthermore, if we fail to commence development within one year after the commencement date stipulated in the land use rights grant contract, the relevant PRC land bureau may issue a warning notice to us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development within two years, the land will be subject to forfeiture to the PRC government, unless the delay in development is caused by government actions or force majeure. Even if the commencement of the land development is compliant with the land use rights grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project that should have been under construction and development or the total capital invested is less than one-fourth of the total investment of the project and the suspension of the development of the land continues for more than one year without government approval, the land will also be treated as idle land and be subject to penalty or forfeiture.

We cannot assure you that circumstances leading to significant delays in our own land premium payments or development schedules or forfeiture of land will not arise in the future. If we pay a substantial penalty, we may not be able to meet pre-set investment targeted returns for a given project and our financial conditions could be adversely affected. If we forfeit land, we will not only lose the opportunity to develop the property projects on such land, but may also lose a significant portion of the investment in such land, including land premium deposits and the development costs incurred.

Any non-compliant GFA of our uncompleted and future property developments will be subject to governmental approval and additional payments.

The local government authorities inspect property developments after their completion and issue the completion acceptance certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform with the plan authorized by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a completion acceptance certificate can be issued to the property development.

We have obtained completion acceptance certificates for all of our completed properties as of December 31, 2018. However, we cannot be certain that local government authorities will not determine that the total constructed GFA upon completion of our existing projects under development or any future property developments exceed the relevant authorized GFA. Any such non-compliance could lead to additional payments or penalty, which would adversely affect our financial condition. We have not incurred material amounts of any such payments or penalties since the founding of our company.

We may not be able to continue obtaining qualification certificates, which will adversely affect our business.

Real estate developers in the PRC must obtain a formal qualification certificate in order to carry on a property development business in the PRC. According to the PRC regulations issued on the qualifications of property developers, a newly established property developer must first apply for a temporary qualification certificate with a one-year validity, which can be renewed for not more than two years. If, however, the newly established property developer fails to commence a property development project within the one-year period during which the temporary qualification certificate is in effect, it will not be allowed to renew its temporary qualification certificate. All qualification certificates are subject to renewal on an annual basis. Under government regulations, developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates. In accordance with the provisions of the rules on the administration of qualifications, the real estate developer qualifications are classified into four classes and the approval system for each class is tiered. A real estate developer may only engage in the development and sale of real estate within the scope of its qualification certificate. See “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Qualifications of Developer.”

There can be no assurance that some of our project companies that are in the process of applying for or renewing proper qualification certificates will be able to obtain such certificates on a timely basis to commence their planned real estate projects development on schedule. There can be no further assurance that we and our project companies will continue to be able to extend or renew the qualification certificates or be able to successfully upgrade the current qualification class to a higher qualification. If we or our project companies are unable to obtain or renew qualification certificates, the PRC government will refuse to issue pre-sale and other permits necessary for the conduct of the property development business, and our results of operations, financial condition and cash flows will be adversely affected. In addition, if any of our project companies engages in the development and sale of real estate outside the scope of its qualification certificate, it may be ordered to rectify such conduct within a prescribed period, be fined up to RMB100,000, or even have its qualification certificate and business license revoked.

Our failure to assist our customers in applying for property ownership certificates in a timely manner may lead to compensatory liabilities to our customers.

We are statutorily required to meet various PRC regulation requirements within 90 days after delivery of property, or such other period contracted with our customers, in order for our customers to apply for their property ownership certificates, including passing various governmental clearances, formalities and procedures. Under our typical sales contract, we are liable for any delay in the submission of the required documents as a result of our failure to meet such requirements, and are required to compensate our customers for delays. In the case of delays of submission of required documents, we are required under contracts with our customers to pay compensation to our customers and our reputation and results of operations may be adversely affected.

The property development business is subject to claims under statutory quality warranties.

Under PRC law, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from our third-party contractors with respect to our property projects. If a significant number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties was not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and materially adversely affect our business, financial condition and results of operations.

We may become involved in legal and other proceedings from time to time and may suffer significant liabilities or other losses as a result.

We have in the past, and may in future, become involved in disputes with various parties relating to the acquisition of land use rights, the development and sale of our properties or other aspects of our business and operations. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. Disputes and legal and other proceedings may require substantial time and expense to resolve, which could divert valuable resources, such as management time and working capital, delay our planned projects and increase our costs. Third parties that are found liable to us may not have the resources to compensate us for our incurred costs and damages. We could also be required to pay significant costs and damages if we do not prevail in any such disputes or proceedings. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings."

The relevant PRC tax authorities may challenge the basis on which we have been paying our land appreciation tax obligations and our results of operations and cash flows may be affected.

Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to land appreciation tax ("LAT"), which is levied by the local tax authorities. All taxable gains from the sale or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60%. Exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed certain thresholds specified in the relevant tax laws. Gains from the sale of commercial properties, luxury residential properties and villas are not eligible for this exemption.

We have accrued LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant tax laws, less amounts previously paid under the levy method applied by relevant local tax authorities. However, provision for LAT requires our management to use a significant amount of judgment with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of project value and the various deductible items. Given the time gap between the point at which we make provisions for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our apportionment of deductible expense or other bases on which we calculate LAT. As a result, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the tax authorities in the future, our results of operations and cash flows will be materially and adversely affected. For a range of reasonably possible losses in excess of the amounts we have accrued for LAT, to the extent such estimates are determinable, see Note 14 of our Consolidated Financial Statements in this report.

Our operations may be affected by the real property taxes to be imposed by the PRC government.

In another attempt to cool the real estate market, the PRC government has been considering imposing real property tax on a nationwide scale and has designated Shanghai and Chongqing as trial regions. In response, on January 27, 2011, both Shanghai and Chongqing implemented local rules regarding the imposition of real property tax, with these rules taking effect on January 28, 2011, with Chongqing amending its rules on January 13, 2017. On February 20, 2013, the PRC State Council, in an executive meeting, stated a new policy regarding the real property tax that the government would select more trial regions for the real property tax that year. However, no other trial region has been publicized yet. Real property tax regulations may eventually be officially implemented at the national level; any such regulation could significantly impact the real estate market. In light of these developments, we cannot guarantee that our operations will not be adversely affected.

Dividends we receive from our PRC subsidiaries located in the PRC may be subject to PRC withholding tax.

The PRC Corporate Income Tax Law, or the CIT Law became effective as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation for the CIT Law issued by the PRC State Council became effective as of January 1, 2008. The CIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are “non-resident enterprises,” to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the Implementation for the CIT Law. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our PRC subsidiaries. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% income tax if we are considered a “non-resident enterprise” under the CIT Law. If we are required under the CIT Law to pay income tax for any dividends we receive from our PRC subsidiaries, it will materially and adversely affect the amount of dividends received by us from our PRC subsidiaries.

We may be deemed a PRC resident enterprise under the CIT Law and be subject to the PRC taxation on our worldwide income.

The CIT Law also provides that enterprises established outside of China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income (including dividend income received from subsidiaries). Under the *Implementation for the CIT Law*, “*de facto* management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Under the *Notice on the Issues Regarding Recognition of Overseas Incorporated Domestically Controlled Enterprises as PRC Resident Enterprises Based on the De Facto Management Body Criteria*, or Circular 82, which was retroactively effective as of January 1, 2008, an overseas incorporated, domestically-controlled enterprise will be recognized as a PRC resident enterprise if it satisfies certain conditions. Further, the State Administration of Taxation (the “SAT”) issued the *Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)*, or Bulletin 45, which became effective on September 1, 2011, and was amended on April 17, 2015 and June 28, 2016, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarified certain issues relating to the determination of PRC tax resident enterprise status, post-determination administration and the authorities responsible for determining offshore-incorporated PRC tax resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the in-charge tax authorities from an offshore-incorporated PRC tax resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the offshore incorporated PRC tax resident enterprise. However, as Circular 82 and Bulletin 45 only apply to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “*de facto* management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents or non-PRC enterprises such as our company. It is still unclear whether PRC tax authorities would require us to be treated as a PRC resident enterprise. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although dividends distributed from our PRC subsidiaries to us could be exempt from Chinese dividend withholding tax, since such income is exempted under the new CIT Law to a PRC resident recipient.

Dividends payable by us to our non-PRC investors and gain on the sale of our ADSs may become subject to taxes under PRC tax laws.

Under the *Implementation for the CIT Law*, a PRC income tax rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. For non-PRC individual investors, under the PRC Individual Income Law, there could be a PRC income tax at a rate of 20% for such dividends or gains. If we are considered a PRC “resident enterprise,” it is unclear whether dividends we pay with respect to our ADSs, or the gain you may realize from the transfer of our ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the *Implementation for the CIT Law* to withhold PRC income tax on dividends payable to our non-PRC investors that are “non-resident enterprises,” or non-PRC individuals, or if you are required to pay PRC income tax on the transfer of our ADSs, the value of your investment in our ADSs may be materially and adversely affected.

Indirect Transfers of Equity Interests in PRC Tax Resident Enterprises by Non-resident Enterprises May Cause Uncertainty on Tax Liabilities.

In accordance with the *Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises*, which is issued by the State Administration on Taxation on February 3, 2015 and amended on October 17, 2017 and December 29, 2017, or Circular 7, where a non-resident enterprise indirectly transfers equity interests or other properties of PRC tax resident enterprises, or PRC Taxable Property, to avoid its tax liabilities by implementing arrangements without reasonable commercial purpose, such indirect transfer shall be recharacterized and recognized as a direct transfer of PRC Taxable Property. As a result, gains derived from such indirect transfer and attributable to PRC Taxable Property may be subject to PRC withholding tax at a rate of up to 10%. In the case of an indirect transfer of “property of establishments” of a foreign enterprise in the PRC, the applicable tax rate would be 25%. In addition, as a general principle, the State Administration on Taxation also issued the *Administration of General Anti-Tax Avoidance (Trial Implementation)*, or GATA, which became effective on February 1, 2015 and empowers the PRC tax authorities to apply special tax adjustments for “tax avoidance arrangements.”

There is uncertainty as to the application of Circular 7 and GATA. For example, it may be difficult to evaluate whether or not the transaction has a reasonable commercial purpose, and such evaluation may be based on ambiguous criteria which have not been formally declared or stated by tax authorities. As a result, any of our disposals or acquisitions of the equity interests of non-PRC entities which indirectly hold PRC Taxable Property or any offshore transaction related to PRC Taxable Property, including potential overseas restructuring, might be deemed an indirect transfer under PRC tax regulations. However, since Circular 7 specifies that it does not apply if a non-resident enterprise obtains the proceeds from indirect transfer of Chinese taxable property by trading stocks of a listed foreign enterprise in the open market, for most of our investors, who either are not enterprises, or are non-resident enterprises but only trade stocks in the open market, they will not be required to pay tax under Circular 7, or GATA.

If the value of our brand or image diminishes, it could have a material adverse effect on our business and results of operations.

We intend to continue promoting the “Xinyuan” brand in selected cities in our target markets by delivering quality products and attentive real estate-related services to our customers. Our brand is integral to our sales and marketing efforts. Our continued success in maintaining and enhancing our brand and image depends to a large extent on our ability to satisfy customer needs by further developing and maintaining the quality of our services across our operations, as well as our ability to respond to competitive pressures. If we are unable to satisfy customer needs or if our public image or reputation were otherwise hindered, our business transactions with our customers may decline, which could in turn adversely affect our results of operations.

We may be required to record impairment charges in the future.

If the projected profitability of a given project deteriorates due to a decline in the pace of unit sales, a decline in selling prices, or some other factor, such project is reviewed for possible impairment by comparing the estimated future undiscounted cash flows for the project to its carrying value. If the estimated future undiscounted cash flows are less than the project’s carrying value, the project is written down to its estimated fair value. If business conditions deteriorate, there is a potential risk that impairment charges will be recorded, which may have a material adverse effect on our results of operation.

Any unauthorized use of our brand or trademark may adversely affect our business.

We own trademarks for “鑫苑” in the form of Chinese characters and our company logo in the PRC, United States, UK, EU, New Zealand, Australia, Singapore and Korea. We rely on those countries’ intellectual property and anti-unfair competition laws and contractual restrictions to protect brand name and trademarks. We believe our brand, trademarks and other intellectual property rights are important to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as the United States or the Cayman Islands, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving, and could involve substantial risks to us. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, our reputation may be harmed and our business may be adversely affected.

In the PRC, the registration and protection of a company’s corporate name is regional and limited to its related industry. Although we have registered our corporate name “Xinyuan” in certain provinces where we operate, we cannot prevent others from registering the same corporate name in other provinces or in other industries. If another company is the first to register “Xinyuan” as its corporate name in a province other than Beijing, Tianjin, Henan Province, Shandong Province, Jiangsu Province, Anhui Province, Sichuan Province, Hunan Province, and Shaanxi Province or in another industry, we will have to adopt another corporate name if we plan to enter that market or industry.

We may be subject to additional payments of statutory employee benefits.

According to PRC laws and local regulations, we are required to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agents for the benefit of all our employees. From time to time, we have utilized seller-financed contracts (under which a homebuyer may pay the purchase price for a residential unit in installment payments) as a competitive advantage, and we expect to continue to do so in the foreseeable future. We perform credit checks on homebuyers to whom we offer seller-financed arrangements. However, there is no assurance that the data provided will be completely accurate or current. Moreover, there is limit as to the extensiveness of the investigation we are able to conduct with respect to each homebuyer. Our checks in the past may not have revealed and any checks in the future may not reveal all the matters that an in-depth independent investigation performed by a bank or specialist whose primary business is credit review could uncover.

Our risk of monetary loss under any seller-financed agreement is mitigated by the homebuyer’s deposit we hold as collateral and our retention of possession and title to the apartments until the purchase price is paid in full. However, if any homebuyer to whom we have offered seller-financed arrangement defaults, our ability to recognize revenue from the sale of the affected apartment will be delayed, we may incur additional expenses in selling the apartment and our financial results could be adversely affected.

Our property development schedule may be delayed and our development costs may increase as a result of delayed governmental demolition and resettlement processes if we were to acquire land requiring demolition of existing properties.

According to the *Regulations on the Expropriation and Compensation of Houses on State-owned Land*, local PRC governments are responsible for the expropriation and compensation of houses on State-owned land and may authorize entities like us to carry out the expropriation and compensation work. However, in practice, we may be required to pay the corresponding demolition and resettlement costs. If the party subject to expropriation is not satisfied with the compensation, an administrative reconsideration or an administrative action can be brought, which may delay the project. Our practice generally has been to acquire land where demolition of existing properties and resettlement of residents is not required. However, if we were to acquire land where such actions are required, issues in the demolition and resettlement processes may affect our reputation, increase our costs and delay the pre-sales of the relevant project, which may in turn adversely affect our business, financial position and operational performance.

To the extent demolition and resettlement are required in any of our future property developments, we may be required to compensate existing residents an amount calculated in accordance with local resettlement compensations standards. These local standards may change from time to time without advance notice. If such compensation standards are changed to increase the compensation we are required to pay, our land acquisition costs may increase, which could adversely affect our financial condition and results of operations. In respect of projects in which the resettlement cost are borne by us, if we or the local government fail to reach an agreement over the amount of compensation with any existing owner or resident, any party may apply to the relevant authorities for a ruling on the compensation amount. Dissenting owners and residents may also refuse to relocate or even initiate legal proceedings to challenge our land use rights, permits or approvals. Any administrative process, legal proceedings, resistance or refusal to relocate may delay our future project development schedules, and an unfavorable final ruling may result in us paying more than the amount required by the local standards or even losing the relevant certificates, permits or approvals. Any occurrence of the above factors may result in increases in our future development costs or delay the development schedule of the relevant project which can adversely affect our cash flows, financial condition and results of operations.

We could be adversely affected by potential violations of the United States Foreign Corrupt Practices Act.

The United States Foreign Corrupt Practices Act, or FCPA, generally prohibits companies and their intermediaries from making improper payments to public officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. We operate and retain employees in China, the United States, Malaysia and the UK, and we rely on our management structure, regulatory and legal resources and effective operation of our compliance program to direct, manage and monitor the activities of our employees. Despite our training, oversight and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from deliberate, reckless or inadvertent acts of our employees or agents that contravene on compliance policies or violate applicable laws. Our continued expansion in China and the United States could increase the risk of such violations in the future. Expansion into other countries could expose us to additional anti-bribery or anticorruption laws, and we could face additional risks if expand our operations into countries where the compliance culture is less robust. Violations of the FCPA, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition.

Risks Relating to the Residential Property Industry in China

Our operations are highly subject to government policies and regulations in the real estate market.

Since 2010 the PRC government has been tightening its control of the real estate market with the aim of curbing increases in property prices while also, since early 2015, trying to stimulate the market to reduce inventory. A number of rules and regulations have been set forth by various PRC authorities concerning the real estate market. See “Item 4. Information on the Company — B. Business Overview — Regulation — China” for more details on some of the PRC regulations.

Since 2016, the local governments of several cities in the PRC have implemented a series of measures designed to stabilize the growth of the property market on a more sustainable level. Such tightening measures have affected some of the cities where we operate, including Zhengzhou, Suzhou, Chengdu, Jinan, Tianjin, Beijing, Xi’an and Changsha. These measures regulate various aspects of the property market, including: (i) land acquisition financing (for example, increase in land bidding deposits in Zhengzhou to 100%), (ii) pre-sale management, (iii) sale price restriction (for example, Suzhou requires developers to file sale prices at the price filing systems of relevant authorities), (iv) purchaser qualification (for example, a Jinan regulation provides that local residents are eligible to purchase no more than two residential properties while qualified non-residents are eligible to purchase only one residential property) and (v) purchaser financing (for example, Zhengzhou and Suzhou have both raised down-payment ratios for the first and second home owners). These local measures may also cause adverse and material impacts on our business operations and financial results.

However, the full effect and extent of these policies on the real estate industry and our business will depend in large part on the implementation and interpretation of the circulars by governmental agencies, local governments and banks in the real estate industry. The PRC government's policies and regulatory measures on the PRC real estate sector could limit our access to required financing and other capital resources, adversely affect the property purchasers involved' ability to obtain mortgage financing or significantly increase the cost of mortgage financing, reduce market demand for our properties and increase our operating costs. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures or that agencies and banks will not adopt restrictive measures or practices in response to PRC governmental policies and regulations, which could substantially reduce pre-sales of our properties and cash flow from operations and substantially increase our financing needs, which would in turn materially and adversely affect our business, financial condition, results of operations and prospects.

The PRC government has adopted various measures to regulate foreign investment in the property development industry and may adopt further restrictive measures in the future.

The PRC government has implemented a number of regulations and measures governing foreign investment in the property development industry.

In July 2006, the MOHURD, the National Development and Reform Commission (the "NDRC"), the PBOC, the State Administration for Industry and Commerce, or the SAIC, and the SAFE, issued the *Opinions on Regulating the Entry and Administration of Foreign Investment in the Real Estate Market*, which impose significant requirements on foreign investment in the PRC real estate sector. For instance, these opinions set forth requirements for the procedures to set up an FIREE and the thresholds for a FIREE to borrow domestic or overseas loans. In addition, since June 2007, a FIREE approved by local authorities is required to file such approvals with the MOFCOM or its provincial branches. We cannot assure that any FIREE that we establish, or whose registered capital we increase, will be able to complete the filing procedures with MOFCOM in time or otherwise fully comply with those specific requirements set for FIREEs.

The regulatory restrictions imposed on foreign investment in real estate projects has been and continues to be evolving. Currently, under the *Special Administrative Measures for Access of Foreign Investment (Negative List)* (2018 Edition), or the List 2018, promulgated by the MOFCOM and the NDRC, which took effect on July 28, 2018, there are no specific restrictions for foreign investment in the real estate industry. However, on March 15, 2019, the National People's Congress adopted the *Foreign Investment Law of the PRC*, or the FIL, which will become effective on January 1, 2020. The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list" to be published. As the "negative list" under the FIL has yet to be published, it is unclear as to whether it will differ from the List 2018.

The PRC government's restrictive regulations and measures could increase our operating costs in adapting to these regulations and measures, limit our access to capital resources or even restrict our business operations. We cannot be certain that the PRC government will not issue additional and more stringent regulations or measures, which could further adversely affect our business and prospects.

We face intense competition from other real estate developers.

The property industry in the PRC is highly competitive. In the high-growth tier I and tier II cities we focus on, local and regional property developers are our major competitors, and an increasing number of large state-owned and private national property developers have started entering these markets. Many of our competitors, especially the state-owned and private national property developers, are well capitalized and have greater financial, marketing and other resources than we have. Some also have larger land banks, greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. In addition, the PRC government's recent measures designed to reduce land supply has further increased competition for land among property developers.

Competition among property developers may result in increased costs for the acquisition of land for development, increased costs for raw materials, shortages of skilled contractors, oversupply of properties, decrease in property prices in certain parts of the PRC, a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect our business and financial condition. Furthermore, property developers that are better capitalized than we are may be more competitive in acquiring land through the auction process. If we cannot respond to changes in market conditions as promptly and effectively as our competitors or effectively compete for land acquisitions through the auction systems, our business and financial condition will be adversely affected.

In addition, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. We are exposed to the risk that in the event of actual or perceived over-supply, property prices may fall drastically, and our revenue and profitability will be adversely affected.

Our sales, revenues and operations will be affected if our customers are not able to secure mortgage financing on attractive terms, if at all.

A majority of the purchasers of our residential properties rely on mortgages to fund their purchases. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not desire or be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected. Among other factors, the availability and cost of mortgage financing may be affected by changes in PRC regulations or policies or changes in interest rates. The circulars issued by the PRC State Council and related measures taken by local governments and banks have restricted and may continue to restrict the ability of purchasers to qualify for or obtain mortgage financing.

On March 30, 2015, the PBOC, the MOHURD and the CBRC jointly issued the *Circular on Issues concerning Individual Residential Mortgage Policies* in an effort to stimulate the market. The circular specifies the minimum down payment is 20% for purchasers of a first residential property for their households with their housing fund loans and 40% for the purchasers of a second residential household property with housing fund loans with outstanding mortgages who apply for another mortgage. On August 27, 2015, the MOHURD, the Ministry of Finance of the PRC (the “MOF”) and the PBOC jointly issued the *Circular on Adjusting the Minimum Down Payment for the Purchase of Houses by Individuals with the Housing Fund Loans*, which provides that the purchasers of a second residential household property with housing fund loans are only required to pay a minimum down payment of 20% if all loans are settled on their first residential property.

We cannot predict how long these policies will continue or what other action, if any, the banks in cities in which we operate may take. In addition, from 2013, PRC banks have tightened the conditions on which mortgage loans are extended to homebuyers by comparing the anticipated monthly repayment of the mortgage loan with the individual borrower’s monthly income and other measures. Therefore, mortgage loans for home buyers have been subject to longer processing periods or even denied by the banks. We monitor our homebuyers’ outstanding mortgage loans on an ongoing basis via our management reporting procedures and have taken the position that contracts with underlying mortgage loans with processing periods exceeding one year cannot be recognized as revenue on an over time basis. As a result, we reversed contracted sales of the amounts related to apartments for which mortgage loans with processing periods exceeding one year when recognizing revenue on an over time basis.

Risks Relating to China

PRC economic, political and social conditions as well as government policies can affect our business.

The PRC economy differs from the economies of most developed countries in many aspects, including:

- political structure;
- degree of government involvement;
- degree of development;
- level and control of capital reinvestment;
- control of foreign exchange; and

- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For more than two decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on China's overall and long-term development, we cannot predict whether changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

Changes in foreign exchange regulations may adversely affect our ability to transfer funds and subsequently impact the results of our operations.

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in RMB. The PRC government regulates the conversion between RMB and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. There can be no assurance that these PRC laws and regulations on foreign investment will not cast uncertainties on our financing and operating plans in China. Under current foreign exchange regulations in China, subject to the relevant registration at the SAFE, we will be able to pay dividends in foreign currencies, without prior approval from the SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness and to distribute dividends to our shareholders in foreign currencies.

On March 30, 2015, the SAFE issued the *Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises*, or Circular 19, which became effective on June 1, 2015. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises.

On June 9, 2016, the SAFE issued the *Circular on Reforming and Regulating Policies on the control over Foreign Exchange Settlements under Capital Accounts*, or Circular 16. Circular 16 provides that domestic enterprises may go through foreign exchange settlement formalities for their foreign debts at their discretion. However, Circular 19 and Circular 16 do not materially influence the restriction on the use of foreign currency registered capital for foreign-invested enterprises, including prohibit foreign-invested enterprises from, among other things, using Renminbi capital converted from its foreign currency registered capital for expenditures beyond its business scope.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise adversely affect us.

On July 4, 2014, the SAFE issued the *Circular on the Administration of Foreign Exchange Issues Related to Overseas Investment, Financing and Roundtrip Investment by Domestic Residents through Offshore Special Purpose Vehicles*, or the Circular 37, which replaced the former circular commonly known as "Circular 75" implemented on October 21, 2005. The Circular 37 requires PRC residents to register with the competent local SAFE branch in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. The Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contribution by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Additionally, as a result of uncertainty concerning the reconciliation of these notices with other approval or registration requirements, it remains unclear how these notices, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We believe that all of our shareholders who were PRC citizens or residents at the time of our initial public offering completed their required registrations with the SAFE in accordance with Circular 75 before the promulgation of Circular 37 prior to, and immediately after, the completion of our initial public offering. As a publicly traded company in the United States, we may not at all times know of the identities of all of our beneficial owners who are PRC citizens or residents, and we may have little control over either our present or prospective direct or indirect PRC resident beneficial owners or the outcome of such registration procedures. We cannot assure that the SAFE registrations of our present beneficial owners or future beneficial owners who are PRC citizens or residents have been or will be amended to reflect, among others, the shareholding information or equity investments required by the Circular 37 and other SAFE requirements, at all times. The failure or inability of these PRC resident beneficial owners to comply with applicable SAFE registration requirements may subject us to the sanctions described above, including sanctions which may impede our ability to contribute the additional capital from our proceeds of any future offerings to our PRC subsidiaries, and our PRC subsidiaries' ability to pay dividends or distribute profits to us.

Interpretation of PRC laws and regulations involves uncertainty.

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has implemented laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Some of these laws may be changed without being immediately published or may be amended with retroactive effect. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, particularly if a competitor has long been established in the locality of, and has developed a relationship with, such agency. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under its permits, and other statutory and contractual rights and interests.

The PRC national and regional economies may be adversely affected by a recurrence of epidemic.

Certain areas of China, including the high growth cities where we operate, are susceptible to epidemics such as Severe Acute Respiratory Syndrome ("SARS"), avian or swine influenza. A recurrence of SARS, avian or swine influenza or any epidemic in these cities or other areas of China could result in material disruptions to our property developments, which in turn could materially and adversely affect our financial condition and results of operations.

We may face PRC regulatory risks relating to our equity compensation plans.

On February 15, 2012, the SAFE implemented the *Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies*, or the Stock Option Notice. Under the Stock Option Notice, if a PRC resident participates in any employee stock incentive plan of an overseas listed company, a qualified domestic PRC agent or the PRC subsidiary of such overseas listed company must, among other things, file, on behalf of such individual, an application with the SAFE or its local counterpart to obtain approval for an annual allowance with respect to the foreign exchange in connection with the stock holding, unit holding, share option exercises, or the holding of other types of equities permitted by PRC law. Concurrently, the qualified domestic PRC agent or the PRC subsidiary must also obtain approval from the SAFE or its local counterpart to open a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the stock acquisition or option exercise, any returned principal or profits upon the sale of shares, any dividends issued on the stock and any other income or expenditures approved by the SAFE or its local counterpart. In addition, the PRC agent or the PRC subsidiary is required to amend the SAFE registration with respect to the stock options or other awards granted if there is any material change to the stock options or other awards, the PRC agent or the PRC subsidiary, the overseas listed company, or any other material changes. If we, or any of these persons mentioned above, fail to comply with the relevant rules or requirements, we may be subject to penalties, and may become subject to more stringent review and approval processes with respect to our foreign exchange activities, such as our PRC subsidiaries' dividend payment to us or borrowing foreign currency loans, all of which may adversely affect our business and financial condition.

Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to full inspection by the Public Company Accounting Oversight Board, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission (the "SEC") as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States) (the "PCAOB") is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where the PCAOB is currently unable to conduct full inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not subject to regular full inspections by the PCAOB.

Inspection of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future auditor quality. The inability of the PCAOB to conduct full inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of the PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

We may be adversely affected by the settlement order between the SEC and certain PRC-based accounting firms, including our independent registered public accounting firm.

In December 2012, the SEC instituted proceedings under Rule 102(e)(1)(iii) of the SEC's Rules of Practice against five PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain PRC-based companies that are publicly traded in the United States. Rule 102(e)(1)(iii) grants the SEC the authority to deny to any person, temporarily or permanently, the ability to practice before the SEC who is found by the SEC, after notice and opportunity for a hearing, to have willfully violated any such laws or rules and regulations. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. Four of these PRC-based accounting firms appealed to the SEC against this decision and, on February 6, 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The firms' ability to continue to serve all their respective clients is not affected by the settlement. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CRSC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. The settlement did not require the firms to admit to any violation of law and preserves the firms' legal defenses in the event the administrative proceeding is restarted. We are not involved in the proceedings brought by the SEC against the accounting firms. However, our independent registered public accounting firm is one of the four accounting firms subject to the settlement order. We may therefore be adversely affected by any failure of our independent registered public accounting firm to satisfy its obligations in accordance with the settlement, along with other U.S.-listed companies audited by them.

In addition, on May 26, 2015, the MOF issued *Notice on the Interim Provisions on the Audits Conducted by Accounting Firms concerning the Overseas Listing of Chinese Domestic Companies*, or Circular 9, which became effective on July 1, 2015. In accordance with Circular 9, auditors based outside of China, including our independent registered public accounting firm, are required to cooperate with mainland Chinese auditors with requisite qualifications and enter into written arrangements with mainland Chinese auditors in order to conduct audit work for overseas listed mainland Chinese companies, and auditors based outside of China shall undertake the auditing responsibilities which may be incurred. Hence, our independent registered public accounting firm may need to establish appropriate arrangements with mainland Chinese auditors in order to continue to audit our financial statements, which may be difficult in light of the SEC's administrative proceedings and the settlement described above. If our auditor were unable to have alternate support or cooperation arrangements or otherwise were unable to address issues related to the production of documents in accordance with the settlement order in the SEC proceedings and we were unable to timely find another independent registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such a determination could ultimately lead to delisting of our ADSs from the NYSE or deregistration from the SEC, or both.

Risks Related to Our ADSs

The market price for our ADSs may be volatile.

The market price for our ADSs may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other real estate developers, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, fluctuations of exchange rates between RMB and the U.S. dollar, release of transfer restrictions on our outstanding shares or ADSs, and economic or political conditions in China. In addition, the performance and fluctuation in market prices of other companies with business operations located mainly in China that have listed their securities in the United States may affect the volatility in the price of and trading volumes of our ADSs. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our ADSs.

We may raise additional capital through the sale of additional equity or debt securities, which could result in additional dilution to our shareholders, or impose upon us additional financial obligations.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our property developments, investments and/or acquisitions, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities. Sales of additional equity or convertible securities could result in additional dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations, including our ability to pay dividends or redeem stock. We cannot guarantee that financing will be available in amounts or on terms acceptable to us, if at all.

Substantial future sales or the perception of sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs or common shares in the public market, or the perception that such sales could occur, could cause the market price of our ADSs to decline. As of December 31, 2018, we had 119,805,636 common shares outstanding, including 70,190,346 common shares represented by 35,095,173 ADSs. All ADSs are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, (the "Securities Act"), other than those held by affiliates which are subject to volume and other restrictions as applicable under Rule 144 under the Securities Act. The remaining common shares outstanding are available for sale, subject to any volume and other restrictions as applicable under Rule 144. According to an amended Schedule 13D filed by TPG Asia in February 2019, as of such time, TPG Asia held 7,130,648 of our outstanding common shares. We have filed a resale registration statement covering the resale in the United States of ADS representing the common shares issued to TPG Asia. The sale or perceived sale of a substantial amount of our ADSs by any principal shareholder could adversely affect the prevailing market price for our ADSs. Such sales or perceived sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. To the extent that common shares (in the form of ADSs) are sold into the market, the market price of our ADSs could decline.

The interests of our major shareholders may not be aligned with the interests of our other shareholders.

As of April 1, 2019, Mr. Yong Zhang, Chairman of our board of directors, and Ms. Yuyan Yang, also a board member, beneficially owned 26.1% and 23.7%, respectively of our share capital. Accordingly, they each have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership by our major shareholders may result in actions being taken even if opposed by our other shareholders. In addition, it may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs.

If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud.

We are subject to reporting obligations under U.S. securities laws, including the SEC's disclosure rules relating to an effective system of internal controls over financial reporting and of disclosure controls. If we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level.

Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important to help prevent fraud. As a result, our failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our ADSs. Furthermore, we have incurred and expect to continue to incur considerable costs and devote significant management time and efforts and other resources to comply with Section 404 of the Sarbanes-Oxley Act.

We are a foreign private issuer with the meaning of the rules under the Exchange Act, as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to United States domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current report on Form 8-K;
- the section of the Exchange Act regulating the solicitation of proxies, consents or authorizations respect of a security registered under the Exchange Act;

- the section of the Exchange Act requiring directors, officers and 10% holders to file public reporting of their stock ownership and trading activities and imposing liability on insiders who profit from trades made in a short period of time;
- the selective disclosure rules under Regulation FD restricting issuers from selectively disclosing material nonpublic information.

Accordingly, the information we are required to file with or furnish to the SEC is less extensive and less frequent compared to that required to be filed with the SEC by U.S. domestic issuers.

We are a foreign private issuer for purposes of the NYSE corporate governance requirements, as a result of which public investors may not have as many protections as they would if we were a U.S. domestic public company.

As a foreign private issuer, we may rely on home country corporate governance practices instead of certain of the NYSE corporate governance requirements. We are incorporated under the laws of the Cayman Islands. Under Cayman Islands law we are not required to adopt or maintain certain of the NYSE corporate governance rules. The NYSE requirements with which we are not required to comply include rules requiring that:

- a majority of our board of directors consist of independent directors;
- our compensation committee be composed entirely of independent directors;
- our governance and nominating committee be composed entirely of independent directors;
- the members of our audit committee satisfy certain independence criteria in addition to those of Rule 10A-3 of the Exchange Act;
- our shareholders approve the adoption or material revision of any equity compensation plan; and
- our shareholders approve certain issuances of our equity securities.

We are currently following home country practice on the requirements described above. Accordingly, a majority of our board of directors is composed of management or former management directors. Each of our compensation committee and governance and nominating committee include non-independent directors. In addition, we are not required to put forward for a shareholder vote new equity plans or change to existing equity plans or other significant share issuance. For a more detailed discussion of the ways in which our corporate governance differs from that of a U.S. domestic company listed on the NYSE, see “Item 16G. Corporate Governance.” As a result of our use of the “home country practice” exception from the NYSE corporate governance rules, you do not have same shareholder protections as you would if we were a U.S. domestic public company.

We are not required to follow customary practices applicable to U.S. domestic companies with respect to determining and disclosing executive compensation.

As a foreign private issuer, we are not subject to many of the corporate governance requirements and disclosure requirements relating to executive compensation matters under the U.S. securities laws. Under our compensation committee charter, only 50% of members of the committee at any time (less than a majority) must be independent of management, while a U.S. domestic issuer is required to form a compensation committee composing entirely of independent directors. We are also not required to and do not report compensation of senior management or directors on an individual basis. As a result, investors are not able to access for themselves appropriateness or reasonableness of the amount or form of compensation for individual executives. The SEC has a new adopted rule for disclosure of a chief executive officer pay relative to that of the median total compensation for employees, does not apply to foreign private issuers.

We have entered into agreements that provide for the payment of annual bonuses based on a percentage of net income to certain of our executive officers. In other cases we have made arrangements or established bonus plans that provide for the payment of performance bonuses to employees, including executive officers, based on assessment of their contributions to our business development, improvement of operation management, and fund financing activities. These accrual and payments could result in a decrease of our net profit attributable to public shareholders.

You may not have the same voting rights as the holders of our common shares and may not receive voting materials in time to be able to exercise your right to vote.

Holders of our ADSs will not be able to exercise voting rights attaching to the underlying common shares represented by our ADSs on an individual basis. Holders of our ADSs appoint the depositary or its nominee as their representative to exercise the voting rights attaching to the common shares represented by the ADSs. Holders of ADSs may not receive voting materials in time to instruct the depositary to vote, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote. As soon as practicable after the depositary receives from us a notice of a shareholders' meeting, the depositary will distribute to registered holders of ADRs a notice stating (a) such information as is contained in such notice and any solicitation materials, (b) that each registered holder on the record date set for such purpose will, subject to any applicable provisions of Cayman Islands law, be entitled to instruct the depositary as to the exercise of the voting rights and (c) the manner in which such instructions may be given, including instructions to give a discretionary proxy to a person designated by us. The depositary will not itself exercise any voting discretion in respect of any common shares nor will it provide any instructions with respect to the common shares represented by any ADSs for which voting instructions were not timely and properly received. There can be no guarantee that registered holders of ADRs will receive the notice described above with sufficient time to enable them to return any voting instructions to the depositary in a timely manner. To the extent you hold your ADSs through a bank, broker or other nominee, you will be relying upon such institutions with respect to voting matters.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign law against us or our management named in the annual report.

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our wholly-owned subsidiaries in China. Most of our assets are located in China. In addition, many of our directors and senior executive officers reside within China and some or all of the assets of those persons are located outside of the United States. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our directors and senior executive officers, including with respect to matters arising under U.S. federal securities law or applicable state securities law. Even if you are successful in bringing an action of this kind, the respective law of the Cayman Islands and China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided such judgment (i) is final and conclusive, (ii) is not in respect of taxes, a fine or a penalty; and (iii) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. Moreover, the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or are exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or underlying securities or to endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection of your shareholder rights than you would under U.S. law.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Law of the Cayman Islands, as amended from time to time, and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the United States. In particular, the Cayman Islands have a less developed body of securities laws as compared to the United States, and provide significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the United States.

In mergers and consolidations where the merged company or consolidated company will continue to be a Cayman Islands entity, dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands courts) if they follow required procedures, subject to certain exceptions. However, these rights have never been tested before the Cayman Islands court and as a result, they may not be comparable to the appraisal rights that would ordinarily be available to dissenting shareholders of a U.S. company.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States.

Our articles of association may contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

Our amended and restated articles of association contain provisions limiting the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and their qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADSs or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

We may be classified as a passive foreign investment company, which could result in adverse United States federal income tax consequences to U.S. holders of our ADSs or common shares.

The rules governing passive foreign investment companies (“PFICs”) can have adverse effects for United States federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. The determination of whether we are a PFIC depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and may also be affected by the application of the PFIC rules, which are subject to differing interpretations. Based on our estimated gross income, the average value of our assets, including goodwill and the nature of our business, although not free from doubt, we do not believe that we were classified as a PFIC for United States federal income tax purposes for the taxable year ending December 31, 2018.

If we are a PFIC, U.S. Holders of our ordinary shares or ADSs would be subject to adverse United States federal income tax consequences, such as ineligibility for any preferred tax rates on capital gains or on actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under United States federal income tax laws and regulations. A U.S. Holder of our ordinary shares or ADSs may be able to mitigate some of the adverse United States federal income tax consequences described above with respect to owning the ordinary shares or ADSs if we are classified as a PFIC, provided that such U.S. Holder is eligible to make, and validly makes, a “mark-to-market” election. In certain circumstances, a U.S. Holder can make a “qualified electing fund” election to mitigate some of the adverse tax consequences described with respect to an ownership interest in a PFIC by including in income its share of the PFIC’s income on a current basis. However, we do not currently intend to prepare or provide the information that would enable a U.S. Holder to make a qualified electing fund election.

See “Item 10. Additional Information — E. Taxation — U.S. Federal Income Taxation — Passive Foreign Investment Company.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a Cayman Islands holding company and conduct business primarily through our operating subsidiaries in China and, as to certain operations, non-PRC based subsidiaries.

Our company was incorporated in the Cayman Islands on March 26, 2007 as an exempted company. Our company operates under Cayman Islands Companies Laws (2018 Revision). Our registered address is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. Our principal executive offices are located at 27/F, China Central Place, Tower II, 79 Jianguo Road, Chaoyang District, Beijing 100025, People’s Republic of China. Our telephone number at this address is (86) 10 8588-9200.

For a discussion of our capital expenditures for the last three fiscal years, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Capital Expenditures.”

The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants, including us, that make electronic filings with the SEC using its EDGAR system. Our website is www.xyre.com. The information contained on our website does not form part of this annual report.

B. Business Overview

We are a real estate developer that strategically focuses on selected high growth cities in China and the United States. Our standardized and scalable model emphasizes rapid asset turnover, efficient capital management and strict cost control.

We focus on developing large scale quality residential projects, which typically consist of multiple residential buildings that include multi-layer apartment buildings, sub-high-rise apartment buildings or high-rise apartment buildings. Several of our projects include auxiliary services and amenities such as retail outlets, leisure and health facilities, kindergartens and schools. We also develop small-scale residential properties. Our China developments aim at providing middle-class consumers with a comfortable and convenient community life. In addition, we provide property management services for our developments and other real estate-related services to our customers. We acquire development sites in China primarily through public auctions of government land and acquisitions of entities.

We have expanded our business and operations significantly during the past three years. The number of projects we had under construction increased from 21 projects with a total GFA of 4,356,707 square meters as of December 31, 2015, to 29 projects with a total GFA of 4,480,111 square meters as of December 31, 2018. We have 13 additional projects with a total GFA of 3,061,712 square meters under planning as of December 31, 2018. As of December 31, 2018, we have completed 52 projects with a total GFA of approximately 7,824,687 square meters and comprising a total of 91,786 units, more than 97.4% of which have been sold. For the three years ended December 31, 2016, 2017 and 2018, our revenues were US\$1,561.6 million, US\$1,976.9 million, and US\$2,217.6 million respectively. Our net income for the same periods was US\$79.5 million, US\$80.1 million, and US\$106.0 million respectively.

While our primary focus has been in China, we see potential opportunities for residential real estate development in other jurisdictions that might be attractive to both Chinese and U.S. buyers. In 2012, we acquired a 8,094 square meters parcel of land in the Williamsburg neighborhood of Brooklyn, New York, for US\$54.2 million, on which we built 216 condominium units with a net saleable floor area of approximately 30,855 square meters, the New York Oosten Project. Our New York Oosten Project started construction in November 2013 and delivered it in December 2016. As of December 31, 2018, the project has recognized a total revenue of about US\$259.3 million from the sales of 176 units out of 216 total units. In January 2016, we also acquired a parcel of land in midtown Manhattan, New York, for US\$57.5 million. The land allows for approximately 10,235 square meters gross buildable development. Our Hudson Garden project in Manhattan, New York has completed construction up to 6th floor. With design drawing optimization, the total number of units increased from 82 to 92. A total of 29 thousand square feet out of the 38 thousand square feet of commercial space has been leased to the U.S. department store retailer Target with a 20-year lease. In August 2016, we acquired a parcel of land in the Flushing neighborhood of Queens, New York for US\$66.0 million. The land allows for a mixed use development comprising approximately 30,112 square meters with approved plans. We continue to execute on planning, governmental approvals, and pre-development of our ground-up development project in Flushing, New York. There is a landmarked theatre on this land. After the Landmark Protection Committee's approval on our landmark protection plan, we were awarded with a Certificate of Appropriateness.

In 2014, we acquired 100% share of a Malaysian company, which is engaged in land reclamation development for a total of 170 acres (approximately 687,966 square meters). The reclamation work was formally commenced in July 2018 and is expected to be completed in the first half of 2020.

On March 21, 2018, we acquired from ED Group, a 50% equity stake in MDL, the developer of the Madison Project, via our wholly-owned subsidiary Xinyuan International (HK) Property Investment Co., Limited for a total consideration of GBP29.5 million equivalent to US\$41.4 million. The Madison Project site extends to 0.38 hectares (or approximately 0.94 acres) and is located adjacent to Canary Wharf, one of Europe's largest commercial centers. Permission was granted in March 2015 to develop a 53-story building comprised of 423 residential apartments, including 319 private apartments and 104 affordable apartments, with approximately 425 square meters of community facilities. Construction is currently underway and completion of the project is expected to occur during for the third quarter of 2020. As of December 31, 2018, all of the 104 affordable apartments have been pre-sold. Of the remaining 319 apartments, 133 apartments have been sold, representing 41.7% of the total number of units. We will continue to seek for high-growth opportunities globally.

We also plan to retain and develop commercial portions of some of our properties such as shopping malls, supermarkets or hotels and to lease and manage those properties ourselves. As of the date of this annual report, we have completed seven of such projects, including Xinyuan Priority Lifestyle Shopping Center with a total GFA of approximately 47,000 square meters, located in Zhengzhou city, Henan Province, Xi'an Xinyuan Metropolitan Shopping Center with a total GFA of approximately 116,000 square meters, located in Xi'an city, Shaanxi Province, Xingyang Xindo Park Shopping Center with a total GFA of approximately 15,000 square meters, located in Xingyang city, Henan Province, Changsha Xindo Park Shopping Center with a total GFA of approximately 12,000 square meters, located in Changsha city, Hunan Province, Chengdu Xindo Park Shopping Center with a total GFA of approximately 19,000 square meters, located in Chengdu city, Sichuan Province, Zhengzhou Xindo Park Shopping Center with a total GFA of approximately 24,000 square meters, located in Zhengzhou city, Henan Province, and Kunshan Xindo Park Shopping Center with a total GFA of approximately 4,000 square meters, located in Kunshan city, Jiangsu Province. As of the date of this annual report, we have three projects under construction in which we will retain approximately 200,000 square meters of GFA for development as commercial properties held for lease.

Our Markets

We currently operate in 18 markets in China - Beijing, Shanghai, Tianjin, Chengdu in Sichuan Province, Hefei in Anhui Province, Jinan and Qingdao in Shandong Province, Suzhou, Kunshan and Xuzhou in Jiangsu Province, Zhengzhou in Henan Province, Changsha in Hunan Province, Sanya in Hainan Province, Xi'an in Shaanxi Province, Zhuhai in Guangdong Province, Dalian in Liaoning Province, Wuhan in Hubei Province and Huzhou in Zhejiang Province. During 2018, we also operated in three locations in the United States - Irvine, California; Reno, Nevada; the neighborhoods of Williamsburg, Brooklyn and Flushing, Queens, New York; and in Malaysia.

The following table sets forth the numbers of our projects and the total GFA in each location indicated as of December 31, 2018:

	Properties under Construction (m ²)	Properties under planning (m ²)	Properties held for sale (m ²)	Completed projects (m ²)	Total number of projects	Total GFA (m ²)
China						
Beijing	–	102,300	–	133,096	2	235,396
Chengdu	742,626	–	–	651,419	4	1,394,045
Zhengzhou	2,127,366	1,813,800	–	3,208,998	46	7,150,164
Jinan	566,496	–	–	1,191,703	7	1,758,199
Hefei	–	–	–	145,455	1	145,455
Suzhou	88,504	75,100	–	781,456	9	945,060
Kunshan	107,919	–	–	867,536	4	975,455
Xuzhou	130,657	–	–	101,762	2	232,419
Sanya	–	–	–	117,583	1	117,583
Shanghai	–	–	–	57,770	1	57,770
Changsha	163,408	–	–	251,057	3	414,465
Xi'an	–	226,000	–	285,997	2	511,997
Zhuhai	–	70,000	–	–	1	70,000
Tianjin	283,753	–	–	–	2	283,753
Qingdao	155,202	380,000	–	–	2	535,202
Dalian	103,945	44,500	–	–	2	148,445
Wuhan	–	185,000	–	–	1	185,000
Huzhou	–	134,900	–	–	1	134,900
Sub Total	4,469,876	3,031,600	–	7,793,832	91	15,295,308
United States						
Irvine ⁽¹⁾	–	–	2,865	–	1	2,865
Nevada ⁽²⁾	–	–	N/A	–	1	N/A
New York	10,235	30,112	–	30,855	3	71,202
Total	4,480,111	3,061,712	2,865	7,824,687	96	15,369,375

(1) The finished condominium project is located in Irvine, California, United States. We acquired 15 units with a total GFA of 2,865 square meters of the total 72 units from a major United States developer in August 2012. All units were sold as of December 31, 2015.

(2) Northern Nevada Land Portfolio is a project portfolio comprised of 325 finished lots and 185 acres of undeveloped land at eight different sites in the northern Nevada region near the Reno-Spark metropolitan area. All lots and acres were sold as of December 31, 2015.

For a discussion of revenues from each geographical segment in each of 2016, 2017 and 2018, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Discussion of Segment Operations.”

Our Property Projects

Overview

We offer the following four main types of real estate property products:

- multi-layer apartment buildings, which, in China, are typically 6 stories or less and normally require 9 to 12 months to construct after we obtain the related construction permit;
- sub-high-rise apartment buildings, which, in China, are typically to 11 stories and normally require 12 to 18 months to construct after we obtain the related construction permit;
- high-rise apartment buildings, which, in China, are typically 12 to 33 stories and normally require 18 to 24 months to construct after we obtain the related construction permit; and
- offices, mixed-use and commercial properties which we have offered since 2012.

Our projects are in one of the following five stages:

- ***properties under construction***, comprising properties for which the construction permits have been obtained;
- ***properties under planning***, comprising properties for which we have entered into land grant contracts and are in the process of obtaining the required permits to begin construction;
- ***completed projects***, comprising projects for which construction has been completed;
- ***properties held for lease***, comprising projects for which construction has been completed and which we plan to hold and manage and;
- ***properties held for sale***, comprising land and properties which we purchase and hold for sale.

Properties under Construction and Properties under Planning

The following table sets forth each of our properties currently under construction or planning as of December 31, 2018:

Project Name	Location	Type of Products ⁽¹⁾	Construction	Pre-sale	Total		Total		GFA Sold (m ²)
			Commencement Date	Commencement Date ⁽²⁾	Site Area (m ²)	GFA (m ²)	Number Of Units ⁽³⁾	Number Of Units Sold	
Xinyang Splendid II	Zhengzhou	MU	12/2014	12/2014	60,556	137,076	1,575	1,286	83,550
Jinan Royal Palace	Jinan	H	02/2014	06/2014	140,155	449,482	6,512	5,059	427,171
Xuzhou Colorful City	Xuzhou	M/H	06/2013	11/2013	45,046	130,657	1,453	1,248	121,563
Tianjin Spring Royal Palace I	Tianjin	M/H	10/2015	10/2015	131,021	139,173	1,050	1,045	131,242
Zhengzhou International New City I	Zhengzhou	H	08/2016	09/2016	89,088	360,714	3,135	3,046	338,454
Henan Xin Central II	Zhengzhou	H	09/2016	10/2016	37,126	109,521	1,360	1,128	103,827
Xinyang Splendid III	Zhengzhou	H	06/2017	06/2017	47,709	121,143	1,518	1,051	115,842
Changsha Mulian Royal Palace	Changsha	H	05/2017	08/2017	32,158	91,151	694	694	91,151
Zhengzhou International New City II	Zhengzhou	H	07/2017	08/2017	41,821	176,038	1,558	1,495	163,234
Zhengzhou Fancy City II (North)	Zhengzhou	C	05/2017	10/2017	30,175	108,724	3,070	2,357	84,651
Zhengzhou International New City III A	Zhengzhou	H	11/2017	12/2017	22,225	96,018	864	862	95,379
Hudson Garden project	New York	S	07/2017	04/2019	2,323	10,235	92	-	-
Changsha Furong Thriving Family	Changsha	MU	07/2017	07/2018	23,418	72,257	705	701	71,824
Kunshan Xinyu Jiayuan	Kunshan	MU	12/2017	09/2018	18,068	107,919	874	230	23,669
Tianjin Spring Royal Palace II	Tianjin	M/H	10/2015	01/2018	133,499	144,580	1,076	417	53,076
Zhengzhou International New City III B	Zhengzhou	H	11/2017	04/2018	26,102	118,780	1,336	1,320	116,223
Zhengzhou International New City III D	Zhengzhou	H/C	08/2017	06/2018	15,119	46,074	448	443	43,693
Zhengzhou Hangmei International Wisdom City I	Zhengzhou	H	03/2018	05/2018	73,300	133,524	1,538	691	65,129
Chengdu Xinyuan City	Chengdu	MU	06/2018	09/2018	200,906	742,626	TBD	590	74,093
Xinyang Splendid IV	Zhengzhou	H	05/2018	09/2018	9,976	22,032	254	239	20,749
Qingdao Royal Dragon Bay	Qingdao	MU	08/2018	11/2018	64,442	155,202	506	136	20,512
Jinan Royal Spring Bay	Jinan	M/H	09/2018	12/2018	69,587	117,014	1,925	151	18,217
Xinyuan Golden Water View City	Zhengzhou	H/C	10/2017	11/2018	45,067	338,759	6,558	395	32,643
Zhengzhou Fancy City III	Zhengzhou	H	03/2018	10/2018	27,599	80,625	747	430	16,774
Zhengzhou International New City III C	Zhengzhou	H	06/2018	10/2018	27,231	79,920	1,749	1,022	28,551
Zhengzhou International New City IV	Zhengzhou	H	09/2018	12/2018	50,964	198,418	1,710	81	9,267
Suzhou Galaxy Bay	Suzhou	H/C	07/2018	12/2018	21,183	76,546	718	241	24,350
Suzhou Gusu Shade I	Suzhou	M	09/2018	11/2018	10,063	11,958	78	1	123
Dalian International Health Technology Town I	Dalian	M/H	10/2018	12/2018	58,740	103,945	933	8	900
Subtotal					1,554,667	4,480,111	44,036	26,367	2,375,857

Tongzhou Xinyuan Royal Palace	Beijing	H	TBD	TBD	46,769	102,300	TBD	-	-
Xinyuan Chang'an Royal Palace	Xi'an	MU	TBD	TBD	80,673	226,000	TBD	-	-
Zhengzhou International New City (pending staging)	Zhengzhou	TBD	TBD	TBD	206,728	1,393,100	TBD	-	-
Zhuhai Xin World	Zhuhai	MU	TBD	TBD	14,107	70,000	TBD	-	-
Lingshan Bay Dragon Seal	Qingdao	M/H	TBD	TBD	340,400	380,000	TBD	-	-
Zhengzhou Hangmei Project (pending staging)	Zhengzhou	TBD	TBD	TBD	205,201	192,700	TBD	-	-
Wuhan Canglong Royal Palace	Wuhan	MU	TBD	TBD	53,787	185,000	TBD	-	-
Suzhou Gusu Shade II	Suzhou	M	TBD	TBD	10,219	12,100	TBD	-	-
Dalian International Health Technology Town II	Dalian	M/H	TBD	TBD	37,078	44,500	TBD	-	-
Huzhou Silk Town*	Huzhou	MU	TBD	TBD	84,166	134,900	TBD	-	-
Xingyang Splendid New Project	Zhengzhou	H	TBD	TBD	34,308	228,000	TBD	-	-
Suzhou Suhe Bay **	Suzhou	H	TBD	TBD	16,627	63,000	TBD	-	-
Flushing Project	New York	MU	TBD	TBD	3,895	30,112	TBD	-	-
Subtotal					1,133,958	3,061,712			
Total					<u>2,688,625</u>	<u>7,541,823</u>	<u>44,036</u>	<u>26,367</u>	<u>2,375,857</u>

(1) “M” refers to multi-layer buildings, “H” refers to high-rise buildings, “S” refers to sub-high-rise buildings, “C” refers to commercial properties and “MU” refers to office, mixed-use and commercial properties.

(2) Pre-sale commencement dates refer to dates on which we began or expect to begin pre-sale activities after receiving the relevant pre-sale permits.

(3) “TBD” refers to “to be determined” as of December 31, 2018.

* The Company owns 78.46% equity interest in a joint venture, Huzhou Xinhong Town Construction and Development Co., Ltd. which develops Huzhou Silk Town. The Company accounts for its investment under the equity method.

** The Company owns 16.66% equity interest in a joint venture, Suzhou Hengwan Real Estate Co., Ltd. which develops Suzhou Suhe Bay. The Company accounts for its investment under the equity method.

Properties under Construction

Zhengzhou, Henan Province

Xingyang Splendid II. The land is located south of Zhengshang Road in Xingyang. This project covers a site area of 60,556 square meters and is expected to have a total GFA of 137,076 square meters, of which 120,027 square meters are for high-rise buildings and 17,049 square meters are for retail stores. We acquired the site of 7,577 square meters in November 2013 and 52,979 square meters in August 2014, commenced construction of this project in December 2014, and began to deliver units in 2017. This project, when completed, will consist of 1,575 units. We started pre-sales in December 2014, and as of December 31, 2018, we had sold 1,286 units with a total GFA of 83,550 square meters.

Xingyang Splendid III. The land is located south of Zhengshang Road in Xingyang. This project covers a site area of 47,709 square meters and is expected to have a total GFA of 121,143 square meters, of which 117,535 square meters are for high-rise buildings and 3,608 square meters are for retail stores. We acquired the site in September 2013, commenced construction in June 2017, and expect to deliver units in August 2019. This project, when completed, will consist of 1,518 units. We started pre-sales in June 2017. As of December 31, 2018, we had sold 1,051 units with a total GFA of 115,842 square meters.

Henan Xin Central II. The land is located south of Bairong Road and Xingyuan Road in Zhengzhou. This project covers a site area of 37,126 square meters and is expected to have a total GFA of 109,521 square meters, of which 92,686 square meters are for high-rise buildings, 3,947 square meters are for retail stores, 1,654 square meters are for basements and 11,234 square meters are for public rental housing. We acquired the site in December 2014, commenced construction in September 2016, and expect to deliver units in 2018. This project, when completed, will consist of 1,360 units. We started pre-sales in October 2016, and as of December 31, 2018, we had sold 1,128 units with a total GFA of 103,827 square meters.

Zhengzhou Fancy City II (North). The land is located west of Songshan Road within the 4th Ring Road in Zhengzhou. This project covers a site area of 30,175 square meters and is expected to have a total GFA of 108,724 square meters, of which 100,380 square meters are for multi-layer buildings and 8,344 square meters are for retail stores. We acquired the site in April 2016, commenced construction in May 2017, and expect to deliver units in 2019. This project, when completed, will consist of 3,070 units. We started pre-sales in October 2017, and as of December 31, 2018, we had sold 2,357 units with a total GFA of 84,651 square meters.

Zhengzhou International New City I. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 89,088 square meters and is expected to have a total GFA of 360,714 square meters, of which 292,330 square meters are for high-rise buildings, 21,896 square meters are for retail stores, 36,789 for public rental housing and 9,699 square meters are for basements. We acquired the site in February 2016, commenced construction in August 2016, and expect to deliver units in 2018. This project, when completed, will consist of 3,135 units. We started pre-sales in September 2016, and as of December 31, 2018, we had sold 3,046 units with a total GFA of 338,454 square meters.

Zhengzhou International New City II. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 41,821 square meters and is expected to have a total GFA of 176,038 square meters, of which 159,563 square meters are for high-rise buildings, 12,708 square meters are for retail stores and 3,767 square meters are for basements. We acquired the site in July 2016, commenced construction in July 2017, and expect to deliver units in 2019. This project, when completed, will consist of 1,558 units. We started pre-sale in August 2017, and as of December 31, 2018, we had sold 1,495 units with a total GFA of 163,234 square meters.

Zhengzhou International New City III A. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 22,225 square meters and is expected to have a total GFA of 96,018 square meters, of which 95,504 square meters are for high-rise buildings and 514 square meters are for retail stores. We acquired the site in May 2017, commenced construction in November 2017, and expect to deliver units in 2020. This project, when completed, will consist of 864 units. We started pre-sale in December 2017, and as of December 31, 2018, we had sold 862 units with a total GFA of 95,379 square meters.

Zhengzhou International New City III B. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 26,102 square meters and is expected to have a total GFA of 118,780 square meters, of which 118,780 square meters are for high-rise buildings. We acquired the site in May 2017, commenced construction in November 2017, and expect to deliver units in 2020. This project, when completed, will consist of 1,336 units. We started pre-sale in April 2018, and as of December 31, 2018, we had sold 1,320 units with a total GFA of 116,223 square meters.

Zhengzhou International New City III D. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 15,119 square meters and is expected to have a total GFA of 46,074 square meters, of which 44,293 square meters are for high-rise buildings, 885 square meters are for retail stores, and 896 square meters are for basements. We acquired the site in August 2016, commenced construction in August 2017, and expect to deliver units in 2020. This project, when completed, will consist of 448 units. We started pre-sale in June 2018, and as of December 31, 2018, we had sold 443 units with a total GFA of 43,693 square meters.

Zhengzhou Hangmei International Wisdom City I. The land is located in Xinzheng District in Zhengzhou. This project covers a site area of 73,300 square meters and is expected to have a total GFA of 133,524 square meters, of which 133,524 square meters are for high-rise buildings. We acquired the site in December 2017, commenced construction in March 2018, and expect to deliver units in 2020. This project, when completed, will consist of 1,538 units. We started pre-sale in May 2018, and as of December 31, 2018, we had sold 691 units with a total GFA of 65,129 square meters.

Xingyang Splendid IV. The land is located southwest of Guangwu Road and Wangcun Road in Xinyang. This project covers a site area of 9,976 square meters and is expected to have a total GFA of 22,032 square meters, of which 22,032 square meters are for high-rise buildings. We acquired the site in September 2014, commenced construction in May 2018, and expect to deliver units in 2021. This project, when completed, will consist of 254 units. We started pre-sales in September 2018. As of December 31, 2018, we had sold 239 units with a total GFA of 20,749 square meters.

Xinyuan Golden Water View City. The land is located Heizhuzhuang of Jinshui District in Zhengzhou. This project covers a site area of 45,067 square meters and is expected to have a total GFA of 338,759 square meters, of which 299,930 square meters are for high-rise buildings, 24,322 square meters are for public rental housing, 3,113 square meters are for retail stores, and 11,394 square meters are for basements. We acquired the site in June 2017, commenced construction in October 2017, and expect to deliver units in 2021. This project, when completed, will consist of 6,558 units. We started pre-sales in November 2018. As of December 31, 2018, we had sold 395 units with a total GFA of 32,643 square meters.

Zhengzhou Fancy City III. The land is located west of Songshan Road within the 4th Ring Road in Zhengzhou. This project covers a site area of 27,599 square meters and is expected to have a total GFA of 80,625 square meters, of which 78,075 square meters are for high-rise buildings, 1,060 square meters are for retail stores, and 1,490 square meters are for basements. We acquired the site in December 2017, commenced construction in March 2018, and expect to deliver units in 2020. This project, when completed, will consist of 747 units. We started pre-sales in October 2018. As of December 31, 2018, we had sold 430 units with a total GFA of 16,774 square meters.

Zhengzhou International New City III C. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 27,231 square meters and is expected to have a total GFA of 79,920 square meters, of which 74,327 square meters are for high-rise buildings, and 5,593 square meters are for retail stores. We acquired the site in February 2017, commenced construction in June 2018, and expect to deliver units in 2021. This project, when completed, will consist of 1,749 units. We started pre-sale in October 2018, and as of December 31, 2018, we had sold 1,022 units with a total GFA of 28,551 square meters.

Zhengzhou International New City IV. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 50,964 square meters and is expected to have a total GFA of 198,418 square meters, of which 192,533 square meters are for high-rise buildings, and 5,885 square meters are for retail stores. We acquired the site in May 2018, commenced construction in September 2018, and expect to deliver units in 2021. This project, when completed, will consist of 1,710 units. We started pre-sale in December 2018, and as of December 31, 2018, we had sold 81 units with a total GFA of 9,267 square meters.

Jinan, Shandong Province

Jinan Royal Palace. The land is located south of Qingyuan Road and east of Lashanhe Road in the Huaiyin District in Jinan. This project covers a site area of 140,155 square meters and is expected to have a total GFA of 449,482 square meters, of which 399,888 square meters are for high-rise buildings, 26,081 square meters are for retail stores and 23,513 square meters are for basements. We acquired the site in November 2013, commenced construction of this project in February 2014, and began to deliver units in 2016. This project, when completed, will consist of 6,512 units. We started pre-sales in June 2014, and as of December 31, 2018, we had sold 5,059 units with a total GFA of 427,171 square meters.

Jinan Royal Spring Bay. The land is located in Zhangqiu District in Zhangqiu. This project covers a site area of 69,587 square meters and is expected to have a total GFA of 117,014 square meters, of which 83,484 square meters are for high-rise buildings, 27,778 square meters are for multi-layer buildings, 987 square meters are for retail stores and 4,765 square meters are for basements. We acquired the site in June 2018, commenced construction of this project in September 2018, and expect to deliver units in 2020. This project, when completed, will consist of 1,925 units. We started pre-sales in December 2018, and as of December 31, 2018, we had sold 151 units with a total GFA of 18,217 square meters.

Qingdao, Shandong Province

Qingdao Royal Dragon Bay. The land is located in Huangdao District in Qingdao. This project covers a site area of 64,442 square meters and is expected to have a total GFA of 155,202 square meters, of which 119,124 square meters are for high-rise buildings, 2,823 square meters are for retail stores, and 33,255 square meters are for multi-layer buildings. We acquired the site in July 2018, commenced construction in August 2018, and expect to deliver units in 2021. This project, when completed, will consist of 506 units. We started pre-sales in November 2018, and as of December 31, 2018, we had sold 136 units with a total GFA of 20,512 square meters.

Xuzhou, Jiangsu Province

Xuzhou Colorful City. The land is located south of Kuangshan Road in the Quanshan District in Xuzhou. This project covers a site area of 45,046 square meters and is expected to have a total GFA of 130,657 square meters, of which 17,600 square meters are for multi-layer buildings, 93,514 square meters are for high-rise buildings, 7,024 square meters are for retail stores and 12,519 square meters are for basements. We acquired the site in December 2011, commenced construction of this project in June 2013, and began to deliver units in 2016. This project, when completed, will consist of 1,453 units. We started pre-sales in November 2013, and as of December 31, 2018, we had sold 1,248 units with a total GFA of 121,563 square meters.

Kunshan, Jiangsu Province

Kunshan Xinyu Jiayuan. The land is located in Huaqiao District South of Kunshan. This project covers a site area of 18,068 square meters and is expected to have a total GFA of 107,919 square meters, of which 103,035 square meters are for high-rise buildings, and 4,884 square meters are for office buildings. We acquired the site in July 2017, commenced construction of this project in December 2017, and expect to deliver units in 2020. This project, when completed, will consist of 874 units. We started pre-sales in September 2018, and as of December 31, 2018, we had sold 230 units with a total GFA of 23,669 square meters.

Suzhou, Jiangsu Province

Suzhou Galaxy Bay. The land is located in Taicang District in Suzhou. It will cover a site area of 21,183 square meters and is expected to have a total GFA of 76,546 square meters, of which 73,452 square meters are for high-rise buildings, and 3,094 square meters are for retail stores. We acquired the site in December 2017, commenced construction of this project in July 2018, and expect to deliver units in 2020. This project, when completed, will consist of 718 units. We started pre-sales in December 2018, and as of December 31, 2018, we had sold 241 units with a total GFA of 24,350 square meters.

Suzhou Gusu Shade I. The land is located in Gusu District in Suzhou. It will cover a site area of 10,063 square meters and is expected to have a total GFA of 11,958 square meters, of which 11,958 square meters are for multi-layer buildings. We acquired the site in March 2018, commenced construction of this project in September 2018, and expect to deliver units in 2020. This project, when completed, will consist of 78 units. We started pre-sales in November 2018, and as of December 31, 2018, we had sold 1 units with a total GFA of 123 square meters.

Changsha, Hunan Province

Changsha Mulian Royal Palace project. The land is located in the Yuhua District of Changsha. This project covers a site area of 32,158 square meters and is expected to have a total GFA of 91,151 square meters, of which 57,111 square meters are for high-rise buildings, 32,432 square meters are for multi-layer building and 1,608 square meters are for retail stores. We acquired the site in October 2016, commenced construction in May 2017, and expect to deliver units in August 2019. This project consisted of 694 units. We started pre-sales in August 2017, and all of the 694 units have been sold.

Changsha Furong Thriving Family. The land is located in Shanmu Road of East Coast Town in Changsha. This project covers a site area of 23,418 square meters and is expected to have a total GFA of 72,257 square meters of which 69,729 square meters are for high-rise buildings, and 2,528 square meters are for retail stores. We acquired the site in January 2017, commenced construction of the project in July 2017, and expect to deliver units in 2020. This project, when completed, will consist of 705 units. We started pre-sales in July 2018, and as of December 31, 2018, we had sold 701 units with a total GFA of 71,824 square meters.

Tianjin

Tianjin Spring Royal Palace I. The land is located in Sicundian Town in the Wuqing District of Tianjin. This project covers a site area of 131,021 square meters and is expected to have a total GFA of 139,173 square meters, of which 73,383 square meters are for high-rise buildings, 4,902 square meters are for retail stores, and 60,888 square meters are for multi-layer buildings. We acquired the site in November 2014, commenced construction in October 2015, and began to deliver units in 2017. This project, when completed, will consist of 1,050 units. We started pre-sales in October 2015, and as of December 31, 2018, we had sold 1,045 units with a total GFA of 131,242 square meters.

Tianjin Spring Royal Palace II. The land is located in Sicundian Town in the Wuqing District of Tianjin. This project covers a site area of 133,499 square meters and is expected to have a total GFA of 144,580 square meters, of which 71,602 square meters are for high-rise buildings, 1,290 square meters are for retail stores, and 71,688 square meters are for multi-layer buildings. We acquired the site in November 2014, commenced construction in October 2015, and expect to deliver units in 2020. This project, when completed, will consist of 1,076 units. We started pre-sales in January 2018, and as of December 31, 2018, we had sold 417 units with a total GFA of 53,076 square meters.

Chengdu, Sichuan Province

Chengdu Xinyuan City. The land is located in Pidu District in Chengdu. This project covers a site area of 200,906 square meters and is expected to have a total GFA of 742,626 square meters, of which 709,340 square meters are for high-rise buildings, and 33,286 square meters are for retail stores. We acquired the site in December 2017, commenced construction in June 2018, and expect to deliver units in 2020. We started pre-sales in September 2018, and as of December 31, 2018, we had sold 590 units with a total GFA of 74,093 square meters.

Dalian, Liaoning Province

Dalian International Health Technology Town I. The land is located in Lvshunkou District in Dalian. This project covers a site area of 58,740 square meters and is expected to have a total GFA of 103,945 square meters, of which 68,793 square meters are for high-rise buildings, 5,112 square meters are for retail stores, 27,075 square meters are for multi-layer buildings and 2,965 square meters are for public rental housing. We acquired the site in August 2018, commenced construction in October 2018, and expect to deliver units in 2020. This project, when completed, will consist of 933 units. We started pre-sales in December 2018, and as of December 31, 2018, we had sold 8 units with a total GFA of 900 square meters.

U.S.

Hudson Garden project. The land is located on 10th Avenue and between 44th Street and 45th Street in Manhattan, New York. This project is expected to have a total GFA of 10,235 square meters. We acquired the site in April 2016 and commenced construction in July 2017. This project, when completed, will consist of 92 units. We anticipate starting pre-sales in the second half of 2019.

Properties under Planning

Tongzhou Xinyuan Royal Palace. The land is located in Liyuan Town in the southern area of Tongzhou District in Beijing, and is currently under planning. It will cover a site area of 46,769 square meters and is expected to have a total GFA of 102,300 square meters. We acquired the site in April 2016.

Xinyuan Chang'an Royal Palace. The land is located southwest corner of Shenzhou 3th Road and Aerospace Middle Road in Xi'an Aerospace Base, and is currently under planning. It will cover a site area of 80,673 square meters and is expected to have a total GFA of 226,000 square meters. We acquired the site in May 2017.

Zhengzhou International New City (pending staging). The land is located within the south 3rd Ring Road in Zhengzhou, and is currently under planning. It will cover a site area of 206,728 square meters and is expected to have a total GFA of 1,393,100 square meters. We acquired the site in 2017.

Zhuhai Prince Project. The land is located in Jida of Xiangzhou District in Zhuhai. It will cover a site area of 14,107 square meters and is expected to have a total GFA of 70,000 square meters. We acquired the site in June 2017.

Lingshan Bay Dragon Seal. The land is located in Huangdao District in Qingdao. It will cover a site area of 340,400 square meters and is expected to have a total GFA of 380,000 square meters. We acquired the site in July 2017.

Zhengzhou Hangmei Project (pending staging). The land is located in Xinzheng District in Zhengzhou. It will cover a site area of 205,201 square meters and is expected to have a total GFA of 192,700 square meters. We acquired the site in December 2017.

Wuhan Canglong Royal Palace. The land is located in Jiangxia District in Wuhan. It will cover a site area of 53,787 square meters and is expected to have a total GFA of 185,000 square meters. We acquired the site in May 2018.

Suzhou Gusu Shade II. The land is located in Gusu District in Suzhou. It will cover a site area of 10,219 square meters and is expected to have a total GFA of 12,100 square meters. We acquired the site in April 2018.

Dalian International Health Technology Town II. The land is located in Lvshunkou District in Dalian. It will cover a site area of 37,078 square meters and is expected to have a total GFA of 44,500 square meters. We acquired the site in August 2018.

Huzhou Silk Town. The land is located in Wuxing District in Huzhou. It will cover a site area of 84,166 square meters and is expected to have a total GFA of 134,900 square meters. We acquired the site in November 2018.

Xingyang Splendid New Project. The land is located in Wangcun Road in Xingyang. It will cover a site area of 34,308 square meters and is expected to have a total GFA of 228,000 square meters. We acquired the site in November 2018.

Suzhou Suhe Bay. The land is located in Wujiang District in Suzhou. It will cover a site area of 16,627 square meters and is expected to have a total GFA of 63,000 square meters. We acquired the site in October 2017.

U.S. Flushing Project. The land is located at 135-35 Northern Blvd in Flushing, Queens, New York, and is currently under planning. It is expected to have a total GFA of 30,112 square meters. We acquired the site in August 2016.

Completed Projects

The following table sets forth each of our completed projects as of December 31, 2018.

Project Name	Location	Type of Products	Completion Date	Total Site Area (m ²)	Total GFA (m ²)	Total Number of Units	Number of Units Sold	GFA Sold (m ²)
Zhengzhou Longhai Star Garden	Zhengzhou	M/H/S	12/2000	11,719	39,975	239	239	39,975
Zhengzhou Xinyuan Splendid:								
Zhengzhou Xinyuan Splendid 1A	Zhengzhou	M/S	07/2002	35,444	62,623	484	484	62,623
Zhengzhou Xinyuan Splendid 1B	Zhengzhou	M	04/2004	21,800	43,673	333	333	43,673
Zhengzhou Xinyuan Splendid 2A	Zhengzhou	M	04/2003	23,460	39,996	271	271	39,996
Zhengzhou Xinyuan Splendid 2B	Zhengzhou	M	06/2004	19,295	27,041	86	86	27,041
Zhengzhou Xinyuan Splendid 2C	Zhengzhou	S	04/2004	9,968	21,748	132	132	21,748
Zhengzhou Xinyuan Splendid 3A3B3C	Zhengzhou	M/S	08/2005	51,014	114,774	792	792	114,774
Zhengzhou Xinyuan Splendid Haojing	Zhengzhou	H	11/2004	8,298	31,089	166	166	31,089
Zhengzhou Xinyuan Splendid City Homestead	Zhengzhou	M	08/2005	23,606	45,378	369	369	45,378
Zhengzhou Xinyuan Splendid Subtotal				192,885	386,322	2,633	2,633	386,322
Zhengzhou City Manor	Zhengzhou	M	03/2006	63,089	118,716	1,633	1,633	118,716
Zhengzhou City Family	Zhengzhou	M	12/2006	21,380	39,226	720	720	39,226
Zhengzhou Central Garden-East	Zhengzhou	M/H/S	09/2007	60,849	165,206	1,624	1,624	165,206
Zhengzhou Central Garden-West	Zhengzhou	M/H/S	09/2007	79,464	190,384	1,796	1,796	190,384
Jinan City Family	Jinan	M	11/2007	47,411	61,065	785	785	61,065
Suzhou Lake Splendid	Suzhou	M/H/S	01/2009	130,945	198,113	2,326	2,326	198,113
Hefei Wangjiang Garden	Hefei	M/H	04/2009	51,939	145,455	1,649	1,649	145,455
Suzhou Colorful Garden	Suzhou	M/H	04/2009	41,365	81,506	970	970	81,506
Jinan Elegant Scenery	Jinan	H/S	06/2009	61,502	100,386	1,127	1,127	100,386
Zhengzhou Finance Square	Zhengzhou	H	06/2009	8,410	67,225	917	917	67,225
Zhengzhou Yipin Xiangshan Phase I	Zhengzhou	M/S	12/2009	57,289	94,249	979	979	94,249
Jinan International City Garden	Jinan	H/S	01/2010	93,928	263,771	4,672	4,639	262,689
Zhengzhou Xinyuan Colorful Garden	Zhengzhou	M/H	01/2010	74,462	191,781	2,233	2,233	191,781
Xuzhou Colorful Garden	Xuzhou	M/H	01/2012	46,777	101,762	858	858	101,762
Suzhou International City Garden	Suzhou	H	12/2011	119,089	204,872	2,436	2,435	204,147
Chengdu Xinyuan Splendid I	Chengdu	H	06/2011	34,007	231,032	4,081	4,081	231,032
Chengdu Xinyuan Splendid II	Chengdu	H	10/2012	30,497	217,009	2,782	2,782	217,009
Zhengzhou Modern City	Zhengzhou	H/S	12/2012	60,556	231,780	2,934	2,934	231,780
Kunshan International City Garden	Kunshan	M/H	12/2012	200,008	497,939	5,133	5,132	497,939
Zhengzhou Yipin Xiangshan Phase II	Zhengzhou	M/S	01/2013	81,345	200,158	2,209	2,209	200,158
Zhengzhou Century East A	Zhengzhou	M/H	12/2013	22,418	76,579	765	764	76,398
Zhengzhou Century East B	Zhengzhou	H	08/2013	51,372	166,462	1,709	1,707	166,462
Zhengzhou Royal Palace	Zhengzhou	M/H	06/2014	45,716	135,920	2,061	2,061	135,920
Suzhou Xin City	Suzhou	H	09/2015	51,246	127,291	1,334	1,334	127,291
Jinan Xinyuan Splendid	Jinan	M/H	10/2015	200,180	572,071	7,387	7,371	564,678
Beijing Xindo Park	Beijing	MU	11/2015	57,862	133,096	1,446	1,397	124,023
Zhengzhou Xin City	Zhengzhou	H	03/2016	61,078	210,724	2,639	2,518	206,631
Xingyang Splendid I	Zhengzhou	H	03/2016	40,782	115,431	1,427	1,102	106,967
Zhengzhou Thriving Family	Zhengzhou	H	04/2016	44,169	131,510	1,913	1,518	129,294
Suzhou Lake Royal Palace	Suzhou	M/H	06/2016	114,624	169,674	1,569	1,567	169,650
Shanghai Royal Palace	Shanghai	H	07/2016	28,600	57,770	622	535	46,406
Chengdu Thriving Family	Chengdu	H	08/2017	75,008	203,378	2,515	2,462	198,101
Sanya Yazhou Bay No.1	Sanya	MU	10/2017	78,765	117,583	1,605	1,322	100,738
Kunshan Royal Palace	Kunshan	M/S/H	11/2017	145,776	280,594	2,658	2,603	278,921
Changsha Xinyuan Splendid	Changsha	H/C	12/2017	89,460	251,057	2,952	2,909	248,910
Xi'an Metropolitan	Xi'an	MU	11/2017	85,118	285,997	2,602	2,440	268,958
Jinan Xin Central	Jinan	MU	11/2017	51,352	194,410	2,715	2,488	183,295
Zhengzhou Xindo Park	Zhengzhou	C	12/2018	40,218	134,391	2,170	2,146	131,999
Henan Xin Central I	Zhengzhou	H	09/2018	86,781	262,208	3,177	2,997	252,388
Zhengzhou Fancy City I	Zhengzhou	H	12/2018	50,656	166,686	1,725	1,461	160,247
Zhengzhou Fancy City II (South)	Zhengzhou	H	12/2018	27,486	84,065	766	765	81,864
Kunshan Xindo Park	Kunshan	H/C	10/2018	47,523	89,003	1,077	1,052	87,951
New York Oosten	New York	S	12/2016	8,094	30,855	216	176	21,549
Total				3,073,200	7,824,687	91,786	89,396	7,694,766

As of December 31, 2018, we have completed 52 projects with a total GFA of approximately 7,824,687 square meters and comprising a total of 91,786 units, more than 97.4% of which have been sold. The status of completed projects in the last three years is discussed below

Zhengzhou Xin City. The land is located south of Yongping Road and east of Kangping Road in the New-East-Zheng District of Zhengzhou. This project covers a site area of 61,078 square meters and is expected to have a total GFA of 210,724 square meters, of which 195,537 square meters are for high-rise buildings, 10,467 square meters are for retail stores, and 4,720 square meters are for basements. We acquired the site in December 2011, commenced construction of this project in March 2013, and began to deliver units in 2015. This project consists of 2,639 units. We started pre-sales in September 2013, and as of December 31, 2018, we had sold 2,518 units with a total GFA of 206,631 square meters.

Zhengzhou Thriving Family. The land is located south of Bairong Road and east of Nangang Road in Zhengzhou. This project covers a site area of 44,169 square meters and is expected to have a total GFA of 131,510 square meters, of which 113,753 square meters are for high-rise buildings, 1,135 square meters are for retail stores, 3,159 square meters are for basements and 13,463 square meters are for public rental housing. We acquired the site in September 2013, commenced construction of this project in April 2014, and delivered it in 2016. This project consists of 1,913 units. We started pre-sales in June 2014, and as of December 31, 2018, we had sold 1,518 units with a total GFA of 129,294 square meters.

Xingyang Splendid I. The land is located south of Zhengshang Road in Xingyang. This project covers a site area of 40,782 square meters and is expected to have a total GFA of 115,431 square meters, of which 115,431 square meters are for high-rise buildings. We acquired the site in November 2013, commenced construction of this project in April 2014, and began to deliver units in 2016. This project consists of 1,427 units. We started pre-sales in May 2014, and as of December 31, 2018, we had sold 1,102 units with a total GFA of 106,967 square meters.

Suzhou Lake Royal Palace. The land is located east of Yinshanhu Road and north of Xingguo Road in the Wuzhong economic development zone in Suzhou. This project covers a site area of 114,624 square meters and is expected to have a total GFA of 169,674 square meters, of which 117,517 square meters are for high-rise buildings, 50,747 square meters are for multi-layer buildings and 1,410 square meters are for retail stores. We acquired the site in September 2013, commenced construction of this project in April 2014, and began to deliver units in 2016. This project consists of 1,569 units. We started pre-sales in July 2014, and as of December 31, 2018 we had sold 1,567 units with a total GFA of 169,650 square meters.

Shanghai Royal Palace. The land is located in Zhaoxiang Town in the Qingpu District of Shanghai. This project covers a site area of 28,600 square meters and is expected to have a total GFA of 57,770 square meters, of which 45,652 square meters are for high-rise buildings and 12,098 square meters are for retail stores. We acquired the site in April 2014, commenced construction of this project in August 2014, and began to deliver units in 2016. This project consists of 622 units. We started pre-sales in January 2015, and as of December 31, 2018, we have sold 535 units with a total GFA of 46,406 square meters.

Chengdu Thriving Family. The land is located in the Huayangyixin Community of Chengdu. This project covers a site area of 75,008 square meters and is expected to have a total GFA of 203,378 square meters, of which 176,477 square meters are for high-rise buildings and 26,901 square meters are for retail stores. We acquired the site in January 2014, commenced construction of this project in June 2014, and began to deliver units in 2016. This project, when completed, will consist of 2,515 units. We started pre-sales in September 2014, and as of December 31, 2018, we had sold 2,462 units with a total GFA of 198,101 square meters.

Sanya Yazhou Bay No.1. The land is located in the Creative Industry Park in the Yacheng Town of Sanya. This project covers a site area of 78,765 square meters and is expected to have a total GFA of 117,583 square meters, of which 105,569 square meters are for high-rise buildings, 9,806 square meters are for multi-layer buildings and 2,208 square meters are for retail stores. We acquired the site in January 2014, commenced construction of this project in November 2014, and began to deliver units in 2016. This project, when completed, will consist of 1,605 units. We started pre-sales in November 2014, and as of December 31, 2018, we had sold 1,322 units with a total GFA of 100,738 square meters.

Kunshan Royal Palace. The land is located east of Xihuan Road and south of Guiyi Road in the Huaqiao Town in Kunshan. This project covers a site area of 145,776 square meters and is expected to have a total GFA of 280,594 square meters, of which 65,179 square meters are for multi-layer buildings, 205,446 square meters are for high-rise buildings, 640 square meters are for basements and 9,329 square meters are for retail stores. We acquired the site in October 2013, commenced construction of this project in October 2013, and began to deliver units in 2015. This project, when completed, will consist of 2,658 units. We started pre-sales in November 2013, and as of December 31, 2018, we had sold 2,603 units with a total GFA of 278,921 square meters.

Changsha Xinyuan Splendid. The land is located on Dongfanghong South Road in the Yuelu District of Changsha. This project covers a site area of 89,460 square meters and is expected to have a total GFA of 251,057 square meters, of which 229,361 square meters are for high-rise buildings and 21,696 square meters are for retail stores. We acquired the site in March 2014, commenced construction of this project in August 2014, and began to deliver units in 2016. This project, when completed, will consist of 2,952 units. We started pre-sales in November 2014, and as of December 31, 2018, we had sold 2,909 units with a total GFA of 248,910 square meters.

Xi'an Metropolitan. The land is located north of Fenghe Road in Xi'an. This project covers a site area of 85,118 square meters and is expected to have a total GFA of 285,997 square meters, of which 207,080 square meters are for high-rise buildings, 16,119 square meters are for retail stores, and 62,798 square meters are for office buildings. We acquired the site in July 2014, commenced construction of this project in December 2014, and began to deliver units in 2016. This project, when completed, will consist of 2,602 units. Pre-sales started in December 2014, and as of December 31, 2018, we had sold 2,440 units with a total GFA of 268,958 square meters.

Jinan Xin Central. The land is located south of Huayuan Road and west of Huaxin Road in Jinan. This project covers a site area of 51,352 square meters and is expected to have a total GFA of 194,410 square meters, of which 99,284 square meters are for high-rise buildings, 32,371 square meters are for retail stores, 51,022 square meters are for office buildings, 6,231 square meters are for public rental housing and 5,502 square meters are for basements. We acquired the site in March 2015, commenced construction of this project in May 2015, and began to deliver units in 2016. This project, when completed, will consist of 2,715 units. We started pre-sales in May 2015, and as of December 31, 2018, we had sold 2,488 units with a total GFA of 183,295 square meters.

Zhengzhou Xindo Park (commercial). The land is located south of Bairong Road and west of Daxue Road in Zhengzhou. This project covers a site area of 40,218 square meters and is expected to have a total GFA of 134,391 square meters, of which 110,077 square meters are for office buildings and 24,314 square meters are for retail stores. We acquired the site in September 2013, commenced construction of this project in January 2015, and began to deliver units in 2017. This project, when completed, will consist of 2,170 units. We started pre-sales in April 2015, and as of December 31, 2018, we had sold 2,146 units with a total GFA of 131,999 square meters.

Henan Xin Central I. The land is located south of Bairong Road and east of Xingyuan Road in Zhengzhou. This project covers a site area of 86,781 square meters and is expected to have a total GFA of 262,208 square meters, of which 211,293 square meters are for high-rise buildings, 16,391 square meters are for retail stores, 26,040 square meters are for public rental housing and 8,484 square meters are for basements. We acquired the site in December 2014, commenced construction in July 2015, and began to deliver units in 2017. This project, when completed, will consist of 3,177 units. We started pre-sales in July 2015, and as of December 31, 2018, we had sold 2,997 units with a total GFA of 252,388 square meters.

Zhengzhou Fancy City I. The land is located south of Dingsheng Road and west of Siji Road, in Zhengzhou. This project covers a site area of 50,656 square meters and is expected to have a total GFA of 166,686 square meters, of which 134,015 square meters are for high-rise buildings, 10,169 square meters are for retail stores, 16,741 square meters are for public rental housing and 5,761 square meters are for basements. We acquired the site in December 2014, commenced construction in September 2015, and began to deliver units in 2017. This project, when completed, will consist of 1,725 units. We started pre-sales in October 2015, and as of December 31, 2018, we had sold 1,461 units with a total GFA of 160,247 square meters.

Zhengzhou Fancy City II (South). The land is located west of Songshan Road within the 4th Ring Road in Zhengzhou. This project covers a site area of 27,486 square meters and is expected to have a total GFA of 84,065 square meters, of which 78,236 square meters are for high-rise buildings, 3,628 square meters are for retail stores and 2,201 square meters are for basements. We acquired the site in April 2016, commenced construction in June 2016, and expect to deliver units in 2018. This project, when completed, will consist of 766 units. We started pre-sales in June 2016, and as of December 31, 2018, we had sold 765 units with a total GFA of 81,864 square meters.

Kunshan Xindo Park. The land is located in the Huaqiao area of Kunshan, which is within the Shanghai Outer Ring Expressway. This project covers a site area of 47,523 square meters and is expected to have a total GFA of 89,003 square meters, of which 72,750 square meters are for high-rise buildings and 16,253 square meters are for retail stores. We acquired the site in April 2016, commenced construction of this project in July 2016, and expect to deliver units in 2018. This project, when completed, will consist of 1,077 units. We started pre-sales in July 2016, and as of December 31, 2018, we had sold 1,052 units with a total GFA of 87,951 square meters.

New York Oosten. The land is located in the Williamsburg neighborhood of Brooklyn, New York, United States. This project covers a site area of 8,094 square meters and is expected to have a total GFA of 30,855 square meters for sub-high-rise buildings. We acquired the site in September 2012, commenced construction of this project in November 2013, and began to deliver units in 2016. This project consists of 216 units. Presales started in June 2014, and as of December 31, 2018, 176 units with a total GFA of 21,549 square meters had been sold.

Properties Held for Lease

Xinyuan Priority Lifestyle Shopping Center. In 2012, we began to hold and manage our first retail property, Xinyuan Priority Lifestyle Shopping Center, located in Zhengzhou city, Henan Province. As part of the Zhengzhou Modern City project, the shopping center has a construction GFA of 47,109 square meters. The shopping center formally opened in September 2013 and provided retail services, including fashion and jewelry, leisure and entertainment, food and beverage, a supermarket, children's education and other ancillary services, appealing to mid-to-high income customers within a radius of three to five kilometers. We have already set up a team specialized in commercial space planning and execution under the administration of Henan Xinyuan Priority Commercial Management Co., Ltd., one of our subsidiaries that specializes in retail property management.

Xi'an Xinyuan Metropolitan Shopping Center. In 2016, we completed the Xi'an Xinyuan Metropolitan Shopping Center, located in Xi'an, Shaanxi Province. As part of the Xi'an Metropolitan project, the shopping center has a construction GFA of 116,288 square meters. The Xi'an Metropolitan Shopping Center formally opened in December 2016 and provides retail services including fashion, food and beverage, family activities, jewelry and clothing, a movie theater, and education, among other services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Xi'an Xinyuan Metropolitan Business Management Co. Ltd., one of our subsidiaries that specializes in retail property management.

Xingyang Xindo Park Shopping Center. In 2017, we completed the Xingyang Xindo Park Shopping Center, located in Xingyang, Henan Province. As part of the Xingyang Splendid II project, the shopping center has a construction GFA of 15,419 square meters. The Xingyang Xindo Park Shopping Center formally opened in October 2017 and provides retail services including a supermarket, food and beverage, jewelry and clothing, leisure and entertainment, family activities, a movie theater and other ancillary services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Henan Xinyuan Priority Commercial Management Co., Ltd., one of our subsidiaries that specializes in retail property management.

Changsha Xindo Park Shopping Center. In 2017, we completed the Changsha Xindo Park Shopping Center, located in Changsha, Hunan Province. As part of the Changsha Xinyuan Splendid project, the shopping center has a construction GFA of 12,187 square meters. The Changsha Xindo Park Shopping Center formally opened in August 2017 and will provide retail services including children's education, a supermarket, food and beverage, a beauty and fitness center and other ancillary services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Hunan Huaiwei Business Management Co., Ltd., one of our subsidiaries that specializes in retail property management.

Chengdu Xindo Park Shopping Center. In 2017, we completed the Chengdu Xindo Park Shopping Center, located in Chengdu, Sichuan Province. As part of the Chengdu Thriving Family project, the shopping center has a construction GFA of 18,936 square meters. The Chengdu Xindo Park Shopping Center formally opened in October 2018 and provides retail services including a supermarket, clothing, food and beverage, leisure and entertainment, children's education, a movie theater and other ancillary services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Chengdu Xinyuan Commercial Management Co., Ltd., one of our subsidiaries that specializes in retail property management.

Zhengzhou Xindo Park Shopping Center. In 2018, we completed the Zhengzhou Xindo Park Shopping Center, located in Zhengzhou, Henan Province. As part of the Zhengzhou Xindo Park project, the shopping center has a construction GFA of 24,423 square meters. The Zhengzhou Xindo Park Shopping Center formally opened in October 2018 and provides retail services including a supermarket, food and beverage, leisure and entertainment, children's education, a movie theater and other ancillary services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Henan Xinyuan Priority Commercial Management Co., Ltd., one of our subsidiaries that specializes in retail property management.

Kunshan Xindo Park Shopping Center. In 2018, we completed the Kunshan Xindo Park Shopping Center, located in Kunshan, Jiangsu Province. As part of the Kunshan Xindo Park project, the shopping center has a construction GFA of 3,904 square meters. The Kunshan Xindo Park Shopping Center is still under planning and provides retail services including a supermarket, food and beverage, children's education, a movie theater and other ancillary services, appealing to customers within a radius of three to five kilometers.

Our Property Development Operations in China

We have a systematic and standardized process to project development in China, which we implement through several well-defined phases. A significant portion of our process is dedicated to land acquisition, which is segmented into three stages: (i) opportunity identification, (ii) initial planning and budgeting and (iii) land acquisition. The following diagram sets forth the key stages of our property development process.

LAND ACQUISITION PROCESS			Project Planning and Design	Project Construction and Management	Pre-sale, Sale and Marketing	After-sale and Delivery
Opportunity Identification - Strategic planning - Geographic and market analysis - Auction opportunity research	Initial Planning - Feasibility study - Preliminary design - Costing and financial evaluation	Land Acquisition - Financial projection - Internal approval - Bidding process	- Outsource architectural and engineering design - Design management - Arrange financing	- Outsource construction - Construction supervision - Quality control - Completion inspection - Landscaping and fixture installation	- Pre-sale - Marketing - Advertising - Customer financing	- Delivery - Registration assistance - Feedback collection - Property management

Opportunity Identification

The first stage of our development process involves the identification of new opportunities for upcoming land auctions in our selected high growth cities around China. Our Land Development Department prepares a strategic plan that specifies our future project development plans and land acquisition requirements. They also conduct in-depth demographic and market research regarding our selected cities. We have formulated a set of criteria in selecting suitable high growth cities to expand our operations based on certain indicators, including, among others:

- middle to upper rankings in economic strength;
- populations of approximately five million;
- clear city development and planning;
- sustainable land supply at reasonable prices for future developments;
- acceptable competition levels in the real estate market; and
- lower level of property speculation.

Initial Planning and Budgeting

Once an upcoming land auction or acquisition has been identified, our Land Development Department will conduct a feasibility study based on our collected data as well as preliminary design and pre-planning of the proposed development project on the land site. We will also budget costs and financial requirements for the proposed project to identify whether the land site is suitable for our requirements.

The key factors we consider in land site selection are:

- site area and suitability;
- location within the city;
- neighboring environment and amenities;
- existing or planned infrastructure;

- announced government planning for the vicinity; and
- projected cost, investment and financial return ratios.

We evaluate projects through a rigorous planning and approval process. We consider detailed input from each of our Land Development Department, Budget-Planning-Design Department, Operations Department and Financial Department. The proposed project, once vetted and approved by various departments, will be submitted to our Chief Financial Officer and Chief Executive Officer and, thereafter, to the investment committee of our board for approval.

Land Acquisition

Once we receive approval for a proposed project, we will proceed to bid for the land site. Although we acquire land for development primarily through the governmental auction process, if opportunities arise, we will also consider obtaining land use rights from third parties through negotiation, acquisition of entities, co-development or other joint venture arrangements.

Project Planning and Design

Our project planning and design process includes concept and architectural design, construction and engineering design, budgeting, financial analysis and projections as well as arranging for financing. We believe careful planning is essential to control costs, quality and timing of our projects.

We outsource substantially our design work to reputable third-party design firms. Our planning and development team works closely with project managers as well as our external designers and architects to ensure that our designs comply with PRC laws and regulations, and meet our design and other project objectives. Our senior management is also actively involved in the process, especially in the master planning and architectural design of our projects.

Project Construction and Management

We outsource all of our construction work to independent construction companies which are selected mainly through our invitation to tender bids for the project. We generally hire more than one contractor for each of our projects, with each contractor responsible for a designated portion of the project on a “turnkey” basis. We have established a selection procedure in order to ensure compliance with our quality and workmanship standards. We closely supervise and manage the entire project construction process, utilizing our enterprise resource planning systems to monitor and analyze information regarding the process on a real-time basis. We collect information throughout the development cycle on the entire project, including information from our third-party contractors, to avoid unanticipated delays and cost overruns.

Pre-Sales, Sales and Marketing

Like other developers, we pre-sell properties prior to the completion of their construction in mainland China. Under PRC pre-sales regulations, property developers must satisfy specific conditions before they can pre-sell their properties under construction. The major mandatory conditions include:

- the land premium must have been paid in full;
- the land use rights certificate, the construction site planning permit, the construction work planning permit and the construction permit must have been obtained;
- at least 25% of the total project development cost must have been incurred;
- the progress and the expected completion and delivery date of the construction must be fixed;
- the pre-sale permit must have been obtained; and

- certain milestones in the construction processes specified by the local government authorities must have been completed.

These major mandatory conditions are designed to require a certain level of capital expenditure and substantial progress in project construction before the commencement of pre-sales. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared under the auspices of the government. Developers are required to file all pre-sale contracts with local land bureaus and real estate administrations after entering into such contracts.

We maintain an internal marketing and sales force for our development projects and also use outside sales agencies for all of our projects and some of our projects also utilize our internal sales. Our marketing and sales teams work closely with each other and with our external sales agents to survey the demographics for a particular project area to determine the appropriate advertising, promotion, and selling plans for that project. We develop customer awareness through our marketing and promotion efforts and through referrals from satisfied customers. A sales team at each project is responsible for following through on the entire sales process including setting monthly sales targets, controlling prices, implementing special promotions, monitoring external sales agency performance, and processing customer feedback.

Most of our customers purchase our properties using mortgage financing. The maximum loan-to-value ratio of the mortgage loan is also subject to change according to the economic policies of the central and local governments and banks in China. A typical sales transaction in which a portion of the purchase price is financed by a mortgage loan consists of three steps. First, the customer pays a deposit to us. Within seven days after paying the deposit, the customer will sign a purchase contract with us and make down payment to us in cash. After making the down payment, the customer arranges for a mortgage loan for the balance of the purchase price. Once the loan is approved, the mortgage loan proceeds are paid to us directly by the bank. Finally, we deliver the property to the customer. Legal title, as evidenced by a property ownership certificate issued by local land and construction bureaus, may not pass for a period of six to twelve months following delivery and acceptance.

After-Sale Services and Delivery

We assist customers in arranging for and providing information relating to financing. We also assist our customers in various title registration procedures relating to their properties, and we have set up an ownership certificate team to assist purchasers to obtain their property ownership certificates. We offer various communication channels to customers to provide their feedback about our products or services. We also cooperate with property management companies that manage our properties and ancillary facilities, such as schools and clubhouses, to handle customer feedback.

We endeavor to deliver the units to our customers on a timely basis. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers, and we are subject to penalty payments to the purchasers for any delay in delivery caused by us. Once a property development has been completed, has passed the requisite government inspections and is ready for delivery, we notify our customers and hand over keys and possession of the properties.

To ensure quality property management, we provide property management services to purchasers until they have become statutorily entitled to elect their own property management companies. As of December 31, 2018, owners of all of our developments who had become statutorily entitled to elect their property management companies had continued to choose us to manage their properties.

Our property management services include security, landscaping, building management and management of public facilities and equipment, and additional services, such as cultural activities, housekeeping and repair. We are currently managing approximately 15.57 million square meters, comprising more than 119,862 residential units.

Our U.S. Property Development Operations

We expanded into the United States market in 2012. Investment decisions with respect to the United States market are carried out through the investment committee of our board of directors. We currently seek investment opportunities mainly through off-market transactions, including resales and distressed sales. We currently consider the following factors when selecting a project:

- Geographic location. We intend to focus in areas that are economically active and diversified, and attractive to immigrants on the east and the west coasts.
- Risk adjusted financial returns.
- Funding opportunities.

We set up a specialized United States project team in 2012, comprised of U.S. local consultants and employees with substantial experience and understanding in various areas of the U.S. real estate market. As of December 31, 2018, we have a team of about eleven people in the United States. Their major responsibilities include project research, land valuation, property development management, contracts, and contract terms verification. We also work with outside consultants and agents familiar with the United States markets.

To date, our acquisitions in the United States have been opportunistic and have not followed a specific development model. Our first property development project in the United States, named the New York Oosten Project, is in the Williamsburg neighborhood of Brooklyn, New York. We commenced construction of the development project in November 2013. We started marketing and pre-sale of our property upon receiving approval from the state attorney general in March 2014. As of December 31, 2018, we delivered 176 of 216 units with a total GFA of 21,549 square meters for a total of US\$259.3 million.

In January 2016, we also acquired a parcel of land in midtown Manhattan, New York, for US\$57.5 million. The land allows for approximately 10,235 sellable & rentable square meters. Our Hudson Garden project in Manhattan, New York has completed construction up to the 6th floor. With design drawing optimization, the total number of units increased from 82 to 92.

In August 2016, we acquired a parcel of land in the Flushing neighborhood of Queens, New York for US\$66.0 million. The land allows for approximately 30,112 sellable & rentable square meters. We continue to progress the planning, governmental approvals and pre-development activities of our ground-up development project of a landmarked property in Flushing, New York. We continue to execute on planning, governmental approvals, and pre-development of our ground-up development project in Flushing, New York. After the Landmark Protection Committee's approval on our landmark protection plan, we were awarded with a Certificate of Appropriateness.

Our Leased Properties and Real Estate Related Services

Ancillary to our property development operations, we also lease certain properties, including an elementary school, two basements, seven clubhouses, thirteen parking facilities, fifteen kindergartens, seven shopping malls and a department. The rental income of our lease operations represented approximately 0.4%, 0.4%, and 0.4% respectively, of our revenues for the years ended December 31, 2016, 2017 and 2018.

We provide property management services through Xinyuan Science and Technology Service Co., Ltd. For the years ended December 31, 2016, 2017 and 2018, revenues from our real estate related services represented 2.0%, 2.1%, and 2.9% of our total revenue for those periods, respectively.

Quality Control

We emphasize quality control to ensure that our buildings and residential units meet our standards and provide high quality service. We select only experienced design and construction companies. We provide customers with warranties covering the building structure and certain fittings and facilities of our property developments in accordance with the relevant regulations. To ensure construction quality, our construction contracts contain quality warranties and penalty provisions for poor work quality. In the event of delay or poor work quality, the contractor may be required to pay pre-agreed penalties, damages, as well as compensation we paid to customers for late delivery, under our construction contracts. Our construction contracts do not allow our contractors, without prior consent from us, to subcontract or transfer their contractual arrangements with us to third parties. We typically withhold 5% of the agreed construction amount for two to five years after completion of the construction as a deposit to guarantee quality, which provides us assurance for our contractors' work quality.

Our contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. We require our contractors to comply with relevant laws and regulations of the jurisdictions in which we operate, as well as our own standards and specifications. We also employ independent surveyors to supervise the construction progress. In addition, the construction of real estate projects is regularly inspected and supervised by PRC governmental authorities and the relevant authorities of the jurisdictions in which we operate.

Competition

The real estate industry in China is highly competitive. We compete primarily with local and regional property developers, but an increasing number of large national property developers have also started to enter these markets. Competitive factors include the geographical location of the projects, the types of products offered, brand recognition, price, design and quality. See “Item 3. Key Information — D. Risk Factors — Risks Relating to the Residential Property Industry in China — We face intense competition from other real estate developers.” In the cities in which we operate, our major competitors include China Overseas Property Ltd., China Vanke Co., Ltd., Sunshine 100, China Resources Land Limited, Sunac China Holding Limited, Henan Zhengshang Real Estate Co., Ltd., Henan New Greatwall Real Estate Co., Ltd., Longfor Real Estate Co., Ltd, Greenland Group, Tianhong Land, South Asia Group, Rongqiao Group and KWG Property Holding Ltd.

In the United States, we anticipate that our direct competition may come from developers of adjacent projects or other property developers in target markets. In addition, we may also face competition from other Chinese real estate developers expanding or establishing their business in the United States.

Intellectual Property Rights

We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and internet domain names.

We have registered the trademark of “ 鑫苑 ” and the associated logo for the real estate related service in the PRC. We have also applied the same trademark to other goods and services directly or indirectly related to our business operations, to strengthen the protection of our trademark and brand. All these trademark applications are registered or pending examination and approval. We have also registered the Internet domain name “ www.xyre.com ” and other related domain names.

We own trademarks for “ 鑫苑 ” in the form of Chinese characters and our company logo in the United States, UK, EU, New Zealand, Australia, Singapore, Korea, Hong Kong and Cayman Islands. We also hold the international registration of our company logo issued by the International Trademark System.

In the PRC, the registration and protection of a company’s corporate name is regional and limited to its related industry. Although we have registered our corporate name “Xinyuan” in the provinces where we operate, we cannot prevent others from registering the same corporate name in other provinces or in other industries. If a company first registers “Xinyuan” as its corporate name in a province other than Henan Province, Shandong Province, Jiangsu Province, Anhui Province and Sichuan Province or in another industry, we will have to adopt another corporate name if we plan to enter that market or industry.

Insurance

We obtain insurance against losses or damage to our PRC properties during the construction phase of our projects. We do not maintain insurance policies for properties that we have delivered to our customers. Although we require our contractors to maintain insurance coverage on our properties under construction, typically they do not do so, which we believe is customary practice in China. We believe that third-party contractors should bear liabilities from tortious acts or other personal injuries on our project sites, and we do not maintain insurance coverage against such liabilities. There are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays and business interruptions, for which insurance is either not available or not available at a reasonable cost. We believe our practice is consistent with the customary industry practice in China.

With respect to our U.S. operations, we follow local requirements and maintain insurance coverage for projects through the end of the construction.

Environmental Matters

As a developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air pollution, noise emissions, as well as water and waste discharge. We have never been required to pay any penalties associated with the breach of any such laws and regulations in the past. Compliance with existing environmental laws and regulations has not had a material adverse effect on our financial condition and results of operations, and we do not believe it will have such an impact in the future.

Our projects are normally required to undergo an environmental impact assessment by government-appointed third parties, and a report of such assessment needs to be submitted to the relevant environmental authorities in order to obtain their approval before commencing construction. Upon completion of each project, the relevant environmental authorities inspect the site to ensure the applicable environmental standards have been complied with, and the resulting report is presented together with other specified documents to the relevant construction administration authorities for their approval and record. Approval from the environmental authorities of such report is required before we can deliver our completed work to our customers. In the past, we have not experienced any difficulties in obtaining those approvals for commencement of construction and delivery of completed projects. However, we cannot assure you that we will not experience any difficulties in the future. See “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Environmental Protection in Construction Projects.”

In connection with our current and any future properties in the United States, our relevant property subsidiaries are or will be subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment. The particular environmental laws which apply to any given community, will vary according to the site, its location, the site’s environmental conditions and the present and former use of the site. Likewise, the particular procedures and approval or other requirements will vary from project to project.

Regulation

China

The PRC government regulates the real estate industry. This section summarizes the principal PRC regulations relating to our business.

We operate our business in China under a legal regime consisting of the National People’s Congress, the PRC State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MOHURD, MLR, the MOFCOM, the NDRC, the SAIC, the SAFE, and their respective authorized local counterparts.

Regulations on Land

The *Law of the PRC on Land Administration*, implemented on June 25, 1986 and amended on August 28, 2004 by the Standing Committee of National People's Congress, distinguishes between the ownership of land and the right to use land. All land in the PRC is either state-owned or collectively-owned, depending on location. Generally, land in urban areas within a city or town is state-owned, and all land in the rural areas of a city or town and all rural land, unless otherwise specified by law, are collectively-owned.

Although all land in the PRC is owned by the governments or by the collectives, private individuals and businesses are permitted to hold, lease and develop land for a specified term without ever owning the land, the duration of which depends on the use purpose of the land. These rights to use land are termed land use rights.

Under the *Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Land in Urban Areas*, implemented on and effective as of May 19, 1990 by the PRC State Council, enterprises, companies and other organizations who intend to hold, lease and develop the land (each, a "Land User"), pay a premium to the government as consideration for the grant of the land use rights on terms of use prescribed by the government, and a Land User may transfer, lease and mortgage or otherwise commercially exploit the land use rights within such terms of use. The land administration authority enters into a contract with the Land User for grant of the land use rights. The Land User pays the grant premium as stipulated in the grant contract. After paying the grant premium in full, the Land User registers with the land administration authority and obtains a land use rights certificate. The certificate evidences the acquisition of the land use rights.

The *Regulations on the Grant of State-Owned Construction Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale* (formerly known as the *Regulation on the Grant of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale*), implemented by the MLR on May 9, 2002 and amended on September 21, 2007, provides that the land for industrial use (except for mining), commercial use, tourism, entertainment and commodity housing development is granted by way of competitive bidding, public auction or listing-for-sale. The land use rights are granted to the bidder with the highest bid/tender in accordance with the terms and conditions of the bid/tender, or to the bidder who can best fulfill the comprehensive evaluation standards of the bid. The successful bidder/tender will then enter into a grant contract with the local land administration authority. Only after the successful bidder/tender has paid the land premium in full under the land grant contract, can the successful bidder/tender apply for the land registration and obtain the land use right certificate.

The *Property Law of the PRC*, or the Property Law, implemented on March 16, 2007 and effective as of October 1, 2007, further clarified land use rights in the PRC with the following rules:

- the land use rights for residences will be automatically renewed upon expiry;
- the car parks and garages within the building area planned for vehicle parks must be used to meet the needs of the owners who live in the building first;
- the construction of buildings must abide by relevant laws and regulations with regard to the construction planning and may not affect the ventilation of or lighting to the neighboring buildings; and
- where the land use rights for construction use are transferred, exchanged, used as a capital contribution, donated to others or mortgaged, an application for modification registration must be filed with the registration department.

In accordance with the *Notice on Further Strengthening the Administration of the Costs and Revenues Associated with Land Grant*, jointly issued by the MOF, the MLR, the PBOC, the Ministry of Supervision and the National Audit Office on November 18, 2009, all payments for land use rights paid for through installments must be made in full within one year in principle. In certain circumstances the payment term may be extended to two years upon the approval of the competent authorities. In addition, the initial installment payment may not be less than 50% of the overall amount owed for the land use rights. The notice also provides that the local-level governments should strictly enforce relevant regulations to impose penalties on real estate developers that have delayed the payment of land premiums or construction for reasons other than force majeure or restrict such developers from acquiring new land during the period such payments are delayed.

The *Circular of the MLR and the MOHURD on Further Strengthening Administration over Land-use and Constructions of Real Estate*, implemented on September 21, 2010, specifies that when any bidder participates in a competitive bidding, public auction or listing-for-sale, in addition to the provision of a valid identification certificate and payment of bidding deposit, the bidder shall be also required to submit (i) a letter of commitment specifying that the bidding deposit is not from a bank loan, shareholder loan, etc., and (ii) a credit certificate issued by a commercial financial institution. If the land is left idle for more than one year by a real estate developer, the developer and its controlling shareholder shall be prohibited from taking part in any competitive bidding, public auction or listing-for-sale for the grant of land use rights. Furthermore, real estate developers must commence the construction of a housing project within one year from the date of delivery of the land as stipulated in the land grant contract, and complete the construction within three years from the date of commencement of construction.

The *Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Control Results of Real Estate Market* implemented on July 19, 2012, further emphasized the strict enforcement of current regulations on land grants:

- the plot area ratio for residential land shall not be less than 1.0;
- for all types of housing construction projects, construction work shall be commenced within one year of the date when the land is delivered as set forth in the land grant contract and shall be completed within three years after its commencement date;
- the bidding deposit for a land grant shall not be less than 20% of the base price; and
- the land grant contract shall be signed within 10 working days after a land grant deal is concluded, a down payment of 50% of the land premium shall be made within one month after signing the contract, and the remaining payment shall be made in a timely manner in accordance with the contract; in no event should it be more than one year.

On May 22, 2014, the MLR issued the *Provisions on the Economical and Intensive Use of Land*, which took effect on September 1, 2014. It provides that commercial land shall be granted via tender, auction and listing process to determine the user and the price. Compensation for all types of land supply shall not be lower than the minimum standard stipulated by the government. It is prohibited to reduce or relieve the land grant price in a disguised form by way of exchanging projects with land, returning fees after collecting them or granting subsidies or awards.

On November 24, 2014, the PRC State Council issued *Interim Regulations on Real Estate Registration*, which took effect on March 1, 2015. It stipulates the registration authorities and the procedures for registration of rights of real estate rights, including land use rights, which applies to first registration, change of registration, transfer of registration, cancellation of registration, correction of registration, dissidence registration, advance notice registration, close-down registration and other affairs concerning registration of real estate. Further, on January 1, 2016, MLR issued *Implementing Rules of the Interim Regulations on Real Estate Registration*, which details the rules of the registration procedures for registration of different kind of rights of real estate.

The *Administrative Measures for the Preliminary Review of Land Use for Construction Projects*, implemented by the MLR on July 25, 2001, revised on October 29, 2004, amended on November 12, 2008 and November 29, 2016 and took effect on January 1, 2017, simplify the content of preliminary review of land for construction, reduce the documents necessary for examination and approval, and improve the efficiency of examination and approval. Furthermore, under the *Circular of the Ministry of Land and Resources on Improving and Optimizing the Preliminary Review and Examination of Land Use for Construction Projects*, implemented on November 30, 2016 and effective as of January 1, 2017, the procedure of preliminary review and examination and approval of land for construction is requested to be improved and optimized. Where a project does not involve any new land for construction, and is constructed by use of the approved land for construction within the scope of land for urban construction as determined by the overall planning on land utilization, the preliminary review may not be carried out for the land used for the project.

Regulations on Establishment of a Real Estate Development Enterprise

In accordance with the *Law of the PRC on Administration of Urban Real Estate*, or Urban Real Estate Law, implemented by the Standing Committee of the National People's Congress on July 5, 1994 and amended on August 30, 2007 and on August 27, 2009, a developer is defined as "an enterprise which engages in the development and sale of real estate for the purposes of making profits."

Under the *Regulations on Administration of Development and Operation of Urban Real Estate*, or Development Regulations, implemented by the PRC State Council on and effective as of July 20, 1998 and amended on January 8, 2011, a real estate development enterprise must satisfy the following requirements:

- has a registered capital of not less than RMB1 million; and
- has four or more full time professional real estate/construction technicians and two or more full time accounting officers, each of whom must hold the relevant qualifications.

The Development Regulations also allow people's governments of the provinces, autonomous regions and/or municipalities directly under the central government to impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a real estate development enterprise according to the local circumstances.

To establish a real estate development enterprise, the developer is required to apply for registration with the department of administration of industry and commerce. The developer must also report its establishment to the real estate administration authority in the location of the registration authority within 30 days upon receipt of its business license.

Xinyuan (China) Real Estate, Ltd., Henan Xinyuan Real Estate Co., Ltd., Suzhou Xinyuan Real Estate Development Co., Ltd., Shandong Xinyuan Real Estate Co., Ltd., Henan Xinyuan Wanzhuo Real Estate Co., Ltd., Henan Xinyuan Jiye Real Estate Co., Ltd., Zhengzhou Shengdao Real Estate Co., Ltd., Zhengzhou Jiasheng Real Estate Co., Ltd., Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd., Jinan Xinyuan Wanzhuo Real Estate Co., Ltd., Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd., Beijing Xinyuan Wanzhong Real Estate Co., Ltd., Kunshan Xinyuan Real Estate Co., Ltd., Jiangsu Jiajing Real Estate Co., Ltd., Xuzhou Xinyuan Real Estate Co., Ltd., Xinyang Xinyuan Real Estate Co., Ltd., Sanya Beida Science and Technology Park Industrial Development Co., Ltd., Changsha Xinyuan Wanzhuo Real Estate Co., Ltd., Shanghai Junxin Real Estate Co., Ltd., Tianjin Xinyuan Real Estate Co., Ltd., Henan Xinyuan Guangsheng Real Estate Co., Ltd., Shandong Xinyuan Renju Real Estate Co., Ltd., Henan Xinyuan Quansheng Real Estate Co., Ltd., Henan Xinyuan Shunsheng Real Estate Co., Ltd., Zhengzhou Xinnan Real Estate Co., Ltd., Hunan Erli Real Estate Co., Ltd., Beijing Ruihaorongtong Real Estate Co., Ltd., Hunan Xintian Real Estate Co., Ltd., Zhengzhou Hangmei Zhengxing Technology Co., Ltd., Xi'an Dingrun Real Estate Co., Ltd., Zhengzhou Kangshengboda Real Estate Co., Ltd., Henan Reixin Real Estate Co., Ltd., Taicang Pengchi Real Estate Co., Ltd. and Shaanxi Zhongmao Real Estate Co., Ltd., Jinan Xinyuan Quansheng Real Estate Co., Ltd., Suzhou Yuxi Real Estate Co., Ltd., Suzhou Yefang Real Estate Co., Ltd., Wuhan Yinghexin Real Estate Co., Ltd., Qingdao Keda Real Estate Co., Ltd., Chengdu Guohongteng Real Estate Co., Ltd., Dalian Xinyi Renju Real Estate Co., Ltd., Zhuhai Xinyuan Real Estate Co., Ltd. are registered as real estate development enterprises.

The Notice on Administration of Land and Resource Credit throughout the Province of Anhui Province, which took effect on January 1, 2017, provides that Anhui Administrative Department of Land and Resources at all levels shall check the land and resource credit of citizens, entities or other organizations when granting any administrative permission, determining the qualifications, bidding, purchasing and conducting other relevant administrative activities. Land grant contracts and other related contracts shall contain the provision concerning the penalty against misconducts are registered as real estate development enterprises.

Industrial Restriction

Under Catalogue 2017, the development of tracts of land, the construction and operation of large-scale theme parks, golf courses and villas, high-end hotels, office buildings, international conference centers, and real estate intermediary/agency business have been removed from the category under which foreign investment is restricted. In addition, the construction and operation of large-scale theme parks and the construction of villas and golf courses have been removed from the Catalogue 2017 and the List 2018 as both foreign investments and domestic investments in these items are subject to the same restrictions under the Catalogue of Restricted Land Use Projects (2012 edition) and the Catalogue of Prohibited Land Project (2012 edition). The development and construction of ordinary residential properties, together with other types of real estate-related business, are not specifically mentioned in the catalogue. We have been advised by our PRC counsel that this means that they continue to be permitted by the MOFCOM and the NDRC.

Circular No. 171

Considering the increasing foreign investment in the real estate industry in recent years, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC, and the SAFE jointly implemented the *Opinions on Regulating the Entry and Administration of Foreign Investment in the Real Estate Market*, or Circular No. 171, on August 14, 2006 and amended on August 19, 2015, which may impact foreign investment in the real estate industry in the following areas:

Circular No. 171 requires a FIREE, with total investments equating to or exceeding US\$10 million to have a registered capital consisting of no less than 50% of its total amount of investment. FIREEs with total investments below US\$10 million must have a registered capital in amounts pursuant to and consistent with existing regulations.

- Upon payment of the land use rights grant premium, the FIREE can apply to the land administration authority for a land use rights certificate. Upon obtaining the land use rights certificate, an FIREE may then obtain a recertification of its existing Foreign-Invested Enterprises Approval Certificate, or FIEAC, and the Business License, with the same validity period as that of such land use rights certificate; following which, the FIREE may apply to the tax administration for tax registration purposes.
- When a foreign investor merges with a domestic real estate enterprise, or acquires a FIREE's equity or project, the investor is required to submit a guarantee which ensures the compliance with the provisions of the land use rights grant contract, construction site planning permit and construction work planning permit, and the land use rights certificate, and the modification certification issued by the construction authorities, and the tax payments certification issued by the relevant tax authorities.
- Foreign investors which merge with domestic real estate development enterprises by share transfers or other methods, or which acquire the equity of a PRC party in joint venture enterprises, must allocate their employees appropriately, deal with bank debts and settle the lump sum payment of the transfer price through self-owned funds. However, a foreign investor with an unfavorable record may not be allowed to conduct any of the aforesaid activities.
- FIREEs which have not paid up their registered capital fully, or have failed to obtain a land use rights certificate, or which have under 35% of the total capital required for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.
- Any Chinese or foreign investors in an FIREE may not guarantee fixed profit returns or provide other arrangements to the same effect for any party in any form.

Circular No. 50

On May 23, 2007, the MOFCOM and the SAFE issued the *Notice on Further Strengthening and Standardizing the Approval and Administration of Foreign Direct Investments in Real Estate Enterprise*, or Circular No. 50, and amended on October 28, 2015. Some of the key developments in this area are as follows:

- the local governments/authorities that approve FIREE establishments are now required to file such approvals with the MOFCOM;

- prior to establishing a FIREE, foreign investors are required to obtain land use rights or the ownership of a real estate project, or the investor should have entered into an indicative land grant contract or indicative project purchase agreement with the land administrative department, developer of the land or owner of the property;
- the practice of allowing foreign investors taking over local project companies by way of roundtrip investment is strictly controlled; and
- foreign-invested enterprise that intends to engage in real estate development, or an existing FIREE which intends to undertake a new real estate development project, must first apply to the relevant authorities for such business scope and scale expansion in accordance with laws and regulations on foreign investments.

Circular No. 23

Under the *Circular on Properly Conducting Filing for the Record for Foreign Investment in the Real Property Sector*, or Circular No. 23, implemented by the MOFCOM on June 18, 2008 and effective as of July 1, 2008, the MOFCOM delegated to its provincial branches the review of filing records in relation to FIREE's establishment, capital increase, equity transfer, merger and acquisition, etc. Under Circular No. 23, the local branches of the MOFCOM submit all the application documents that were previously required to be filed with the MOFCOM to the aforesaid provincial branches of the MOFCOM for review. Within five days of receipt of the MOFCOM's request, the provincial branches of the MOFCOM that have reviewed such filings must submit all of the aforementioned materials to the MOFCOM.

Notwithstanding the above, Circular No. 23 does not de-regulate the Chinese real estate market. The previous material requirements for granting approval under Circular No. 171 and Circular No. 50 still apply.

Under the *Notice on Strengthening Administration of the Approval of Foreign Investment into Real Estate Industry*, implemented by the MOFCOM on November 22, 2010, among other things, if a real estate enterprise is established in China with overseas capital, the enterprise is prohibited from purchasing and/or selling real estate properties completed or under construction for arbitrage purposes. The local counterparts of the MOFCOM are not permitted to approve investment companies to engage in the real estate development and management.

Circular No. 340

The *Circular Concerning the Improvement of Record-filing Process for FIREEs*, or Circular No. 340, jointly implemented by the MOFCOM and the SAFE on June 24, 2014 and effective as of August 1, 2014, further simplifies the MOFCOM record-filing process for the incorporation of a FIREE by abolishing the requirement that MOFCOM perform a substantive final review of the written application materials which have been reviewed and accepted for record-filing by the relevant provincial commerce authority. The MOFCOM only needs to keep an electronic copy of the relevant application materials on its online system for record-filing purposes. However, as a supervisory measure the MOFCOM will, on both a weekly and a quarterly basis, perform random checks on FIREEs that have completed record-filings with the relevant provincial-level MOFCOM.

Circular No. 895

The *Circular Concerning Further Improvement of Record-filing Process for FIREEs*, or Circular No. 895, jointly implemented by the MOFCOM and the SAFE on November 6, 2015 further simplifies the MOFCOM record-filing process for the incorporation of a FIREE by abolishing the requirement to file relevant application materials on MOFCOM's online system. Instead, it only requires provincial commercial authorities to fill out relevant information of approved real estate projects on Foreign Investment Management System of MOFCOM. It also provides that MOFCOM must perform random checks on a quarterly basis instead of a weekly basis.

Circular 20

On May 4, 2015, the SAFE implemented the *Circular of the State Administration of Foreign Exchange on Repealing and Revising the Regulatory Documents concerning the Reform for Registered Capital Registration System*, or the Circular 20, which allows foreign-invested real estate enterprises, approved by the local office of the MOFCOM and registered with the MOFCOM before June 1, 2007, whose registered capital that are not paid up in full to process foreign debts.

The *Circular of the State Administration of Foreign Exchange on Further Promoting Trade and Investment Facilitation and Improving Authenticity Review* was implemented by the SAFE on April 26, 2016, which provides that foreign debt borrowed by non-financial enterprises in China can be settled for use by referring to the foreign-invested enterprises' foreign debt rules.

Circular 122

On August 19, 2015, six PRC regulatory agencies, including the MOHURD and the SAFE, implemented the *Notice on Adjusting Policies on Entry and Administration of Foreign Investment in the Real Estate Market*, or Circular 122, among other things, according to which, the requirement of fully payment of its capital contributions of FIREE, no longer exists when the FIREE applies to domestic loans, overseas loans, and settlement of foreign exchange loans, and the FIREE may directly apply to bank the registration of foreign exchange regarding foreign direct investment in accordance with the relevant rules on foreign exchange administration. Similarly, Circular 122 does not de-regulate the Chinese real estate market. The previous material requirements for granting approval under Circular No. 171 and Circular No. 50 still apply.

Regulations on Qualifications of Developer

Under the *Rules on the Administration of Qualifications of Real Estate Developers* implemented on March 29, 2000 by the MOHURD and effective on the same day (amended on May 4, 2015) a developer must apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

In accordance with the above rules, developers are classified into four classes: class I, class II, class III and class IV. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the relevant construction authority.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business of another classification. A class I developer is not restricted as to the scale of the real estate projects to be developed and may undertake real estate development projects anywhere in the country. A developer of class II or lower may only undertake projects with a gross area of less than 250,000 square meters and the specific scope of business must be as confirmed by the local construction authority.

Under the Development Regulations, real estate administration authorities examine all applications for the registration of the qualifications of a developer when it reports its establishment, by considering its assets, professional personnel and business results. A developer may only undertake real estate development projects in compliance with the approved qualification registration.

After a newly established developer reports its establishment to the real estate administration authority, the latter will issue a temporary Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The developer must apply for the qualification classification by the real estate administration authority within one month before expiry of the temporary Qualification Certificate.

Shandong Xinyuan Real Estate Co., Ltd., Shandong Xinyuan Renju Real Estate Co., Ltd. and Jinan Xinyuan Wanzhuo Real Estate Co., Ltd., Jinan Xinyuan Quansheng Real Estate Co., Ltd., hold a class I developer qualification jointly. Each of Jiangsu Jiajing Real Estate Co., Ltd., Henan Xinyuan Real Estate Co., Ltd., Zhengzhou Shengdao Real Estate Co., Ltd., Changsha Xinyuan Wanzhou Real Estate Co., Ltd., Xinyang Xinyuan Real Estate Co., Ltd. and Chengdu Guohongteng Real Estate Co., Ltd. is classified as a class II developer. Each of Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd. and Suzhou Xinyuan Real Estate Development Co., Ltd. is classified as a class III developer. Each of Tianjin Xinyuan Real Estate Co., Ltd., Beijing Xinyuan Wanzhong Real Estate Co., Ltd., Xi'an Dingrun Real Estate Co., Ltd., Hunan Xintian Real Estate Co., Ltd., Hunan Erli Real Estate Co., Ltd., Shaanxi Zhongmao Real Estate Co., Ltd. and Beijing Ruihaorongtong Real Estate Co., Ltd. is classified as a class IV developer. Each of Zhengzhou Jiasheng Real Estate Co., Ltd., Kunshan Xinyuan Real Estate Co., Ltd., Xuzhou Xinyuan Real Estate Co., Ltd., Zhengzhou Hangmei Zhengxing Technology Co., Ltd., Sanya Beida Science and Technology Park Industrial Development Co., Ltd., Henan Xinyuan Quansheng Real Estate Co., Ltd., Henan Xinyuan Guangsheng Real Estate Co., Ltd., Henan Xinyuan Shunsheng Real Estate Co., Ltd., Zhengzhou Xinnan Real Estate Co., Ltd., Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd., Zhengzhou Kangshengboda Real Estate Co., Ltd., Taicang Pengchi Real Estate Co., Ltd., Henan Reixin Real Estate Co., Ltd., Suzhou Yuxi Real Estate Co., Ltd., Wuhan Yinghexin Real Estate Co., Ltd. and Dalian Xinyirenju Real Estate Co., Ltd. holds a valid temporary qualification.

Regulations on Development of a Real Estate Project

According to the *Circular of the State Council on Promulgating the Catalogue of Investment Projects Subject to the Approval of Governments (2016 Version)*, or Governmental Approval (2016 Version), implemented by the State Council on December 12, 2016, and the *Circular of the NDRC on Effectively Implementing Foreign Capital-related Work in the Catalogue of Investment Projects Subject to Governmental Approval (2016 Version)* implemented by the NDRC in January 2017, certain foreign investment projects shall be subject to the following approval procedures: (i) any project from the restricted category with a total investment (including capital increase) amounting to US\$300 million or above pursuant to the Catalogue 2015 shall be approved by the NDRC and, in case of a total investment amounts (including capital increase) of US\$2 billion or above, shall be filed to the State Council for record; (ii) any project from the restricted category with a total investment (including capital increase) of less than US\$300 million pursuant to the Catalogue 2015 shall be approved by the provincial government; and (iii) the foreign investment projects other than those set out in the above two items but listed in Items 1 to 10 of the Governmental Approval (2016 Version) shall be approved in accordance with relevant provisions provided in the Governmental Approval (2016 Version), and the foreign investment projects neither subject to approval nor in the prohibited category as provided in the Catalogue 2015 shall be filed to local offices of NDRC for record.

Commencement of a Real Estate Project and the Idle Land

According to the *Circular on the Implementation of the Catalog for Restricted Land Use Projects (2012 Edition)* and the *Catalogue for Prohibited Land Use Projects (2012 Edition)* implemented by the MLR and the NDRC in May 23, 2012, the area of a plot of land to be granted for residential use may not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities or (iii) 20 hectares for large cities. The plot area ratio for residential land should not be lower than 1.0. No land may be granted for “villa” real estate projects.

Under the Urban Real Estate Law, those who have obtained the land use rights through grant must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the land use rights grant.

According to the *Measures on Disposing Idle Land* implemented by the MLR and effective as of April 28, 1999, as amended on May 22, 2012 and effective as of July 1, 2012, with regards to the land for a real estate project which is obtained by grant and is within the scope of city planning, if the construction work has not been commenced within one year upon the commencement date as set forth in the land use rights grant contract, or the construction and development has been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development, or the invested amount is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year, a surcharge on idle land equivalent to 20% of the grant premium may be levied; if the construction work has not been commenced within two years, the land can be confiscated without any compensation, unless the delay is caused by force majeure, or the acts of government or acts of other relevant departments under the government, or by indispensable preliminary work.

The *Emergency Notice on Further Tightening the Administration on Real Estate Land Use and Reinforcing the Control Results of Real Estate Market* implemented on July 19, 2012, requires that the *Measures on Disposing Idle Land* be strictly implemented, and the land authority dispose of, case by case, idle land and publish related information on the website designated by the MLR. With regard to land users who have committed acts such as failing to make payments for land grants, leaving land idle, hoarding land, land speculation, developing land in excess of its actual development capacity, or failing to fulfill the land use contract, they may be prohibited by the land authority from participating in land auctions for a certain period of time.

Planning of a Real Estate Project

The *Law of the PRC on Urban and Rural Planning*, implemented by the National People's Congress on October 28, 2007 and effective as of January 1, 2008 (amended on April 24, 2015) replacing the previous *City Planning Law of the PRC*, provides that a developer who has obtained land use rights by grant must, after obtaining approval for a construction project and signing a land use rights grant contract, apply to the city planning authority for the Permit for Construction Site Planning. It further provides that a developer who has a proposed construction project within the planning area of a city or town must, after obtaining a Permit for Construction Site Planning, prepare the necessary planning and design work, and submit the detailed planning and design report, together with the land use rights certificate, to the city planning authority or the town government designated by the provincial government, and apply for the Permit for Construction Work Planning.

Relocation

The *Regulations of Administration on City Housing Demolition*, which were implemented by the PRC State Council on June 13, 2001 and effective as of November 1, 2001, have been revoked and replaced by the *Regulations on the Expropriation of Buildings on State-owned Land and Compensation*, which was implemented on January 21, 2011 and went into immediate effect. Pursuant to the newly issued regulations, buildings and houses may be expropriated for public interests but fair compensation must be provided. Further, the regulations stipulate that the expropriation of buildings and the corresponding compensation shall be decided based on the principles of democratic decision-making, equitable procedures and transparent results. The compensation for the expropriated buildings must not be less than the market value of property of a similar nature as of the date when the expropriation notice was issued and the fair market value must be determined by qualified real estate appraisal institutes based on the relevant regulations.

Upon granting a demolition and removal permit, the real estate administration department must issue a demolition and removal notice to the inhabitants of the area.

Construction of a Real Estate Project

On June 25, 2014, the MOHURD implemented the *Measures for the Administration of Construction Permits for Construction Projects*, superseding its 1999 version. Under the new measures, after having obtained a Permit for Construction Work Planning, a developer needs to file an application for a Construction Permit with the local construction authority above the county level.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance examinations under the *Construction Law of the PRC* which was implemented on November 1, 1997 and amended on April 22, 2011.

According to the *Development Regulations*, the *Regulations on the Acceptance Examination Upon the Completion of Construction Work and Municipal Infrastructure* implemented on December 2, 2013 by the MOHURD, the *Regulations on the Administration of Quality of Construction Works* implemented and implemented by the PRC State Council on January 30, 2000, and the *Measures on the Administration of Reporting Details regarding Acceptance Examination Upon Completion of Construction Work and Municipal Infrastructure* implemented and implemented on April 4, 2000 by the MOHURD and amended on October 19, 2009, a real estate project must comply with the relevant laws and regulations, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant construction contract. After the completion of works for a project, the developer must apply for an acceptance examination to the construction authority and must also report details of the acceptance examination to the construction authority. A real estate development project may only be delivered after passing the inspection and acceptance examinations. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Regulations on Sale of Commodity Properties

Under the *Measures for Administration of Sale of Commodity Properties* implemented by the MOHURD on April 4, 2001 and effective June 1, 2001, the sale of commodity properties can include both pre-completion and post-completion sales.

Pre-completion Sales

In accordance with the *Measures for the Administration of Pre-completion Sale of Urban Commodity Properties*, or Urban Pre-completion Sale Measure, implemented in November 15, 1994 by the MOHURD and amended on August 30, 2007 and on August 27, 2008, a developer intending to sell a commodity building before its construction work's completion must attend to the necessary pre-completion sale registration with the real estate administration authority of the relevant city or county to obtain a Permit for Pre-completion Sale of Commodity Properties.

Commodity properties may only be sold before completion if:

- the grant land premium has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained;
- a permit for construction work planning and a construction permit have been obtained;
- the funds invested in the development of the commodity properties put up for pre-completion sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and
- the pre-completion sale has been registered and a permit for pre-completion sale of commodity properties has been obtained.

The *Circular on Issues Relevant to Further Strengthening the Regulation of the Real Property Market and Improving the System for Pre-sale of Residential Premises*, implemented by the MOHURD on April 13, 2010, provides that:

- for residential projects for which a pre-sale permit has not yet been obtained, real estate developers may not pre-sell such premises, collect or collect in a disguised manner, deposits, reservation fees or other such fees from purchasers in the form of subscriptions, reservations lot drawings or the issuance of VIP cards, or participate in any exhibition;
- where a real estate developer has obtained a pre-sale permit for its residential project, it must publicize all premises available for sale and the prices of each unit at one time within 10 days, and must sell the premises to the public with clearly marked prices as filed. Real estate developers may not sell the premises reserved for self-use to the public before the initial registration of the housing ownership, pre-sell premises through a refund of the sales amount to the purchaser or the guarantee of a lease of the property after sales, or conduct sham transactions;
- pre-sale permits can only be issued for an entire building but not for individual floors or units; and
- all proceeds from the pre-sale of commodity residential premises must be deposited into accounts monitored by the regulatory authorities to ensure that such proceeds are used for construction of the commodity residential premises.

Management of Proceeds from Pre-sales of Properties

The Pre-completion Sale Measures also provide that the proceeds obtained by a real estate developer from the advance sale of commodity properties must be used for the construction of the relevant projects. The specific measures for the supervision of proceeds from the pre-sale of commodity properties are formulated by the real estate administration authorities.

Under the *Implementing Regulations on Supervision of Proceeds from Pre-sales of Commodity Properties of Jinan City*, implemented by Jinan Committee of Construction on September 26, 2005 and effective as of October 26, 2005, the proceeds from pre-sales of properties must be used in the construction of pre-sale projects, including the purchase of construction materials and equipment, remittance of construction fees and taxes payable, and should not be used for other purposes.

In accordance with the *Implementing Opinions on Strengthening the Management for sale of Urban Commodity Properties*, implemented by the People's Government of Sichuan Province on March 23, 2000, the proceeds from pre-sales of properties must be deposited in a special bank account opened by the developers, may only be used for the relevant construction work and may not be used for other purposes. The relevant banks monitor the use of the proceeds of pre-sales and ensure that the proceeds are used in the designated way.

In accordance with the *Regulations on Supervision of Proceeds from the Pre-sales of Commodity Properties in Zhengzhou*, implemented by the Zhengzhou People's Government on November 19, 2009 and effective as of December 20, 2009, the proceeds from the pre-sales of properties must be used for the construction of the same, which includes the purchase of construction materials and equipment, remittance of fees for construction and taxes payable.

The *Notice on Enhancing the Management on Use of Fund of Pre-sales of Commodity Properties of Beijing City*, implemented and effective as of December 16, 2015 provides that the real estate development enterprise may withdraw funds for construction purpose from accounts monitored by the regulatory authorities if the sale scale confirmed by pre-sale contracts signed online is less than half of the authorized scale of pre-sale.

Post-completion Sales

In accordance with the *Measures for Administration of Sale of Commodity Properties* implemented by the MOHURD on April 4, 2001, commodity properties may be put up for post-completion sale only when the following preconditions for such sale have been satisfied:

- the developer offering to sell the post-completion properties has a valid business license and a qualification classification certificate;
- the developer has obtained a land use rights certificate or other approval documents of land use;
- the developer has the relevant permit for construction project planning and the permit for construction;
- the commodity properties have been completed, inspected and accepted as qualified;
- the relocation of the original residents has been settled;
- the supplementary and essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of such facilities have been specified; and
- the property management plan has been completed.

Prior to a post-completion sale of a commodity property, a real estate developer is required to submit the Real Estate Development Project Manual and other documents showing that the preconditions for a post-completion sale have been fulfilled to the real estate development authority.

Regulations on Property Ownership Certificates

Under the *Measures for Administration of Sale of Commodity Properties*, the developers must submit the documents relating to the application for property ownership certificates to the local real estate administration authorities within 60 days after the delivery of the property to customers. The developers are required to assist customers in applying for amendments in the procedures for land use rights and registration procedures for property ownership.

In accordance with the Pre-completion Sale Measures, the purchasers must apply for property ownership certificates to the local real estate administration authorities within 90 days after the delivery of pre-sale property to purchasers. The developers are required to assist and provide the purchasers with necessary verifying documents. Where the purchasers fail to obtain the property ownership certificates within 90 days thereafter due to the developer's fault, unless otherwise provided between the developers and the purchasers, the developers will be liable for the breach of contract.

Regulations on Transfer, Mortgage and Lease

Transfer

According to the Urban Real Estate Law and the *Provisions on Administration of Transfer of Urban Real Estate* implemented on August 7, 1995 by the MOHURD and amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred as well.

The parties to a transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred if:

- the grant premium has been paid in full for the grant of the land use rights as provided by the grant contract and a land use rights certificate has been obtained; and
- the development has been carried out according to the grant contract: in the case of a project for which buildings are developed, development representing more than 25% of the total investment has been completed; in the case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

Mortgages of Real Estate

Under the Urban Real Estate Law, the Property Law, and the *Measures on the Administration of Mortgage of Buildings in Urban Areas* implemented by the MOHURD in May 9, 1997 and amended on August 15, 2001, when a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage will be simultaneously created on the land use rights of the land on which the building is erected. Land use rights occupied by the properties will also be mortgaged at the same time. The mortgager and the mortgagee sign a mortgage contract in writing. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority in the city where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property placed on pre-sale or which is still undergoing construction, the registration authority will, when registering the mortgage, record such details on the mortgage contract. If the construction of the property is completed during the term of a mortgage, the parties involved will have to re-register the mortgage after the issuance of the relevant certificates evidencing the rights and ownership to the real estate.

Lease

Under the Urban Real Estate Law and the *Measures for Administration of Leases of Commodity Properties* implemented by the MOHURD on December 1, 2010 and effective as of February 1, 2011, the parties to a lease of a building are required to enter into a lease contract in writing. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority in which the building is situated.

On May 17, 2016, the PRC State Council implemented the *Opinions on Accelerating to Cultivate and Develop the Housing Leasing Market*, according to which real estate developers are encouraged to engage in housing leasing business. Among others, the government intends to (i) support real estate developers to expand their business scopes, develop housing leasing business by taking advantage of their completed real properties; (ii) encourage real estate developers to rent the commercial housing in stock and (iii) guide real estate developers to cooperate with the housing leasing enterprises for developing housing leasing business.

Regulations on Real Estate Financing

The *Opinions of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Property Prices*, issued on May 24, 2006 by the General Office of the PRC State Council, provides that, to tighten the control of advancing loan facilities, commercial banks are not allowed to advance their loan facilities to developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the developers who have a large number of idle land parcels and unsold commodity properties. Banks may not accept mortgages of commodity properties remaining unsold for more than three years. In terms of minimum down payment, this Opinion provides that:

- the minimum down payment for any purchase of first self-use residential property with a unit GFA of less than 90 square meters is 20% of the purchase price of the property; and
- the minimum down payment for any purchase of first self-use residential property with a unit GFA of 90 square meters or more is 30% of the purchase price of the property.

The *Circular on Strengthening the Management of Commercial Real Estate Credit Facilities*, issued on September 27, 2007 by the PBOC and the CBRC, as supplemented on December 5, 2007 reinstates the minimum down payment requirements contained in the *Opinion of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Property Prices* issued on May 24, 2006, and further provides that if a family member (including the purchaser and his / her spouse and their children under 18) has financed the purchase of a residential property with loans from banks, any member of the family that purchases another residential property will be regarded as a second-time property purchaser.

The *Circular of the State Council on Firmly Curbing Precipitous Rise of Some Urban Housing Prices* implemented on April 17, 2010 by the PRC State Council, provides for the implementation of a stricter differentiated housing loan policy, including:

- purchasers of a first residential property for a household with a GFA of greater than 90 square meters must make down payments of no less than 30% of the purchase price;
- purchasers of a second residential property for a household must make down payments of no less than 50% of the purchase price and the interest rate of any mortgage for such property must equal at least the benchmark interest rate plus 10%; and
- the minimum down payment amount and applied interest rate must be increased significantly for purchasers of a third residential property.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued a notice clarifying the criteria for determining a “second residential household property.” Among other matters, the requirements on down payments and interest rates for mortgages on a second residential property will also apply to non-local resident purchasers (i.e., purchasers who cannot provide proof that they have been making individual income tax payments or social security payments in the relevant local area for more than one year) applying for housing-related mortgage financing, regardless of whether there is any residential property under the name of a member of their households at the time of application.

On March 30, 2015, the MOF and the SAT jointly issued the *Notice on Adjustment of Business Tax Policies on Individual Transfer of House*, or Circular 39, which became effective on March 31, 2015. According to Circular No. 39, individual property owners are exempt from paying business tax on the sale of an ordinary housing if he has owned and held it for at least two years.

The *Circular on Issues Relevant to Improving the Regulation and Control of the Real Property Market* implemented by the General Office of the PRC State Council on January 26, 2011, provides that all local governments and the ministries and commissions under the PRC State Council must comply with the following requirements:

- if an individual transfers a house within five years after purchasing it, all his or her income from such sale will be subject to business tax;
- a household purchasing a second residential household property by mortgage financing, the down payment must not be less than 60% of the purchase price, and the interest rate for a mortgage on such property must not be less than 1.1 times of the benchmark interest rate;
- local governments are required to strengthen the administration of housing land supply and the land supply for housing for low-income people and shantytown renovation. Small and medium-sized common commodity property must not be less than 70% of the total housing land supply;
- a local resident household having one residential household property, or a non-local resident household that is able to provide the individual income tax payment certificate or social insurance contribution certificate for a certain number of years, may only be allowed to purchase one more residential property;
- a local resident household having two or more residential property, or a non-local resident household having one or more residential property or is unable to provide the individual income tax payment certificate or social insurance contribution certificate for a certain number of years, may not be allowed to purchase any residential property in the local area.

In accordance with the *Circular of the MOHURD and the SAFE on Further Regulating the Administration of Houses Purchase by Overseas Entities and Individuals* implemented on November 4, 2010, except as otherwise provided in the law, an overseas individual may only purchase one house unit for personal residence, and an overseas entity establishing domestic branches or representative offices may only purchase non-residential houses in the city of registration for business purposes.

On February 20, 2013, the PRC State Council, in an executive meeting, stated that it is still a national policy to take action to curb investment and speculation in the housing market. The PRC State Council required the local governments continue to stabilize the housing price and restrict the speculation in the housing market. The meeting also determined that the trial regions for real property tax will be enlarged.

On February 26, 2013, the General Office of the PRC State Council announced the *Circular on Continuing to Improve the Regulation and Control of the Real Estate Market*, which among others, provides the following requirements:

- all municipalities directly under the central government, municipalities with independent planning status, and provincial capital cities (excluding Lhasa) must promulgate their own plans and targets for price controls on newly constructed commodity properties (excluding low-cost housing projects) in 2013 based on the principle of stabilizing the current market price. Such plans and targets must be published within the first quarter of 2013;

- limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question;
- non-local resident families that already hold a property and non-local resident families that cannot prove their local payment of tax and/or social insurance for a required period of time shall be suspended from purchasing any property within the local administrative area;
- for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments;
- the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On September 29, 2014, PBOC and CBRC issued the *Circular of PBOC and CBRC on Further Improving Financial Services for Housing*, among other incentive policies, which specifies that the minimum down payment is 30% of the purchase price for purchasers of a first residential property for their households, and the minimum loan interest rate is 70% of the benchmark rate, to be decided by banking financial institutions in light of risk conditions. For purchasers of a second residential property for their households who have paid off the loan that financed their first house and reapply for a loan to finance an ordinary commodity house for the purpose of improving their living conditions, the loan policies for a first house will apply.

On October 9, 2014, the MOHURD, the MOF, and the PBOC jointly issued the *Circular of MOHURD, MOF and PBOC on Developing the Business of Individual Housing Loan through Housing Fund*, which specifies that employees who make their payment of housing fund for consecutive 6 months may apply for individual housing loans through the housing fund and local authorities may raise the amount that a person can apply for under certain conditions.

In light of the weakening in the property market in China, on March 30, 2015, the PBOC, the MOHURD and the CBRC jointly issued the *Circular on Issues concerning Individual Residential Mortgage Policies* in an effort to stimulate the market. The circular reduces the minimum down payment ratios from 30% to 20% for first home buyers who use the housing provident fund for their purchase and from 60% to 40% for second home buyers with outstanding mortgages who apply for another mortgage. In addition, the circular provides that home buyers who use the housing provident fund for their home purchase are only required to pay a minimum down payment of 30% for their purchase of a second house if all loans are settled on their first home.

On August 27, 2015, the MOHURD, the MOF and the PBOC jointly issued the *Circular on Adjusting the Minimum Down Payment for the Purchase of Houses by Individuals on the Housing Provident Fund Loans*. The circular provides that home buyers who use the housing provident fund for their home purchase are only required to pay a minimum down payment of 20% for their purchase of a second house if all loans are settled on their first home.

On September 24, 2015, the PBOC and the CBRC jointly issued the *Circular on Issues Concerning Further Improving Differentiated Housing Loan Policies*, which provided that in the cities without restrictive measures for house purchase, the minimum down payment ratio shall be 25% or higher for the first home buyers who use the commercial individual housing loans.

On September 29, 2015, the MOHURD, the MOF and the PBOC jointly issued the *Notice on further improving the Usage Efficiency of Housing Provident Fund*, according to which, in the case of any cities with sub-districts avail the housing provident fund with an efficiency index less than 85%, the cities shall increase the housing provident fund loans based on the housing price, loan needs and repayment capacities. The term of the indebtedness can be extended to 5 years after one's retirement but is limited to 30 years.

On February 1, 2016, the PBOC and the CBRC jointly issued *Circular of the People's Bank of China and the China Banking Regulatory Commission on Issues Concerning Adjusting the Individual Housing Loan Policies*. It provides that in the cities without restrictive measures for house purchase, the minimum down payment ratio, in principal, shall be 25% for the first home buyers who use the commercial individual housing loans common, and the said percentage may be lowered by 5% in different regions; with respect to second home buyers with unsettled house purchase loans who purchase for improving living conditions and use commercial individual housing loans, the minimum down payment ratio shall be at least 30%.

On February 17, 2016, the MOF, the SAT and the MOHURD jointly issued *Circular on Adjusting Deed Tax and Business Tax Policies for Real Estate Transactions*. Regarding deed tax, it provides that for first home buyers purchasing the only residence for their families (family members include the buyer, the buyer's spouse and under-age children, as applicable hereinafter) with an area of 90 square meters or less, the deed tax is reduced to 1%; for a residence with an area of more than 90 square meters, the deed tax is reduced to 1.5%. For second home buyers purchasing a second residence with an area of 90 square meters or less, the deed tax is reduced to 1%; for residences with an area of more than 90 square meters, the deed tax is reduced to 2%. Regarding business tax, it provides that for any individual who sells his/her ordinary housing that is purchased and owned less than two years, full business tax is levied; for an individual who sells his/her ordinary housing purchased and owned not less than two years ago, the business tax is exempted. However, the circular specifies that the policies regarding deed tax and business tax shall not apply to Beijing, Shanghai, Guangzhou and Shenzhen, where the business tax for transfer of residences by individuals as stipulated in the *Circular of the Ministry of Finance, and the State Administration of Taxation on Adjusting Business Tax Policies for Transfer of Residences by Individuals* still apply. Furthermore, the MOF and the SAT jointly implemented the *Circular on Issues concerning the Taxation Basis for Deed Tax, House Property Tax, Land Value-added Tax and Individual Income Tax after the Pilot Collection of Value-Added Tax in Lieu of Business Tax* on April 25, 2016 which deducts VAT from the taxation basis of Deed Tax, House Property Tax, Land Value-added Tax and Individual Income Tax.

Regulations on Housing Prices and Real Estate Tax

On January 7, 2010, the general office of the PRC State Council issued the *Circular of the General Office of the State Council on Accelerating the Stable and Smooth Development of Real Estate Market* to all ministries and provincial-level local governments to control the rapid increase in housing prices and cool down the real estate market in China. The circular reiterated that the purchasers of a second residential property for their households must make down payments of not less than 40% of the purchase price and the real estate developers must commence the sale within the mandated period as set forth in the pre-sale approvals and at the publicly announced prices. Further, in order to implement the requirements set out in the PRC State Council's circular, the MLR, issued a notice on March 8, 2010 in relation to increasing the supply of, and strengthening the supervision over, land for real estate development purposes. The MLR's notice stipulated that the floor price of a parcel of land must not be lower than 70% of the benchmark land price set for the area in which the parcel is located, and that real estate developers participating in land auctions must pay a deposit equivalent to 20% of the land parcel's floor price.

On March 16, 2011, the NDRC, issued the *Provisions on Selling Real Estate at Expressly Marked Prices*, which was implemented on May 1, 2011 to regulate price manipulation and arbitrary price increases by, among other things, requiring developers to re-register with the appropriate government department before increasing real estate prices. PRC government agencies have also implemented several other regulations in a continuous bid to promote the construction of public housing, especially rental housing projects. The urban public rental housing policy is targeted at low to middle income families, new employees without housing and migrants with stable employment in urban areas. Several policies, such as increasing financial aid from central finance agencies and local governments, improving project planning and establishing a sound regulatory mechanism, have been implemented to ensure the successful promotion of affordable housing projects.

In addition to the notice above, local government authorities of several municipalities and cities such as Beijing, Zhengzhou, Jinan, Chengdu and Hefei have successively implemented more detailed regulations to restrict residents who have not resided in the local area for a certain period of time (ranging from 1 year to 5 years, evidenced by their individual income tax payment track records) from purchasing residential property in that area.

On February 15, 2012, the MLR issued the *Circular on Issues Relevant to the Regulation and Control of the Real Property Market in 2012*, which provides that governments must strictly maintain the current range of restrictions on the real estate market.

On April 17, 2014, the General office of the PRC State Council issued a notice that, among other things, specifically emphasizes the importance of adopting real estate tax. On November 24, 2014, the *Provisional Regulations on Registration of Real Estate* was implemented by PRC State Council and became effective on March 1, 2015. It provides that PRC has established a nationwide property registration system to provide a uniform platform through which ownership information of every registered property can be shared in real-time among different regions in China. If the PRC government promulgates regulations of real estate tax in the future, it may adversely affect the real estate market in China.

On March 7, 2016, during the National People's Congress and the Chinese Political Consultative Conference, the All-China Federation of Industry and Commerce made a proposal concerning propelling relief of real estate inventory. The proposal includes suggestions such as introducing real estate trusts, using individual income tax to charge against interest of housing loans.

Regulations on Housing Supply and Improving the Healthy Development of the Real Estate Market

The *Opinion of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices*, implemented on March 25, 2015, provides the following:

- commercial banks may not grant loans to any developer whose total investment capital contributed is less than 35% and may not accept any premises that have been left vacant for more than three years as security;
- land that has been left idle for two years or more will be repossessed by the government without any compensation payment to the developer. Also, land will be treated as being left idle if construction has been halted for more than one year and the total area developed is less than one-third of the whole project area or the capital invested is less than a quarter of the total investment;
- there will be no supply of land for villas and other equivalent real estate development projects, while land allocation for low-density, large housing developments will remain tight; and
- no planning permit, construction permit or premises pre-sale permit is to be issued for projects that do not comply with the abovementioned requirements, in particular composite structure projects that exceed planning requirements.

The *Circular on Increasing the Supply of, and Strengthening the Supervision over, Land for Real Estate Development Purposes* issued on March 8, 2010 by the MLR, provides that:

- the floor price of a parcel of land must not be lower than 70% of the benchmark land price set for the area in which the parcel is located;
- real estate developers participating in land auctions must pay a deposit equivalent to 20% of the land parcel's floor price; and
- real estate developers must report to the competent land authorities when they commence and complete the construction of each project, and the land authorities will conduct inspections according to the corresponding land grant contract.

This circular also reiterated the policy that the initial installment payment made by real estate developers for a parcel of land must not be less than 50% of the overall amount owed for the land use rights.

Regulations on Environmental Protection in Construction Projects

Under the *Regulations on the Administration of Environmental Protection in Construction Project*, or Environmental Regulations, implemented by the PRC State Council on November 29, 1998 and amended on July 16, 2017 and effective as of October 1, 2017, each construction project is subject to an environmental impact assessment by the relevant authorities.

According to the Environmental Regulations, a developer is required to submit an environmental impact report, or an environmental impact report form, or an environmental impact registration form (as the case may be) to the relevant environmental protection administration for approval during the project's feasibility analysis stage. In the meantime, if any ancillary environmental protection facilities are necessary in the construction project, such facilities are required to be designed, constructed and used in conjunction with the main project. After completion of the project, the developers are required to apply to the relevant environmental protection administrations for final acceptance examination in respect of any ancillary environmental protection facilities. Construction projects are approved for use after passing the said acceptance examination.

The *Environmental Impact Assessment Law*, implemented by the National People's Congress on October 28, 2002 and effective as of September 1, 2003 and amended on July 2, 2016, provides that if the environmental impact assessment documents of a construction project have not been examined by the relevant environmental protection administrations or are not approved after examination, the authority in charge of examination and approval of the project may not approve construction on the project, and the construction work unit may not commence work.

Regulations on Property Management

The *Property Management Rules*, amended by the PRC State Council on August 26, 2007 and effective as of October 1, 2007 and amended on February 6, 2016, provide that property owners have the right to appoint and dismiss property service enterprises (formerly known as property management enterprises). The rules also establish a regulatory system for property service enterprises, which encompasses the following regulations:

- the Measures for the Administration of Qualifications of Property Service Enterprises (formerly known as the Measures for the Administration of Qualifications of Property Management Enterprises) amended by the MOHURD and effective as of November 26, 2007, amended on May 4, 2015 and January 21, 2017, provide that property service enterprises must apply to the local branch of the MOHURD and undertake a qualification examination to obtain a Property Service Qualification Certificate. A property service enterprise must pass the Property Service Qualification (formerly known as the Property Management Qualification), or PSQ examination, in order to engage in property management. Property service enterprises are classified as class I, II or III. Different classes of service enterprises have different establishment requirements and may manage different types of premises. However, the *Measures for the Administration of Qualifications of Property Service Enterprises* expired on March 8, 2018, the qualifications of property service enterprises are cancelled and no administrative approval is required for operating property service.
- the *Measures on the Administration of Bid Soliciting and Bidding Concerning Preliminary Property Management*, implemented on June 26, 2003 by the MOHURD, provide that prior to the selection of the Property Owners' Committee, or the POC, the property developer will select a property management enterprise to provide property management services.
- the NDRC and the MOHURD jointly implemented the Measures on the Administration of Property Management Service Fees on November 13, 2003, which provide that property management fees will be determined by mutual consent between the POC and the property management enterprise, and set forth in writing in the property management service contract.

Xinyuan Science and Technology Service Co., Ltd. is a class I property management company.

Regulations on Urban Landscaping Services

The *Regulations Regarding Urban Landscape* implemented on June 22, 1992, amended on January 8, 2011 and March 1, 2017 by the PRC State Council and the *Measures on the Administration of Qualifications of Urban Landscaping Enterprises* ("Urban Landscaping Measures") implemented on July 4, 1995, as amended on October 9, 2009, provide the following:

- any enterprise that wishes to provide landscaping services must apply to the MOHURD's local branch for an urban landscaping qualification, or ULQ certificate; and
- if a landscaping enterprise wishes to provide landscaping service outside the province where it is registered, it must establish branches in such locales and submit its original ULQ certificate for filing with the MOHURD's respective local branch.

While the Urban Landscaping Measures were abolished on February 18, 2016, the requirements are still being implemented by the MOHURD and its local branches in practice.

United States

Our operations in the United States will be subject to extensive regulations imposed and enforced by various federal, state, and local governing authorities. These regulations are complex and include building codes, land zoning and other entitlement restrictions, health and safety regulations, labor practices, marketing and sales practices, environmental regulations, and various other laws, rules, and regulations. Collectively, these regulations have a significant impact on the site selection and development of our properties, our design and construction techniques, our relationships with customers, employees, and suppliers, subcontractors, and many other aspects of our business.

C. Organizational Structure

Xinyuan is a holding company established in the Cayman Islands that operates its business and operations through its subsidiaries. For its operations in each of the PRC and the United States, the Group has a local holding company which owns the operating entities. The Group establishes a separate entity for each development project. In addition, the Group has various subsidiaries which have been created for use in various future ventures. Please refer to Exhibit 8.1 to this Annual Report on Form 20-F for a listing of the Company's subsidiaries, including country of incorporation. Please refer to Note 1 of our audited consolidated financial statements for the ownership percentages of the Group's principal subsidiaries.

D. Property, plant and equipment

Our headquarters and some of our subsidiaries are located in Beijing, China, where we lease approximately 7,331 square meters of office space. We also lease a total of approximately 10,540 square meters of office space in other cities where our subsidiaries are located, which includes approximately 1,383 square meters in Jinan, Shandong Province, 1,966 square meters in Suzhou, Jiangsu Province, 1,136 square meters in Kunshan, Jiangsu Province, 276 square meters in Xuzhou, Jiangsu Province, 4,521 square meters in Zhengzhou, Henan Province, Shaanxi Province, 776 square meters in Changsha, Hunan Province, 367 square meters in New York and 115 square meters in Malaysia.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information — D. Risk Factors" or in other parts of this annual report on Form 20-F.

A. Operating Results

Overview

Since our inception in 1997, we have completed 52 projects with total GFA of 7,824,687 square meters. As of December 31, 2018, we had 42 projects in 14 cities in China and the United States with estimated total GFA of 7,541,823 square meters under construction and planning, of which 29 projects with estimated total GFA of 4,480,111 square meters were under construction. As of December 31, 2017, we had 28 projects in 14 cities in China and the United States with estimated total GFA of 5,162,576 square meters under construction and planning, of which 19 projects with estimated total GFA of 3,126,063 square meters were under construction. As of December 31, 2016, we had 24 projects in 11 cities in China and the United States with estimated total GFA of 4,138,924 square meters under construction and planning, of which 17 projects with estimated total GFA of 3,566,254 square meters were under construction.

Our total revenue, derived primarily from sales of residential real estate, was US\$1,561.6 million in 2016, US\$1,976.9 million in 2017, and US\$2,217.6 million in 2018. Our net income was US\$79.5 million, US\$80.1 million, and US\$106.0 million, respectively, for the same periods. We acquire land in China primarily through auctions of government land and acquisition of landowning entities. These acquisition methods allow us to obtain unoccupied land with unencumbered land use rights, which in turn enables us to save the time and expenses associated with protracted legal processes to obtain title, demolition and re-settlement and to commence construction quickly.

The most significant factors that directly or indirectly affect our financial performance and results of operations are:

- Economic growth and demand for residential property in China and, since 2012, in the United States;
- PRC government policies and regulations, including tax guidelines and lending policies for the real estate sector;
- Location, number and type of our property developments;
- Availability and cost of financing;
- Acquisition of quality land use rights or title to quality properties in our target markets;
- Changes in the price of raw materials and labor costs; and
- Our execution capability to support business expansion.

Principal Factors Affecting Our Results of Operations

Economic growth and demand for residential property in China and since 2012, in the United States

Our business and results of operations are significantly affected by trends and developments in the PRC economy, including disposable income levels, urbanization rate, population growth, and availability of project and consumer financing, which affect demand for residential properties in China. During the past decade, China has experienced significant economic growth, which has created a favorable operating environment for us in the cities where we operate. As of December 31, 2018, 97.4% of the units in our completed projects have been sold. We have periodically experienced some volatilities in demand due to the strict mortgage policy and other measures taken by the PRC government to slow down the rapid increase in housing prices, such as the *Circular on Continuing to Improve the Regulation and Control of the Real Estate Market* announced by the General Office of the PRC State Council in February 2013 which, among others, requires an individual income tax at a rate of 20% on gains generated from the sale of a self-owned property (See “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Real Estate Financing”). However, we expect continuing economic growth in China, rising disposable income levels and population growth in our target cities to support demand for residential properties over the next several years. If we continue to expand our business operations in the United States, trends and development in the U.S. economy, including developments in the United States housing markets, will become increasing important to our business and results of operations.

PRC government policies and regulations

Our business and results of operations are significantly affected by PRC government policies and regulations, particularly those that relate to land sales and development, project and consumer financing, property sales and transfers, property taxation and residential property prices.

In connection with the rapid rise in housing prices as the PRC real estate market recovered from the impact of financial crisis, the general office of PRC State Council issued *the Circular of the General Office of the State Council on Accelerating the Stable and Smooth Development of Real Estate Market* on January 7, 2010, which aimed to control the rapid increase in housing prices and cool down the real estate market. Among other matters, the circular reiterated that purchasers of a second residential property for their households must make down payments of no less than 40% of the purchase price, and that real estate developers who have received approval to sell property must commence sales within the mandated period at the price they have publicly announced.

The General Office of the PRC State Council implemented the *Circular on Issues Relevant to Improving the Regulation and Control of the Real Property Market* on January 26, 2011, which provided, among other things, that for a household purchasing a second residential household property utilizing mortgage financing, the down payment must be at least 60% of the purchase price, and that provinces and cities where housing prices are too high must promulgate policies to limit the purchase of residential properties.

On February 26, 2013, the General Office of the PRC State Council announced the *Circular on Continuing to Improve the Regulation and Control of the Real Estate Market*, which, among others, provided the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question; (ii) for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

We believe that it is in the PRC government's interest to stabilize the market and to encourage the urbanization process and that increases of disposable income will continue to support the long-term growth of China's real estate market. Accordingly, we expect that the government will maintain policies that will foster long-term healthy growth and curb potential bubbles in the market. However, we cannot assure that the PRC government will not adopt further measures in the near future that may adversely affect our business and financial performance or that a real estate bubble will not develop despite government efforts to discourage such development.

Moreover, a substantial portion of our customers depend on mortgage financing to purchase our properties. Although government policies have generally fostered the growth of private home ownership, regulations have been adopted in recent years to tighten and then loosen mortgage lending rules. For example, on September 29, 2014, the PBOC and CBRC issued the *Circular of PBOC and CBRC on Further Improving Financial Services for Housing*, among other incentive policies, which specifies that the minimum down payment percentage is 30% for purchasers of a first residential property for their households, and the minimum loan interest rate is 70% of the benchmark rate, to be determined by banking financial institutions in light of risk conditions. For purchasers of a second residential property for their households who have paid up the loan that financed the acquisition their first house who apply again to for a loan to finance the purchase of an ordinary commodity house for the purpose of improving their living conditions, the loan policies for the first house shall apply. In light of the weakening in the property market in China, however, the PBOC, the MOHURD and the CBRC jointly issued the *Circular on Issues concerning Individual Residential Mortgage Policies* on March 30, 2015, which came into effect on March 31, 2015, as a measure to shore up the market. The circular reduces the minimum down payment ratios from 30% to 20% for first home buyers who use the housing provident fund for their purchase and from 60% to 40% for second home buyers with outstanding mortgages who apply for another mortgage. In addition, the circular provides that home buyers who use the housing provident fund for their home purchase are only required to pay a minimum down payment of 30% for their purchase of a second house if all loans are settled on their first home.

On August 27, 2015, the MOHURD, the MOF and the PBOC jointly issued the *Circular on Adjusting the Minimum Down Payment for the Purchase of Houses by Individuals on the Housing Provident Fund Loans*. The circular provides that home buyers who use the housing provident fund for their home purchase are only required to pay a minimum down payment of 20% for their purchase of a second house if all loans are settled on their first home.

The down payment ratio, the loan interest rate and the size of mortgage financing are important factors that affect our results of operations, and we cannot guarantee that our operations will not be adversely affected by future government policies.

The PRC government will also from time to time introduce sales tax incentives or disincentives to either stimulate or dampen demand. For example, the required holding period for avoidance of business tax on capital gains on sale of real estate was recently reduced from five years to two years with the promulgation of Circular 39 on March 30, 2015 in an effort to stimulate the weakening property market in China.

Location, number and type of our property developments

The amount of revenue we record in any given period is affected by a number of factors, including the number, type and location of properties we have under construction and their stage of completion, whether the completed units have been sold and the realized selling prices for such units. The average selling prices of our projects vary depending on the types and sizes of the units sold and on the location of the projects. As the overall development moves closer to completion, the sales prices tend to increase because a more established residential community is offered to purchasers. The type of property development affects the estimated construction period of the project, which largely determines the revenue recognition method we apply. Revenue recognized in any period under the full accrual method depends on the number, aggregate GFA and average selling prices of units completed and sold during the period. Revenue recognized in any period on an over time basis depends on contracted sales of units in the relevant project and the completion progress of a project (measured by the ratio of cost incurred to total estimated cost). As the completion and sales of our projects are not spread evenly over time, our results of operations may differ significantly from period to period.

Availability and cost of financing

Like other property developers, we require substantial capital investment for the acquisition of land use rights and the construction of our projects. Our ability to secure financing for such purposes affects the number of projects we are able to develop at any time. Over the past ten years, the PBCO has alternatively tightened or loosened the credit supply by increasing or decreasing the reserve requirement ratios of commercial banks and financial institutions. Any future increases in the reserve requirement ratio will reduce the amount of commercial bank credit available to businesses in China and may affect our ability to obtain sufficient funding from banks to finance our business expansion. The cost of our financing also affects our operating results. We typically obtain bank borrowings for up to 65% of the cost of our land use rights to fund PRC project developments after we receive the required permits. Interest rates on our commercial bank borrowings vary and are linked to benchmark lending rates published by the PBOC, which fluctuate from time to time.

In addition to bank debt, we obtain financing through the issuance of debt securities and through onshore corporate bonds issued by our subsidiary, Xinyuan China. As of December 31, 2018 we had outstanding US\$1,050.2 million aggregate principal amount of Senior Secured Notes with interest rates ranging from 7.75% to 9.875%. Also as of December 31, 2018, Xinyuan China had outstanding US\$356.9 million in corporate bonds. For more detailed discussion of the bank borrowing and debt securities, see Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources.

Acquisition of land use rights or title to properties in target markets

Our business model depends to a large extent on our ability to acquire land use rights for development sites and proceed quickly with construction to shorten our development cycle. As a consequence, we are frequently surveying the market for attractive development opportunities in our target cities. Under current regulations and market practice, land use rights for residential development purposes in China may be acquired from local governments through a competitive auction or other bidding process, in which the minimum reserve price is determined based on the appraised value. Land use rights may also be acquired in the secondary markets. We also utilize a negotiated land acquisition model, which involves deposits on certain lands that we are most interested in acquiring, which we believe will improve our chances of successfully acquiring desired land.

Government land auctions are a transparent and competitive process for bringing development land to market, allowing the developer to acquire clean title and the ability to proceed immediately with development. However, as competition for development sites increases, the auction mechanism tends to lead to higher prices. In 2016, 2017 and 2018, land use rights costs, including auction price and taxes, constituted 35.6%, 39.7%, and 42.2% respectively, of our costs of revenue. During 2018, we incurred an aggregate of US\$951.7 million for land acquisitions in China, including deposits for potential acquisitions under the negotiated land acquisition model.

We acquire our developments sites or land held for sale in the United States generally through off-market transactions, including resales and distressed sales. During 2018, we did not purchase any new property in the United States.

On March 21, 2018, we acquired from ED Group, a 50% equity stake in MDL, the developer of the Madison Project, via our wholly-owned subsidiary Xinyuan International (HK) Property Investment Co., Limited for a total consideration of GBP29.5 million equivalent to US\$41.4 million.

Increases in the price of raw materials and labor costs

We outsource the design and construction of our property developments to third-party service providers. Our third-party contractors are responsible for providing labor and procuring a majority of the raw materials used in our project developments. Our construction contracts typically provide for flexible payments, subject to changes in certain cases, such as design changes during construction, changes in government-suggested steel prices, cement prices, as well as labor costs. Any increase in labor costs or other costs which may result in adjustments in payments under our construction contracts could result in an increase in our construction costs. In addition, the increase in the price of raw materials, such as cement, concrete blocks and bricks, in the long run could be passed on to us by our contractors, which could increase our construction costs. Any input cost increase could reduce our earnings to the extent we are unable to pass these increased costs to our customers.

Our execution capability to support business expansion

Since 2006, we have been expanding our residential property development operations from Zhengzhou in Henan Province into other high growth cities, we plan to expand into additional high growth cities as suitable opportunities arise. The development of real estate projects across additional high growth cities will impose significant demand on our management and other operational resources. Moreover, we will face increased competition and will need to establish brand recognition and market acceptance for our developments in these new markets. Each of our targeted high growth cities has its own market conditions, customer requirements and local regulations related to the real estate industry. In addition, while our primary focus continues to be residential real estate markets in the high growth cities in China, we have expanded into the U.S. market. Our expansion in the U.S. market, which is significantly different from China in terms of market conditions, regulatory compliance requirement and customers, imposes significant demands on our management and other operational resources. In 2014, we acquired 100% of the shares of a Malaysian company, which owns offshore land fill development rights for a total areas of 170 acres (approximately 687,966 square meters). On March 21, 2018, we acquired from ED Group, a 50% equity stake in MDL, the developer of the Madison Project, via our wholly-owned subsidiary Xinyuan International (HK) Property Investment Co., Limited for a total consideration of GBP29.5 million equivalent to US\$41.4 million. We have no development experience in Malaysia and England, nor have we ever engaged in landfill reclamation projects. Such expansion also imposes significant demands on our capital and management resources to develop and generate future revenues from projects. The success of our business expansion depends on our ability to develop, market and deliver quality development projects on time. In addition, the progress and costs of a development project can be adversely affected by many factors, such as delays in obtaining necessary licenses, permits or approvals from relevant government authorities, failure by local contractors to comply with our designs, specifications or standards, and disputes with our third-party contractors. As we are not permitted to commence pre-sales in China until we have reached certain milestones in the construction progress for a project, any significant delay in construction could restrict our ability to pre-sell our properties, which could extend the recovery period for our investments. This, in turn, could have an adverse effect on our cash flow, investment returns, results of operations and financial position.

Operating Results

Revenues

We derive our revenues mainly from the development and sale of real estate. In addition, we generate a small percentage of revenue from leasing ancillary facilities and residential units in certain of our residential developments, as well as from the provision of related services, including property management and real estate related services that we provide to residents and purchasers of our residential units.

	Year Ended December 31,					
	2016		2017		2018	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Real estate sales	1,524,969	97.7	1,924,561	97.4	2,139,371	96.5
Real estate leasing	5,946	0.4	8,733	0.4	9,585	0.4
Real estate management services income	30,023	1.9	41,738	2.1	63,447	2.9
Other revenue	687	0.0	1,875	0.1	5,148	0.2
Total revenue	1,561,625	100.0	1,976,907	100.0	2,217,551	100.0

The impact of foreign exchange rate variances on reported revenues in U.S. dollars was a favorable 2.1% for the year ended December 31, 2018, compared to an adverse 1.7% for the year ended December 31, 2017. These variances were due to the appreciation of the RMB versus the U.S. dollar during 2018 was heightened as compared to 2017.

Real estate sales

Real estate sales represent revenues from the sales of residential properties we develop and acquire. Throughout this annual report, real estate sales are stated net of sales tax levied on the relevant contracted sales value. Sales tax is a one-time tariff which consists of a business tax at the rate of 5%, an urban construction tax at the rate of 0.35% and an education surcharge at the rate of 0.15%. Total sales tax amounted to US\$30.1 million, US\$21.7 million, and US\$21.4 million for 2016, 2017 and 2018, respectively. Beginning May 1, 2016, a value added tax instead of the business tax was levied on the relevant contracted sales value at the rate of 5% or 11%. Beginning May 1, 2018, the rates of value added tax was levied on the relevant contracted sales value at the rate of 5% or 10%.

For the year ended December 31, 2017, we recognized all our real estate sales revenues in China under the percentage of completion method (“POC”). On January 1, 2018, the Company adopted ASC 606: Revenue from Contracts with Customers (“ASC 606”) issued by the Financial Accounting Standards Board. The Company adopted the guidance using the modified retrospective approach for the year ended December 31, 2018. Under the new revenue recognition standards, revenue from domestic real estate sales under the previous contract terms, which used to be recognized over time under POC method, was not recognized until title is transferred when the Company does not have the enforceable right to payment, therefore, the revenue, cost and retained earnings decreased; on the other hand, the balance of real estate properties under development and customer deposits increased. For the year ended December 31, 2017 and 2018, all the revenues related to projects in the U.S. were recognized until title is transferred.

Real estate leasing

Real estate leasing revenues represent the income from the rental of ancillary facilities, including a retail property, parking facilities, kindergartens, elementary schools, and clubhouses in a number of our developments.

Real estate management service

Real estate management services income is recognized ratably as services are provided over the term of the property management agreements.

Other revenue

Other revenue consists primarily of fees received for our property management services, landscaping and computer network engineering and other real estate-related services that we provide to residents and purchasers of our residential units.

Costs of revenues

The following table sets forth a breakdown of our costs of revenues for the period indicated:

	Year Ended December 31,					
	2016		2017		2018	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Cost of real estate sales						
Land use rights costs	428,260	35.6	602,399	39.7	676,284	42.2
Construction costs	746,312	62.0	871,668	57.4	860,689	54.1
Total cost of real estate sales	1,174,572	97.6	1,474,067	97.1	1,543,973	96.3
Cost of real estate leasing	3,683	0.3	11,006	0.7	9,349	0.6
Cost of real estate management services	24,281	2.0	31,647	2.2	44,620	2.8
Other costs	1,100	0.1	559	–	4,131	0.3
Total Costs of revenues	1,203,636	100.0	1,517,279	100.0	1,602,073	100.0

Cost of real estate sales

Cost of real estate sales consist primarily of land use rights costs and construction costs. Impairment charges, if any, are also recorded under cost of real estate sales. Cost of real estate sales are capitalized and allocated to development projects using the specific identification method. When the full accrual method of revenue recognition is applied, cost of sales is recognized by determining the ratio of the area of the relevant units completed and sold to the estimated total project area, and applying that ratio to the estimated total project costs. When the over time basis of revenue recognition is applied, capitalized costs are released to our statement of comprehensive income based on the completion progress of a project.

Land use rights cost. Land use rights costs include the amount we pay to acquire land use rights for our property development sites in China, plus taxes, and the amount we pay to acquire land for our property development in the United States, plus taxes. We acquire our development sites or land held for sale in the United States generally through off-market transactions, including resale and distressed sales. Our land use rights costs for different projects vary according to the size and location of the site and the minimum reserve price for the site, all of which are influenced by government policies, as well as prevailing market conditions. Our land use rights costs have increased in the past few years due to several factors including geographic expansion into certain higher priced markets, generally rising prices in each of our served markets, and increased competition from a growing number of bidders at government land auctions.

Construction costs. We outsource the construction of all of our projects to third party contractors, whom we select through a competitive tender process. Our construction contracts provide for flexible payments which cover substantially most of all labor, materials, fittings and equipment costs, subject to adjustments for certain prescribed contingencies, such as design changes during the construction process or changes in government-suggested steel prices or cement prices. Our construction costs consist primarily of the payments to our third-party contractors, which are paid over the construction period based on specified milestones. In addition, we directly purchase and supply a limited range of fittings and equipment, including elevators, window frames and door frames. Our construction costs also include capitalized interest costs in the amount of US\$103.4 million, US\$139.3 million, and US\$135.3 for 2016, 2017 and 2018, respectively.

Future losses and impairment charges. When the profitability of a current project deteriorates due to a slowdown in the sales pace, reduction of pricing or some other factor, this indicates that there may be a possible future loss on delivery and possible impairment in the recoverability of the assets. Accordingly, the assets of such project are subsequently reviewed for future losses and impairment by comparing the estimated future undiscounted cash flows for the project to the carrying value of such project. If the estimated future undiscounted cash flows are less than the asset's carrying value, such deficit will be charged as a future loss and the asset will then be written down to its estimated fair value.

We determine estimated fair value primarily by discounting the estimated future cash flows relating to the asset. In estimating the cash flows for a project, we use various factors including (a) the expected pace at which the planned number of units will be sold, based on competitive market conditions, historical trends in sales pace and actual average selling prices of similar product offerings and any other long or short-term economic conditions which may impact the market in which the project is located; (b) the estimated net sales prices expected to be attained based on the current market conditions and historical price trends, as well as any estimated increases in future sales prices based upon the projected rate of unit sales, the estimated time gap between presale and expected delivery, the impact of government policies, the local and regional competitive environment, and certain external factors such as the opening of a subway line, school or factory; and (c) the expected costs to be incurred in the future by us, including, but not limited to, construction cost, construction overhead, sales and marketing, sales taxes and interest costs.

Our determination of fair value requires discounting the estimated cash flows at a rate commensurate with the inherent risk associated with the assets and related estimated cash flows. The discount rate used in determining each project's fair value depends on the stage of development, location and other specific factors that increase or decrease the risk associated with the estimated cash flows. In accordance with our accounting policies, we consider on a quarterly basis whether indicators of impairment of long-lived assets are present. See also "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Critical Accounting Policies — Real estate properties development completed and under development" for our policy on impairment of long-lived assets.

For the years ended December 31, 2016, 2017 and 2018 we did not recognize any impairment for our active projects, consisting of projects under construction or planning or completed or held for lease.

Cost of real estate leasing

Our cost of real estate leasing consists primarily of depreciation expenses and maintenance expenses associated with the leased properties. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of our properties held for lease are 20-60 years.

Cost of real estate management services

Our cost of real estate management services consists of employee salaries, maintenance water and electricity charges.

Other costs

Other costs represent costs incurred in connection with the property management and real estate services that we provide to residents and purchasers of our residential units.

Selling and Distribution Expenses

Our selling and distribution expenses include:

- advertising and promotion expenses, such as print advertisement costs, billboard and other display advertising costs, and costs associated with our showrooms and illustrative units;
- sales and marketing staff costs, which consist primarily of salaries, welfares and sales commissions;
- agency commissions of approximately 1% of contracted sales on outsourced project sales; and
- other related expenses.

As of December 31, 2018, we employed 107 full-time sales and marketing personnel. We expect our selling and marketing expenses to increase in the near future as we increase our sales efforts, launch more projects and target new markets to expand our operations.

General and Administrative Expenses

General and administrative expenses principally include:

- staff salaries and benefits, quarterly and annual bonuses, and stock-based compensation;
- traveling and office expenses;
- professional fees, such as audit and legal fees; and
- other expenses.

Interest Income

Interest income represents interest earned on mainly on our bank balances.

Interest Expenses

Interest expense includes (i) US\$300 million principal amount of our 8.125% notes due 2019 (the "August 2019 Senior Secured Notes"), US\$300 million principal amount of our 7.75% notes due 2021 (the "February 2021 Senior Secured Notes"), US\$300 million principal amount of our 8.875% notes due 2020 (the "November 2020 Senior Secured Notes"), US\$200 million principal amount of our 9.875% notes due 2020 (the "March 2020 Senior Secured Notes"), US\$338 million principal amount of our public onshore bonds (which was partially redeemed early in 2018), US\$476 million principal amount of our non-public onshore bonds (which was partially redeemed early in 2018), and US\$189.8 million principal amount from loans from non-controlling shareholders of certain of our subsidiaries, (ii) amortization of debt issuance cost, and (iii) interest expense on capital leases.

Except for U.S. dollar-denominated borrowings from the following: US\$113.5 million from The Bank of East Asia, US\$59.5 million from Kent EB-5, LLC, and US\$24.0 million from The Bank of Ozarks and US\$1.8 million from The Bank Direct Capital Finance, all of our borrowings are granted by PRC commercial banks or financing institutions and denominated in RMB. Our senior secured notes (see below) are also denominated in U.S. dollar. Interest rates on our long-term PRC bank borrowings are typically variable and linked to benchmark rates published by the PBOC. Our weighted average interest rate on short-term bank loans and other debt as of December 31, 2018 was 10.68%. As of December 31, 2018, the PBOC benchmark rate for a one-year loan was 4.35% per annum and those for loans of more than one year ranged from 4.75% to 4.9% per annum. The above-mentioned borrowings from overseas branches of PRC banks are secured by RMB deposits in PRC banks' local branches and bear interest rates ranging from LIBOR plus 1.1% to LIBOR plus 1.25%.

The August 2019 Senior Secured Notes in the principal amount of US\$300 million bear interest at the fixed rate of 8.125% per annum. The February 2021 Senior Secured Notes in the principal amount of US\$300 million bear interest at a fixed rate of 7.75% per annum. The November 2020 Senior Secured Notes in the principal amount of US\$300 million bear interest at a fixed rate of 8.875% per annum. The March 2020 Senior Secured Notes in the principal amount of US\$300 million bear interest at a fixed rate of 9.875% per annum. The loans from non-controlling shareholders of certain of our subsidiaries amount to US\$189.8 million and bear interest at rates of up to 10.3192% per annum.

For the year ended December 31, 2018, out of total interest costs incurred, US\$99.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2018 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$281.8 million for the year of 2018, including US\$271.8 million of interest on loans and notes, US\$8.6 million of amortization of debt issuance costs and US\$1.4 million of amortization of aircraft finance lease related interest.

For the year ended December 31, 2017, out of total interest costs incurred, US\$66.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2017 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$ 203.5 million for the year of 2017, including US\$197.4 million of interest on loans and notes, US\$ 4.4 million of amortization of debt issuance costs and US\$ 1.7 million of amortization of aircraft finance lease related interest.

For the year ended December 31, 2016, out of total interest costs incurred, US\$29.9 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2016 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$207.7 million for the year of 2016, including US\$196.2 million of interest on loans and notes, US\$9.4 million of amortization of debt issuance costs and US\$2.1 million of amortization of aircraft finance lease related interest.

Share of Loss of Equity Investee

On October 21, 2013, the Group acquired a 51% equity interest in Shaanxi Zhongmao. The Group and the other remaining shareholder exercises joint control over Shaanxi Zhongmao. The purpose of the joint venture is to undertake residential property development projects in Xi'an, Shaanxi Province. On February 23, 2016, upon the amendment of the articles of association, the Company obtained control over Shaanxi Zhongmao, which was previously accounted for as equity method investee.

As of December 31, 2017 and 2018, the Group has a 1.85% investment in Zhengzhou Lianhe Real Estate Co., Ltd. The Group does not exercise significant influence over Zhengzhou Lianhe Real Estate Co., Ltd. and therefore, the Group accounts for the investment as nonmarketable equity security. Investment income is recognized by the Group when the investee declares a dividend and the Group believes it is collectible. The Company adopted ASU 2016-01 and elected to record equity investments without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company. There were no material adjustments for observable price change or impairment related to these investments for the year ended December 31, 2018.

On January 11, 2016, the Group together with two other entities established a joint venture called Shenzhen Zhong An Financial Lease Co., Ltd. ("Shenzhen Zhong An"), in which the Group holds a 25% equity interest. The purpose of the joint venture is to undertake financial lease businesses. For the year ended December 31, 2018, dividend received amounted to nil (2016: nil; 2017: US\$137,737).

On November 3, 2016, the Company together with two third parties established Zhengzhou Xinci Health Service Co., Ltd. ("Zhengzhou Xinci") to provide health service in Zhengzhou, in which the Company holds a 60% equity interest and injected capital amounted US\$1,290,135 in 2017. Based on the articles of association, Company cannot exercise control over relevant activities of the investee, but it has the ability to exercise significant influence over Zhengzhou Xinci's operation and financial decisions and accounted for it as an equity method investment.

On January 9, 2017, the Company set up a limited partnership, Shenzhen Qianhai Jingjie City Renewal Investment Partnership (“Shenzhen Qianhai”), with third parties and made a capital injection of US\$8,118,800. Shenzhen Qianhai will focus on investment in real estate renewal projects in Shenzhen city. The Company has significant influence over Shenzhen Qianhai operating and financial decisions and accounted for it as an equity method investment.

On January 18, 2017, the Group acquired 51% equity interest in Zhengzhou Hangmei. Zhengzhou Hangmei, a consolidated subsidiary, holds a 3.75% equity interest of Zhengzhou Taikang Real Estate Co., Ltd. amounting to US\$738,073. The Group does not exercise significant influence over Zhengzhou Taikang Real Estate Co., Ltd. and therefore, the Group accounted for the investment as nonmarketable equity security. Investment income is recognized by the Group when the investee declares a dividend and the Group believes it is collectible. The Company adopted ASU 2016-01 and elected to record equity investments without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company. There were no material adjustments for observable price change or impairment related to these investments for the year ended December 31, 2018.

On April 19, 2017, the Company signed an agreement to acquire up to 70% equity interest of Qingdao Huiji Zhihui City Industrial Development Co., Ltd. (“Qingdao Huiji”), which is developing a real estate project in Qingdao city from Beijing Huiji Technology Industry Development Co., Ltd., a non-affiliated company for a consideration of US\$505.2 million. As of December 31, 2018, US\$505.2 million had been paid in exchange for 49% equity interest that has been transferred to the Company. Based on the articles of association, the Company cannot exercise control of Qingdao Huiji until it acquires the entire 70% equity interest, but has the ability to exercise significant influence over Qingdao Huiji’s operating and financial decisions and accounted for it as an equity method investment.

On September 4, 2017, the Company with two non-affiliated companies, established a limited partnership, Wuhu Penghong Investment Center (Limited Partnership) (“Wuhu Penghong”), in which the Company and the other two partners each invested US\$30.6 million, US\$91.8 million and US\$3.1 million in cash, respectively. The other two partners hold substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghong under the equity method. On September 8, 2017, Wuhu Penghong acquired 90.57% equity interest of Guangzhou Huanglong Information Technology Co., Ltd. (“Guangzhou Huanglong”) for a total cash consideration of US\$19.7 million.

On December 27, 2017, the Company with a non-affiliated company, established a limited partnership, called Wuhu Penghua Tenth Investment Center (Limited Partnership) (“Wuhu Penghua”), where the Company and the other partner invested US\$367.3 million and US\$153.0 million in cash, respectively. The other partner holds substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghua under the equity method. In December 2017, Wuhu Penghua and the Company made capital contributions amounting to US\$6.9 million and US\$0.8 million, representing a 90% and 10% equity interest in Chengdu Xinyuan Renju Enterprise Management Co., Ltd. (“Chengdu Renju”), respectively. The Company exercises significant influence and accounted for its investment in Chengdu Renju using equity method. On September 6, 2018, Wuhu Penghua returned to the non-affiliated partner its related investment contribution resulting in the Company becoming the sole owner of the WuhuPenghua and Chengdu Renju. Therefore, management assessed that the acquisition constitutes an acquisition of business according to ASC805, Business combinations

On March 20, 2018, the Company acquired 16.66% equity interest in Suzhou Hengwan Real Estate Co., Ltd (“Suzhou Hengwan”), which is developing a real estate project in Suzhou city from Suzhou Hengwan Enterprise Management Consulting Co., Ltd., a non-affiliated company for a consideration of US\$18.6 million. In the second half of 2018, Suzhou Hengwan returned US\$7.3 million of capital to the Company. Based on the articles of association, the Company cannot exercise control of Suzhou Hengwan, but has the ability to exercise significant influence over Suzhou Hengwan’s operating and financial decisions and accounted for it as an equity method investment.

On March 21, 2018, the Company acquired 50% equity interest in Madison Developments Limited (“MDL”), which is developing a real estate project in London, England from ED Jersey Limited, a non-affiliated company for a consideration of US\$19.1 million. Based on the articles of association, the Company cannot exercise control of MDL, but has the ability to exercise significant influence over MDL’s operating and financial decisions and accounts for it as an equity method investment.

On April 26, 2018, the Company acquired 51% equity interest in Henan Qingning Apartment Management Co., Ltd. (“Henan Qingning”), which is operating rental apartments in Henan Province, from one natural person and Henan Yangjian Industry Co., Ltd., a non-affiliated company, for a consideration of US\$3.8 million. Based on the articles of association, the Company cannot exercise control of Henan Qingning, but has the ability to exercise significant influence over Henan Qingning’s operating and financial decisions and accounted for it as an equity method investment.

On May 31, 2018, the Company acquired 19.99% equity interest in Suzhou Litai Real Estate Co., Ltd (“Suzhou Litai”), which is developing a real estate project in Suzhou city from Yongwei Real Estate (Suzhou) Co., Ltd., a non-affiliated company, for a consideration of US\$9.3 million. Based on the articles of association, the Company cannot exercise control of Suzhou Litai, but has the ability to exercise significant influence over Suzhou Litai’s operating and financial decisions and accounted for it as an equity method investment.

On June 22, 2018, the Company together with a non-affiliated company, Huzhou Tianhong Real Estate Development Co., Ltd, established a joint venture, Huzhou Xinhong, in which the Company holds a 78.46% equity interest. Based on the articles of association, the Company cannot exercise control of Huzhou Xinhong, but has the ability to exercise significant influence over Huzhou Xinhong’s operating and financial decisions and accounted for it as an equity method investment.

On May 27, 2015, the Company together with a non-affiliated company, Nanjing Starry Sky Studios Management Co., Ltd. established a joint venture Starry Sky, in which the Company holds a 51% equity interest. The purpose of the joint venture is to operate movie theatres. On October 18, 2018, for the best interests of the Company, the Company and its non-affiliated joint venture partner agreed that advances amounting to US\$2.4 million for operational needs due from Nanjing Starry Sky should be converted to an additional 19.77% equity interest. Therefore, as of October 18, 2018, the Company’s accumulated equity interest in Starry Sky is 70.77%. Based on the latest articles of association, the Company still cannot exercise control of Starry Sky, but has the ability to exercise significant influence over Starry Sky’s operating and financial decisions and accounted for it as an equity method investment.

As of December 31, 2018, the Group’s investment in the investees in the aggregate exceeded its proportionate share of the net assets of the equity method investee by nil (December 31, 2017: nil). This difference, if any, represents equity method goodwill and therefore, is not amortized. For the year ended December 31, 2018, the Group recognized investment loss amounting to US\$9.4 million (2016: US\$0.3 million; 2017: US\$1.7 million), mainly consisting of Wuhu Penghua and Chengdu Renju amounting to US\$3.7 million, Wuhu Penghong amounting to US\$1.3 million, Qingdao Huiju amounting to US\$1.1 million and Starry Sky amounting to US\$1.0 million, respectively. As of December 31, 2017 and 2018, there was no material impairment related to these investments.

Net Loss on Debt Extinguishment

On October 18, 2016, the Company redeemed the 13.25% senior notes due 2018 (the "May 2018 Senior Secured Notes") for a total redemption amount of US\$206,237,340 consisting of the entire outstanding principal balance, interest to the redemption date and debt extinguishment loss amounting to US\$183,000,000, US\$11,113,590 and US\$12,123,750 (equal to 6.625% of the outstanding principal amount) respectively. The Company funded the redemption using the proceeds from the issuance of the August 2019 Senior Secured Notes.

On July 10, 2017, the Company redeemed the 13% senior notes due 2019 (the "June 2019 Senior Secured Notes") for a total redemption amount of US\$215,456,000 consisting of the entire outstanding principal balance, interest to the redemption date and debt redemption price amounting to US\$200,000,000, US\$2,456,000 and US\$13,000,000 (equal to the 6.5% of the outstanding principal amount), respectively. The Company recognized loss on extinguishment of debt amounting to US\$15,879,702, consisting of both the debt redemption price amounting to US\$13,000,000 and unamortized deferred debt issuance costs amounting to US\$2,879,702. The Company funded the redemption using the proceeds from the issuance of the February 2021 Senior Secured Notes.

From November 19, 2018 to November 30, 2018, the Company redeemed the First Tranche Bonds for a total principal amount of RMB 0.6 billion (US\$87 million). The Company recognized loss on extinguishment of debt amounting to US\$6,518,487, consisting of both the debt redemption price amounting to US\$6,509,574 and unamortized deferred debt issuance costs amounting to US\$8,913.

From December 14, 2018 to December 21, 2018, the Company redeemed the Second Tranche Bonds for a total principal amount of RMB 0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$4,775,500, consisting of both the debt redemption price amounting to US\$4,773,284 and unamortized deferred debt issuance costs amounting to US\$2,216.

From August 1, 2018 to August 3, 2018, the Company redeemed the New Tranche for a total principal amount of RMB 1.05 billion (US\$153 million). The Company recognized loss on extinguishment of debt amounting to US\$5,989,710, consisting of both the debt redemption price amounting to US\$5,710,866 and unamortized deferred debt issuance costs amounting to US\$278,844.

On March 20, 2018, the Company redeemed the 2017 Tranche for a total principal amount of RMB0.5 billion (US\$73 million). The Company recognized loss on extinguishment of debt amounting to US\$3,782,353, consisting of both the debt redemption price amounting to US\$3,494,557 and unamortized deferred debt issuance costs amounting to US\$287,796.

On September 21, 2018, the Company redeemed the 2018 Tranche for a total principal amount of RMB0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$3,599,937, consisting of both the debt redemption price amounting to US\$3,291,086 and unamortized deferred debt issuance costs amounting to US\$308,851.

From August 31, 2018 to December 31, 2018, the Company redeemed the August 2019 Senior Secured Notes for a total principal amount of US\$11.9 million. The Company recognized gain on extinguishment of debt amounting to US\$511,919, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$577,449 and the loss from unamortized deferred debt issuance costs amounting to US\$65,530.

From August 31, 2018 to December 31, 2018, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$25.4 million. The Company recognized gain on extinguishment of debt amounting to US\$2,642,710, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$3,043,135 and the loss from unamortized deferred debt issuance costs amounting to US\$400,425.

On August 31, 2018, the Company redeemed the November 2020 Senior Secured Notes for a total principal amount of US\$0.2 million. The Company recognized gain on extinguishment of debt amounting to US\$20,906, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$24,105 and the loss from unamortized deferred debt issuance costs amounting to US\$3,199.

On August 31, 2018, the Company redeemed the March 2020 Senior Secured Notes for a total principal amount of US\$0.2 million. The Company recognized gain on extinguishment of debt amounting to US\$46,502, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$49,500 and the loss from unamortized deferred debt issuance costs amounting to US\$2,998.

Income Taxes

The following table sets forth the components of income taxes for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Corporate income tax	70,286	81.5	103,302	91.3	141,400	97.9
Land appreciation tax	33,254	38.5	40,204	35.6	62,996	43.6
Deferred tax benefit	(17,292)	(20.0)	(30,389)	(26.9)	(59,949)	(41.5)
Income taxes	<u>86,248</u>	<u>100.0</u>	<u>113,117</u>	<u>100.0</u>	<u>144,447</u>	<u>100.0</u>

For an explanation of deferred tax benefit, see Notes 2(v) and 14 of the consolidated financial statements included elsewhere in this annual report on Form 20-F. For a discussion of corporate income tax and land appreciation tax, see below.

Corporate Income Tax and Unrecognized Tax Benefit

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

People's Republic of China

In general, enterprises in the PRC are subject to income tax at a statutory rate of 25%. For our subsidiaries located in various cities, income tax is levied at the statutory rate of 25% on income as reported in the statutory financial statements after appropriate tax adjustments except in 2009 and 2010 when, in accordance with local provisional tax regulations in Henan province, the local tax authority in Zhengzhou determined that the taxable income of our PRC subsidiaries in Henan province should be deemed from 12% to 20% of their total cash receipts from sales of residential units. Total cash receipts include cash receipts proceeds from pre-sales of our properties that are recorded as customer deposits, which partly comprise mortgage loan proceeds received in our account from mortgage lending banks. In addition, the local tax authority of Zhengzhou city approved the application of the deemed profit method for the CIT settlement of Zhengzhou Modern City project in 2013.

We have made provision for the corporate income tax, or CIT, payable by our PRC subsidiaries based on the statutory income tax rate of 25%, after appropriate adjustments to our taxable income used in the calculation. The difference between tax payable on our actual taxable income and tax levied on the deemed taxable income basis had been treated as an unrecognized tax benefit under ASC 740-10 "Income Tax," or ASC 740-10, which has a balance of US\$45.9 million as of December 31, 2018. The increase in the current year liability for unrecognized tax benefits is attributable to deemed interest income from subsidiaries of the Company during the year amounting to US\$15.5 million, which was partially offset by US\$0.8 million due to the liquidation of a company.

Land Appreciation Tax

Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to LAT, which is levied by the local tax authorities upon the "appreciation value" as defined in the relevant tax laws. All taxable gains from the sale or transfer of land use rights, buildings and related facilities in China are subject to LAT at progressive rates that range from 30% to 60%. Certain exemptions are allowed for sales of ordinary residential properties if the appreciation value does not exceed a threshold specified in the relevant tax laws. Gains from sales of commercial properties are not eligible for this exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sales price.

On May 30, 2014, the Modern City project developed by Henan Xinyuan Real Estate Co., Ltd., completed the LAT final settlement with the local tax bureau. We received a tax clearance certificate, which confirmed that our accrual under the deemed profit method was adequate and there was no additional tax adjustments assessed by the local tax bureau as of May 30, 2014. Based on the above, management performed a reassessment and concluded that the likelihood of the deemed profit method being overturned is only reasonably possible, and accordingly reversed the LAT liability accrued for the project amounting to US\$16.2 million as of December 31, 2014. Our estimate for the reasonably possible contingency for LAT related to the Modern City project amounted to US\$16.2 million and US\$16.2 million, respectively, as of December 31, 2015 and December 31, 2016. The statute of limitation has lapsed as of May 30, 2017 and therefore, there is no related contingency as of December 31, 2018.

For the years ended December 31, 2018, we have made provision for LAT with respect to properties sold up to December 31, 2018 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

Share-based Compensation Expense

We have three share-based compensation plans: (1) our 2007 long-term incentive plan (which expired in 2017 but for which options remain outstanding), (2) our 2014 Restricted Stock Unit Plan and (3) our 2015 incentive plan. Under our 2007 long-term incentive plan, as of December 31, 2018, 320,138 options remain outstanding and exercisable. Under our 2014 Restricted Stock Unit Plan, we have granted 11,015,118 restricted common shares to employees and directors that vest ratably over a three year service vesting period. Under our 2015 long-term incentive plan, we may grant options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards for the purchase of up to 20,000,000 common shares. As of December 31, 2018, 2,796,734 options remain outstanding and exercisable. As of December 31, 2018, 14,865,808 shares remained eligible for future grants under the plan.

We charged compensation cost of US\$7.8 million, US\$4.9 million, and US\$3.4 million as of December 31, 2016, December 31, 2017 and December 31, 2018 in the general and administrative expenses. For a description of the grants under each of the plans, see Note 15 of the consolidated financial statements included elsewhere in this annual report.

Results of Operations

The following table presents a summary of our consolidated statements of comprehensive income by amount and as a percentage of our total revenue during the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any other future period.

	Year Ended December 31,					
	2016		2017		2018	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Revenue	1,561,625	100.0	1,976,907	100.0	2,217,551	100.0
Costs of revenue	(1,203,636)	(77.1)	(1,517,279)	(76.8)	(1,602,073)	(72.2)
Gross profit	357,989	22.9	459,628	23.2	615,478	27.8
Selling and distribution expenses	(58,214)	(3.7)	(75,724)	(3.8)	(83,592)	(3.8)
General and administrative expenses	(120,416)	(7.7)	(136,845)	(6.9)	(156,456)	(7.1)
Operating income	179,359	11.5	247,059	12.5	375,430	16.9
Interest income	20,917	1.3	16,859	0.9	31,226	1.4
Interest expense	(29,857)	(1.9)	(66,153)	(3.3)	(99,246)	(4.5)
Exchange gains/(loss)	459	–	757	–	(25,678)	(1.2)
Other income	4,540	0.3	2,326	0.1	1,742	0.1
Share of loss of equity investees	(325)	–	(1,710)	(0.1)	(9,374)	(0.4)
Net loss on debt extinguishment	(12,124)	(0.8)	(15,880)	(0.8)	(21,444)	(1.0)
Net realized gain/(loss) on short-term investments	2,506	0.2	7,874	0.4	(3,407)	(0.2)
Unrealized gain on short-term investments	235	–	2,096	0.1	1,150	0.1
Income from operations before income taxes	165,710	10.6	193,228	9.8	250,399	11.2
Income taxes	(86,248)	(5.5)	(113,117)	(5.7)	(144,447)	(6.5)
Net income	79,462	5.1	80,111	4.1	105,952	4.7
Net income attributable to non-controlling interest	(6,485)	(0.4)	(16,484)	(0.8)	(32,917)	(1.5)
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders	72,977	4.7	63,627	3.3	73,035	3.2

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Revenue increased by US\$240.7 million, or 12.2%, to US\$2,217.6 million for the year ended December 31, 2018 from US\$1,976.9 million for the year ended December 31, 2017.

Real estate sales

Revenue from real estate sales increased by US\$214.8 million, or 11.2%, to US\$2,139.4 million for the year ended December 31, 2018 from US\$1,924.6 million for the year ended December 31, 2017, primarily due to the revenues from the sales of units in 2018 new projects (for example, Xinyuan Golden Water view city, Tianjin Spring Royal Palace II and Zhengzhou International New City III D) as well as the effect of the adoption of ASC 606 on a modified retrospective basis.

Revenues related to the projects in the United States are recognized under the full accrual method. For the year ended December 31, 2017, revenue was recognized in the amount of US\$98.8 million for the sale of 66 of 216 finished condominium units located in Brooklyn, New York. For the year ended December 31, 2018, revenue was recognized in the amount of US\$8.8 million for the sale of 4 of 216 finished condominium units located in Brooklyn, New York.

The following table sets forth the percentage of completion, the percentage sold and related revenues for our pre-sold projects for each of the years ended December 31, 2017 and 2018. The revenues for our 2018 new pre-sold projects are recognized on an over time basis in 2018 upon the adoption of ASC 606 (the percentage of completion method in 2017) and recognized under the full accrual method in the United States. For information regarding revenue recognition on an over time basis and the full accrual methods, see “Critical Accounting Policies,” below.

Project	Total GFA m ²	Percentage Complete as of December 31, ⁽¹⁾		Percentage Sold ⁽²⁾ Accumulated as of December 31,		Revenues Recognized For The Year Ended December 31,				
		2017	2018	2017	2018	2017		2018		
		%	%	%	%	US\$	% ⁽³⁾	US\$	% ⁽⁴⁾	
Chengdu Segment										
Chengdu Xinyuan Splendid I	231,032	100.0	100.0	98.7	99.0	3,277,190	0.2	939,171	–	
Chengdu Xinyuan Splendid II	217,009	100.0	100.0	99.9	99.9	–	–	(628)	–	
Chengdu Thriving Family	203,378	98.8	98.8	54.7	70.0	75,776,980	3.9	49,529,230	2.3	
Chengdu Xinyuan City ⁽⁵⁾	742,626	–	30.4	–	6.4	–	–	30,248,316	1.4	
Jiangsu Segment										
Suzhou International City Garden	204,872	100.0	100.0	99.5	99.5	–	–	–	–	
Suzhou Lake Splendid	198,113	100.0	100.0	100.0	100.0	–	–	–	–	
Suzhou Colorful Garden	81,506	100.0	100.0	100.0	100.0	–	–	–	–	
Suzhou Xin City	127,291	100.0	100.0	100.0	100.0	(723)	–	–	–	
Suzhou Lake Royal Palace	169,674	99.8	99.6	99.7	99.0	45,277,469	2.4	12,796,455	0.6	
Kunshan International City Garden	497,938	100.0	100.0	99.6	99.9	(633,568)	–	448,833	–	
Kunshan Royal Palace	280,594	97.1	99.9	98.6	98.3	55,669,160	2.9	27,417,062	1.3	
Kunshan Xindo Park	89,002	88.6	94.8	77.9	90.3	124,673,011	6.5	209,372,107	9.8	
Xuzhou Colorful Garden	101,762	100.0	100.0	99.9	100.0	–	–	–	–	
Xuzhou Colorful City	130,657	87.0	94.9	86.5	91.9	59,402,970	3.1	3,188,457	0.1	
Kunshan Xinyu Jiayuan ⁽⁵⁾	107,919	–	65.2	–	22.6	–	–	54,645,671	2.6	
Suzhou Galaxy Bay ⁽⁵⁾	76,546	–	48.3	–	31.7	–	–	22,063,505	1.0	
Suzhou Gusu Shade I ⁽⁵⁾	11,958	–	73.4	–	1.1	–	–	425,016	–	
Shandong Segment										
Jinan Elegant Scenery	100,386	100.0	100.0	100.0	100.0	–	–	–	–	
Jinan International City Garden	263,771	100.0	100.0	99.6	99.6	–	–	(90,151)	–	
Jinan Xinyuan Splendid	572,071	99.9	100.0	99.1	99.3	4,944,387	0.3	(134,252)	–	
Shandong Royal Palace	449,482	79.1	91.9	65.7	92.8	145,902,697	7.6	170,647,448	8.0	
Jinan Xin Central	194,410	94.6	99.2	67.9	84.0	101,339,505	5.3	80,882,965	3.8	
Qingdao Royal Dragon Bay ⁽⁵⁾	155,202	–	44.6	–	12.0	–	–	26,146,767	1.2	
Jinan Royal Spring Bay ⁽⁵⁾	117,014	–	63.2	–	10.7	–	–	14,327,827	0.7	
Henan Segment										
Zhengzhou Xinyuan Colorful Garden	191,781	100.0	100.0	100.0	100.0	–	–	(138,075)	–	
Zhengzhou Finance Square	67,225	100.0	100.0	100.0	100.0	–	–	(164,285)	–	
Zhengzhou Modern City	231,780	100.0	100.0	100.0	100.0	(148,385)	–	–	–	
Zhengzhou Royal Palace	135,920	100.0	100.0	100.0	100.0	(549,872)	–	–	–	
Zhengzhou Yipin Xiangshan Phase I	94,249	100.0	100.0	100.0	100.0	–	–	–	–	
Zhengzhou Yipin Xiangshan Phase II	200,158	100.0	100.0	100.0	100.0	222,960	–	–	–	
Zhengzhou Century East A	76,579	100.0	100.0	99.7	96.8	424,358	–	(1,763)	–	
Zhengzhou Century East B	166,462	100.0	100.0	99.7	99.9	5,238,627	0.3	277,099	–	
Zhengzhou Xin City	210,724	98.7	100.0	91.4	92.2	5,729,707	0.3	1,137,703	0.1	
Henan Thriving Family	131,508	98.3	98.2	82.4	86.9	7,782,687	0.4	540,145	0.0	
Henan Xin Central I	262,208	92.4	96.3	81.8	85.8	98,853,059	5.1	36,045,553	1.7	
Xinyang Splendid I	115,431	77.8	83.2	76.5	78.0	6,157,025	0.3	1,709,126	0.1	
Xinyang Splendid II	137,076	74.7	80.0	51.8	51.4	25,097,091	1.3	2,071,589	0.1	
Xinyang Splendid III	121,143	50.5	73.3	66.7	93.4	39,132,341	2.0	29,186,670	1.4	
Xinyang Splendid IV ⁽⁵⁾	22,032	–	39.1	–	94.2	–	–	8,289,847	0.4	
Zhengzhou Xindo Park	134,391	90.1	91.9	72.7	86.1	66,730,545	3.5	33,200,492	1.6	
Zhengzhou Fancy City I	166,686	86.9	95.0	86.3	86.6	67,559,936	3.5	25,988,903	1.2	
Zhengzhou Fancy City III ⁽⁵⁾	80,625	–	66.8	–	18.1	–	–	18,518,481	0.9	
Zhengzhou International New City I	360,714	50.1	84.4	79.8	90.6	225,681,339	11.7	280,219,753	13.2	
Zhengzhou International New City II	176,038	52.8	62.5	77.8	92.4	139,183,850	7.2	–	–	
Zhengzhou International New City III A	96,018	44.8	54.2	33.0	95.4	60,974,122	3.2	–	–	
Zhengzhou Fancy City II (South)	84,065	74.8	91.5	87.7	95.1	48,044,275	2.5	127,681,618	6.0	
Zhengzhou Fancy City II (North)	108,724	33.6	50.9	27.0	55.3	13,204,346	0.7	–	–	
Henan Xin Central II	109,521	65.4	90.4	75.5	89.1	77,889,591	4.0	149,649,698	7.0	
Zhengzhou International New City III B ⁽⁵⁾	118,780	–	52.5	–	96.7	–	–	115,976,163	5.4	
Zhengzhou International New City III C ⁽⁵⁾	79,920	–	58.9	–	29.7	–	–	24,008,930	1.1	
Zhengzhou International New City III D ⁽⁵⁾	46,074	–	66.0	–	84.9	–	–	55,864,324	2.6	
Zhengzhou International New City IV ⁽⁵⁾	198,418	–	54.1	–	4.3	–	–	9,585,470	0.4	
Zhengzhou Hangmei International Wisdom City I ⁽⁵⁾	133,524	–	49.8	–	48.5	–	–	31,569,589	1.5	
Xinyuan Golden Water View City ⁽⁵⁾	338,759	–	61.9	–	10.7	–	–	51,824,928	2.4	
Anhui Segment										
Hefei Wangjiang Garden	145,455	100.0	100.0	100.0	100.0	–	–	(21)	–	
Beijing Segment										
Beijing Xindo Park	133,096	99.9	99.9	83.2	86.1	(459,234)	(0.1)	12,612,057	0.6	
Changsha Segment										
Changsha Xinyuan Splendid	251,057	93.2	97.0	74.6	94.6	76,830,027	4.0	45,186,779	2.1	
Changsha Mulian Royal Palace	91,151	66.4	89.4	59.5	99.4	56,669,045	2.9	–	–	
Changsha Furong Thriving Family ⁽⁵⁾	72,257	–	54.6	–	99.4	–	–	52,060,438	2.4	

Sanya Segment										
Sanya Yazhou Bay No.1	117,583	93.1	90.3	42.2	80.1	87,304,257	4.5	169,606,832	7.9	
Shanghai Segment										
Shanghai Royal Palace	57,770	99.8	99.9	62.5	64.3	973,450	0.1	(90,187)	–	
Tianjin Segment										
Tianjin Spring Royal Palace I	139,173	54.8	80.8	32.1	83.1	38,646,991	2.0	31,615,644	1.5	
Tianjin Spring Royal Palace II ⁽⁵⁾	144,580	–	56.7	–	36.0	–	–	54,549,636	2.5	
Dalian Segment										
Dalian International Health Technology Town I ⁽⁵⁾	103,945	–	25.0	–	1.2	–	–	430,818	–	
Xi'an Segment										
Xi'an Metropolitan	285,997	98.5	97.5	61.8	82.9	63,283,295	3.3	58,687,113	2.7	
US Segment										
Northern Nevada Land Portfolio	N/A	N/A	N/A	N/A	N/A	–	–	–	–	
Lennox Project	N/A	N/A	N/A	N/A	N/A	–	–	–	–	
New York Oosten	30,855	N/A	N/A	N/A	N/A	98,476,295	5.1	8,815,926	0.4	
Total	11,293,665					1,924,560,806	100.0	2,139,370,792	100.0	

- (1) Percentage of completion is calculated by dividing total costs incurred by total estimated costs for the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.
- (2) Percentage sold is calculated by dividing contracted sales value from property sales by total estimated sales value of the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.
- (3) Percentage of all real estate sales revenues for the financial period, including revenues recognized under the percentage of completion method and under the full accrual method.
- (4) Percentage of all real estate sales revenues for the financial period, including revenues recognized on an “over time” basis and until title was transferred.
- (5) The revenues for these projects are recognized on an over time basis.

The following table sets forth the square meters sold and average selling price per square meter for each pre-sold project, each reportable segment and on a consolidated basis for each of the years ended December 31, 2017 and 2018:

Project	Year Ended December 31,					
	2017			2018		
	Contract Sales	Square Meters Sold	Average Selling Price	Contract Sales	Square Meters Sold	Average Selling Price
US\$	m ²	US\$/m ²	US\$	m ²	US\$/m ²	
Chengdu region						
Chengdu Xinyuan Splendid I	3,461,874	–	–	612,844	–	–
Chengdu Xinyuan Splendid II	–	–	–	–	–	–
Chengdu Thriving Family	72,686,004	36,773	1,711	18,462,199	6,870	2,687
Chengdu Xinyuan City	–	–	–	111,650,607	74,093	1,507
Total	76,147,878	36,773	1,832	130,725,650	80,963	1,615
Jiangsu region						
Suzhou International City Garden	–	–	–	–	–	–
Suzhou Lake Splendid	–	–	–	–	–	–
Suzhou Xin City	(562)	–	–	–	–	–
Suzhou Lake Royal Palace	46,243,377	16,634	2,780	1,193,367	357	3,343
Suzhou Galaxy Bay	–	–	–	51,072,067	24,350	2,097
Suzhou Gusu Shade I (Suzhou New Project)	–	–	–	685,139	123	5,570
Suzhou Suhe Bay (Suzhou Wujiang New City)*	–	–	–	78,933,983	24,000	3,289
Kunshan International City Garden	(471,707)	(400)	1,179	800,057	–	–
Kunshan Royal Palace	54,429,120	15,043	3,618	936	–	–
KunshanXindo Park	124,083,728	39,300	3,157	47,405,570	14,053	3,373
Kunshan Xinyu Jiayuan	–	–	–	93,231,283	23,669	3,939
Xuzhou Colorful Garden	893,823	800	1,117	–	–	–
Xuzhou Colorful City	62,508,584	36,500	1,713	15,229,543	6,879	2,214
Total	287,686,363	107,877	2,667	288,551,945	93,431	3,088
Shandong region						
Jinan International City Garden	240,383	–	–	19,553	–	–
Jinan Xinyuan Splendid	1,311,074	833	1,574	26,841	795	34
Shandong Royal Palace	176,219,489	100,794	1,748	187,338,918	77,185	2,427
Jinan Xin Central	74,197,290	41,151	1,803	56,530,792	26,293	2,150
Qingdao Royal Dragon Bay	–	–	–	65,455,833	20,512	3,191
Jinan Royal Spring Bay	–	–	–	25,237,505	18,217	1,385
Total	251,968,236	142,778	1,765	334,609,442	143,002	2,340
Henan region						
Zhengzhou Royal Palace	80,030	–	–	(5,771)	–	–
Zhengzhou Modern City	200,209	171	871	107,384	(183)	(587)
Zhengzhou Yipin Xiangshan Phase II	28,893	–	–	6,712	–	–
Zhengzhou Century East A	448,263	21	1,541	3,710,144	–	–
Zhengzhou Century East B	5,533,731	12	1,438	679,445	–	–
Zhengzhou Xin City	3,755,764	300	1,620	11,641,648	1,555	7,487
Zhengzhou Thriving Family	961,189	301	1,173	9,725,156	13,484	721
Henan Xin Central I	48,032,287	41,900	1,146	7,357,550	1,626	4,525
Zhengzhou Xindo Park	64,916,527	55,500	1,170	5,560,095	4,579	1,214
Xingyang Splendid I	7,569,418	7,488	1,011	19,743,246	17,701	1,115
Xingyang Splendid II	24,741,970	26,999	916	3,890,821	2,099	1,854
Xingyang Splendid III	86,947,811	81,825	1,063	38,553,679	33,254	1,159
Zhengzhou Fancy City I	32,313,816	24,126	1,339	6,185,567	1,836	3,369
Zhengzhou Fancy City II (South)	48,935,716	24,899	1,965	10,027,260	2,400	4,178
Zhengzhou International New City I	447,611,271	277,568	1,613	65,919,724	10,922	6,035
Henan Xin Central II	122,839,247	80,606	1,524	25,996,237	14,182	1,833
Zhengzhou Fancy City II (North)	43,925,170	31,258	1,405	68,689,834	45,002	1,526
Zhengzhou International New City II	296,506,856	145,737	2,035	59,792,620	17,524	3,412
Zhengzhou International New City III A	153,156,321	73,550	2,082	45,081,658	21,613	2,086
Zhengzhou International New City III B	–	–	–	246,489,399	116,223	2,121
Zhengzhou International New City III D	–	–	–	94,315,724	43,693	2,159
Zhengzhou Hangmei International Wisdom City I	–	–	–	71,036,589	65,129	1,091
Xingyang Splendid IV	–	–	–	23,662,693	20,749	1,140
Xinyuan Golden Water View City	–	–	–	93,930,378	32,643	2,878
Zhengzhou Fancy City III	–	–	–	32,599,264	16,774	1,943
Zhengzhou International New City III C	–	–	–	47,768,032	28,551	1,673
Zhengzhou International New City IV	–	–	–	19,773,543	9,266	2,134
Total	1,388,504,489	872,261	1,592	1,012,238,631	520,622	1,944
Beijing region						
Beijing Xindo Park	717,829	301	2,385	11,948,438	1,413	8,456
Hunan region						
Changsha Xinyuan Splendid	79,203,951	49,585	1,597	24,789,311	10,139	2,445

Changsha Mulian Royal Palace	95,973,424	54,296	1,768	62,988,918	36,669	1,718
Changsha Furong Thriving Family	–	–	–	106,233,985	71,824	1,479
Total	175,177,375	103,881	1,686	194,012,214	118,632	1,635
Hainan region						
Sanya Yazhou Bay No.1	93,783,382	38,660	2,426	153,933,564	42,304	3,639
Shanghai region						
Shanghai Royal Palace	1,390,981	(108)	4,053	492,560	88	5,597
Tianjin region						
Tianjin Spring Royal Palace I	33,353,748	19,572	1,704	3,529,790	1,491	2,367
Tianjin Spring Royal Palace II	–	–	–	107,184,203	53,076	2,019
Total	33,353,748	19,572	1,704	110,713,993	54,567	2,029
Xi'an region						
Xi'an Metropolitan	58,456,861	40,992	1,426	16,547,579	9,536	1,735
Dalian region						
Dalian International Health Technology Town I	–	–	–	1,934,496	900	2,149
U.S.						
New York Oosten Project	98,476,295	8,634	11,406	8,815,926	735	11,994
Grand Total	2,465,663,437	1,371,621	1,798	2,264,524,438	1,066,192	2,124

* The Company owns 16.66% equity interest in a joint venture, Suzhou Hengwan Real Estate Co., Ltd. which develops Suzhou Suhe Bay. The Company accounts for its investment under the equity method.

Total square meters sold decreased to 1,066,192 square meters for the year ended December 31, 2018 from 1,371,621 square meters for the year ended December 31, 2017. The decrease was mainly due to decreased sales of newly launched projects in 2018.

The overall aggregate average selling price per square meter for the year ended December 31, 2018 increased to US\$2,124 from US\$1,798 for the year ended December 31, 2017, which is attributable to the positive market momentum in high-growth tier I and tier II cities.

Chengdu region. Total square meters in this region sold for the year ended December 31, 2018 increased to 80,963 square meters from 36,773 square meters for the year ended December 31, 2017, primarily due to increased sales of Chengdu Xinyuan City. The average selling price per square meter for the year ended December 31, 2018 decreased to US\$ 1,615 from US\$1,832 for the year ended December 31, 2017.

Jiangsu region. Total square meters sold for the year ended December 31, 2018 decreased to 93,431 square meters from 107,877 square meters for the year ended December 31, 2017, mainly due to reductions of saleable units of Suzhou Lake Royal Palace, Kunshan Xindo Park and Xuzhou Colorful City, partially offset by newly launched pre-sales of Kunshan Xinyu Jiayuan and Suzhou Galaxy Bay. The average selling price per square meter for the year ended December 31, 2018 slightly increased to US\$3,088 from US\$2,667 for the year ended December 31, 2017.

Shandong region. Total square meters sold for the year ended December 31, 2018 increased to 143,002 square meters from 142,778 square meters for the year ended December 31, 2017, mainly due to increased sales of Qingdao Royal Dragon Bay and Jinan Royal Spring Bay. The average selling price per square meter for the year ended December 31, 2018 increased to US\$2,340 from US\$1,765 for the year ended December 31, 2017, which is attributable to the general increase of selling price in Shandong market.

Henan region. Total square meters sold for the year ended December 31, 2018 decreased to 520,622 square meters from 872,261 square meters for the year ended December 31, 2017, mainly due to decreased sales of Zhengzhou International New City I, Zhengzhou International New City II, Zhengzhou International New City III A and Henan Xin Central II, partially offset by newly launched pre-sales of Zhengzhou International New City III B and Zhengzhou International New City III D and Xinyuan Golden Water View City. The average selling price per square meter for the year ended December 31, 2018 increased to US\$1,944 from US\$1,592 for the year ended December 31, 2017, which is attributable to the general increase of selling price in Henan market.

Beijing region. Total square meters sold for the year ended December 31, 2018 increased to 1,413 square meters from 301 square meters for the year ended December 31, 2017, mainly due to increase of saleable units of Beijing Xindo Park. The average selling price per square meter for the year ended December 31, 2018 increased to US\$8,456 from US\$2,385 for the year ended December 31, 2017, resulting from increased sales of higher-priced commercial space (as compared to residential space) as a percentage of total sales.

Hunan region. Total square meters sold for the year ended December 31, 2018 increased to 118,632 square meters from 103,881 square meters for the year ended December 31, 2017, mainly due to increased sales of Changsha Furong Thriving Family, partially offset by the reductions of saleable units of Changsha Mulian Royal Palace and Changsha Xinyuan Splendid. The average selling price per square meter for the year ended December 31, 2018 decreased to US\$1,635 from US\$1,686 for the year ended December 31, 2017.

Hainan region. Total square meters sold for the year ended December 31, 2018 increased to 42,304 square meters from 38,660 square meters for the year ended December 31, 2017, mainly due to the positive market in Sanya. The average selling price per square meter for the year ended December 31, 2018 increased to US\$3,639 from US\$2,426 for the year ended December 31, 2017, resulting from the increment in high margin units available for sale.

Shanghai region. Total square meters sold for the year ended December 31, 2018 increased to 88 square meters from (108) square meters for the year ended December 31, 2017, mainly due to increase of saleable units of Shanghai Royal Palace.

Tianjin region. Total square meters sold for the year ended December 31, 2018 increased to 54,567 square meters from 19,572 square meters for the year ended December 31, 2017, mainly due to the increase of saleable units of Tianjin Spring Royal Palace II. The average selling price per square meter for the year ended December 31, 2018 increased to US\$2,029 from US\$1,704 for the year ended December 31, 2017, resulting from the increment in high margin units available for sale.

Xi'an region. Total square meters sold for the year ended December 31, 2018 decreased to 9,535 square meters from 40,992 square meters for the year ended December 31, 2017, mainly due to deductions of saleable units of Xi'an Metropolitan. The average selling price per square meter for the year ended December 31, 2018 increased to US\$1,735 from US\$1,426 for the year ended December 31, 2017, resulting from the increment in high margin units available for sale.

Dalian region. Total square meters sold for the year ended December 31, 2018 was 900 square meters, mainly due to the increase of saleable units of Dalian International Health Technology Town I. The average selling price per square meter for the year ended December 31, 2018 was US\$2,149.

United States region. Total square meters sold for the year ended December 31, 2018 decreased to 735 square meters from 8,634 square meters for the year ended December 31, 2017, mainly due to deductions of saleable units of New York Oosten Project. The average selling price per square meter for the year ended December 31, 2018 slightly increased to US\$11,994 from US\$11,406 for the year ended December 31, 2017.

Real estate leasing

Real estate leasing income increased by US\$0.9 million, or 10.3% to US\$9.6 million for the year ended December 31, 2018 from US\$8.7 million for the year ended December 31, 2017.

Real estate management services income

Real estate management services income increased by US\$21.7 million, or 52.0%, to US\$63.4 million for the year ended December 31, 2018 from US\$41.7 million for the year ended December 31, 2017. The increase primarily resulted from expanded property management service operations.

Other revenue

Other revenue increased by US\$3.2 million, or 168.4%, to US\$5.1 million for the year ended December 31, 2018 from US\$1.9 million for the year ended December 31, 2017.

Costs of Revenue

Costs of revenue increased by US\$84.8 million, or 5.6%, to US\$1,602.1 million for the year ended December 31, 2018 from US\$1,517.3 million for the year ended December 31, 2017, generally in line with our revenue increases.

Cost of real estate sales

Cost of real estate sales increased by US\$69.9 million, or 4.7%, to US\$1,544.0 million for the year ended December 31, 2018 from US\$1,474.1 million for the year ended December 31, 2017. Total land use rights cost increased by US\$73.9 million, or 12.3%, from US\$ 602.4 million (39.7% of cost of real estate sales) for the year ended December 31, 2017 to US\$ 676.3 million (42.2% of cost of real estate sales) for the year ended December 31, 2018, the increase was consistent with the revenue. Construction cost, including capitalized interest, decreased by US\$4.0 million, or 0.5%, to US\$867.7 million for the year ended December 31, 2018 from US\$871.7 million for the year ended December 31, 2017, primarily due to decreased project construction activity.

Cost of real estate leasing

Cost of real estate leasing decreased by US\$1.7 million, or 15.5%, to US\$9.3 million for the year ended December 31, 2018 from US\$11.0 million for the year ended December 31, 2017.

Cost of real estate management services

Cost of real estate management services increased by US\$13.0 million, or 41.1%, to US\$44.6 million for the year ended December 31, 2018 from US\$31.6 million for year ended December 31, 2017 mainly due to expanded property management service operations.

Other costs

Other costs increased by US\$3.5 million, or 583.3%, to US\$4.1 million for the year ended December 31, 2018 from US\$0.6 million for year ended December 31, 2017.

Gross Profit

Gross profit increased by US\$155.9 million, or 33.9%, to US\$615.5 million for the year ended December 31, 2018 from US\$459.6 million for the year ended December 31, 2017. Gross profit margin was 27.8% for the year ended December 31, 2018 compared to 23.2% for the year ended December 31, 2017.

Selling and Distribution Expenses

Selling and distribution expenses increased by US\$7.9 million, or 10.4%, to US\$83.6 million for the year ended December 31, 2018 from US\$75.7 million for the year ended December 31, 2017. The increase was primarily due to a US\$2.2 million increase in advertising and promotion expenses for new projects launched in 2018 as well as existing projects and a US\$5.8 million increase in salary and welfare expenses as the average level of salary and bonus increased and new employees were hired. As a percentage of revenue, selling and distribution expenses was 3.8% for the year ended December 31, 2018 compared to 3.8% for the year ended December 31, 2017. As revenue grows in the future, we expect selling and distribution expenses as a percentage of revenue to be flat or slightly increase.

General and Administrative Expenses

General and administrative expenses increased by US\$19.7 million, or 14.4% to US\$156.5 million for the year ended December 31, 2018 from US\$136.8 million for the year ended December 31, 2017. The increase was primarily due to an increase in salary and welfare expenses of US\$12.3 million as the average level of salary and bonus increased and new employees were hired in 2018, and accrual of bad-debt provision associated with other receivables of US\$10.6 million

As a percentage of revenue, general and administrative expenses were 7.1% for the year ended December 31, 2018, compared to 6.9% for the year ended December 31, 2017.

Interest Income

Interest income was US\$31.2 million for the year ended December 31, 2018, compared to US\$16.9 million for the year ended December 31, 2017.

Interest Expenses

For the year ended December 31, 2018, out of total interest costs incurred, US\$99.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2018 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$281.8 million for the year of 2018, including US\$271.8 million of interest on loans and notes, US\$8.6 million of amortization of debt issuance costs and US\$1.4 million of amortization of aircraft finance lease related interest.

For the year ended December 31, 2017, out of total interest costs incurred, US\$66.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2017 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$203.5 million for the year of 2017, including US\$197.4 million of interest on loans and notes, US\$4.4 million of amortization of debt issuance costs and US\$1.7 million of amortization of aircraft finance lease related interest.

Income Taxes

Income taxes increased by US\$31.3 million, or 27.7%, to US\$144.4 million for the year ended December 31, 2018 from US\$113.1 million for the year ended December 31, 2017 mainly due to the increase in taxable income in the PRC.

Our effective tax rate decreased to 57.7% for the year ended December 31, 2018, from 58.5% for the year ended December 31, 2017.

Net Income Attributable to our Shareholders

Net income increased by US\$9.4 million to US\$73.0 million for the year ended December 31, 2018, from US\$63.6 million for the year ended December 31, 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Revenue increased by US\$ 415.3 million, or 26.6%, to US\$ 1,976.9 million for the year ended December 31, 2017 from US\$1,561.6 million for the year ended December 31, 2016.

Real estate sales

Revenue from real estate sales increased by US\$399.6 million, or 26.2%, to US\$ 1,924.6 million for the year ended December 31, 2017 from US\$1,525.0 million for the year ended December 31, 2016, principally due to the revenue from the sales of units in new projects, especially Zhengzhou International New City I, Henan Xin Central II, Zhengzhou International New City II and Zhengzhou International New City III, launched in the second half of 2016 and 2017.

Revenues related to the projects in the United States are recognized under the full accrual method. For the year ended December 31, 2016, revenue was recognized in the amount of US\$152.0 million for the sale of 106 of 216 finished condominium units located in Brooklyn, New York. For the year ended December 31, 2017, revenue was recognized in the amount of US\$98.8 million for the sale of 66 of 216 finished condominium units located in Brooklyn, New York.

The following table sets forth the percentage of completion, the percentage sold and related revenues for our pre-sold projects recognized under the percentage of completion method in China and our project recognized under the full accrual method in the United States for each of the years ended December 31, 2016 and 2017. For information regarding revenue recognition under the percentage of completion and the full accrual methods, see “Critical Accounting Policies,” below.

Project	Total GFA m ²	Percentage Complete as of December 31, ⁽¹⁾		Percentage Sold ⁽²⁾ Accumulated as of December 31,		Revenues Recognized For The Year Ended December 31,				
		2016	2017	2016	2017	2016		2017		
		%	%	%	%	US\$	% ⁽³⁾	US\$	% ⁽⁴⁾	
Chengdu Segment										
Chengdu Xinyuan Splendid I	231,032	100.0	100.0	96.9	98.7	2,418,696	0.2	3,277,190	0.2	
Chengdu Xinyuan Splendid II	217,009	100.0	100.0	99.9	99.9	–	–	–	–	
Chengdu Thriving Family	212,955	92.5	98.8	35.0	54.7	74,071,054	4.9	75,776,980	3.9	
Jiangsu Segment										
Suzhou International City Garden	204,872	100.0	100.0	99.5	99.5	(182,921)	–	–	–	
Suzhou Lake Splendid	198,113	100.0	100.0	100.0	100.0	209,554	–	–	–	
Suzhou Colorful Garden	81,506	100.0	100.0	100.0	100.0	–	–	–	–	
Suzhou Xin City	127,212	100.0	100.0	100.0	100.0	1,513,671	0.1	(723)	–	
Suzhou Lake Royal Palace	169,665	99.3	99.8	77.8	99.7	117,515,700	7.7	45,277,469	2.4	
Kunshan International City Garden	497,938	100.0	100.0	99.8	99.6	636,469	–	(633,568)	–	
Kunshan Royal Palace	280,597	95.5	97.1	86.8	98.6	158,197,784	10.4	55,669,160	2.9	
Kunshan Xindo Park	89,004	63.3	88.6	32.2	77.9	52,967,379	3.5	124,673,011	6.5	
Xuzhou Colorful Garden	101,821	100.0	100.0	99.1	99.9	–	–	–	–	
Xuzhou Colorful City	130,170	81.3	87.0	54.4	86.5	18,759,154	1.2	59,402,970	3.1	
Shandong Segment										
Jinan International City Garden	263,771	100.0	100.0	99.6	99.6	7,256	–	–	–	
Jinan Xinyuan Splendid	572,234	99.4	99.9	99.0	99.1	7,054,673	0.5	4,944,387	0.3	
Shandong Royal Palace	451,345	71.5	79.1	38.6	65.7	99,227,124	6.5	145,902,697	7.6	
Jinan Xin Central	194,410	72.6	94.6	47.0	67.9	63,316,167	4.1	101,339,505	5.3	
Henan Segment										
Zhengzhou Xinyuan Colorful Garden	191,891	100.0	100.0	100.0	100.0	–	–	–	–	
Zhengzhou Finance Square	67,225	100.0	100.0	100.0	100.0	–	–	–	–	
Zhengzhou Modern City	231,904	100.0	100.0	100.0	100.0	(603,643)	–	(148,385)	–	
Zhengzhou Royal Palace	135,877	99.9	100.0	100.0	100.0	3,063,521	0.2	(549,872)	–	
Zhengzhou Yipin Xiangshan Phase I	94,249	100.0	100.0	100.0	100.0	–	–	–	–	
Zhengzhou Yipin Xiangshan Phase II	199,876	100.0	100.0	99.9	100.0	133,008	–	222,960	–	
Zhengzhou Century East A	76,579	100.0	100.0	99.6	99.7	145,273	–	424,358	–	
Zhengzhou Century East B	166,288	100.0	100.0	99.6	99.7	(102,515)	–	5,238,627	0.3	
Zhengzhou Xin City	211,076	97.9	98.7	90.7	91.4	16,645,474	1.1	5,729,707	0.3	
Henan Thriving Family	131,508	92.7	98.3	82.3	82.4	18,348,545	1.2	7,782,687	0.4	
Henan Xin Central I	262,209	67.7	92.4	68.5	81.8	117,811,601	7.7	98,853,059	5.1	
Xingyang Splendid I	117,352	77.1	77.8	74.6	76.5	8,357,507	0.5	6,157,025	0.3	
Xingyang Splendid II	137,209	57.8	74.7	34.0	51.8	23,581,474	1.5	25,097,091	1.3	
Xingyang Splendid III	121,125	–	50.5	–	66.7	–	–	39,132,341	2.0	
Zhengzhou Xindo Park	144,432	78.0	90.1	37.8	72.7	36,438,721	2.4	66,730,545	3.5	
Zhengzhou Fancy City I	166,686	62.3	86.9	72.6	86.3	71,189,705	4.7	67,559,936	3.5	
Zhengzhou International New City I	360,713	31.9	50.1	12.0	79.8	24,367,819	1.6	225,681,339	11.7	
Zhengzhou International New City II	176,037	–	52.8	–	77.8	–	–	139,183,850	7.2	
Zhengzhou International New City III	222,150	–	44.8	–	33.0	–	–	60,974,122	3.2	
Zhengzhou Fancy City II (South)	84,064	56.8	74.8	54.6	87.7	43,186,664	2.8	48,044,275	2.5	
Zhengzhou Fancy City II (North)	108,458	–	33.6	–	27.0	–	–	13,204,346	0.7	
Henan Xin Central II	109,712	45.6	65.4	8.0	75.5	6,303,623	0.4	77,889,591	4.0	
Anhui Segment										
Hefei Wangjiang Garden	145,455	100.0	100.0	100.0	100.0	–	–	–	–	
Beijing Segment										
Beijing Xindo Park	133,051	100.0	99.9	83.2	83.2	23,722,289	1.6	(459,234)	(0.1)	
Changsha Segment										
Changsha Xinyuan Splendid	251,639	89.2	93.2	49.4	74.6	105,494,573	6.9	76,830,027	4.0	
Changsha Mulian Royal Palace	91,196	–	66.4	–	59.5	–	–	56,669,045	2.9	
Sanya Segment										
Sanya Yazhou Bay No.1	117,584	85.9	93.1	9.1	42.2	12,699,957	0.8	87,304,257	4.5	
Shanghai Segment										
Shanghai Royal Palace	57,770	100.0	99.8	62.0	62.5	100,003,503	6.6	973,450	0.1	
Tianjin Segment										
Tianjin Spring Royal Palace	279,742	36.5	54.8	25.6	32.1	39,912,406	2.6	38,646,991	2.0	
Xi'an Segment										
Xi'an Metropolitan	290,555	94.1	98.5	47.0	61.8	126,550,015	8.3	63,283,295	3.3	
US Segment										
Northern Nevada Land Portfolio ⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	–	–	–	–	
Lennox Project ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	–	–	–	–	
New York Oosten	30,855	N/A	N/A	N/A	N/A	152,007,123	10.0	98,476,295	5.1	
Total	8,938,121					1,524,968,403	100.0	1,924,560,806	100.0	

- (1) Percentage of completion is calculated by dividing total costs incurred by total estimated costs for the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.
- (2) Percentage sold is calculated by dividing contracted sales value from property sales by total estimated sales value of the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.
- (3) Percentage of all real estate sales revenues for the financial year, including revenues recognized under the percentage of completion method.
- (4) Percentage of all real estate sales revenues for the financial year, including revenues recognized under the percentage of completion method and under the full accrual method.
- (5) Northern Nevada Land Portfolio is a land portfolio, comprised of 325 finished lots and 185 acres of undeveloped land, at eight sites, in the northern Nevada region near the Reno-Spark metropolitan area. We had an opportunity to promptly resell several parcels and recognized revenue of US\$0.8 million for the year 2015. All units were sold as of December 31, 2015.
- (6) The finished condominium project is located in Irvine, California, United States. We acquired 15 units with a total GFA of 2,865 square meters out of the total 72 units from a major United States developer in August 2012. For the year ended December 31, 2015, we resold 1 of 15 finished condominium units and recognized revenue in the amount of US\$0.8 million. All units were sold as of December 31, 2015.

The following table sets forth the square meters sold and average selling price per square meter for each pre-sold project, each reportable segment and on a consolidated basis for each of the years ended December 31, 2016 and 2017:

Project	Year Ended December 31,					
	2016			2017		
	Contract Sales	Square Meters Sold	Average Selling Price	Contract Sales	Square Meters Sold	Average Selling Price
US\$	m ²	US\$/m ²	US\$	m ²	US\$/m ²	
Chengdu region						
Chengdu Xinyuan Splendid I	2,555,479	–	–	3,461,874	–	–
Chengdu Xinyuan Splendid II	13,205	–	–	–	–	–
Chengdu Thriving Family	79,008,200	81,660	968	72,686,004	36,773	1,711
Total	81,576,884	81,660	999	76,147,878	36,773	1,832
Jiangsu region						
Suzhou International City Garden	17,774	25	711	–	–	–
Suzhou Lake Splendid	–	–	–	–	–	–
Suzhou Xin City	1,158,953	405	2,862	(562)	–	–
Suzhou Lake Royal Palace	111,902,762	38,196	2,930	46,243,377	16,634	2,780
Kunshan International City Garden	257,128	330	779	(471,707)	(400)	1,179
Kunshan Royal Palace	143,059,329	64,105	2,232	54,429,120	15,043	3,618
KunshanXindo Park	88,373,356	31,504	2,805	124,083,728	39,300	3,157
Xuzhou Colorful Garden	–	–	–	893,823	800	1,117
Xuzhou Colorful City	18,310,169	11,000	1,665	62,508,584	36,500	1,713
Total	363,079,471	145,565	2,494	287,686,363	107,877	2,667
Shandong region						
Jinan International City Garden	248,185	–	–	240,383	–	–
Jinan Xinyuan Splendid	3,526,150	2,332	1,512	1,311,074	833	1,574
Shandong Royal Palace	115,564,954	102,608	1,126	176,219,489	100,794	1,748
Jinan Xin Central	72,593,212	47,307	1,535	74,197,290	41,151	1,803
Total	191,932,501	152,247	1,261	251,968,236	142,778	1,765
Henan region						
Zhengzhou Royal Palace	(89,463)	–	–	80,030	–	–
Zhengzhou Modern City	601,795	714	843	200,209	171	871
Zhengzhou Yipin Xiangshan Phase II	64,157	266	241	28,893	–	–
Zhengzhou Century East A	143,085	34	4,208	448,263	21	1,541
Zhengzhou Century East B	91,678	79	1,160	5,533,731	12	1,438
Zhengzhou Xin City	(1,006,442)	(599)	1,680	3,755,764	300	1,620
Zhengzhou Thriving Family	1,083,975	498	2,177	961,189	301	1,173
Xingyang Splendid I	8,225,808	8,724	943	7,569,418	7,488	1,011
Xingyang Splendid II	39,632,208	47,194	840	24,741,970	26,999	916
Henan Xin Central I	161,574,449	127,088	1,271	48,032,287	41,900	1,146
Zhengzhou Xindo Park	38,471,271	39,303	979	64,916,527	55,500	1,170
Zhengzhou Fancy City I	103,205,094	76,608	1,347	32,313,816	24,126	1,339
Zhengzhou Fancy City II (South)	80,275,345	53,165	1,510	48,935,716	24,899	1,965
Zhengzhou International New City I	80,672,150	49,945	1,615	447,611,271	277,568	1,613
Henan Xin Central II	14,832,610	9,007	1,647	122,839,247	80,606	1,524
Xingyang Splendid III	–	–	–	86,947,811	81,825	1,063
Zhengzhou International New City II	–	–	–	296,506,856	145,737	2,035
Zhengzhou Fancy City II (North)	–	–	–	43,925,170	31,258	1,405
Zhengzhou International New City III	–	–	–	153,156,321	73,550	2,082
Total	527,777,720	412,026	1,281	1,388,504,489	872,261	1,592
Beijing region						
Beijing Xindo Park	14,908,688	2,881	5,175	717,829	301	2,385
Hunan region						
Changsha Xinyuan Splendid	108,423,470	105,602	1,027	79,203,951	49,585	1,597
Changsha Mulian Royal Palace	–	–	–	95,973,424	54,296	1,768
Total	108,423,470	105,602	1,027	175,177,375	103,881	1,686
Hainan region						
Sanya Yazhou Bay No.1	8,196,064	5,391	1,520	93,783,382	38,660	2,426
Shanghai region						
Shanghai Royal Palace	96,201,896	22,000	4,373	1,390,981	(108)	4,053
Tianjin region						
Tianjin Spring Royal Palace	110,203,567	96,006	1,148	33,353,748	19,572	1,704
Xi'an region						
Xi'an Metropolitan	107,380,513	90,439	1,187	58,456,861	40,992	1,426
U.S.						
New York Oosten Project	152,007,123	12,180	12,480	98,476,295	8,634	11,406
Grand Total	1,761,687,897	1,125,997	1,565	2,465,663,437	1,371,621	1,798

Total square meters sold increased to 1,371,621 square meters for the year ended December 31, 2017 from 1,125,997 square meters for the year ended December 31, 2016. The increase was mainly due to five new projects launched in 2017.

The overall aggregate average selling price per square meter for the year ended December 31, 2017 increased to US\$1,798 from US\$1,565 for the year ended December 31, 2016 primarily due to stronger pre-sales of higher margin saleable units that occurred in 2017. Total revenues increased by 26.6% to US\$ 1,976.9 million from US\$1,561.6 million in 2016, principally due to the revenue from the sales of units in new projects, especially Zhengzhou International New City I, Henan Xin Central II, Zhengzhou International New City II and Zhengzhou International New City III, launched in the second half of 2016 and 2017.

Chengdu region. Total square meters in this region sold for the year ended December 31, 2017 decreased to 36,773 square meters from 81,660 square meters for the year ended December 31, 2016, primarily due to reductions of saleable units of Chengdu Thriving Family. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,832 from US\$999 for the year ended December 31, 2016, resulting from the increment in high margin units available for sale.

Jiangsu region. Total square meters sold for the year ended December 31, 2017 decreased to 107,877 square meters from 145,565 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Suzhou Lake Royal Palace and Kunshan Royal Palace. The average selling price per square meter for the year ended December 31, 2016 slightly increased to US\$2,667 from US\$2,494 for the year ended December 31, 2016.

Shandong region. Total square meters sold for the year ended December 31, 2017 decreased to 142,778 square meters from 152,247 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Jinan Xin Central. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,765 from US\$1,261 for the year ended December 31, 2016, which is attributable to the positive market momentum in high-growth tier I and tier II cities.

Henan region. Total square meters sold for the year ended December 31, 2017 increased to 872,261 square meters from 412,026 square meters for the year ended December 31, 2016, mainly due to increased sales of Zhengzhou International New City I and newly launched pre-sales of Xingyang Splendid III, Zhengzhou International New City II, Zhengzhou Fancy City II (North) and Zhengzhou International New City III, partially offset by the reductions of saleable units of Henan Xin Central I. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,592 from US\$1,281 for the year ended December 31, 2016, which is attributable to the positive market momentum in high-growth tier I and tier II cities.

Beijing region. Total square meters sold for the year ended December 31, 2017 decreased to 301 square meters from 2,881 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Beijing Xindo Park. The average selling price per square meter for the year ended December 31, 2017 decreased to US\$2,385 from US\$5,175 for the year ended December 31, 2016, resulting from the reduction in high margin units available for sale.

Hunan region. Total square meters sold for the year ended December 31, 2017 decreased to 103,881 square meters from 105,602 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Changsha Xinyuan Splendid, partially offset by newly launched pre-sales of Changsha Mulian Royal Palace. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,686 from US\$1,027 for the year ended December 31, 2016, which is attributable to the positive market momentum in high-growth tier I and tier II cities.

Hainan region. Total square meters sold for the year ended December 31, 2017 increased to 38,660 square meters from 5,391 square meters for the year ended December 31, 2016, mainly due to the positive market in Sanya. The average selling price per square meter for the year ended December 31, 2017 increased to US\$2,426 from US\$1,520 for the year ended December 31, 2016, resulting from the increment in high margin units available for sale.

Shanghai region. Total square meters sold for the year ended December 31, 2017 decreased to (108) square meters from 22,000 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Shanghai Royal Palace and sales returns from previous transactions outpacing new sales.

Tianjin region. Total square meters sold for the year ended December 31, 2017 decreased to 19,572 square meters from 96,006 square meters for the year ended December 31, 2016, mainly due to reductions of saleable units of Tianjin Spring Royal Palace. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,704 from US\$1,148 for the year ended December 31, 2016, resulting from the increment in high margin units available for sale.

Xi'an region. Total square meters sold for the year ended December 31, 2017 decreased to 40,992 square meters from 90,439 square meters for the year ended December 31, 2016, mainly due to deductions of saleable units of Xi'an Metropolitan. The average selling price per square meter for the year ended December 31, 2017 increased to US\$1,426 from US\$1,187 for the year ended December 31, 2016, resulting from the increment in high margin units available for sale.

United States region. Total square meters sold for the year ended December 31, 2017 decreased to 8,634 square meters from 12,180 square meters for the year ended December 31, 2016, mainly due to deductions of saleable units of New York Oosten Project. The average selling price per square meter for the year ended December 31, 2017 slightly decreased to US\$11,406 from US\$12,480 for the year ended December 31, 2016, resulting from larger sized units being sold in 2017.

Real estate leasing

Real estate leasing income increased by US\$2.8 million, or 47.5% to US\$8.7 million for the year ended December 31, 2017 from US\$5.9 million for the year ended December 31, 2016.

Real estate management services income

Real estate management services income increased by US\$11.7 million, or 39.0%, to US\$41.7 million for the year ended December 31, 2017 from US\$30.0 million for the year ended December 31, 2016. The increase primarily resulted from expanded property management service operations.

Other revenue

Other revenue increased by US\$1.2 million, or 171.4%, to US\$1.9 million for the year ended December 31, 2017 from US\$0.7 million for the year ended December 31, 2016.

Costs of Revenue

Costs of revenue increased by US\$313.7 million, or 26.1%, to US\$1,517.3 million for the year ended December 31, 2017 from US\$1,203.6 million for the year ended December 31, 2016, generally in line with our revenue increases.

Cost of real estate sales

Cost of real estate sales increased by US\$299.5 million, or 25.5%, to US\$1,474.1 million for the year ended December 31, 2017 from US\$1,174.6 million for the year ended December 31, 2016. Total land use rights cost increased by US\$174.1 million, or 40.6%, from US\$428.3 million (35.6% of cost of real estate sales) for the year ended December 31, 2016 to US\$ 602.4 million (39.7% of cost of real estate sales) for the year ended December 31, 2017, primarily due to increased sales of properties. Construction cost, including capitalized interest, increased by US\$125.4 million, or 16.8%, to US\$871.7 million for the year ended December 31, 2017 from US\$746.3 million for the year ended December 31, 2016, primarily due to increased project construction activity.

Cost of real estate leasing

Cost of real estate leasing increased by US\$7.3 million, or 197.3%, to US\$11.0 million for the year ended December 31, 2017 from US\$3.7 million for the year ended December 31, 2016.

Cost of real estate management services

Cost of real estate management services increased by US\$7.3 million, or 30.0%, to US\$31.6 million for the year ended December 31, 2017 from US\$24.3 million for year ended December 31, 2016 mainly due to expanded property management service operations.

Other costs

Other costs decreased by US\$0.5 million, or 45.5%, to US\$0.6 million for the year ended December 31, 2017 from US\$1.1 million for year ended December 31, 2016.

Gross Profit

Gross profit increased by US\$101.6 million, or 28.4%, to US\$459.6 million for the year ended December 31, 2017 from US\$358.0 million for the year ended December 31, 2016. Gross profit margin was 23.2% for the year ended December 31, 2017 compared to 22.9 % for the year ended December 31, 2016.

Selling and Distribution Expenses

Selling and distribution expenses increased by US\$17.5 million, or 30.1%, to US\$75.7 million for the year ended December 31, 2017 from US\$58.2 million for the year ended December 31, 2016. The increase was primarily due to a US\$14.4 million increase in advertising and promotion expenses for new projects launched in 2017 as well as existing projects and a US\$4.1 million increase in salary and welfare expenses as the average level of salary and bonus increased and new employees were hired. As a percentage of revenue, selling and distribution expenses was 3.8% for the year ended December 31, 2017 compared to 3.7% for the year ended December 31, 2016. As revenue grows in the future, we expect selling and distribution expenses as a percentage of revenue to be flat or slightly increase.

General and Administrative Expenses

General and administrative expenses increased by US\$16.4 million, or 13.6% to US\$136.8 million for the year ended December 31, 2017 from US\$120.4 million for the year ended December 31, 2016. The increase was primarily due to an increase in salary and welfare expenses of US\$5.3 million as the average level of salary and bonus increased and new employees were hired in 2017, and accrual of bad-debt provision associated with other receivables of US\$7.3 million

As a percentage of revenue, general and administrative expenses were 6.9% for the year ended December 31, 2017, compared to 7.7% for the year ended December 31, 2016.

Interest Income

Interest income was US\$16.9 million for the year ended December 31, 2017, compared to US\$20.9 million for the year ended December 31, 2016.

Interest Expenses

For the year ended December 31, 2017, out of total interest costs incurred, US\$66.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2017 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$203.5 million for the year of 2017, including US\$197.4 million of interest on loans and notes, US\$4.4 million of amortization of debt issuance costs and US\$1.7 million of amortization of aircraft finance lease related interest.

For the year ended December 31, 2016, out of total interest costs incurred, US\$29.9 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2016 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$207.7 million for the year of 2017, including US\$196.2 million of interest on loans and notes, US\$9.4 million of amortization of debt issuance costs and US\$2.1 million of amortization of aircraft finance lease related interest.

Income Taxes

Income taxes increased by US\$26.9 million, or 31.2%, to US\$113.1 million for the year ended December 31, 2017 from US\$86.2 million for the year ended December 31, 2016 mainly due to the increase in taxable income in the PRC and the United States.

Our effective tax rate increased to 58.5% for the year ended December 31, 2017, from 52.0% for the year ended December 31, 2016. The increase was primarily due to the increase in taxable income in the PRC and the United States.

Net Income Attributable to our Shareholders

Net income decreased by US\$9.4 million to US\$63.6 million for the year ended December 31, 2017, from US\$73.0 million for the year ended December 31, 2016.

Discussion of Segment Operations

We consider each of our individual property developments as a discrete operating segment. As a presentation of segment information for each property development would not be meaningful, we have aggregated our segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offered, customers and market and regulatory environment. Our reporting segments are: (i) property developments in Zhengzhou, Henan Province, (ii) property developments in Jinan and Qingdao, Shandong Province, (iii) property developments in Suzhou, Xuzhou and Kunshan, Jiangsu Province, (iv) property developments in Chengdu, Sichuan Province (v) property developments in Beijing, (vi) property developments in Sanya, Hainan Province, (vii) property developments in Changsha, Hunan Province, (viii) property developments in Shanghai, (ix) property developments in Tianjin, (x) property developments in Xi'an, Shaanxi Province, (xi) property developments in Zhuhai, Guangdong Province, (xiii) property developments in Wuhan, Hubei Province, (xiv) property developments in Dalian, Liaoning Province, (xv) property developments in the United States and (xvi) "other." Each geographic operating segment is principally engaged in the construction and development of residential real estate units. The "other" category relates to investment holdings, property management services, installation of intercom systems, landscaping, engineering and management, real estate sale, purchase and lease activities. The accounting policies of the various segments are the same as those described in Note 2, "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in this report.

For the Year Ended December 31,

	2016	2017	2018
	(US\$ in thousands, except for percentages)		
Zhengzhou, Henan			
Total revenue	373,920	891,790	1,010,783
Total cost of revenue	(255,819)	(610,990)	(706,606)
Gross profit	118,101	280,800	304,177
Gross margin	31.6%	31.5%	30.1%
Operating income	76,642	216,739	241,365
Jinan and Qingdao, Shandong			
Total revenue	169,880	252,423	292,266
Total cost of revenue	(143,152)	(205,050)	(230,042)
Gross profit	26,728	47,373	62,224
Gross margin	15.7%	18.8%	21.3%
Operating income	18,046	36,875	49,613
Suzhou, Kunshan and Xuzhou, Jiangsu			
Total revenue	349,617	284,410	331,744
Total cost of revenue	(275,136)	(251,246)	(217,053)
Gross profit	74,481	33,164	114,691
Gross margin	21.3%	11.7%	34.6%
Operating income	62,247	16,504	99,406
Chengdu, Sichuan			
Total revenue	76,490	79,141	81,107
Total cost of revenue	(58,763)	(71,491)	(76,833)
Gross profit	17,727	7,650	4,274
Gross margin	23.2%	9.7%	5.3%
Operating income/(loss)	14,397	3,878	(2)
Beijing			
Total revenue	24,002	541	14,490
Total cost of revenue	(31,148)	(415)	(9,355)
Gross profit	(7,146)	126	5,135
Gross margin	-29.8%	23.3%	35.4%
Operating loss	(45,987)	(44,381)	(59,298)
Sanya, Hainan			
Total revenue	12,700	87,316	170,083
Total cost of revenue	(8,545)	(55,295)	(87,715)
Gross profit	4,155	32,021	82,368
Gross margin	32.7%	36.7%	48.4%
Operating income	127	24,294	70,279
Changsha, Hunan			
Total revenue	105,495	133,624	97,756
Total cost of revenue	(75,515)	(108,105)	(102,979)
Gross profit	29,980	25,519	(5,223)
Gross margin	28.4%	19.1%	-5.3%
Operating income/(loss)	23,607	15,419	(16,232)
Shanghai			
Total revenue	100,004	1,188	641
Total cost of revenue	(89,068)	(996)	(296)
Gross profit	10,936	192	345
Gross margin	10.9%	16.2%	53.8%
Operating income/(loss)	7,815	(556)	182
Tianjin			
Total revenue	39,913	38,647	63,323
Total cost of revenue	(22,837)	(23,602)	(64,520)
Gross profit	17,076	15,045	(1,197)
Gross margin	42.8%	38.9%	-1.9%
Operating income/(loss)	543	9,043	(7,031)
Xi'an, Shaanxi			
Total revenue	126,834	67,472	86,165
Total cost of revenue	(91,500)	(50,936)	(56,487)
Gross profit	35,334	16,536	29,678
Gross margin	27.9%	24.5%	34.4%
Operating income	25,095	7,413	23,774
Zhuhai, Guangdong			
Total revenue	-	20	-
Total cost of revenue	-	(10)	-
Gross profit	-	10	-
Gross margin	-	50.0%	0.0%
Operating loss	-	(671)	(1,185)
US			
Total revenue	152,007	98,784	9,387

Total cost of revenue	(128,803)	(108,350)	(9,358)
Gross profit	23,204	(9,566)	29
Gross margin	15.3%	-9.7%	0.3%
Operating income/(loss)	12,202	(20,164)	(4,626)
Wuhan, Hubei			
Total revenue	-	-	-
Total cost of revenue	-	-	-
Gross profit	-	-	-
Gross margin	-	-	0.0%
Operating loss	-	-	(1,950)
Dalian, Liaoning,			
Total revenue	-	-	427
Total cost of revenue	-	-	(298)
Gross profit	-	-	129
Gross margin	-	-	30.2%
Operating loss	-	-	(1,357)
Others			
Total revenue	30,763	41,553	59,378
Total cost of revenue	(23,351)	(30,792)	(40,533)
Gross profit	7,412	10,761	18,846
Gross margin	24.1%	25.9%	31.7%
Operating loss	(15,374)	(17,332)	(17,510)

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

For the year ended December 31, 2018 results reflect the adoption of ASC 606 and may not be directly comparable to prior periods.

Zhengzhou, Henan. Total revenue increased by US\$119.0 million, or 13.3%, from US\$891.8 million for the year ended December 31, 2017 to US\$1,010.8 million for the year ended December 31, 2018. Gross profit for this region was US\$304.2 million, or 30.1% of revenue, in the year ended December 31, 2018, as compared to US\$280.8 million, or 31.5%, in the year ended December 31, 2017. The operating income was US\$241.4 million for the year ended December 31, 2018, representing an increase of US\$24.7 million, or 11.4%, from US\$216.7 million for the year ended December 31, 2017. The increase in operating income was driven by the increase in revenue as described above.

Jinan and Qingdao, Shandong. Total revenue increased by US\$39.9 million, from US\$252.4 million for the year ended December 31, 2017 to US\$292.3 million for the year ended December 31, 2018. The gross profit increased to US\$62.2 million, or 21.3% of revenue, for the year ended December 31, 2018 from US\$47.4 million, or 31.2% of revenue, for the year ended December 31, 2017. The operating income was US\$49.6 million for the year ended December 31, 2018, representing an increase of US\$12.7 million from US\$36.9 million for the year ended December 31, 2017.

Suzhou, Kunshan and Xuzhou, Jiangsu. Total revenue increased by US\$47.3 million, or 16.6%, from US\$284.4 million for the year ended December 31, 2017 to US\$331.7 million for the year ended December 31, 2018. Gross profit for the Jiangsu segment was US\$114.7 million for the year ended December 31, 2018, increasing by US\$81.5 million from US\$33.2 million for the year ended December 31, 2017. Operating income was US\$99.4 million for the year ended December 31, 2018, representing an increase of US\$82.9 million, or 502.4%, from US\$16.5 million for the year ended December 31, 2017.

Chengdu, Sichuan. Total revenue increased by US\$2.0 million from US\$79.1 million for the year ended December 31, 2017 to US\$81.1 million for the year ended December 31, 2018. Gross profit for the Sichuan segment was US\$4.3 million for the year ended December 31, 2018, as compared to US\$7.7 million for the year ended December 31, 2017. Operating loss was zero for the year ended December 31, 2018, representing a decrease of US\$3.9 million from the operating income of US\$3.9 million for the year ended December 31, 2017.

Beijing. Total revenue increased by US\$14.0 million, or 2800.0%, from US\$0.5 million for the year ended December 31, 2017 to US\$14.5 million for the year ended December 31, 2018. Gross profit for the Beijing segment was US\$5.1 million for the year ended December 31, 2018, increasing by US\$5.0 million from US\$0.1 million for the year ended December 31, 2017. Operating loss was US\$59.3 million for the year ended December 31, 2018, representing an increase of US\$14.9 million, or 33.6%, from US\$44.4 million for the year ended December 31, 2017.

Sanya, Hainan. Total revenue increased by US\$82.8 million, or 94.8%, from US\$87.3 million for the year ended December 31, 2017 to US\$170.1 million for the year ended December 31, 2018. Gross profit for the Hainan segment was US\$82.4 million for the year ended December 31, 2018, increasing by US\$50.4 million from US\$32.0 million for the year ended December 31, 2017. Operating income was US\$70.3 million for the year ended December 31, 2018, representing an increase of US\$46.0 million, or 189.3%, from income of US\$24.3 million for the year ended December 31, 2017.

Changsha, Hunan. Total revenue decreased by US\$35.8 million, or 26.8%, from US\$133.6 million for the year ended December 31, 2017 to US\$97.8 million for the year ended December 31, 2018. Gross loss for the Hunan segment was US\$5.2 million for the year ended December 31, 2018, decreasing by US\$30.7 million from gross income of US\$25.5 million for the year ended December 31, 2017. Operating loss was US\$16.2 million for the year ended December 31, 2018, representing a decrease of US\$31.6 million from operating income of US\$15.4 million for the year ended December 31, 2017.

Shanghai. Total revenue decreased by US\$0.6 million, or 50.0%, from US\$1.2 million for the year ended December 31, 2017 to US\$0.6 million for the year ended December 31, 2018. Gross profit for the Shanghai segment was US\$0.3 million for the year ended December 31, 2018, increasing by US\$0.1 million from US\$0.2 million for the year ended December 31, 2017. Operating income was US\$0.2 million for the year ended December 31, 2018, representing an increase of US\$0.8 million from a loss of US\$0.6 million for the year ended December 31, 2017.

Tianjin. Total revenue increased by US\$24.7 million, or 64.0%, from US\$38.6 million for the year ended December 31, 2017 to US\$63.3 million for the year ended December 31, 2018. Gross loss for the Tianjin segment was US\$1.2 million for the year ended December 31, 2018, decreasing by US\$16.2 million from US\$15.0 million for the year ended December 31, 2017. Operating loss was US\$7.0 million for the year ended December 31, 2018, representing a decrease of US\$16.0 million from an income of US\$9.0 million for the year ended December 31, 2017.

Xi'an, Shaanxi. Total revenue increased by US\$18.7 million, or 27.7%, from US\$67.5 million for the year ended December 31, 2017 to US\$86.2 million for the year ended December 31, 2018. Gross profit for the Xi'an segment was US\$29.7 million for the year ended December 31, 2018, increasing by US\$13.2 million from US\$16.5 million for the year ended December 31, 2017. Operating income was US\$23.8 million for the year ended December 31, 2018, representing an increase of US\$16.4 million from US\$7.4 million for the year ended December 31, 2017.

Zhuhai, Guangdong. Total revenue decreased by US\$0.02 million, or 100.0%, from US\$0.02 million for the year ended December 31, 2017 to zero for the year ended December 31, 2018. Gross loss for the Zhuhai segment was zero million for the year ended December 31, 2018, decreasing by US\$0.01 million from US\$0.01 million for the year ended December 31, 2017. Operating loss was US\$1.19 million for the year ended December 31, 2018, representing an increase of US\$0.52 million from US\$0.67 million for the year ended December 31, 2017.

The United States. Total revenue decreased by US\$89.4 million, or 90.5%, to US\$9.4 million for the year ended December 31, 2018 from US\$98.8 million for the year ended December 31, 2017. This region had a gross profit of zero for the year ended December 31, 2018 increasing by US\$9.6 from a gross loss of US\$9.6 million for the year ended December 31, 2017. This region has an operating loss of US\$4.6 million for the year ended December 31, 2018, decreasing by US\$15.6 from US\$20.2 million in the year ended December 31, 2017.

Wuhan, Hubei. Total revenue for the year ended December 31, 2018 was zero, gross loss was zero for the year ended December 31, 2018 and the operating loss was US\$2.0 million for the year ended December 31, 2018.

Dalian, Liaoning. Total revenue for the year ended December 31, 2018 was US\$0.4 million, gross profit was US\$0.1 million for the year ended December 31, 2018 and the operating loss was US\$1.4 million for the year ended December 31, 2018.

Others. Other revenue of US\$59.4 million for the year ended December 31, 2018 consisted of real estate-related services, including, among others, property management services, broadband network installation, landscaping services and consulting services. These services generated a gross profit of US\$18.8 million in the year ended December 31, 2018, compared to a gross profit of US\$10.8 million in the year ended December 31, 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Zhengzhou, Henan. Total revenue increased by US\$517.9 million, or 138.5%, from US\$373.9 million for the year ended December 31, 2016 to US\$891.8 million for the year ended December 31, 2017. The increase was primarily due to the increase of revenue from sales of units in Zhengzhou International New City I, and the newly launched projects- Zhengzhou International New City II and Zhengzhou International New City III. Gross profit for this region was US\$280.8 million, or 31.5% of revenue, in the year ended December 31, 2017, as compared to US\$118.1 million, or 31.6%, in the year ended December 31, 2016. The operating income was US\$216.7 million for the year ended December 31, 2017, representing an increase of US\$140.1 million, or 182.9%, from US\$76.6 million for the year ended December 31, 2016. The increase in operating income was driven by the increase in revenue as described above.

Jinan, Shandong. Total revenue increased by US\$82.5 million, from US\$169.9 million for the year ended December 31, 2016 to US\$252.4 million for the year ended December 31, 2017. The increase was primarily due to the increase of revenue from sales of units in Shandong Royal Palace. The gross profit increased to US\$47.4 million, or 18.8% of revenue, for the year ended December 31, 2017 from US\$26.7 million, or 15.7% of revenue, for the year ended December 31, 2016. The increase in gross margin was due to the increase of high margin saleable units and the positive market. The operating income was US\$36.9 million for the year ended December 31, 2017, representing an increase of US\$18.9 million from US\$18.0 million for the year ended December 31, 2016. The increase in operating income was driven by the increase in revenue and gross profit as described above.

Suzhou, Kunshan and Xuzhou, Jiangsu. Total revenue decreased by US\$65.2 million, or 18.6%, from US\$349.6 million for the year ended December 31, 2016 to US\$284.4 million for the year ended December 31, 2017. The decrease was primarily due to a reduction of revenue from sales of units in old projects- Suzhou Lake Royal Palace and Kunshan Royal Palace, partially offset by the revenue from sales of units in project Kunshan Xindo Park and Xuzhou Colorful City. Gross profit for the Jiangsu segment was US\$33.2 million for the year ended December 31, 2017, decreasing by US\$41.3 million from US\$74.5 million for the year ended December 31, 2016. The decrease in gross margin was due to the reduction of high margin saleable units. Operating income was US\$16.5 million for the year ended December 31, 2017, representing a decrease of US\$45.7 million, or 73.5%, from US\$62.2 million for the year ended December 31, 2016. The decrease in operating income was driven by the decrease in gross profit as described above.

Chengdu, Sichuan. Total revenue increased by US\$2.6 million from US\$76.5 million for the year ended December 31, 2016 to US\$79.1 million for the year ended December 31, 2017. Gross profit for the Sichuan segment was US\$7.7 million for the year ended December 31, 2017, as compared to US\$17.7 million for the year ended December 31, 2016. The decrease in gross margin was due to the reduction of high margin saleable units. Operating income was US\$3.9 million for the year ended December 31, 2017, representing a decrease of US\$10.5 million from the operating income US\$14.4 million for the year ended December 31, 2016. The decrease in operating income was due to the decrease in gross profit as described above.

Beijing. Total revenue decreased by US\$23.5 million, or 97.9%, from US\$24.0 million for the year ended December 31, 2016 to US\$0.5 million for the year ended December 31, 2017. The decrease was primarily due a reduction of revenue from sales of units in Beijing Xindo Park. Gross profit for the Beijing segment was US\$0.1 million for the year ended December 31, 2017, increasing by US\$7.2 million from a loss of US\$7.1 million for the year ended December 31, 2016. Operating loss was US\$44.4 million for the year ended December 31, 2017, representing an increase of US\$1.6 million, or 3.5%, from US\$46.0 million for the year ended December 31, 2016. The decreased operating loss was driven by the positive gross profit described above.

Sanya, Hainan. Total revenue increased by US\$74.6 million, or 587.4%, from US\$12.7 million for the year ended December 31, 2016 to US\$87.3 million for the year ended December 31, 2017. The increase was primarily due to the increase of revenue from sales of units in Sanya Yazhou Bay No.1. Gross profit for the Hainan segment was US\$32.0 million for the year ended December 31, 2017, increasing by US\$27.8 million from US\$4.2 million for the year ended December 31, 2016. Operating income was US\$24.3 million for the year ended December 31, 2017, representing an increase of US\$24.2 million, or 24200.0%, from income of US\$0.1 million for the year ended December 31, 2016. The increase in operating income was driven by the increase in revenue due to high market demand in Sanya.

Changsha, Hunan. Total revenue increased by US\$28.1 million, or 26.6%, from US\$105.5 million for the year ended December 31, 2016 to US\$133.6 million for the year ended December 31, 2017. The increase was primarily due to the increase of revenue from sales of units in the newly launched project- Changsha Mulian Royal Palace. Gross profit for the Hunan segment was US\$25.5 million for the year ended December 31, 2017, decreasing by US\$4.5 million from US\$30.0 million for the year ended December 31, 2016. The decrease in gross margin was due to the reduction of high margin saleable units. Operating income was US\$15.4 million for the year ended December 31, 2017, representing a decrease of US\$8.2 million from operating income of US\$23.6 million for the year ended December 31, 2016. The decrease in operating income was due to the decrease in gross margin and gross profit as described above.

Shanghai. Total revenue decreased by US\$98.8 million, or 98.8%, from US\$100.0 million for the year ended December 31, 2016 to US\$1.2 million for the year ended December 31, 2017. The decrease was primarily due to a reduction of revenue from sales of units in Shanghai Royal Palace. Gross profit for the Shanghai segment was US\$0.2 million for the year ended December 31, 2017, decreasing by US\$10.7 million from US\$10.9 million for the year ended December 31, 2016. Operating loss was US\$0.6 million for the year ended December 31, 2017, representing a decrease of US\$8.4 million from a profit of US\$7.8 million for the year ended December 31, 2016. The operating loss was driven by the revenue and gross profit reduction described above.

Tianjin. Total revenue decreased by US\$1.3 million, or 3.3%, from US\$39.9 million for the year ended December 31, 2016 to US\$38.6 million for the year ended December 31, 2017. The decrease was primarily due to a reduction of revenue from sales of units in Tianjin Spring Royal Palace. Gross profit for the Tianjin segment was US\$15.0 million for the year ended December 31, 2017, decreasing by US\$2.1 million from US\$17.1 million for the year ended December 31, 2016. Operating income was US\$9.0 million for the year ended December 31, 2017, representing an increase of US\$8.5 million from US\$0.5 million for the year ended December 31, 2016. The increase in operating income was driven by a decrease in operating expenses.

Xi'an, Shaanxi. Total revenue decreased by US\$59.3 million, or 46.8%, from US\$126.8 million for the year ended December 31, 2016 to US\$67.5 million for the year ended December 31, 2017. The decrease was primarily due to reduction of revenue from sales of units in Xi'an Metropolitan. Gross profit for the Xi'an segment was US\$16.5 million for the year ended December 31, 2017, decreasing by US\$18.8 million from US\$35.3 million for the year ended December 31, 2016. Operating income was US\$7.4 million for the year ended December 31, 2017, representing a decrease of US\$17.7 million from US\$25.1 million for the year ended December 31, 2016. The decrease in operating income was driven by a decrease in revenue as described above.

Zhuhai, Guangdong. Total revenue for the year ended December 31, 2017 was US\$0.02 million, gross profit was US\$0.01 million for the year ended December 31, 2017 and the operating loss was US\$0.67 million for the year ended December 31, 2017.

The United States. Total revenue decreased by US\$53.2 million, or 35.0%, to US\$98.8 million for the year ended December 31, 2017 from US\$152.0 million for the year ended December 31, 2016. The decrease was primarily due to reduction of revenue from sales of units in New York Oosten Project. This region had a gross loss of US\$9.6 million for the year ended December 31, 2017 decreasing by US\$32.8 from US\$23.2 million for the year ended December 31, 2016. The decrease in gross margin was due to the increase of construction cost. This region has an operating loss of US\$20.2 million for the year ended December 31, 2017, decreasing by US\$32.4 from US\$12.2 million in the year ended December 31, 2016. The decrease in operating income was driven by the decrease in revenue as described above.

Others. Other revenue of US\$41.6 million for the year ended December 31, 2017 consisted of real estate-related services, including, among others, property management services, broadband network installation, landscaping services and consulting services. These services generated a gross profit of US\$10.8 million in the year ended December 31, 2017, compared to a gross profit of US\$7.4 million in the year ended December 31, 2016.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities, (ii) the disclosure of our contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates based on our own experience, knowledge and assessment of current business and other conditions, and our expectations regarding the future based on available information and reasonable assumptions, which together form our basis for making judgments about matters that are inherently uncertain. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reading our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue recognition

Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Company also elected to exclude sales taxes and other similar taxes from the measurement of the transaction price. Therefore, revenues are recognized net of business tax, value added taxes (“VAT”) and surcharges.

A significant portion of the Company’s revenue is derived from real estate sales of development properties in the PRC, with revenue recognized using the percentage-of-completion (“POC”) method in previous years. Under ASC 606, to recognize revenue over time similar to the POC method, contractual provisions need to provide the Company with an enforceable right to payment. Historically, the Company’s contracts did not include a specific term on enforceable right to payment. For all contracts executed starting from January 1, 2018, the Company modified certain terms to establish an enforceable right to payment for performance completed to date, including a reasonable profit. Under ASC 606, the Company recognizes revenue on an “over time” basis prospectively for these new contracts by using cost inputs to measure progress towards the completion of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group’s efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract. For those contracts that did not include enforceable right to payment terms, revenue is recognized at a point in time when title to the property is transferred to the customer. For the periods presented, all the revenues related to projects in the U.S. were recognized until title is transferred.

Generally, the Company receives short-term advances from its customers for real estate sales. Using the practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group also receives long-term advances from customers for real estate sales. The transaction price for such contracts is adjusted for the effects of a financing component, if long-term advances from customers is assessed as significant at the individual contract level.

Contract assets

The Company pays sales commission to its real estate sales agencies for each real estate sales contract. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under selling and distribution expenses) when the amortization period of the asset that the Company otherwise would have used is one year or less. For incremental costs of obtaining real estate sales contracts that extend beyond a one year period, these incremental costs of obtaining real estate sales contracts are recognized as an assets if the real estate sales are collectible and amortized as the Company transfers the control of the assets to customers.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). The Company’s contract liabilities are comprised of customer deposits, which are recognized as revenue when the Company performs under the contract.

Income taxes

We account for income tax using the balance sheet method. Deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as unutilized net operating losses. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before we are able to realize their benefits, or that future utilization is uncertain. We assess the need for valuation allowances by tax reporting unit by jurisdiction. Generally, each of our reportable operating segments is organized in a separate tax reporting unit in a single tax jurisdiction.

Interest and penalties arising from underpayment of income taxes is recognized according to the relevant tax law. The amount of interest expense to be recognized is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest recognized in accordance with ASC 740-10, "Income Tax" ("ASC 740-10") is classified in the consolidated financial statements as interest expense, while penalties recognized in accordance with this Interpretation are classified in the consolidated financial statements as other expenses.

In accordance with the provisions of ASC 740-10, we recognize in our consolidated financial statements the impact of a tax position if a tax return's position or future tax position is "more likely than not" to prevail (defined as a likelihood of more than fifty percent of being sustained upon audit, based on the technical merits of the tax position). Tax positions that meet the "more likely than not" threshold are measured (using a probability weighted approach) at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Our estimated liability for unrecognized tax benefits is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, certain changes and/or developments with respect to audits, and expiration of the statute of limitations. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are appropriately recorded in our consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require us to adjust the recognition and measurement estimates with regards to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

Please see the more detailed discussion in Note 14 to our consolidated financial statements included elsewhere in this annual report.

Land Appreciation Tax ("LAT")

In accordance with the relevant taxation laws for real estate companies of the provinces in which the subsidiaries operate in the PRC, the local tax authorities levy LAT based on progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures, including borrowing costs and all property development expenditures. LAT is prepaid based on a fixed percentage (varying by local tax jurisdiction) of customer deposits and is expensed when the related revenue is recognized. Please see the more detailed discussion in Note 14 to our consolidated financial statements included elsewhere in this annual report.

Share-based compensation

Under ASC 718, "Compensation-Stock Compensation," we are required to recognize share-based compensation as compensation expense based on the fair value of stock options and other equity awards on the date of the grant. We have elected to recognize compensation expense using the straight-line method for all restricted shares and stock options granted with service conditions that have a graded vesting schedule. We have a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the restricted shares granted under our 2014 Restricted Stock Unit plan ("2014 RSU Plan").

For options granted with performance conditions, share-based compensation expense is recognized based on the probable outcome of the performance condition. A performance condition is not taken into consideration in determining fair value of the non-vested shares granted.

Real estate properties development completed and under development

Real estate properties consist of finished residential unit sites, commercial offices and residential unit sites under development. We lease the land for the residential unit sites under land use right leases with various terms from the PRC. Real estate properties development completed, under development stated at the lower of carrying amounts or fair value less selling costs.

Expenditures for land development, including cost of land use rights, deed tax, pre-development costs and engineering costs, are capitalized and allocated to development projects by the specific identification method. Costs are allocated to specific units within a project based on the ratio of the sales value of units to the estimated total sales value times the total project costs.

Costs of amenities transferred to buyers are allocated as common costs of the project that are allocated to specific units as a component of total construction costs. For amenities retained by us, costs in excess of the related fair value of the amenities are also treated as common costs. Results of operations of amenities retained by us are included in current operating results.

In accordance with ASC 360, "Property, Plant and Equipment", real estate property development completed, under development and held for sale are subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

When the profitability of a current project deteriorates due to a slowdown in the sales pace, reduction of pricing or some other factor, this indicates that there may be a possible future loss on delivery and possible impairment in the recoverability of the assets. Accordingly, the assets of such project are subsequently reviewed for future losses and impairment by comparing the estimated future undiscounted cash flows for the project to the carrying value of such project. If the estimated future undiscounted cash flows are less than the asset's carrying value, such deficit will be charged as a future loss and the asset will then be written down to its estimated fair value.

We determine estimated fair value primarily by discounting the estimated future cash flows relating to the asset. In estimating the cash flows for a project, we use various factors including (a) the expected pace at which the planned number of units will be sold, based on competitive market conditions, historical trends in sales pace and actual average selling prices of similar product offerings and any other long or short-term economic conditions which may impact the market in which the project is located; (b) the estimated net sales prices expected to be attained based on the current market conditions and historical price trends, as well as any estimated increases in future sales prices based upon the projected rate of unit sales, the estimated time gap between presale and expected delivery, the impact of government policies, the local and regional competitive environment, and certain external factors such as the opening of a subway line, school or factory; and (c) the expected costs to be incurred in the future by us, including, but not limited to, construction cost, construction overhead, sales and marketing, sales taxes and interest costs.

Our determination of fair value requires discounting the estimated cash flows at a rate commensurate with the inherent risk associated with the assets and related estimated cash flows. The discount rate used in determining each project's fair value depends on the stage of development, location and other specific factors that increase or decrease the risk associated with the estimated cash flows.

For the years ended December 31, 2016, 2017 and 2018, we did not recognize any impairment for real estate properties completed and under development.

Real estate properties held for lease, net

Real estate properties held for lease are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the real estate properties held for lease are 20-60 years.

Maintenance, repairs and minor renewals are charged directly to expenses as incurred. Major additions and improvements to the real estate properties held for lease are capitalized.

In accordance with ASC 360, "*Property, Plant and Equipment*," real estate properties held for lease is subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

For the years ended December 31, 2016, 2017 and 2018, we did not recognize any impairment for real estate properties held for lease.

Effect of change in estimate

Revisions in estimated gross profit margins related to estimated costs and revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2018, real estate development projects (Chengdu Thriving Family, Changsha Xinyuan Splendid, Sanya Yazhou Bay No.1, Tianjin Spring Royal Palace I, Kunshan Royal Palace, Xi'an Metropolitan, Jinan Xin Central), which recognized gross profit in 2017, had changes in their estimated gross profit margins. As these projects moved closer to completion during 2018, the Company adjusted its prior estimates related to selling prices and development costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share increased by US\$34.5 million (2016: increased US\$61.2 million, 2017: decreased US\$11.1 million), US\$25.9 million (2016: increased US\$45.9 million, 2017: decreased US\$8.3 million), US\$0.20 per share (2016: increased US\$0.34 per share, 2017: decreased US\$0.06 per share), and US\$0.20 per share (2016: increased US\$0.33 per share, 2017: decreased US\$0.06 per share), respectively, for the year ended December 31, 2018.

Recently Issued Accounting Pronouncements

Please see the more detailed discussion in Note 2 to our consolidated financial statements included elsewhere in this annual report.

B. Liquidity and Capital Resources

As previously discussed, a principal factor affecting our results of operations and our growth is the acquisition of land and land use rights in target markets. Under current regulations and market practice, land use rights for residential development purposes in the PRC may be acquired from local governments through a competitive auction or other bidding process. These competitive auctions and bidding processes are typically announced 20 days before they are about to take place. To participate in these auctions, we are required to make a minimum deposit of 20-50% of the opening auction price in cash. If we are successful on our bids, we are also generally required to remit the remaining purchase price within one to six months of the auction. Further, under current regulations we are not permitted to borrow money from local banks to fund land purchases. As a result we have to fund land purchases either from cash flows from project sales or from financing transactions in foreign markets which have been and continue to be relatively expensive and not easily accessible. (See “Item 3. Key Information D. Risk Factors — Our business requires access to substantial financing. Our failure to obtain adequate financing in a timely manner could severely adversely (1) restrict our ability to complete existing projects, expand our business, or repay our debts and (2) affect our financial performance and condition.”) As a result of entering into other markets, we will also require adequate U.S. dollar and other currency financing for our offshore operations, one of the sources of which is back-to-back loan arrangements with our subsidiaries, which is subject to foreign exchange rate fluctuation and regulatory risk. See “Item 3. Key Information — D. Risk Factors — We face risks related to our back-to back loans.”

In addition to our land acquisitions, we expect to incur material project development costs on the acquired land. Our cash needs can only be partially satisfied by construction loans and future cash flows from real estate projects under development in the upcoming fiscal year. To ensure that we have sufficient funds to secure attractive land parcels and cover material project development costs, which are vital to our growth strategy, we have chosen to maintain a certain level of cash reserves on hand. In addition, we are required to maintain restricted cash deposits by banks that provide loans to us and our customers. The amount of the restricted cash deposits will vary based on the amount of the related loans. As of December 31, 2018, approximately US\$511.9 million, or 43.2% of our total cash balance reserve, were restricted cash.

We have and will continue to closely monitor our cash flow position to support our operations. We believe we manage land acquisition activities in a rational manner to control land expenditure and achieve reasonable profit of each project investment. We also closely monitor collection of accounts receivable, and obtain funds through a variety of both domestic and overseas financing activities to provide a solid cash flow position for sustainable development.

Cash Flows

	Year Ended December 31,		
	2016	2017	2018
	(US\$ in thousands)		
Net cash (used in)/provided by operating activities	(159,881)	139,713	(22,902)
Net cash (used in)/provided by investing activities	4,468	(827,169)	34,563
Net cash provided by/(used in) financing activities	343,823	1,154,479	(189,581)
Net increase/(decrease) in cash, cash equivalents and restricted cash	188,410	467,023	(177,920)
Effect of exchange rate changes on cash and cash equivalents	(32,332)	87,461	(97,291)
Cash, cash equivalents and restricted cash, at beginning of year	750,665	906,743	1,461,227
Cash, cash equivalents and restricted cash, at end of year	906,743	1,461,227	1,186,016

Operating Activities

Net cash used in operating activities was US\$22.9 million for the year ended December 31, 2018, primarily attributable to an increase in deposits for land use rights of US\$452.1 million, an increase in other receivable of US\$118.4 million, an increase in other asset of US\$95.0 million, a decrease in other payables and accrued liabilities of US\$73.3 million, and an increase in amounts due from related party of US\$104.5 million, partially offset by proceeds from disposal of trading securities of US\$77.8 million, an increase in customer deposits of US\$264.2 million, a decrease in real estate properties development completed of US\$232.5 million, an increase in accounts payable of US\$127.2 million and an increase in income tax payable of US\$88.8 million.

Net cash provided by operating activities was US\$139.7 million for the year ended December 31, 2017, primarily attributable to proceeds from disposal of trading securities of US\$178.8 million, a decrease in real estate property under development of US\$151.8 million, a decrease in other deposits and prepayments of US\$275.2 million, an increase in accounts payable of US\$131.5 million, an increase in customer deposits of US\$269.5 million and an increase in other payables and accrued liabilities of US\$91.5 million, partially offset by purchase of trading securities of US\$186.1 million, an increase in accounts receivable of US\$63.7 million, an increase in real estate properties development completed of US\$355.6 million, an increase in real estate properties held for lease of US\$112.0 million, an increase in deposits for land use rights of US\$180.4 million and an increase in amounts due from related party of US\$128.3 million.

Net cash used in operating activities was US\$159.9 million for the year ended December 31, 2016, primarily attributable to an increase in real estate property development completed of US\$429.4 million, an increase in real estate properties held for lease of US\$100.4 million, an increase in other deposits and prepayments of US\$258.4 million, an increase in amounts paid for deposits for land use rights of US\$129.5 million, partially offset by US\$79.5 million in net income, a decrease in customer deposits of US\$101.9 million, a decrease in real estate property under development of US\$346.7 million, a decrease in other receivables of US\$114.2 million, and a decrease in other payables and accrued liabilities of US\$101.4 million.

Proceeds from pre-sales of our properties under development are an important source of cash flow for our operations. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project pre-sold. The amount and timing of cash flows from pre-sales are affected by a number of factors, including restrictions on pre-sales imposed by PRC law, market demand for our properties subject to pre-sales, prices at which we can pre-sell and the number of properties we have available for pre-sale. Any pre-sales payments we receive before we recognize revenue are recorded as current liabilities under customer deposits. At December 31, 2016, 2017 and 2018, we recorded current liabilities consisting of customer deposits of US\$150.5 million, US\$438.3 million, and US\$1,921.9, respectively. We actively market pre-sales of our properties in accordance with regulations to accelerate cash in flow to the extent possible.

Investing Activities

Net cash provided by investing activities was US\$34.6 million in the year ended December 31, 2018, and was mainly attributable to the acquisition of subsidiaries (net of cash acquired), and proceeds from return of capital.

Net cash used in investing activities was US\$827.2 million in the year ended December 31, 2017, and was mainly attributable to the acquisition of long-term investment and purchase of property and equipment.

Net cash provided by investing activities was US\$4.5 million in the year ended December 31, 2016, mainly attributable to the acquisition of subsidiaries (net of cash acquired), partially offset by the acquisition of other equity method investments and the purchase of property and equipment.

Financing Activities

Net cash used in financing activities was US\$189.6 million in the year ended December 31, 2018, and was primarily attributable to repayments of short-term, long-term bank loans and other debt in the aggregate of US\$1,429.0 million, distribution to non-controlling interests and dividend to shareholders of US\$61.3 million, partially offset by proceeds from short-term, long-term bank loans and other debt in the aggregate of US\$1,387.8 million.

Net cash provided by financing activities was US\$1,154.5 million in the year ended December 31, 2017, and was primarily attributable to proceeds from short-term, long-term bank loans and other debt in the aggregate of US\$1,940.1 million, partially offset by repayments of short-term, long-term bank loans and other debt in the aggregate of US\$818.8 million, an increase of restricted cash of US\$212.3 million, purchases of treasury shares of US\$14.1 million and dividend to shareholders of US\$26.1 million.

Net cash provided by financing activities was US\$343.8 million in the year ended December 31, 2016, and was primarily attributable to the proceeds from short-term, long-term bank loans and other debt in the aggregate of US\$1,836.9 million, a decrease of restricted cash of US\$31.4 million, partially offset by repayments of short-term, long-term bank loans and other debt in the aggregate of US\$1,497.2 million, repurchases of ADSs of US\$33.7 million and dividend distributions of US\$20.5 million.

Bank Borrowings and Other Debt

Bank borrowings and other debt are an important source of funding for our property developments. Our borrowings as of December 31, 2016, 2017 and 2018, respectively, were as follows.

	Year Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Short-term bank loans and other debt	178,576,151	247,758,295	43,711,388
Long-term bank loans	235,885,009	11,018,946	720,038,940
Other long-term debt	974,791,324	1,404,814,439	1,040,455,200
Current portion of long-term bank loans and other debt	704,695,082	1,648,233,254	1,647,918,456
Total	2,093,947,566	3,311,824,934	3,452,123,984

As of December 31, 2016, 2017 and 2018 the weighted average interest rate on our short-term bank loans and other debt was 6.53%, 7.67%, and 10.68% respectively. As of December 31, 2016, US\$144.2 million of the short-term bank loans were denominated in Renminbi and are secured by associated land use rights and real estate under development. The remaining US\$34.4 million was denominated in U.S. dollars and was secured by the equivalent amount of RMB bank deposits. As of December 31, 2017, US\$185.0 million of the short-term bank loans were denominated in Renminbi and are secured by associated land use rights, real estate under development, real estate properties held for lease, obligatory rights of account receivable, and real estate properties completed. The remaining US\$61.9 million and US\$0.9 million were denominated in U.S. dollars and HKD respectively, in which US\$58.7 denominated in U.S. dollars are secured by an equivalent amount of RMB bank deposits. As of December 31, 2018, US\$43.7 million of the short-term borrowings were denominated in RMB.

As of December 31, 2016, 2017 and 2018, the weighted average interest rate on our long-term bank loans, including their current portion, was 5.07%, 5.43%, and 7.16% respectively. As of December 31, 2016, US\$253.3 million of the long-term bank loans were denominated in Renminbi and are secured by associated land use rights. The remaining US\$64.8 million was denominated in U.S. dollars and was secured by the equivalent amount of RMB bank deposits. As of December 31, 2017, US\$447.5 million of the long-term bank loans were denominated in Renminbi and were secured by associated land use rights, real estate under development, respectively. The remaining US\$64.8 million of the long-term bank loans were denominated in U.S. dollars and were secured by the equivalent amount of RMB bank deposits. As of December 31, 2018, US\$1,136.5 million of the long-term bank loans were denominated in Renminbi and were secured by associated land use rights, real estate under development and real estate properties held for lease. The remaining US\$113.5 million of the long-term bank loans were denominated in U.S. dollars and were secured by the equivalent amount of RMB bank deposits.

Since June 2003, commercial banks have been prohibited under the PBOC guidelines from advancing loans to fund the payment of land use rights. In addition, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the MOHURD and other PRC government authorities in August 2004, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%. These internal capital ratio requirements have limited the amount of bank financing that property developers, including us, are able to obtain.

Debt Securities

In addition to bank loans, the group from time to time raises funds through the issuance of debt securities. On May 3, 2013, we issued US\$200 million aggregate principal amount of May 2018 Senior Secured Notes, which notes we subsequently redeemed in 2016. On December 6, 2013, we issued US\$200 million aggregate principal amount of June 2019 Senior Secured Notes, which notes we subsequently redeemed in 2017. On August 30, 2016, we issued US\$300 million aggregate principal amount of the August 2019 Senior Secured Notes. On February 28, 2017, we issued US\$300 million aggregate principal amount of the February 2021 Senior Secured Notes. On November 22, and December 1, 2017 we issued collectively US\$300 million aggregate principal amount of November 2020 Senior Secured Notes. On March 19, 2018, we issued US\$200 million aggregate principal amount of March 2020 Senior Secured Notes.

The May 2018 Senior Secured Notes, the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes and the March 2020 Senior Secured Notes were issued without registration under the Securities Act in offerings conducted outside the United States pursuant to Regulation S under the Securities Act.

Senior Secured Notes

Our obligations under the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes and the March 2020 Senior Secured Notes, the indenture governing the August 2019 Senior Secured Notes (the “August 2019 Indenture”), the indenture governing the February 2021 Senior Secured Notes (the “February 2021 Indenture”), the indenture governing the November 2020 Senior Secured Notes (the “November 2020 Indenture”) and the indenture governing the March 2020 Senior Secured Notes (the “March 2020 Indenture”) have been guaranteed initially by certain of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other of our future subsidiaries in accordance with the terms of the applicable Indenture. Our obligations under the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes, the March 2020 Senior Secured Notes, the August 2019 Indenture, the February 2021 Indenture, the November 2020 Indenture and the March 2020 Indenture are secured by a pledge of the capital stock of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd.

The August 2019 Indenture, the February 2021 Indenture, the November 2020 Indenture and the March 2020 Indenture contain certain covenants that, among others, restrict our ability and the ability of our restricted subsidiaries (as defined in the applicable Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes or the March 2020 Senior Secured Notes, as applicable, or other assets, to make certain other payments and to engage in transactions with affiliates and holders of more than 10% of our common shares, subject to certain qualifications and exceptions and the satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the applicable Indenture) of 2.50 to 1.0, 2.0 to 1.0, 2.0 to 1.0, and 2.0 to 1.0, respectively. Certain of these limitations, including restrictions on the incurrence of certain indebtedness or issuances of preferred stock, the making of certain payment or investments, payments of dividends, and sales of assets will be suspended if the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes or the March 2020 Senior Secured Notes, as applicable, obtain and retain an investment grade rating.

At any time prior to the maturity date of a series of Senior Secured Notes, we may at our option redeem the outstanding notes of the series in whole but not in part, at a redemption price equal to 100.0% of the principal amount of that series of Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to a Series Secured Note of any series at any redemption date, the greater of (i) 1.00% of the principal amount of such the Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such Senior Secured Note plus all required remaining scheduled interest payments due on such Senior Secured Note through its maturity date (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the applicable Indenture) plus 100 basis points, over (B) the principal amount of such Senior Secured Note on such redemption date.

At any time prior to maturity date of a series of Senior Secured Notes, we may redeem up to 35% of the aggregate principal amount of that series of Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of (a) in the case of the August 2019 Senior Secured Notes, 108.125% of the principal amount, (b) in the case of the February 2021 Senior Secured Notes, 107.75% of the principal amount, (c) in the case of the November 2020 Senior Secured Notes, 108.875% of the principal amount, and (d) in the case of the March 2020 Senior Secured Notes, 109.875% of the principal amount, plus, in each case, accrued and unpaid interest, if any, to (but not including) the redemption date. At least 65% of the aggregate principal amount of a series being so redeemed must remain outstanding after such redemption.

Following any Change of Control Triggering Event applicable to a series of Senior Secured Notes, we must make an offer to purchase all outstanding Senior Secured Notes of that series at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date. A "Change of Control Triggering Event" means the occurrence of both a Change of Control (as defined in the applicable Indenture) and specified decline in the ratings of the Senior Secured Notes within six months after the date of public notice of the occurrence of a Change of Control or the intention by us or any other person to effect a Change of Control.

June 2019 Senior Secured Notes

The June 2019 Senior Secured Notes bore interest at 13% per annum payable semi-annually. Interest was payable on June 6 and December 6 of each year, commencing June 6, 2014. The final maturity date of the June 2019 Senior Secured Notes was June 6, 2019.

On July 10, 2017, we redeemed an aggregate principal amount of US\$200,000,000 of all outstanding June 2019 Senior Secured Notes at the redemption price equal to 106.5% of the principal amount thereof, being US\$213,000,000, plus accrued and unpaid interest of US\$2,456,000 to July 10, 2017. The total redemption price paid by the Company on July 10, 2017 was US\$215,456,000. The Company funded the redemption using the proceeds from the offering of its February 2021 Senior Secured Notes.

August 2019 Senior Secured Notes

On August 30, 2016, we issued an aggregate principal amount of US\$300,000,000 of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes bear interest at 8.125% per annum payable semi-annually. Interest will be payable on February 28 and August 30 of each year, commencing February 28, 2017. The August 2019 Senior Secured Notes have a three year term maturing on August 30, 2019.

From August 31, 2018 to December 31, 2018, the Company redeemed August 2019 Senior Secured Notes for a total principal amount of US\$11.9 million. The Company recognized gain on extinguishment of debt amounting to US\$511,919, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$577,449 and the loss from unamortized deferred debt issuance costs amounting to US\$65,530. As of December 31, 2018, we have a total principal amount of US\$286.7 million of August 2019 Senior Secured Notes outstanding.

On April 15, 2019, the Company completed the repurchase of US\$119,989,000 in principal amount of the August 2019 Senior Secured Notes pursuant to an Offer to Purchase for an aggregate purchase price of US\$121,861,755 including accrued interest.

February 2021 Senior Secured Notes

On February 28, 2017, we issued an aggregate principal amount of US\$300,000,000 of the February 2021 Senior Secured Notes. The February 2021 Senior Secured Notes bear interest at 7.75% per annum payable semiannually. Interest will be payable on February 28 and August 28 of each year, commencing August 28, 2017. The February 2021 Senior Secured Notes have a four year term maturing on February 28, 2021. From August 31, 2018 to December 31, 2018, the Company redeemed February 2021 Senior Secured Notes for a total principal amount of US\$25.4 million. The Company recognized gain on extinguishment of debt amounting to US\$2,642,710, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$3,043,135 and the loss from unamortized deferred debt issuance costs amounting to US\$400,425. As of December 31, 2018, we have a total principal amount of US\$270.6 million of February 2021 Senior Secured Notes outstanding.

November 2020 Senior Secured Notes

On November 22, 2017 and December 1, 2017, we issued an aggregate principal amount of US\$200,000,000 and US\$100,000,000 of the November 2020 Senior Secured Notes, respectively. The November 2020 Senior Secured Notes bear interest at 8.875% per annum payable semi-annually. Interest will be payable on May 22 and November 22 of each year, commencing May 22, 2018. The November 2020 Senior Secured Notes have a three year term maturing on November 22, 2020. As of the date of this annual report, we have a total principal amount of US\$295.7 million of November 2020 Senior Secured Notes outstanding.

March 2020 Senior Secured Notes

On March 19, 2018, we issued an aggregate principal amount of US\$200,000,000 of the March 2020 Senior Secured Notes. The March 2020 Senior Secured Notes bear interest at 9.875% per annum payable semi-annually. Interest will be payable on March 19 and September 19 of each year, commencing September 19, 2018. The March 2020 Senior Secured Notes have a two year term maturing on March 19, 2020. As of the date of this annual report, we have a total principal amount of US\$197.2 million of March 2020 Senior Secured Notes outstanding.

On April 15, 2019, the Company completed the repurchase of US\$75,700,000 in principal amount of the March 2020 Senior Secured Notes pursuant to a privately negotiated transaction for an aggregate purchase price of US\$76,239,888 including accrued interest.

Debt Securities Issued Subsequent to 2018

On April 15, 2019 and April 26, 2019, the Company issued collective aggregate principal amount of US\$300,000,000 of 14.2% Senior Notes due 2021 (the "October 2021 Notes") upon completion of an offering conducted outside the United States pursuant to Regulation S under the Securities Act. The October 2021 Notes bear interest at 14.2% per annum, payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing October 15, 2019. The October 2021 Notes have a two and a half year (thirty month) term maturing on October 15, 2021.

The October 2021 Notes were issued pursuant to an indenture, dated as of April 15, 2019, between the Company, the Subsidiary Guarantors (as defined below) and Citicorp International Limited, as trustee and shared security agent (the "October 2021 Indenture"). The Company's obligations under the October 2021 Indenture and the October 2021 Notes are guaranteed initially by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the October 2021 Indenture. The Company's obligations under the October 2021 Indenture and the October 2021 Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Limited.

At any time prior to October 15, 2021, the Company may at its option redeem the October 2021 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the October 2021 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any October 2021 Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such Note, plus all required remaining scheduled interest payments due on such Note through the maturity date of the October 2021 Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to October 15, 2021, the Company may redeem up to 35% of the aggregate principal amount of the October 2021 Notes with the net cash proceeds of one or more sales of the Company's common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 114.2% the principal amount of the October 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the October 2021 Notes issued on April 15, 2019 remain outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Following a Change of Control (as defined in the October 2021 Indenture), the Company must make an offer to purchase all outstanding October 2021 Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any to (but not including) the offer to purchase payment date.

The October 2021 Indenture contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the October 2021 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, sell assets, or make certain other payment, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the October 2021 Indenture) of 2.0 to 1.0.

The October 2021 Notes were issued in an offering done in reliance on the exemption from registration under Regulation S promulgated under the Securities Act.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan China issued the first tranche of the onshore corporate bonds with an aggregate principal amount of US\$154 million due on December 28, 2020 (the "First Tranche Bonds") at a coupon rate of 7.5% per annum payable annually. Interest is payable on December 28 of each year, commencing December 28, 2016. Given that First Tranche Bonds is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the First Tranche Bonds under the requirements of ASC 815 "Derivatives and Hedging." The First Tranche Bonds were issued at par. On January 27, 2016, Xinyuan China issued the second tranche of the onshore corporate bonds with an aggregate principal amount of US\$107 million due on January 27, 2021 (the "Second Tranche Bonds") at a coupon rate of 7.47% per annum payable annually. On March 14, 2016, Xinyuan China issued the third tranche of the onshore corporate bonds with an aggregate principal amount of US\$77 million due on March 14, 2021 (the "Third Tranche Bonds") at a coupon rate of 7.09% per annum payable annually.

Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company's announcement of whether it intends to adjust the interest rate. Upon the third anniversary on December 28, 2017, the first tranche of the onshore corporate bonds have been reclassified as current liabilities.

The bonds contain restrictions on certain business activities of Xinyuan (China) Real Estate Ltd. when in default on payment of interest or principal, including, among others, limitations on distributions of net income, limitations on certain expenditures, or business combination transactions.

On August 15, 2016, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB1.5 billion (US\$216 million) due on August 15, 2019 (the “New Tranche”) at a coupon rate of 7.5% per annum payable annually. Interest is payable on August 15 of each year, commencing August 15, 2017. On April 7, 2017, Xinyuan China issued a new second tranche of onshore corporate bonds with an aggregate principal amount of RMB1.13 billion (US\$173 million) due on April 7, 2020 (the “2017 Tranche”) at a coupon rate of 8.2% per annum payable annually. Interest is payable on April 7 of each year, commencing April 7, 2018. Upon the first anniversary of the issuance of the New Tranche and 2017 Tranche, respectively, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company’s announcement of whether it intends to adjust the interest rate. Therefore, the entire amount of the New Tranche and 2017 Tranche, respectively, has been classified as current liabilities for the periods presented. On August 15, 2017, Xinyuan China adjusted the annual interest rate of the New Tranche Bonds to 8.2% from 7.5%.

On September 20, 2018, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB 600 million (US\$87 million) due on September 21, 2020 (the “2018 Tranche”) at a coupon rate of 8.5% per annum payable annually. Interest is payable on September 21 of each year, commencing September 21, 2019. The above three tranches of onshore corporate bonds were issued at par.

From November 19, 2018 to November 30, 2018, the Company redeemed the First Tranche Bonds for a total principal amount of RMB 0.6 billion (US\$87 million). The Company recognized loss on extinguishment of debt amounting to US\$6,518,487, consisting of both the debt redemption price amounting to US\$6,509,574 and unamortized deferred debt issuance costs amounting to US\$8,913.

From December 14, 2018 to December 21, 2018, the Company redeemed the Second Tranche Bonds for a total principal amount of RMB 0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$4,775,500, consisting of both the debt redemption price amounting to US\$4,773,284 and unamortized deferred debt issuance costs amounting to US\$2,216.

From August 1, 2018 to August 3, 2018, the Company redeemed the New Tranche for a total principal amount of RMB 1.05 billion (US\$153 million). The Company recognized loss on extinguishment of debt amounting to US\$5,989,710, consisting of both the debt redemption price amounting to US\$5,710,866 and unamortized deferred debt issuance costs amounting to US\$278,844.

On March 20, 2018, the Company redeemed the 2017 Tranche for a total principal amount of RMB 0.5 billion (US\$73 million). The Company recognized loss on extinguishment of debt amounting to US\$3,782,353, consisting of both the debt redemption price amounting to US\$3,494,557 and unamortized deferred debt issuance costs amounting to US\$287,796.

On September 21, 2018, the Company redeemed the 2018 Tranche for a total principal amount of RMB 0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$3,599,937, consisting of both the debt redemption price amounting to US\$3,291,086 and unamortized deferred debt issuance costs amounting to US\$308,851.

On January 4, 2019, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB 600 million due on January 4, 2022 (the “2019 Tranche”) at a coupon rate of 8.5% per annum payable annually. Interest is payable on January 4 of each year, commencing January 4, 2020.

On April 1, 2019, Xinyuan (China) Real Estate, Ltd. completed the issuance of a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB 980 million due on April 1, 2022 (the “2019 First Tranche Bonds”) at a coupon rate of 8.4% per annum payable annually. Interest is payable on April 1 of each year, commencing April 1, 2020.

Capital Expenditures

Our capital expenditures were US\$6.5 million, US\$9.8 million, and US\$16.7 million in 2016, 2017 and 2018, respectively. Our capital expenditures in 2016, 2017, and 2018 were mainly used for building improvements, and purchase of aircraft, vehicles, fixtures and furniture and computer network equipment. The source of our capital expenditures is primarily the cash flow generated from operating activities.

As of December 31, 2018, we had outstanding commitments with respect to non-cancelable construction contracts for real estate development in the amount of US\$1,325.8 million.

C. Research and Development, Patent and Licenses, etc.

Not applicable.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2018 to December 31, 2018 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

As is customary in the property industry in China, we provide guarantees to commercial banks in respect of the mortgage loans they extend to our customers prior to the issuance of their property ownership certificates. These guarantees remain outstanding until the completion of the registration of the mortgage with the relevant mortgage registration authorities. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In our experience, the application for and issuance of the individual property ownership certificates typically takes six to twelve months, so the guarantee periods typically last for up to six to twelve months after we deliver the related property.

As of December 31, 2017 and 2018, we guaranteed mortgage loans in the aggregate outstanding amount of US\$1,569.8 million and US\$1,988.6 million, respectively.

We generally pre-sell properties prior to the completion of their construction. Sales contracts are executed during the pre-sales period and mortgages are generally executed within 30 days after the buyer signs the sales contract.

The pre-sales period begins upon receipt of a government permit which is issued soon after groundbreaking on a given phase of the project. The period from groundbreaking to delivery consists of building construction, landscaping, municipal government inspections and issuance of a certificate of occupancy. This “delivery period” will generally range from one to two years. The buyers only request the government to record buyer ownership in their official records after the delivery period is completed. Typically, the government will provide certificates of ownership six to twelve months after being requested to record. Therefore, the total elapsed time between our receipt of mortgage proceeds and the buyer’s receipt of an ownership certificate can range from one and a half years to three years.

Due to the time lag above, our mortgage guarantees will exceed the real estate balances at any given point in time.

We paid US\$0.6 million, US\$1.8 million, US\$0.8 million and US\$1.7 million to satisfy guarantee obligations related to customer defaults for the years ended December 2014, 2016, 2017 and 2018, respectively. The fair value of the guarantees is not significant and we consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in our consolidated financial statements.

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any transactions with unconsolidated entities, derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Other than as described above, there are no off-balance sheet arrangements that have or are reasonably likely to have effect on our financial position.

We have no obligation arising out of a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us.

At December 31, 2018, the Group provided financial guarantees for bank loans of two of its equity method investees. The Group could incur losses in the event of defaults under or foreclosure of these loans and its maximum exposure to credit losses is US\$280,189,999. The fair value of the guarantees is not significant and the Group considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding bank loans together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in the consolidated financial statements.

F. Tabular Disclosure of Contractual Obligations

As of December 31, 2018, our contractual obligations amounted to US\$5,283.8 million, primarily arising from contracted construction costs or other capital commitments for future property developments and debt obligations. The following table sets forth our contractual obligations for the periods indicated:

	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
	(US\$ in thousands)				
Long-term debt obligations:					
Long-term bank loans	720,039	-	593,349	80,939	45,751
Interest on long-term bank loans ⁽¹⁾	193,308	55,501	88,437	32,747	16,623
Other long-term debt	1,040,455	-	1,040,455	-	-
Interest on other long-term debt ⁽²⁾	74,514	-	74,514	-	-
Current portion of long-term bank loan and other debt	1,647,918	1,647,918	-	-	-
Interest on current portion of long-term bank loan and other debt ⁽¹⁾	197,008	197,008	-	-	-
Short-term debt obligations					
Short-term bank loans	43,711	43,711	-	-	-
Interest on short-term debt obligations ⁽³⁾	2,355	2,355	-	-	-
Operating lease obligations	19,351	7,631	10,610	1,110	-
Non-cancellable construction contract obligations	1,325,760	653,276	630,093	42,391	-
Capital lease obligations ⁽⁴⁾	19,381	7,743	11,638	-	-
Total	5,283,800	2,615,143	2,449,096	157,187	62,374

(1) Our long-term bank loans, including current portion, bear variable interest at rates adjustable based on the PBOC benchmark rate. Interest on long-term loans, including current portion, is calculated based on the current interest rate of each loan, ranging from 1.10% plus 1 month LIBOR to 9.80% per annum, using the PBOC benchmark rate of 4.75 % as of December 31, 2018.

(2) Interest on other long-term debt is calculated based on the interest rates for relevant loans, ranging from 4.19% to 12.0% per annum.

(3) Interest on short-term loans is calculated based on the interest rates for relevant loans, ranging from 10.5% to 11.60% per annum.

(4) In 2012, Henan Xinyuan Real Estate Co., Ltd. (“Henan Xinyuan”), one of our subsidiaries, entered into a capital lease agreement with MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd. (“Minsheng”) to lease an aircraft. Under the terms of the agreement, Minsheng purchased a Gulf 450 from Gulfstream Aerospace Corporation and leased the aircraft to Henan Xinyuan for a term of 96 months starting from September 12, 2013. We measured a capital lease asset and capital lease obligation at an amount equal to the present value of the minimum lease payments during the lease term, excluding the portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) as well as any profit thereon. As of December 31, 2018, we are contractually committed to pay the amount of US\$19.4 million. See Note 21 to the consolidated financial statements contained elsewhere in this annual report on Form 20-F.

In 2018, another one of our subsidiaries entered into a sale and leaseback agreement for shopping mall equipment.

We have projected cash flows for each of our existing projects, considering a number of factors, including the relative stage of each of our projects under construction and our projects under planning and the demand for and the average selling prices of our projects. For any given project, we use cash early in the project life and generate cash later in the project life. Costs for land acquisition, site preparation, foundation, and early above-ground framing are all incurred before we obtain licenses from local governing authorities to enter into pre-sales activity. The construction of many of our projects is carried-out in phases, the timing of which is primarily determined by us based on the pace of the market demand for units in the project. Accordingly, after receiving the pre-sale permits relating to a project, we are in a better position to manage some of our construction activities to coincide with the timing of expected pre-sales.

We believe our cash on hand, projected cash flow from operations, available construction loan borrowing capability, and potential access to capital markets, should be sufficient to meet our expected cash requirements, including our non-cancellable construction contract obligations and capital lease obligations that are due on various dates through April 1, 2020, the outstanding principal amount of our August 2019 Senior Secured Notes due in August 2019, the outstanding principal amount of our February 2021 Senior Secured Notes due in February 2021, the outstanding principal amount of our November 2020 Senior Secured Notes due in November 2020, the outstanding principal amount of our March 2020 Senior Secured Notes due in March 2020, the outstanding principal amount of our October 2021 Senior Secured Notes due in October 2021, and for Xinyuan China to satisfy its obligations under the First, Second, Third, the New Tranche, 2017 Tranche and 2018 Tranche Bonds.

Our ability to secure sufficient financing for land use rights acquisition and property development depends on internal cash flows in addition to a number of other factors that are not completely under our control, including lenders' perceptions of our creditworthiness, market conditions in the capital markets, investors' perception of our securities, the PRC economy and the PRC government regulations that affect the availability and cost of financing for real estate companies or property purchasers and the U.S. economy and recovery of the U.S. real estate markets.

There can be no assurance that our internally generated cash flow and external financing will be sufficient for us to meet our contractual and financing obligations in a timely manner. We may require additional cash due to changing business conditions or other future developments, including any decline in cash flow from operations or any investments or acquisitions we may decide to pursue. In the event that proceeds from the sale of units for a project are insufficient to meet our contractual and financing obligations, we would need to raise the required funds through new borrowings, refinancing of existing borrowings, public or private sales of equity securities, or a combination of one or more of the above. We cannot assure you that we will be able to obtain adequate funding in a timely manner and on reasonable terms, or at all.

G. Safe Harbor

See "Forward-Looking Statements" at the beginning of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of April 1, 2019:

Name	Age	Position
Yong Zhang	56	Executive Director, Chairman of the Board
Lizhou Zhang	48	Executive Director and Chief Executive Officer
Xuefeng Li	42	Interim Chief Financial Officer
Yong Cui	45	Director
Hao Gao	37	Director*
Thomas Gurnee	68	Director and Chairman of the Audit Committee*
Yifan (Frank) Li	51	Director*
Yumin Liang	56	Director
Samuel Shen	54	Director*
Wells Tian	48	Director
Yuyan Yang	56	Director

*Independent director per NYSE listing standards.

Unless otherwise indicated, the business address of each director and executive officer is 27/F, China Central Place, Tower II, 79 Jianguo Road, Chaoyang District, Beijing, 100025, the People's Republic of China.

A description of the business experience and present position of each director and executive officer is provided below:

Yong Zhang founded our company in 1997 and has been the Chairman of the board of directors since 2007 and, through September 2013, was our Chief Executive Officer. Mr. Zhang has more than 20 years of working experience in the real estate industry. Prior to founding our company, he worked at several construction and property development companies, including Zhengzhou City Construction and Development Inc. and China Antai Real Estate Development Inc. Mr. Zhang is also vice chairman of Henan Real Estate Association, a member of China Democratic National Construction Association and a deputy to the 12th People's Congress of Henan Province in China. He serves as a director of Beijing Ruizhuo Xihe Technology Development Co., Ltd., Beijing Ruizhuo Xitou Technology Development Co., Ltd., Beijing Ruizhuo Xichuang Technology Development Co., Ltd, Beijing XinyuanXin Technology Development Co., Ltd., Beijing Ruizhuo Xirong Technology Development Co., Ltd., Beijing Ruizhuo Xihui Technology Development Co., Ltd., Beijing Ruizhuo Xijia Technology Development Co., Ltd., Huayi Xincheng (Beijing) Intelligent City Construction Co., Ltd., Beijing Xinyuan Future Investment Management Co., Ltd., Ningbo Zhongxin Xitou investment management Co., Ltd., Beijing Aijieli Technology Development Co., Ltd., Xinyuan Holding Ltd. and Madison Developments Limited. Mr. Zhang received a Ph.D. in finance from Renmin University of China in 2014, an executive master's degree in business administration from Tsinghua University in 2005 and a bachelor's degree in architecture from Henan Zhongzhou University in 1985.

Yong Cui has been a director of our company since August 2006 and served as our President from September 2013 through January 2018. With a doctorate degree in finance from Renmin University of China, Mr. Cui has extensive experience in corporate finance. For the past five years, Mr. Cui has worked at Beijing Runzheng Consulting Company as President.

Hao Gao was appointed as an independent director of the Company in May 2018. Mr. Gao is the director of the Global Family Business Research Center and the director of Strategic Partnership and Development Office at Tsinghua University PBC School of Finance, as well as the chief editor of the Family Business Series and Family Wealth Series published by the People's Publishing House/Oriental Press. Mr. Gao is also an independent director of Modern Media Holdings Limited (HKEX: 00072) and Hope Education Group Co., Ltd. (HKEX: 01765). Mr. Gao obtained a Bachelor's Degree in Automation Engineering from Tsinghua University, a Bachelor's Degree in Economics from Peking University, and a Ph.D. Degree in Management Science and Engineering from Tsinghua University. Mr. Gao has completed the Corporate Boards Program, the Audit Committees Program, and the Compensation Committees Program at Harvard Business School, as well as the Mergers and Acquisitions Program and the People, Culture, and Performance Program at the Graduate School of Business of Stanford University.

Thomas Gurnee was appointed as a director of our company in December 2007 and served as our Chief Financial Officer from February 2009 through September 2013. In 2015, Mr. Gurnee was appointed as the Chairman of the Audit Committee. Mr. Gurnee is owner and manager of Chalet Development LLC, a U.S.-based real estate company. Prior to joining our company, Mr. Gurnee was the Chief Financial Officer of GEM Services Inc., a semiconductor contract manufacturer based in China. Prior to that, Mr. Gurnee served as the president of Globitech Inc., a Texas-based epitaxial semiconductor wafer manufacturer, the Chief Financial Officer of Artes Inc., a California-based semiconductor test subcontractor, and the Chief Financial Officer of Sohu.com (NASDAQ: SOHU), a Beijing-based internet portal. Mr. Gurnee is a director of Planar Semiconductor AG. Mr. Gurnee obtained his bachelor's degree from Stanford University and master's degree in business administration from the University of Santa Clara. His business address is 5920 Sky Terrace Court, Reno, NV 89511.

Xuefeng Li was appointed as the Company's interim chief financial officer effective June 2018. Mr. Li joined Xinyuan in February 2017 as the general manager of the Company's financial management department. Before joining Xinyuan, Mr. Li worked for China Wanda Group and held senior management positions in its various subsidiaries including Wanda Hotels, Wanda Commercial Real Estate, Wanda Kids Entertainment, Wanda E-Commerce and Wanda Culture Group. Mr. Li has 16 years of experience in accounting, financial management, and capital operations. He serves as a director of Beijing Starry Sky Cinema Co., Ltd. and Huzhou Xinhong Town Construction and Development Co., Ltd. He graduated from Dongbei University of Finance and Economics in 2002 with a bachelor's degree in taxation and a master's degree in accounting. In 2004, he obtained the Chinese Certified Public Accountant designation.

Yifan (Frank) Li was appointed as a director of our company in February 2017. Mr. Li has been a director and Vice President of Geely Holding Group since September 2014. Prior to joining Geely, he was Vice President and international Chief Financial Officer of Sanpower Group from April in 2014. Prior to joining Sanpower Group, he served as Chief Financial Officer of China Zenix Auto International (NYSE:ZX) from December 2010 - 2014. Prior to joining China Zenix Auto International, Mr. Li was the Chief Financial Officer of Standard Water and Time Share Media from December 2007. Mr. Li is also an independent director of Shanghai International Port (Group) Co. Ltd. (600018-CN), Heilongjiang Interchina Water Treatment Co., Ltd. (600187-CN), Zhongan Online Insurance Co., Ltd. (HKEX: 06060) and Qudian Inc.(NYSE:QD). Mr. Li received his MBA from the University of Chicago Booth School of Business in 2000, MSc in Accounting from University of Texas at Dallas in 1994, and Bachelor of Economics in World Economy from Fudan University in 1989. He is a Certified Public Accountant in the United States and a Chartered Global Management Accountant. His business address is Room 815, 1760 Jiangling Road, Binjiang District, Hangzhou, Zhejiang, PRC, 310051.

Yumin Liang was appointed as a director of our company in January 2014 and served as chairman of Henan Xinyuan Real Estate Co., Ltd., one of our subsidiaries, from July 2013 through December 2017. Prior to joining Xinyuan, Mr. Liang was the chairman of Zhengzhou Public Housing Investment Co. Ltd. Prior to that, Mr. Liang held progressive positions at the Zhengzhou Housing Management Bureau for approximately eighteen years. Mr. Liang holds a bachelor's degree in civil engineering from Zhongzhou University.

Samuel Shen was appointed as an independent director of the Company in May 2018. Mr. Shen is president of JD Cloud, the cloud business unit under JD.com, China's largest online retailer. Reporting directly to Richard Liu, JD.com CEO and chairman, Mr. Shen leads the efforts of JD Cloud to extend its offerings of tailored service solutions to a wide range of vertical industries. Mr. Shen previously held various senior positions at Microsoft, including chairman of the Microsoft Asia-Pacific Technology Company, COO of the Microsoft Asia-Pacific R&D Group, and general manager of Microsoft Cloud and Enterprise China. Before Microsoft, Mr. Shen worked at IDT in California. Mr. Shen is also a non-executive director of Kingdee International Software Group Limited (HKEX: 00268) and an independent director of Insigma Technology Co., Ltd. (600797-CN). Mr. Shen holds a Master's Degree in Computer Science from the University of California, Santa Barbara.

Wells Tian was appointed as an independent director in October 2015 and became an executive director in September 2016. Mr. Tian served as President of Xinyuan (China) Real Estate Co., Ltd from September 2016 through July 2017. Prior to joining Xinyuan, Mr. Tian was a Senior Partner at Korn/Ferry International where he leads its talent and leadership consulting business for Chinese companies. Prior to joining Korn/Ferry, Mr. Tian was at Aon Hewitt and held the roles of Vice President of its China division, General Manager of its North China division, and Director of its leadership and senior executive compensation consulting practice in China. Mr. Tian is also a director of Hunan Valin Steel Co., Ltd. and Qingdao Baheal Pharmaceutical Co., Ltd. Mr. Tian received his bachelor's degree in Accounting from Qingdao University and holds an MBA in Administrative Engineering from Tsinghua University. Mr. Tian is a member of the Association of Chartered Certified Accountants ("ACCA") and is certified as a Project Management Professional ("PMP").

Yuyan Yang co-founded our company in 1997 with Mr. Yong Zhang. Ms. Yang is a director and previously a Vice President of our company. Ms. Yang has more than 10 years' working experience in the real estate industry. Ms. Yang received a bachelor's degree in education management from Henan University in 1985. Ms. Yang received her executive master's degree in business administration at the National University of Singapore in May 2008.

Lizhou Zhang was appointed as our Chief Executive Officer and a member of the board of directors effective July 27, 2016. Mr. Zhang joins Xinyuan in June 2016 after working at Wanda Group, one of China's largest property enterprises, in various positions for nearly seven years. Since January 2014, Mr. Zhang served as General Manager at Wanda One UK Co., Ltd. From 2011 to 2013, Mr. Zhang worked as Assistant to the President of Wanda Group and General Manager of the Northern Project Management Center and Operation Center of Wanda Commercial Management Company. Prior to this role, Mr. Zhang served as General Manager at two different subsidiaries of Wanda Group. He serves as a director of Beijing Starry Sky Cinema Co., Ltd., Zhengzhou Xinci Health Service Co., Ltd., Shenzhen Zhong An Financial Lease Co., Ltd., Qingdao Huiju Zhihui City Industrial Development Co., Ltd., Beijing weiteyun network technology Co., Ltd., Beijing wujiyun network technology Co., Ltd., Madison Developments Limited, Guangzhou Huanglong Information Technology Co., Ltd., Huzhou Xinhong Town Construction and Development Co., Ltd., and Huzhou Xinhong Jingcheng Construction and Development Co., Ltd. Mr. Zhang holds a bachelor's degree in construction management from Chongqing University and a master's degree in monetary banking from Dongbei University of Finance and Economics.

As of the date of this annual report on Form 20-F, there are no familial relationships between any directors and members of senior management.

B. Compensation

For the fiscal year ended December 31, 2018, the aggregate compensation to our executive officers, including all directors was US\$7.1 million (which includes amounts paid to persons who are no longer serving as executive officers), and the aggregate compensation to our non-executive directors was US\$0.6 million (which includes amounts paid to persons who are no longer serving as directors). As discussed below under "Item 6. Directors, Senior Management and Employees — D. Employees" we made contributions of US\$18.4 million to employee benefit plans for the fiscal year ended December 31, 2018.

2007 Long Term Incentive Plan

In November 2007, we adopted our 2007 long term incentive plan (the "2007 Plan") which provided for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase our common shares. The maximum aggregate number of common shares which could be issued pursuant to all awards, including options, was 10 million common shares, subject to adjustment to account for changes in the capitalization of our company. The 2007 Plan by its terms expired in 2017.

As of December 31, 2018, 320,138 of options granted prior to the expiration of the 2007 Plan remain exercisable.

The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2007 Plan outstanding as of April 1, 2019:

Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US\$ per share)	Grant Date	Date of Expiration
Yong Zhang	39,400	1.21	June 30, 2014	June 29, 2024
Wells Tian	68,000	1.810	November 6, 2015	November 6, 2025
Our employees as a group ⁽¹⁾	100,000	1.085	May 24, 2011	May 25, 2021
	100,000	1.64	November 12, 2012	November 11, 2022
	12,738	1.21	December 13, 2010	December 12, 2020

(1) None of these employees is a director or executive officer of our company.

2014 Restricted Stock Unit Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2014 Restricted Stock Unit Plan (the “RSU Plan”), effective May 23, 2014. The RSU Plan provides for discretionary grants of restricted stock units, or RSUs, to or for the benefit of participating employees. The purpose of the RSU Plan is to provide to us and our shareholders the benefits of the additional incentive inherent in the ownership of our common shares by selected employees, including selected employees of our subsidiaries who are important to the success and growth of our business, and to help us and our subsidiaries secure the services of those persons. The maximum number of shares that may be delivered to RSU Plan participants in connection with RSUs granted under the RSU Plan is 10,000,000, subject to adjustment if our outstanding common shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of our company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction. All of our and our subsidiaries’ employees and officers who are capable of contributing significantly to our successful performance, in the determination of the Compensation Committee of our board of directors, are eligible to be participants in the RSU Plan. Each eligible employee selected to participate may be granted an award of RSUs at such times and subject to such conditions as determined by the Compensation Committee.

Incentive Pool; Funding. Under the RSU Plan, we will establish a long-term incentive pool for participants for each fiscal year, a “Grant Year,” based on our net income (or other performance goals) for the most recently completed prior fiscal year, a “Base Year.” For Grant Year 2014, 2015, 2016 and 2017, the target long-term incentive pool is 6.75% of net income for 2013, 2014, 2015 and 2016, respectively. The long-term incentive pool will be funded for any Grant Year and RSUs will be granted only if 70% or more of the target net income for applicable Base Year has been achieved in the Grant Year or if 70% or more of the total target net income for the three fiscal years ending with the Base Year has been achieved. If neither of such targets is achieved for a Grant Year, no amount will be credited to the long-term incentive pool for that Grant Year and no RSUs will be awarded for the Grant Year. The pre-condition for Grant Year 2014, 2015, 2016 and 2017 were met and the RSUs have been granted accordingly. For Grant Year 2018, the target long-term incentive pool is 6.75% of net income for 2017. We have established a trust and we will deposit or cause to be deposited in the trust amounts of cash not exceeding the amount of the long-term incentive pool for a Grant Year. The trustee will use the funds to acquire in the open market or in private transactions that number of ADSs representing common shares as we direct over a period of time as we and the trustee determine.

Administration. The RSU Plan provides that it will be administered by one or more committees of our board of directors, which has designated the Compensation Committee to administer the RSU Plan. Subject to the provisions of the RSU Plan, the Compensation Committee has the discretionary authority and power to determine and designate those individuals selected to receive awards; determine the terms of awards, including the time at which each award will be granted and the number of common shares subject to each award; establish the terms and conditions upon which awards may be exercised, unlocked or paid (including any requirements that we or the participant satisfy performance criteria or performance objectives); prescribe, amend, or rescind any rules and regulations necessary or appropriate for the administration of the RSU Plan; correct any defect, supply any deficiency, and reconcile any inconsistency in the RSU Plan or in any related award or agreement; and make other determinations and take such other action in connection with the administration of the RSU Plan as it deems necessary or advisable.

Grant, Allocation and Unlocking of RSUs. During the Grant Year, the Compensation Committee will allocate to each participant a percentage of the long-term incentive pool, if any, for that Grant Year based on such factors as the Compensation Committee may determine from time to time in its discretion. A participant will be allocated RSUs based on the aggregate of common shares represented by ADSs purchased by the trustee for a Grant Year multiplied by the percentage of the long-term incentive pool allocated by the Compensation Committee to that participant for the Grant Year. Each RSU represents a right to receive one common share to be delivered or made available at the time or times specified in the award agreement, subject to a risk of cancellation and to the other terms and conditions set forth in the RSU Plan, the award agreement and any additional terms and conditions set by the Compensation Committee. At our election, RSUs may be settled by delivery of common shares or ADSs representing the number of common shares subject to the RSU.

Common shares (either in the form of common shares or ADSs) in respect of RSUs allocated to a participant will not be eligible to be withdrawn by a participant from the trust established pursuant to the RSU Plan for the period of time (the “lock-up period”) set forth in the RSU Plan. Common shares or ADSs become “unlocked” and may be withdrawn or transferred from the trust at the election of a participant as follows: one-third after the first anniversary of the grant date, one-third after the second anniversary of the grant date, and one-third after the third anniversary of the Grant Date. In the event of (i) death, (ii) disability as the result of a work injury, (iii) retirement on or after age 60, in each case prior to termination of service, or (iv) subject to exceptions specified in the RSU Plan, the termination of employment or resignation by a participant, the locked portion of a participant’s RSUs will continue to become unlocked on each subsequent anniversary of the Grant Date after such event. In the event of death, a participant’s awards will be paid to his personal representative or estate as provided by applicable law. The locked portion of a participant’s RSU award may be cancelled for no value for certain events specified in the RSU Plan. The Compensation Committee, in its sole discretion, may (but will not be required to) reallocate all or a portion of RSUs forfeited by a participant to a different participant or participants continuing in employment on such unlocking schedule as the Compensation Committee may determine. If we are party to a “Change of Control,” as defined in the RSU Plan, the board of directors may determine to cancel each outstanding award after payment to participants of the fair market value of the common shares subject to the award at the time of the transaction constituting the Change of Control, provide for assumption of the awards or substitution of comparable awards by the surviving or acquiring company in the transaction, or accelerate the unlocking, in whole or in part, of the awards, subject to effectiveness of the transaction.

Amendments. Our board of directors may amend, suspend or terminate the RSU Plan or the Compensation Committee’s authority to grant awards under the RSU Plan without the consent of participants; provided, however, that, without the consent of an affected participant, no such board action may materially and adversely affect the rights of the participant under any outstanding award. The Compensation Committee may amend any outstanding award without the consent of the affected participant; provided, however, that, without such consent, no such action may materially and adversely affect the rights of the participant under any outstanding award. Unless earlier terminated by action of the board of directors, the RSU Plan will remain in effect until such time as no common shares remain available for delivery under the RSU Plan and we have no further rights or obligations with respect to outstanding awards under the RSU Plan.

On May 23, 2014, our company established a trust that is governed by a third party trustee and deposited US\$7,042,725 into the trust. The trustee used the funds to acquire 4,234,884 common shares in the open market through the purchase of ADSs. The awards vested ratably over a three year service vesting period.

On April 10, 2015, under the 2014 RSU Plan, our company deposited US\$3,259,998 into the trust. The trustee used the funds to acquire 2,076,964 common shares in the open market through the purchase of ADSs. 2015 RSU awards vested ratably over a three year service vesting period. As of December 31, 2018, all RSU awards granted in 2014 and 2015 had vested in full and the shares payable upon vesting had been paid to the respective plan participant.

On April 18, 2016, under the 2014 RSU Plan, our company deposited US\$4,003,999 into the trust. The trustee used the funds to acquire 1,614,220 common shares in the open market through the purchase of ADSs. 2016 RSU awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date is being recognized as compensation expense using the straight-line method. As of December 31, 2018, two of the three tranches of the 2016 awards have vested and the shares payable upon vesting had been paid to the respective plan participant. The remaining shares held by the third party trustee are legally outstanding as of December 31, 2018.

On July 27, 2017, under the 2014 RSU Plan, the Company deposited US\$3,485,952 into the trust. The trustee has used the funds to acquire 1,356,584 common shares from the open market as of December 31, 2018. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date is being recognized as compensation expense using the straight-line method. As of December 31, 2018, the first tranche of the 2017 awards have vested and the shares payable upon vesting had been paid to the respective plan participant. The remaining shares held by the third party trustee are legally outstanding as of December 31, 2018.

On July 30, 2018, under the 2014 RSU Plan, the Company deposited US\$3,976,660 into the trust. The trustee has used the funds to acquire 1,732,466 common shares in the open market through the purchase of ADSs as of December 31, 2018. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date will be recognized as compensation expense using the straight-line method.

2015 Stock Option Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2015 Stock Option Plan, or the Option Plan, effective June 24, 2015. The Option Plan provides for discretionary grants of stock options (“Options”) to purchase shares of our company stock to participating employees and directors. The purpose of the Option Plan is to promote the interests of our company by enabling it to attract, retain and motivate key employees and directors responsible for the success and growth of our company and its subsidiaries by providing them with appropriate incentives and rewards and enabling them to participate in the growth of our company. All employees and directors of our company or any subsidiary who are capable of contributing significantly to the successful performance of our company, in the determination of the board of directors, are eligible to be participants in the Option Plan. Each eligible employee selected to participate may be granted an award of Options at such times and subject to such conditions as determined by the board of directors.

Stock Subject to Plan. The aggregate number of shares that may be issued under the Option Plan or covered by awards must not exceed 20,000,000 common shares. Shares offered under the Option Plan may be authorized but unissued shares or treasury shares. The number of shares that are subject to awards outstanding at any time under the Option Plan should not exceed the number of shares that then remain available for issuance under the Option Plan. In the event that any outstanding award for any reason expires, is terminated unexercised, or is forfeited or settled or in a manner that results in fewer shares outstanding than were initially awarded, the shares subject to the award, to the extent of such expiration, termination, or forfeiture, again will be available for purposes of the Option Plan. If shares issued under the Option Plan are reacquired by our company, those shares again will be available for purposes of the Option Plan. If the outstanding shares of our company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of our company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, the board of directors will make appropriate and proportionate adjustments as it deems necessary or appropriate in one or more of (i) the number and class of shares subject to the Option Plan, and (ii) the number of shares or class of shares covered by each outstanding award and (iii) the exercise price or grant price under each outstanding Option.

Administration. The Option Plan provides that it will be administered by the Compensation Committee. Subject to the provisions of the Option Plan, the board of directors has the discretionary authority and power to determine and designate those individuals selected to receive awards; determine the terms of awards, including the time at which each award will be granted and the number of shares subject to each award; establish the terms and conditions upon which awards may be exercised, vested or paid (including any requirements that we or the participant satisfy performance criteria or performance objectives); prescribe, amend, or rescind any rules and regulations necessary or appropriate for the administration of the Option Plan; grant awards in substitution for options or other equity interests held by individuals who become employees of our company or one of its subsidiaries as a result of our company’s acquiring or merging with the individual’s employer (if necessary to conform the awards to the interests for which they are substitutes, the board of directors may grant substitute awards under terms and conditions that vary from those the Option Plan otherwise requires); correct any defect, supply any deficiency, and reconcile any inconsistency in the Option Plan or in any related award or agreement; and make other determinations and take such other action in connection with the administration of the Option Plan as it deems necessary or advisable.

Grant, Exercise and Payment of Options. Each grant of an Option will be evidenced by an award agreement between the participant and our company. Each award agreement will specify (i) the formula for determining the number of shares that are subject to the Option, (ii) the exercise price, (iii) the term of the Option, and (iv) when all or any installment of the Option becomes exercisable. Options will be exercised by delivering a signed written notice of exercise to our company which must be received as of a date set by our company prior to the effective date of the proposed exercise. The exercise price upon exercise of any Option will be payable in the following manner:

- in cash or cash equivalents when the shares are purchased;
- subject to prior approval by the board of directors, by surrendering or attesting to the ownership of shares that are already owned by the participant. These shares will be surrendered to our company in good form for transfer and will be valued at their Fair Market Value (as defined in the Stock Option Plan) on the date when the Option is exercised;
- subject to prior approval by the board of directors, with a full recourse promissory note. These shares will be pledged as a security for payment of the principal amount of the promissory note and interest on it. The interest rate payable under the terms of the promissory note will not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code (as defined below). The board of directors will specify the term, interest rate, amortization requirements (if any) and other provisions of the note;
- subject to prior approval by the board of directors, if our company's stock is publicly traded, by the delivery of an irrevocable direction to a securities broker approved by our company to sell the shares and to deliver all or part of the sales proceeds to our company in payment of all or part of the exercise price and any withholding taxes;
- subject to prior approval by the board of directors, if our company's stock is publicly traded, by the delivery of an irrevocable direction to pledge the shares to a securities broker or lender approved by our company, as security for a loan, and to deliver all or part of the loan proceeds to our company in payment of all or part of the exercise price and any withholding taxes; or
- any combination of the above methods of payment.

Termination of Options. Upon termination of a participant's service for any reason other than for death or disability, all unvested portions of any outstanding awards will be immediately forfeited without consideration, and the participant will have a period of three months (twelve months in the case of termination of service due to death or disability (as defined in the Option Plan), commencing with the date the participant's service has terminated, to exercise the vested portion of any outstanding Options, subject to the term of the Option. The participant may exercise all or part of his or her Options at any time before their expiration due to termination of the participant's service, but only to the extent that the Options had become exercisable before the date the participant's service terminated. Those Options that are not exercisable immediately before the date of termination of Service (as defined in the Option Plan) will expire on the date of termination of Service. Notwithstanding the forgoing, if the participant's Service is terminated due to any Cause (as defined in the Option Plan), then such participant's Options shall be terminated, whether or not such Options are vested or unvested, and/or whether or not such Options are exercised or unexercised. If we are party to a Change in Control (as defined in the Option Plan), the board of directors may determine to cancel each outstanding award after payment to participants of the Fair Market Value of the shares subject to the award at the time of the transaction constituting the Change in Control minus, in the case of an Option, the exercise price and grant price of the shares subject to the Option; provide for assumption of the awards or substitution of comparable awards by the surviving or acquiring company in the transaction; accelerate the exercisability or vesting, in whole or in part, of the awards subject to effectiveness of the transaction; or terminate awards if not exercised by the effective time of the Change in Control, and lapse any reacquisition or repurchase rights held by our company with respect to such awards subject to effectiveness of the transaction.

Performance Awards. The board of directors will have the authority to establish and administer performance-based grant and/or vesting conditions and performance objectives with respect to such awards as it considers appropriate, which performance objectives must be satisfied before the participant receives or retains an award or before the award becomes nonforfeitable.

Performance objectives will be based on one or more of the following performance-based measures determined based on our company and its subsidiaries on a group-wide basis or on the basis of subsidiary, business platform, or operating unit results: (i) earnings per share (on a fully diluted or other basis), (ii) pretax or after tax net income, (iii) operating income, (iv) gross revenue, (v) profit margin, (vi) stock price targets or stock price maintenance, (vii) working capital, (viii) free cash flow, (ix) cash flow, (x) return on equity, (xi) return on capital or return on invested capital, (xii) earnings before interest, taxes, depreciation, and amortization (EBITDA), (xiii) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, or objective goals relating to acquisitions or divestitures, or (xiv) any combination of these measures.

Amendments. Our board of directors may amend the terms of any award; provided, however, that the rights under any award not be impaired without the consent of the participant. The Option Plan will terminate automatically on June 24, 2025. No shares will be issued or sold under the Option Plan after its termination, except on exercise of an Option granted prior to the termination. No amendment, suspension, or termination of the Option Plan will, without the consent of the participant, alter or impair any rights or obligations under any award previously granted under the Option Plan.

On July 1, 2015, under the 2015 Plan, our company granted Options with service conditions to purchase up to 6,574,600 common shares to twenty-two employees, at an exercise price of US\$1.71 per share. These Options have a weighted average grant date fair value of US\$0.48 per Option and a total expected compensation cost, net of expected forfeitures, of US\$3,165,867. These Options have vesting periods based on length of service of 34 months and will expire no later than July 1, 2025.

On July 29, 2015, under the 2015 Plan, our company granted Options with service conditions to purchase up to 81,600 common shares to one employee, at an exercise price of US\$1.71 per share. These Options have a weighted average grant date fair value of US\$0.42 per Option and a total expected compensation cost, net of expected forfeitures, of US\$34,294. These Options have vesting periods based on length of service of 33 months and will expire no later than July 29, 2025.

Our company did not grant any options under the 2015 Plan in 2016, 2017 and 2018.

As of December 31, 2018, 2,796,734 options were issued and outstanding under the 2015 plan and 14,865,808 shares remained eligible for future grants under the plan. The following table summarizes the Options granted to our current directors, executive officers, and other individuals as a group under our 2015 Plan outstanding as of April 1, 2019:

Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US\$ per share)	Grant Date	Date of Expiration
Yong Zhang	2,497,600	1.71	July 1, 2015	June 30, 2025
Yong Cui	-	1.71	July 1, 2015	June 30, 2025
Yumin Liang	54,334	1.71	July 1, 2015	June 30, 2025
Other employees as a group ⁽¹⁾	27,200	1.71	July 1, 2015	June 30, 2025
	54,400	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025

(1) None of these employees is a director or executive officer of our Company.

Other awards

On March 20, 2017, the Compensation Committee approved a bonus to one senior executive. A portion of the bonus amounting to US\$740,223 is being settled by the Company's common shares through the purchase of ADSs by a trust company in the open market and the subsequent transfer of the common shares to the executive. As of December 31, 2018, a portion of the bonus amounting to US\$378,112 has not been settled. The remaining portion has been settled in cash. There is no vesting condition associated with the common share award. The Company classified this common share award as a liability and recognized share-based compensation expense amounting to US\$740,223 during the year ended 2017.

C. Board Practices

Our board of directors currently has ten directors.

Committees of the Board of Directors

We have established four committees under the board of directors: the audit committee, the compensation committee, the corporate governance and nominating committee and the investment committee. We have adopted a charter for each of the four committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Thomas Gurnee (Chairman), Mr. Yifan (Frank) Li, and Mr. Hao Gao. Under Section 303A of the NYSE Listed Company Manual, as a foreign private issuer, we are required to have an audit committee composed solely of independent directors. However, unlike U.S. listed companies, we are not required to have a minimum number of committee members and our audit committee members may be "independent" only as required by SEC Rule 10A-3 but need not meet the other independence test of NYSE Rule 303A. Our audit committee charter provides that the committee will consist of at least three directors, each of whom must meet applicable independence and financial literacy requirements of the NYSE and Rule 10A-3 under the Exchange Act. Our board of directors has determined that Mr. Gurnee qualifies as an "audit committee financial expert" under applicable SEC rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Exchange Act, regardless of the dollar amount involved in such transactions;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent registered public accounting firm.

Compensation Committee. Our compensation committee consists of Mr. Yong Zhang (Chairman), Mr. Wells Tian, Mr. Samuel Shen and Mr. Yifan (Frank) Li. Our compensation committee charter provides that the committee will be composed of at least three directors, at least half of whom will be independent as defined by the NYSE and any other applicable laws and regulations. All decisions are subject to simple majority approval. However, the committee may delete all or any portion of its duties and responsibilities to a subcommittee consisting of one or more members.

The compensation committee assists the board in reviewing and approving the design of and administering executive compensation programs. The compensation committee is responsible for, among other things:

- reviewing our overall compensation philosophy at least annually;
- reviewing and approving the corporate goals and objectives relative to our Chief Executive Officer's compensation on an annual basis and determine the level of the Chief Executive Officer's compensation;
- determine, or recommend for the board's determination, the annual base and incentive compensation for our Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer and any other person who performs similar functions for our company;
- make recommendations to the board with respect to equity-based compensation plans;
- determine compensation policies and practices and approval compensation to non-employee directors; and
- review, approve or make recommendations on executive employment agreements or any severance or similar termination payments proposed to be made to any current or former executive officer of the company.

No member of senior management may be present when his or her compensation is being discussed.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Mr. Yong Zhang (Chairman), Mr. Wells Tian, Mr. Hao Gao and Mr. Yifan (Frank) Li.

The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending qualified candidates to the board for selection of directors, nominees for board of directors, or for appointment to fill any vacancy;
- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- advising the board of directors periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board of directors on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Investment Committee. Our investment committee consists of Mr. Yong Zhang (Chairman), Mr. Yong Cui, Mr. Samuel Shen and Mr. Lizhou Zhang.

The investment committee assists the board of directors in overseeing our company's real property acquisitions and developments and management of other strategic assets. The investment committee is responsible for, among other things:

- reviewing and approving individual real property acquisitions;

- approving, without further board action, land acquisitions where the consideration is cash, seller financing and/or conventional bank debt;
- land acquisitions involving use of the company’s shares, options or warrants; and
- approving acquisitions of assets, other than land, including shares in a third party or non-bank financial assets.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess with the care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Terms of Directors and Officers

Under our memorandum and articles of association, a director holds office until he resigns or otherwise vacates his office or is removed by our shareholders or directors. Accordingly, annual elections of directors by our shareholders are not required and we do not put to shareholder vote on an annual or periodic basis election of directors to our company. A director may be removed by special resolution passed by our shareholders before the expiration of such director’s term. Officers are appointed by and serve at the discretion of the board of directors.

D. Employees

As of December 31, 2018 we had 2,038 full time employees. The following table sets forth the number of our full time employees categorized by function as of the period indicated:

	As of December 31,		
	2016	2017	2018
Management	17	34	48
Finance	133	145	185
Planning and development	252	389	590
Project construction management	222	217	305
Sales and marketing	92	101	107
Property management	176	234	418
Administrative and human resources	173	236	359
Legal and audit	20	20	26
Total	1,085	1,376	2,038

As of December 31, 2018, our subsidiary, Xinyuan Property Service Co., Ltd, also hired approximately 3,672 contract employees and temporary employees, most of whom provided security and housekeeping services relating to property management.

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing funds, pension, medical and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The total amount of contributions we made to employee benefit plans for the years ended December 31, 2016, 2017 and 2018 was US\$11,023,291, US\$17,101,606, and US\$18,422,330 respectively.

We have entered into non-competition agreements with our management and key personnel, which prohibit them from engaging in any activities that compete with our business during, and for one or two years after, the period of their employment with our company. We have also entered into confidentiality agreements with all of our employees.

We offer training programs for our employees, third-party contractors and outsourced employees. We sponsor senior managers for executive MBA programs and other senior employees for part-time non-degree MBA courses at top universities in China. We also invite industry experts to give lectures to our employees and provide training to our third-party contractors.

We have not been subjected to any strikes or other labor disturbances that have interfered with our operations, and we believe that we have a good relationship with our employees. Our employees are not covered by any collective bargaining agreement.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares as of April 1, 2019 (or such earlier date as indicated below), by:

- each of our directors and executive officers;
- each person known to us to own beneficially more than 5% of our common shares; and
- all of our directors and executive officers as a group.

Directors, Executive Officers and Principal Shareholders	Number	Shares Beneficially Owned ⁽¹⁾ %
Yong Cui ⁽²⁾	177,410	*
Hao Gao	—	—
Thomas Gurnee	—	—
Yifan (Frank) Li	—	—
Yumin Liang ⁽³⁾	145,854	*
Samuel Shen	—	—
Wells Tian ⁽⁴⁾	68,000	*
Yuyan Yang ⁽⁵⁾	28,400,000	23.7
Xuefeng Li	—	—
Lizhou Zhang	53,290	*
Yong Zhang ⁽⁶⁾	31,844,008	26.1
All directors and executive officers as a group ⁽⁷⁾	60,688,562	50.0
TPG Group Holdings (SBS) Advisors, Inc. ⁽⁸⁾	7,130,648	5.95

* Beneficially owns less than 1% of our outstanding common shares.

- (1) Beneficial ownership includes voting or investment power with respect to the securities and, (except as indicated below, each person named has sole voting and investment power with respect to the shares shown opposite his or her name. Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act, pursuant to which a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person has the right to acquire within 60 days of the date of determination. The percentage of beneficial ownership is based on 119,805,636 common shares outstanding as of April 1, 2019. In addition, for purposes of computing the percentage of outstanding shares of common stock held by each person or group of persons named above, any shares which such person or persons had the right to acquire on or within 60 days of April 1, 2019 are deemed to be outstanding but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (2) Includes 86,092 shares subject to RSUs scheduled to vest within 60 days held by Tongyu Ltd., a BVI company wholly-owned and controlled by Mr. Cui.
- (3) Includes 54,334 common shares issuable upon the exercise of vested options and 21,523 shares subject to RSUs scheduled to vest within 60 days held by Ruixin Real Estate Development Co., Ltd., a BVI company wholly-owned and controlled by Mr. Liang.
- (4) Represents 68,000 common shares issuable upon the exercise of vested options exercisable within 60 days.
- (5) Ms. Yang is the settlor of The Spectacular Stage Trust established pursuant to the Trust Deed dated November 24, 2015 between Ms. Yang, as Settlor, and HSBC International Trustee Limited, as Trustee (the "Trust"). Pursuant to the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang, as Protector, before making any direct or indirect dispositions of any common shares that constitute assets of the Trust and to vote common shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds common shares to vote such shares in accordance with instructions from Ms. Yang. Accordingly, pursuant to Section 13(d) of the Exchange Act, Ms. Yang may be deemed to beneficially own all of the common shares held directly or indirectly by the Trust. Spectacular Stage Limited, a British Virgin Islands company indirectly wholly owned by the Trust, owns 28,400,000 common shares.
- (6) Includes 28,400,000 common shares owned by Mr. Zhang, 2,537,000 common shares issuable upon exercise of vested options and 86,092 shares subject to RSUs scheduled to vest within 60 days. Also includes 820,916 common shares held by Universal World Development Co. Ltd., a British Virgin Islands company, of which Mr. Zhang is the sole owner.
- (7) Includes 2,659,334 common shares issuable upon exercise of options exercisable within 60 days and 193,707 shares subject to RSUs scheduled to vest within 60 days.
- (8) Number of shares as of February 15, 2019 based on information in an amendment to Schedule 13D filed with the SEC on February 20, 2019 by TPG Group Holdings (SBS) Advisors, Inc. ("Group Advisors"), David Bonderman and James G. Coulter (each, a "Reporting Person" and collectively, the "Reporting Persons"). The business address of each Reporting Person is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102. Group Advisors is the general partner of TPG Group Holdings (SBS), L.P., a Delaware limited partnership, which is the sole member of TPG Holdings I-A, LLC, a Delaware limited liability company, which is the general partner of TPG Holdings I, L.P., a Delaware limited partnership, which is the sole shareholder of TPG Asia GenPar VI Advisors, Inc., a Cayman Islands exempted company, which is the general partner of TPG Asia GenPar VI, L.P., a Cayman Islands limited partnership, which is the general partner of TPG Asia VI SF AIV, L.P., a Prince Edward Island limited partnership, which is the sole shareholder of TPG Asia VI SF Pte., Ltd., a company formed under the laws of Singapore ("TPG Asia" or the "TPG Investor"), which as of February 15, 2019 directly held 7,130,648 common shares (the "TPG Shares"). Because of Group Advisors' relationship to TPG Asia, Group Advisors may be deemed to be the beneficial owner of the TPG Shares. Based on the number of shares issued and outstanding as of December 31, 2018, as set forth on the cover page to this Form 20-F, the Reporting Person's percentage of beneficial ownership would have been 5.95%.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees — E. Share Ownership” for our major shareholders.

In connection with the 2013 investment by the TPG group, one of our major shareholders, Mr. Yong Zhang, our Chairman, entered into a letter agreement dated as of September 19, 2013 with TPG Asia (the “Chairman’s Letter”), pursuant to which Mr. Zhang agreed, among other matters no longer in effect, so long as the TPG Asia and its affiliates own at least 5% of our common shares on an as-converted basis, to use his reasonable best efforts to cause the TPG Investor Director to be elected to and not be removed from the board and to ensure the TPG Investor Director will be a member of our Investment Committee.

Our major shareholders do not have voting rights that are different from other shareholders.

There are three record holders in the United States, including the depository for our ADSs, holding, collectively, 55.8% our outstanding common shares, as of April 1, 2019.

B. Related Party Transactions

Cash Advances at of December 31, 2018

As of December 31, 2018, we recorded balances due from employees in the amount of US\$1.69 million as compared to US\$2.17 million as of December 31, 2017, which mainly represented cash advances paid to employees for their traveling and other expenses.

TPG Investment

As described elsewhere in this annual report on Form 20-F, on September 19, 2013, we issued an aggregate of 12,000,000 of our common shares and a convertible note with an aggregate principal amount of US\$75,761,009, to TPG ASIA upon completion of a private placement pursuant to a securities purchase agreement dated August 26, 2013 among us, TPG Asia and the guarantors named therein (the “TPG Securities Purchase Agreement”). We redeemed the convertible note on November 21, 2014. Fee or a description of the terms of the agreements entered into as part of the transactions “Item 10. Additional Information — C. Material Contracts — Investment by TPG” included elsewhere in this annual report on Form 20-F.

Other Transactions

On July 31, 2017, the Company sold 1.33% of the equity interest in one real estate project company to key management personnel for a total consideration of US\$1,256,909. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

In 2018, the Company sold a small percentage of the equity interests (ranging from 0.50% to 5.54%) in eight real estate project companies to key management personnel for a total consideration of US\$8,720,772. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

On June 15, 2017, Xinyuan China, the Group’s related parties, and a third party signed a partnership agreement to form a limited partnership, Beijing Future Xinruifeng Science and Technology Development Center (Limited Partnership) (“Xinruifeng”). The related parties that are partners of Xinruifeng comprise of (i) senior management members; and (ii) Beijing Xinyuan Future Investment Management Co., Ltd. (“Xinyuan Future”), which is also owned by one senior management member of the Company. The third party and the related parties are general partners of Xinruifeng whereas Xinyuan China is a limited partner.

Pursuant to the framework agreement signed in June 2017 by Xinruifeng and Xinyuan China, both parties agreed to invest a total of RMB 30 million in Xitou. After the completion of the arrangement, Xinruifeng and Xinyuan China will own 66.67% and 33.33% equity interest of Xitou, respectively. The arrangement will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Xitou for nil consideration (“Step one”); and 2) Xinruifeng will inject a capital of RMB 20 million and acquire 66.67% equity interest of Xitou, and Xinyuan China will invest RMB 10 million and obtain 33.33% of equity interest of Xitou (“Step two”). These two steps are inseparable and the acquisition of Xitou will be completed only after both of these two steps are completed. As of December 31, 2018, Step two is still in process. Considering Step one and Step two were entered into at the same time and in contemplation of one another, the Xitou transaction is not considered completed for accounting purposes.

Pursuant to the framework agreement signed in June 2017 by Beijing Future Xinhujin Science and Technology Development Center (Limited Partnership) (“Xinhujin”), owned by a senior management member of the Company, and Xinyuan China, both parties agreed to invest a total of RMB30 million in Xichuang. After the completion of the arrangement, Xinhujin and Xinyuan China will own 66.67% and 33.33% equity interest of Xichuang, respectively. The arrangement will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Xichuang for nil consideration (“Step one”); and 2) Xinhujin will inject capital of RMB20 million to Xichuang and acquire 66.67% equity interest of Xichuang, and Xinyuan China will invest RMB 10 million and obtain 33.33% of equity interest of Xichuang (“Step two”). These two steps are inseparable and the acquisition of Xichuang will be completed only after both of these two steps are completed. As of December 31, 2018, the Xichuang transaction has not been completed since Step two is still in process. Considering both Step one and Step two were entered into at the same time and in contemplation of one another, the Xichuang transaction is not considered completed for accounting purposes.

Pursuant to the framework agreement signed in June 2017 by Beijing Future Xinzhihui Science and Technology Development Center (Limited Partnership) (“Xinzhihui”), owned by a senior management member of the Company, and Xinyuan China, both parties agreed to invest a total of RMB 40 million in Aijieli. After the completion of the arrangement, Xinzhihui and Xinyuan China will own 75% and 25% equity interest of Aijieli, respectively. The acquisition will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Aijieli for nil consideration (“Step one”); and 2) Xinzhihui will inject a capital of RMB30 million and acquire 75% equity interest of Aijieli, and Xinyuan China will invest RMB10 million and obtain 25% of equity interest of Aijieli (“Step two”). These two steps are inseparable and the acquisition of Aijieli will be completed only after both of these two steps are completed. As of December 31, 2018, the Aijieli transaction has not been completed since Step two is still in process. Considering both Step one and Step two were entered into at the same time and in contemplation of one another, the Aijieli transaction is not considered completed for accounting purposes.

On June 24, 2017, Beijing Wanzhong, one of the Company’s subsidiaries, invested US\$2,142,573 in the Xin Future No.1 Private Equity Fund. The fund is operated by Beijing Xinyuan Future Investment Management Limited, an investment company controlled by the Company’s key management personnel. Management accounted for this investment at fair value using the net asset value practical expedient. The Company can redeem its investment on the last trading day of each quarter by providing written notice in advance. On September 26, 2018, the Company redeemed its investment resulting in US\$59,970 gain recorded in net realized gain on short-term investments during the year ended December 31, 2018.

Review and Approval of Related Party Transactions

Pursuant to our audit committee charter, all transactions or arrangements with related parties, as such term is defined under Item 404 of Regulation S-K, including directors, executive officers, beneficial owners of 5% or more of our voting securities and their respective affiliates, associates and related parties, will require the prior review and approval of our audit committee, regardless of the dollar amount involved in such transactions or arrangements.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Dividend Policy

Payment of dividends is subject to our board of directors' discretion and the form, frequency and amount of any dividend will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our common shares, if any, will be paid in U.S. dollars. In previous years, the Company has paid quarterly dividends.

Legal Proceedings

In May 2015, XIN Development Management East, LLC ("XDME") filed an arbitration claim for not less than US\$10 million which was subsequently reduced for the purpose of a prior mediation to US\$8 million against Wanks Adams Slavin Associates LLP ("WASA"), the design company for the Group's Oosten project. WASA has asserted a total of approximately US\$2 million in counterclaims. XDME believes WASA's counterclaims are without merit and intends to contest vigorously such claims. On November 26, 2018, XDME reconciled with the design company WASA and settled the claim.

In December 2016, 421 Kent Development LLC ("421 Kent"), the property company for the Group's Oosten project, terminated its contract with its general contractor. The general contractor and various subcontractors have filed lawsuits against 421 Kent and the Company for approximately US\$26.1 million, in aggregate, plus punitive damages. In addition, the general contractor filed mechanic's liens against 421 Kent and the Company for approximately US\$7.5 million. 421 Kent has answered the claims and believes the contractors' claims and liens are without merit and intends to contest vigorously such claims. At this stage of the proceedings, 421 Kent cannot predict the outcome of this lawsuit or a judgment against 421 Kent, whether in whole or in part, may result in a loss, if any. An estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made at this time.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

See "Item 9. The Offer and Listing — C. Markets" for price history data.

B. Plan of Distribution

Not applicable

C. Markets

Our ADSs, each representing two of our common shares, have been listed on the NYSE since December 12, 2007. Our ADSs trade under the symbol "XIN."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and similar arrangements. The Companies Law (2018 Revision) permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies by way of scheme of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the company is not proposing to act illegally or beyond the scope of its authority and the statutory provisions as to the required majority vote have been met;

- the shareholders have been fairly represented at the meeting in question and the majority shareholders are acting in good faith without coercion of the minority to promote interests adverse to those of the relevant class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a “fraud on the minority.”

If the arrangement and reconstruction by way of scheme of arrangement is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a tender offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

Shareholders' suits. In principle, we will normally be the proper plaintiff and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- an act which constitutes a fraud against the minority where the wrongdoer are themselves in control of the company; and
- an act which requires a resolution with a qualified (or special) majority (i.e. more than a simple majority) which has not been obtained.

Anti-takeover provisions. Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to redesignate authorized and unissued common shares as other shares or series of shares, to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders. However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' fiduciary duties and powers. As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party. A director of a Cayman Island company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company shall declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his interest. Directors are not required to hold shares; however, a minimum share requirement for directors may be established at a general meeting. Directors may exercise all powers of our company to borrow money, under our memorandum and articles of association, in a variety of ways, including issuing bonds and other securities either outright or as security for any debt liability or obligation of our company or of any third party.

Shareholder action by written resolution. Under Cayman Islands law and our amended and restated articles of association, our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Removal of Directors. Under our memorandum and articles of association, directors may be removed by a special resolution. In addition, a director's office shall be vacated if the director (i) gives notice in writing to our company that he resigns the office of director; (ii) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (iii) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors; (iv) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (v) if all other directors (being not less than two in number) resolve that he should be removed as a director or; (v) is removed from office pursuant to any other provisions of our amended and restated memorandum and articles of association.

Dissolution; winding up. Under our memorandum and articles of association, if our company is wound up, the liquidator of our company may distribute the assets only by the vote of holders of a two-thirds majority of our outstanding shares being entitled to vote in person or by proxy at a shareholder meeting or by unanimous written resolution.

Amendment of governing documents. Under Cayman Islands law and our memorandum and articles of association, our governing documents may only be amended with the vote of holders of two-thirds of our shares entitled to vote in person or by proxy at a shareholder meeting or, as permitted by our articles of association, by unanimous written consent.

Rights of Non-Resident or Foreign Shareholders. There are no limitations imposed by foreign law or by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

During the two fiscal years immediately preceding this annual report, we have entered into the following material contracts, excluding contracts entered into in the ordinary course of business.

Commercial Arrangements

On October 23, 2012, the Group entered into a capital lease agreement with MinshengHongtai (Tianjin) Aircraft Leasing Co., Ltd. to lease a corporate aircraft with a lease term of 8 years and a quarterly lease payment of US\$1.4 million. According to the contract, the company will pay US\$6.7 million to repurchase the jet and get the ownership after 8 years lease term ended. The corporate aircraft was delivered on September 12, 2013, and the capital lease commenced on September 15, 2013 (the "Commencement Date"). The Group measured a capital lease asset and capital lease obligation at an amount equal to the present value of the minimum lease payments during the lease term, excluding the portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) as well as any profit thereon. The effective interest rate for the capital lease obligation is 10.47%. As of December 31, 2018, the capital lease obligation was US\$10.0 million.

The Group's continued expansion of operations both within and outside of the PRC has placed and will continue to place increasing demands on our project management, property acquisition and management personnel, including increasing travel demands. The aircraft will facilitate our land acquisition efforts, including the implementation of our negotiated purchase process, which will require additional travel and time spent at potential acquisition targets and enhance our efficiency in locating or managing development sites in multiple cities and jurisdictions.

Investment by TPG

On September 19, 2013, we issued an aggregate of 12,000,000 of our common shares and convertible note with an aggregate principal amount of US\$75,761,009, to TPG Asia, upon completion of a private placement pursuant to the TPG Securities Purchase Agreement. The convertible note and shares were issued without registration under the Securities Act pursuant to an exemption for transactions not involving any public offering. We received approximately US\$108,600,000 of gross proceeds from the private placement. We redeemed the convertible note on November 21, 2014 for a total redemption amount of US\$86,272,849.

Pursuant to the TPG Securities Purchase Agreement, we have agreed that TPG Asia, so as long as it holds at least five percent of our common shares on an as-converted basis, is entitled to appoint one member to our board of directors (the "TPG Investor Director") and to have the TPG Investor Director appointed to each of the board's committees, including our investment committee to the extent permitted by applicable law or regulatory authorities. We also agreed to enter into an indemnification agreement in a form mutually agreed to us and TPG Asia for the benefit of TPG Investor Director concurrently with his or her appointment.

We and TPG Asia also entered into a registration rights agreement dated as of September 19, 2013 (the "Registration Rights Agreement"). Pursuant to the terms and conditions of the Registration Rights Agreement, we filed with the SEC a registration statement on Form F-3 covering the resale of the common shares issued to TPG Asia at closing and issuable upon conversion of the Convertible Note. The Registration Rights Agreement also provides the holders of the common shares certain demand and piggy back rights and contains other customary provisions.

In connection with the transaction, Mr. Yong Zhang, our Chairman, entered into the Chairman's Letter, pursuant to which so long as TPG Asia and its affiliates own at least 5% of our common shares on an as-converted basis, to use his reasonable best efforts to cause the TPG Investor Director to be elected to and not be removed from the board and to ensure the TPG Investor Director will be a member of our Investment Committee.

Bond Offerings

For a description of the August 2019 Senior Secured Notes and the August 2019 Indenture, the February 2021 Senior Secured Notes and the February 2021 Indenture, the November 2020 Senior Secured Notes and the November 2020 Indenture and the March 2020 Senior Secured Notes, the March 2020 Indenture and the October 2021 Notes and the October 2021 Indenture, see "Item 5. Operating and Financial Review And Prospects — B. Liquidity and Capital Resources — Debt Securities—Senior Secured Notes," included elsewhere in this annual report on Form 20-F.

For a description of the onshore corporate bonds, see "Item 5. Operating and Financial Review and Prospects —B. Liquidity and Capital Resources — Onshore Corporate Bonds" included elsewhere in this annual report on Form 20-F.

D. Exchange Controls

Under current PRC foreign exchange rules, after complying with certain procedural requirements and producing commercial documents evidencing relevant transactions, RMB is convertible into other currencies without prior approval from the SAFE only for current account items, such as trade related payments, interest and dividends, etc., and certain capital account items, such as direct equity investments, loans and repatriation of investment in non-sensitive industries. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC under sensitive industries direct equity investments, loans and repatriation of investment, requires prior approval from the SAFE or its local office. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office. Under the SAFE regulations, PRC companies and individuals may repatriate foreign currency revenues received from abroad back to China or they may retain the foreign currency revenues abroad. The term and conditions for both alternatives are subject to provisions further provided by the SAFE in accordance with international receipts and payments and the needs of foreign exchange administration. These restrictions could affect our ability to obtain foreign currency through debt or equity financing, or for capital expenditures.

E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to payments made to and by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

The PRC Corporate Income Tax Law, or the CIT Law, became effective as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation for the CIT Law issued by the PRC State Council, became effective as of January 1, 2008. The CIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income (including dividend income received from subsidiaries). Under the Implementation for the CIT Law, a “de facto management body” is defined as a body that has material and overall management and control of the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. On April 22, 2009, the SAT issued the Circular 82, which was retroactively effective as of January 1, 2008. Under this notice, an overseas incorporated domestically controlled enterprise will be recognized as a PRC resident enterprise if it satisfies all of the following conditions: (i) the senior management responsible for daily production/ business operations are primarily located in the PRC, and the location(s) where such senior management execute their responsibilities are primarily in the PRC; (ii) strategic financial and personnel decisions are made or approved by organizations or personnel located in the PRC; (iii) major properties, accounting ledgers, company seals and minutes of board meetings and shareholder meetings, etc., are maintained in the PRC; and (iv) 50% or more of the board members with voting rights or senior management habitually reside in the PRC. Further, the SAT issued Bulletin 45, which became effective on September 1, 2011 and was amended on April 17, 2015 and June 28, 2016, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarified certain issues relating to the determination of PRC tax resident enterprise status, post-determination administration and the authorities responsible for determining offshore-incorporated PRC tax resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the in-charge tax authorities from an offshore-incorporated PRC tax resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the offshore incorporated PRC tax resident enterprise. However, as Circular 82 and Bulletin 45 only apply to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents or non-PRC enterprises such as our company. It is not clear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise.

Under the CIT Law and the Implementation for the CIT Law, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises,” which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of our ADSs by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. For non-PRC individual investors, under PRC Individual Income Law, there could be a PRC income tax at a rate of 20% for such dividends or gains. If we are considered a PRC “resident enterprise,” it is unclear whether dividends we pay with respect to our ADSs, or the gain you may realize from the transfer of our ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax as stated above. If we are not considered a PRC “resident enterprise,” the holders of our ADSs that are non-PRC “resident enterprises” could be subject to PRC income tax for gains from transferring or otherwise disposing their ADSs, since such activities might be recognized as “transferring the equity interests of a PRC resident enterprise indirectly by disposing of the equity interests of an overseas holding company” under Circular 7 or GATA. However, since Circular 7 specifies that it does not apply if a non-PRC resident enterprise purchases and sells equity of the same listed foreign enterprise in the open market and obtains the proceeds from indirect transfer of Chinese taxable property, for most our investors, who either are not enterprises, or are non-resident enterprises but only trade equity in the open market and gain proceeds, they will not be required to pay tax under Circular 7. It is also unclear whether, if we are considered a PRC “resident enterprise,” holders of our ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries.

U.S. Federal Income Taxation

The following is a general discussion of certain United States federal income tax consequences of the ownership and disposition of the common shares or ADSs (evidenced by ADRs) by U.S. Holders (as defined below). This discussion applies only to U.S. Holders that hold the common shares or ADSs as capital assets for U.S. federal income tax purposes.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations implemented thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. There can be no assurance that the IRS or a court will not take a contrary position with respect to any United States federal income tax considerations described below.

This discussion does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, other financial institutions, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, grantor trusts, partnerships (or other entities treated as flow-through entities for U.S. federal income tax purposes), dealers or traders in securities, brokers, United States expatriates and certain former long-term U.S. residents, persons subject to the alternative minimum tax, persons who have acquired the shares or ADSs as part of a straddle, hedge, conversion transaction or other integrated investment, persons who generally mark their securities to market for U.S. federal income tax purposes, persons that have a “functional currency” other than the U.S. dollar, persons who are residents in the PRC for PRC tax purposes or persons that own directly, indirectly, or constructively 10% or more of our stock by vote or value). If a partnership holds common shares or ADSs, the consequences to a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding common shares or ADSs should consult its own tax adviser regarding the United States tax consequences of its investment in the common shares or ADSs through the partnership. This discussion does not address any U.S. state or local or non-U.S. tax considerations, any United States federal estate, gift or alternative minimum tax considerations, the United States federal Medicare tax on net investment income.

As used in this discussion, the term “U.S. Holder” means a beneficial owner of the common shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized in or under the laws of the United States or of any state or political subdivision thereof or therein, including the District of Columbia, (iii) an estate, the income of which is subject to United States federal income tax regardless of the source thereof, or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

In general, for U.S. federal income tax purposes, a U.S. Holder of an ADS will be treated as the owner of the common shares represented by the ADSs.

Investors should consult their tax advisors as to the particular tax considerations applicable to them relating to the ownership and disposition of the common shares or ADSs, including the applicability of U.S. federal, state and local tax laws or non-U.S. tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company,” the gross amount of any distribution (without reduction for any PRC tax withheld) made by us on the common shares or ADSs generally will be treated as a dividend includible in the gross income of a U.S. Holder as dividend income to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, when received by the U.S. Holder, in the case of common shares, or when received by the Depositary, in the case of ADSs. To the extent the amount of such distribution exceeds our current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s adjusted tax basis in such common shares or ADSs and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Certain dividends received by non-corporate U.S. Holders generally will be taxed at the preferential rate applicable to qualified dividend income. These reduced income tax rates are applicable to dividends paid by “qualified foreign corporations” and only with respect to common shares or ADSs held for a minimum holding period of at least 61 days during a specified 121-day period, and if certain other conditions are met (including, but not limited to, us not being a PFIC (as discussed below) for either our taxable year in which the dividend is paid or the preceding taxable year). You should consult your tax advisors regarding the availability of the preferential rate for dividends paid with respect to common shares or ADSs.

Dividends paid by us will constitute income from sources outside the United States for U.S. foreign tax credit limitation purposes and will be categorized as “passive category income” or, in the case of certain U.S. Holders, as “general category income” for U.S. foreign tax credit purposes.

In the event that we are deemed to be a PRC resident enterprise under the CIT Law (see discussion under “Item 10. Additional Information — E. Taxation — People’s Republic of China Taxation”), you may be subject to PRC withholding taxes on dividends paid to you with respect to the common shares or ADSs. Subject to generally applicable limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. However, such foreign tax credit may be disallowed, if the U.S. Holder has held such shares for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss, or is obligated to make payments related to the dividends. The rules relating to the U.S. foreign tax credits are complex and U.S. Holders may be subject to various limitations on the amount of foreign tax credits that are available. U.S. Holders should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Sale or Other Disposition of Ordinary common shares or ADSs

Subject to the discussion below under “—Passive Foreign Investment Company,” a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of the common shares or ADSs in an amount equal to the difference between the amount realized from such sale or disposition and the U.S. Holder’s adjusted tax basis in such common shares or ADSs. Such gain or loss generally will be a capital gain or loss and will be long-term capital gain (taxable at preferential rates for non-corporate U.S. Holders) or loss if, on the date of sale or disposition, such common shares or ADSs were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Any gain or loss on the sale or disposition will generally be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes.

Passive Foreign Investment Company

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either (i) 75% or more of our gross income for the taxable year is passive income; or (ii) on average at least 50% of the value of our assets produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income.

In making this determination, we will be treated as earning our proportionate share of any income and owning our proportionate share of any assets of any corporation in which we hold a 25% or greater interest (by value).

Based on our estimated gross income, the average value of our assets, including goodwill, and the nature of our business, although not free from doubt, we do not believe that we were classified as a PFIC for U.S. federal income tax purposes for the taxable year ending December 31, 2018. Our status for any taxable year will depend on our assets and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year. The market value of our assets may be determined in large part by reference to the market price of the ADSs and our ordinary shares, which is likely to fluctuate. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC may substantially increase. In addition, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our becoming a PFIC for the current or subsequent taxable years. We do not intend to make a determination of our or any of our future subsidiaries' PFIC status in the future. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares.

A U.S. Holder may be able to mitigate some of the adverse U.S. federal income tax consequences described below with respect to owning the common shares or ADSs if we are classified as a PFIC for any taxable year, provided that such U.S. Holder is eligible to make, and validly makes a mark-to-market election, described below. In certain circumstances, a U.S. Holder can make a qualified electing fund election, or QEF election, to mitigate some of the adverse tax consequences described with respect to an ownership interest in a PFIC by including in income its share of the PFIC's income on a current basis. However, we do not currently intend to prepare or provide the information that would enable a U.S. Holder to make a QEF election.

In the event we are classified as a PFIC, in any year in which you hold the common shares or ADSs, and you do not make the election described in the following paragraphs, any gain recognized by you on a sale or other disposition (including a pledge) of the common shares or ADSs would be allocated ratably over your holding period for the common shares or ADSs. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by you on your common shares or ADSs were to exceed 125% of the average of the annual distributions on the common shares or ADSs received during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of shares, described above. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of your common shares or ADSs at death.

If we are a PFIC for any taxable year during which you hold the common shares or ADSs, then in lieu of being subject to the special tax regime and interest charge rules discussed above, you may make an election to include gain on the common shares or ADSs as ordinary income under a mark-to-market method, provided that such the common shares or ADSs are treated as “regularly traded” on a “qualified exchange.” In general, the common shares or ADSs will be treated as “regularly traded” for a given calendar year if more than a de minimis quantity of the common shares or ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. Although the U.S. Internal Revenue Service (“IRS”) has not published any authority identifying specific exchanges that may constitute “qualified exchanges,” Treasury Regulations provide that a qualified exchange is (a) a U.S. securities exchange that is registered with the SEC, (b) the U.S. market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such non-U.S. exchange has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which such non-United States exchange is located and the rules of such non-U.S. exchange ensure that such requirements are actually enforced and (ii) the rules of such non-United States exchange effectively promote active trading of listed shares. No assurance can be given that the common shares or ADSs will meet the requirements to be treated as “regularly traded” for purposes of the mark-to-market election.

In addition, because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, you may continue to be subject to the special tax regime with respect to your indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes, including shares in any future subsidiary of ours that is treated as a PFIC.

If you make this mark-to-market election, you will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of your common shares or ADSs at year-end over your basis in those common shares or ADSs. In addition, the excess, if any, of your basis in the common shares or ADSs over the fair market value of your common shares or ADSs at year-end is deductible as an ordinary loss in an amount equal to the lesser of (i) the amount of the excess or (ii) the amount of the net mark-to-market gains that have been included in income in prior years. Any gain recognized upon the sale of the common shares or ADSs will be taxed as ordinary income in the year of sale. Amounts treated as ordinary income will not be eligible for the preferential tax rate applicable to qualified dividend income or long-term capital gains. Your adjusted tax basis in the common shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

The U.S. federal income tax rules relating to PFICs are complex. You are urged to consult your tax advisors with respect to the purchase, ownership and disposition of the common shares or ADSs, any elections available with respect to such ADSs and the U.S. Internal Revenue Service information reporting obligations with respect to the purchase, ownership and disposition of the ADS.

Backup Withholding Tax and Information Reporting and Disclosure Requirements

Dividend payments made to U.S. Holders and proceeds paid from the sale or other disposition of their common shares or ADSs may be subject to information reporting to the Internal Revenue Service and possible U.S. federal backup withholding. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service in a timely manner and furnishing any required information.

Investors should consult their own tax advisors as to their qualification for an exemption from backup withholding and the procedure for obtaining this exemption.

Certain U.S. Holders may be required to report information with respect to such holder's interest in "specified foreign financial assets" (as defined in Section 6038D of the Code), including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," if the aggregate value of all such assets exceeds certain thresholds. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties. U.S. Holders are urged to consult their own tax advisors regarding the foreign financial asset reporting obligations and their possible application to the holding of the common shares or ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system, which can be accessed without charge. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In accordance with Section 203.01 of the NYSE Listed Company Manual, we will post this annual report on our website at www.xyre.com.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. We have not in the past used derivatives to manage our exposure to market interest rate risk or foreign exchange risk. The following discussion and analysis, which involves "forward-looking statements" that involve risk and uncertainties, summarizes our exposure to different market risks.

Foreign Exchange Risk

We and our subsidiaries are principally engaged in real estate development and the provision of property management services in the PRC. We started U.S. business operations, which is mainly residential real estate development, as well as resale, in 2012. The functional currency of our PRC subsidiaries is the Renminbi, while that of our subsidiaries in the United States is U.S. dollars. Our reporting currency is the U.S. dollar. We translate the PRC operating results using the average exchange rate for the year and we translate the PRC financial position at the year-end exchange rate. The PRC subsidiaries' significant net asset position as of December 31, 2016 coupled with the fact that the RMB strengthened against the U.S. dollar during the year ended December 31, 2016, resulted in foreign exchange translation losses. The foreign currency translation income recognized in our other comprehensive income amounted to US\$59.3 million for the year ended December 31, 2018.

A significant portion of our revenues is denominated in RMB. However, we have substantial U.S. dollar denominated obligations, including the obligation to pay interest and principal on our secured debt and capital commitments to support our United States business operations. Accordingly, any significant fluctuation between the RMB and the U.S. dollar could expose us to foreign exchange risk. We do not currently hedge our exchange rate exposure. We evaluate such risk from time to time and may consider engaging in hedging activities in the future to the extent we deem appropriate. Such hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

The RMB is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 1, 2005, the PRC government changed its previous policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Since July 21, 2005, this change in policy has resulted in an approximately 17.1% appreciation of the RMB against the U.S. dollar through December 31, 2018. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert foreign currencies into RMB for such purposes. On August 11, 2015, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last. However, any significant depreciation in the exchange rates of the RMB against the U.S. dollar could adversely affect the value of any dividends paid by us to our shareholders, which would be funded by RMB but paid in U.S. dollars. There can be no assurance that any future movements in the exchange rate of the RMB against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition (including our ability to pay dividends). A significant depreciation in the RMB against major foreign currencies may have a material adverse impact on our results of operations, financial condition and share price because our reporting currency is the U.S. dollar and our ADSs are expected to be quoted in U.S. dollars, whereas our revenues, costs and expenses are largely denominated in RMB.

Interest Rate Risk

The cost of financing is sensitive to fluctuations in interest rates. Our bank borrowings bear interest at variable rates, and an increase in interest rates would increase our costs there under. Our net income is affected by changes in interest rates as a result of the impact such changes have on interest income from, and interest expense on, short-term deposits and other interest-bearing financial assets and liabilities. In addition, our sales are also sensitive to fluctuations in interest rates. An increase in interest rates would adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand. Higher interest rates, therefore, may adversely affect our revenues, gross profits and net income, and our ability to raise and service debt and to finance our developments.

Our indebtedness consists primarily of short-term and long-term bank borrowings, secured debt and onshore corporate bonds. As of December 31, 2018, we had US\$43.7 million of short-term borrowings, with US\$43.7 million denominated in RMB, which bear interest rates ranging from 10.50% per annum to 11.6% per annum, with a weighted average interest rate at such date of 10.68%. US\$958.5 million of long-term bank loans, including current portions of long-term bank loans, bear floating interest rates, which are based on 100.00% to 206.32% of PBOC benchmark rates in the following years. US\$75.0 million of long-term debt, including current portions of long-term debt bear floating interest rates, which are based on Libor benchmark rates in the following years. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. The PBOC-published benchmark one-year lending rate in China, which directly affects the property mortgage rates offered by commercial banks in China, as at December 31, 2016, 2017 and 2018 was 4.35%, 4.35% and 4.35%, respectively. As of December 31, 2018, the principal amount of our aggregate outstanding variable rate debt, including long-term bank loans, was US\$1,033.5 million. A hypothetical 1.00% increase in annual interest rates would increase our interest cost by approximately US\$10.3 million per year based on our debt level at December 31, 2018. The senior secured notes and other debt, except the above-mentioned US\$75.0 million of floating rate debt, bear fixed interest rates and therefore, interest rate risk is low.

Credit Risk

We provide guarantees to mortgage lending banks in respect of the mortgage loans provided to the purchasers of our properties in the PRC up until completion of the registration of the mortgage with the relevant authorities, which generally occurs within six to 12 months after the purchaser takes possession of the relevant properties. If a purchaser defaults under the loan while our guarantee is in effect and we repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank must assign its rights under the loan and the mortgage to us and, after the registration of the mortgage, we will have full recourse to the property. In line with what we believe is industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2018, we had outstanding guarantees of mortgages in the principal amount of US\$1,988.6 million. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the mortgage lending bank may require us to repay the outstanding amount under the loan plus any accrued interest. In this event, although we are able to retain the customer's deposit and sell the property to recover any amounts paid by us to the bank, there can be no assurance that we would be able to sell the property at a price equal to or greater than the amount we paid on the defaulting purchaser's outstanding loan amount and any accrued interest thereon. We paid US\$1.7 million to satisfy guarantee obligations related to customer defaults for the year ended December 31, 2018.

During parts of 2011 and 2012 we offered certain homebuyers seller-financing arrangements. All the homebuyers entered into such arrangement were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via our management reporting procedures. We provided longer payment terms, ranging between six months to two years to particular home buyers after applying strict credit requirements based on our credit policy. In the second half of 2012, execution of seller-financed contracts dropped significantly. From the fourth quarter of 2012, we stopped offering seller-financed contracts to second home buyers. Commencing in the second quarter of 2014, the Group again offer seller-financed contracts. As of December 31, 2017 and 2018, there was no concentration of credit risk with respect to receivables and we do not have a significant exposure to any individual debtor. Since 2013, PRC banks have tightened the distributions of mortgage loans to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. We took the position that the processing periods of the contracts with underlying mortgage loans exceeding one year cannot be recognized as revenue on an over time basis .

As of December 31, 2018, our cash and cash equivalents totaled US\$674.1 million and restricted cash totaled US\$511.9 million, predominately deposited in accounts maintained with state-owned bank within the PRC. We have not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

Inflation

Inflation has not had a significant effect on our business during the past three years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0%, 1.6%, and 2.1% in 2016, 2017 and 2018, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. As of the date of this annual report, we have not been materially affected by any inflation or deflation.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Our common shares, in the form of ADSs, each representing two common shares, are listed on the NYSE. JPMorgan Chase Bank, N.A. serves as the depositary for the ADSs. JPMorgan Chase Bank, N.A.'s principal executive office is located at 4 New York Plaza, Floor 12, New York, New York, 10004.

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the deposit agreement, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. ADSs are represented and evidenced by American depositary receipts, or ADRs.

The depositary may charge the following the additional amounts to ADR holders:

- a fee of US\$0.02 or less per ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$1.50 per ADR or ADRs for transfers pursuant to the deposit agreement;
- an aggregate fee of up to US\$0.05 per ADS (or portion thereof) per calendar year for services performed by the depositary in administering our ADR program;
- any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our shares or other deposited securities;
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- SWIFT, cable, telex and facsimile transmission and delivery charges incurred upon request of an ADR holder;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and
- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

The fees described above may be amended from time to time.

The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities (except under limited circumstances mandated by securities regulations). If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

The depositary may remit to us all or a portion of the depositary fees charged for the reimbursement of certain of the expenses we incur in respect of the ADS program established pursuant to the deposit agreement upon such terms and conditions as we may agree from time to time. In the year ended December 31, 2018, the depositary reimbursed us US\$656,999 with respect to certain fees and expenses.

The table below sets forth the types of expenses that the depositary has agreed to reimburse and the amounts reimbursed in 2018:

Category of Expenses	Amount Reimbursed in the Year Ended December 31, 2018 (US\$)
Investor relations marketing	656,999
Legal	-
Total	656,999

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rule 13a-15(e) of the Exchange Act as of the end of the period covered by this report. Based on such evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by our company in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time period specified in the SEC rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13(a)-15(f) and 15(d)-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework (2013 Framework), our management concluded that, as of December 31, 2018, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young Hua Ming LLP, an independent registered public accounting firm, as stated in their attestation report thereon which appears herein.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2018, there were no changes in our internal control over financial reporting that occurred during the period covered by the report for the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Xinyuan Real Estate Co., Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Xinyuan Real Estate Co., Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Xinyuan Real Estate Co., Ltd. and subsidiaries (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2018, and the related notes of the Company and our report dated April 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China

April 29, 2019

PART III

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Thomas Gurnee, the chairman of our audit committee, qualifies as an audit committee financial expert under applicable SEC rules.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that pertains to our directors, officers and employees with certain provisions that specifically apply to our Chief Executive Officer, Chief Financial Officer, Vice Presidents and any other persons who perform similar functions for us. Our code of business conduct and ethics is available at our website at www.xyre.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our independent registered public accounting firm, for the periods indicated:

	For the Year Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Audit fees ⁽¹⁾	1,295,156	1,302,797	1,330,954
Audit-related fees ⁽²⁾	293,669	470,783	329,714
Tax fees ⁽³⁾	–	–	–
All other fees ⁽⁴⁾	–	–	–

- (1) “Audit fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and the quarterly procedures performed for our comparative interim financial statements.
- (2) “Audit related fees” represents aggregate fees billed for professional services rendered by our independent registered public accounting firm for assurance and related services. In 2016, such services consisted principally of a SAS 100 review of the Company’s June 30, 2016 financial statements incorporated by reference into the F-3 registration statement and permissible assurance related services associated with the issuances of our August 2019 Senior Secured Notes in August 2016. In 2017, such services consisted primarily of a SAS 100 review of the Company’s June 30, 2017 financial statements incorporated by reference into the F-3 registration statement, permissible assurance related services associated with the issuances of our February 2021 Senior Secured Notes in February 2017 and the issuances of our November 2020 Senior Secured Notes in November 2017. In 2018, such services consisted primarily of a SAS 100 review of the Company’s June 30, 2018 financial statements incorporated by reference into the F-3 registration statement and permissible assurance related services associated with the issuances of our March 2020 Senior Secured Notes in March 2018.
- (3) There were no tax fees billed in 2016, 2017 and 2018.
- (4) There were no other fees billed in 2016, 2017 and 2018.

All audit and non-audit services provided by our independent auditor must be pre-approved by our audit committee. Our audit committee has adopted a project-by-project approach in pre-approving proposed services. All requests or applications for services to be provided by our independent auditor require a detailed description of the services to be rendered and will be presented to our audit committee for pre-approval.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Effective March 21, 2017, our board of directors approved a new US\$40 million share repurchase program through December 2019 (the “2017 Authorization”) to be effective upon the earlier of completion or expiration of the US\$40 million share repurchase program effective December 28, 2015 through December 2017. This program will be funded from available working capital. Repurchases under the 2017 Authorization will be made from time to time through a combination of open market and privately negotiated transactions. The per share price cap will be determined from time to time in the discretion of management.

Effective August 14, 2018, our board of directors approved a new additional US\$50 million share repurchase program through December 2019 (the “2018 Authorization”).

The following table sets forth a summary of our repurchase of our ADSs made from January 1, 2018 to December 31, 2018:

Period(1)	Total Number of ADSs Purchased (2)(3)	Average Price Paid Per ADS (US\$)	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate U.S. Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs
June 1 through June 30	461,307	4.91	9,892,301	33,658,077
July 1 through July 31	492,898	4.66	10,385,199	31,358,926
August 1 through August 31	331,900	4.51	10,717,099	79,861,222
September 1 through September 30	1,050,783	4.65	11,767,882	74,979,448
October 1 through October 31	781,078	3.98	12,548,960	71,868,013
November 1 through November 30	676,291	4.36	13,225,251	68,916,396
December 1 through December 31	698,056	4.07	13,923,307	66,074,322
Total	4,492,313	4.42	13,923,307	66,074,322

-
- (1) No purchases were made in the months not listed in the table above.
 - (2) In 2018, we repurchased 4,492,313 ADSs under the 2017 Authorization.
 - (3) Our ADS to common share ratio is one ADS for two common shares.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Our ADSs are listed on the NYSE and we are therefore subject to corporate governance requirements of the NYSE. We are incorporated in the Cayman Islands and thus our corporate governance practices are also governed by applicable Cayman Islands law. Under Section 303A of the NYSE Listed Company Manual, NYSE-listed non-U.S. companies may, in general, follow their home country corporate governance practices in lieu of some of the NYSE corporate governance requirements.

The NYSE Listed Company Manual requires that the board of directors of a listed company consist of a majority of independent directors, as defined by the NYSE from time to time. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of directors of a corporation to be independent. As of the date of this annual report, the majority of our directors are not independent directors as defined by the NYSE. Our board is currently composed of ten directors, two of whom are current officers of the Company or one of its subsidiaries, and three of whom was formerly an executive officer of our Company within the past three years. Under NYSE rules, all non-management directors are required to meet periodically in executive session, without any members of management present. The corporate governance practice in our home country does not require such meetings and, accordingly, our non-management directors do not meet in executive session.

The NYSE Listed Company Manual requires each issuer to have a nominating and corporate governance committee and a compensation committee composed entirely of independent directors. In addition, each of those committees must have a written charter setting out, at a minimum, certain prescribed duties. The corporate governance practice in our home country, the Cayman Islands, does not require the implementation of a compensation committee, nor a nominating and corporate governance committee, nor does it require any such committees to be comprised solely of independent directors. We have established a separate compensation committee and a nominating and corporate governance committee. However, neither of the committees consists solely of independent directors. Each committee has a written charter which is available on our corporate website. However, the committees have not adopted and implemented all of the duties prescribed for such committee by the NYSE.

The NYSE Listed Company Manual requires listed companies to have an audit committee that satisfies the requirements of Section 10A of the Exchange Act. As a foreign private issuer, we are not required to comply with certain other NYSE rules related to audit committees, including the requirements to have a minimum of three members and that the members satisfy the additional "independence" standards of Section 303A.02 of the New York Stock Exchange Listed Company Manual. Our audit committee has, as of the date of this annual report, three members, each of whom satisfies the "independence" requirements of Rule 10A-3 under the Exchange Act, and one such member qualifies as an "audit committee financial expert" under applicable SEC rules.

In addition to the board governance rules described above, the NYSE Listed Company Manual requires shareholder action in connection with certain share issuances by a listed company. Specifically, shareholder approval is required in connection with an issuance of an amount of equity securities equal to or greater than 20% of the outstanding voting power or equity interest of the company, subject to limited exceptions. Shareholder approval is also required for the adoption of or material revision to an equity compensation plan, which is defined as a plan or other arrangement that provide for the delivery of equity securities of the company to any employee, director or other service provider as compensation for services. Our home country corporate governance does not require shareholder action in either situation and, accordingly, such actions may be and are taken on behalf of our company with just board or board committee action.

ITEM 16H. MINE SAFETY

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Xinyuan Real Estate Co., Ltd. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
<u>1.1</u>	<u>Amended and Restated Memorandum and Articles of Association of Xinyuan Real Estate Co., Ltd. (incorporated by reference to Exhibit 3.1 to the registrant's F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)</u>
<u>1.2</u>	<u>Amendment to Amended and Restated Articles of Association of Xinyuan Real Estate Co., Ltd. (incorporated by reference to Exhibit 99.5 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on December 10, 2009)</u>
<u>2.1</u>	<u>Deposit Agreement, dated as of December 11, 2007, among Xinyuan Real Estate Co., Ltd., JPMorgan Chase Bank, N.A., as depositary, and holders of American Depositary Shares (incorporated by reference to Exhibit 2.5 to Amendment No. 1. to the registrant's annual report (File No. 001-33863), as amended, initially filed with the SEC on September 29, 2009)</u>
<u>2.2</u>	<u>Amendment to Deposit Agreement, including the form of ADR, dated November 9, 2017 (incorporated by reference to Exhibit 99.(a)(2) to the registrant's F-6EF (File No. 333-221449) filed with the SEC on November 9, 2017)</u>
<u>2.3</u>	<u>Indenture, dated as of December 6, 2013, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agreement (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on December 9, 2013)</u>
<u>2.4</u>	<u>Indenture Supplement No. 1 dated as of February 13, 2015, among Citicorp International Limited as Trustee, Citicorp International Limited as Shared Security Agent, Xinyuan Real Estate Co., Ltd. and the entities listed in Schedules I thereto as the Subsidiary Guarantors to the Indenture, dated as of May 3, 2013 with respect to the registrant's 13% June 2019 Senior Secured Notes (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on February 13, 2015)</u>
<u>2.5</u>	<u>Indenture Supplement No. 2, dated as of February 3, 2016, among Citicorp International Limited as Trustee, Citicorp International Limited as Shared Security Agent, Xinyuan Real Estate Co., Ltd. and the entities listed in Schedule I as the Subsidiary Guarantors, to the Indenture, dated as of December 6, 2013, with respect to the registrant's 13% June 2019 Senior Secured Notes (incorporated by reference to Exhibit 99.3 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on February 3, 2016)</u>
<u>2.6</u>	<u>Global note representing the 13% June 2019 Senior Secured Notes (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on December 9, 2013)</u>
<u>2.7</u>	<u>Indenture, dated as of August 30, 2016, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on August 30, 2016)</u>
<u>2.8</u>	<u>Global note representing the 8.125% August 2019 Senior Secured Notes (US\$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on August 30, 2016)</u>
<u>2.9</u>	<u>Indenture, dated as of February 28, 2017, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on February 28, 2017)</u>
<u>2.10</u>	<u>Global note representing the 7.75% February 2021 Senior Secured Notes (US\$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on February 28, 2017)</u>
<u>2.11</u>	<u>Indenture, dated as of November 22, 2017, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on November 22, 2017)</u>
<u>2.12</u>	<u>Global note representing 8.875% Senior Notes due 2020 (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on November 22, 2017)</u>
<u>2.13</u>	<u>Global note representing 8.875% Senior Notes due 2020 (US\$100,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on December 4, 2017)</u>
<u>2.14</u>	<u>Indenture, dated as of March 19, 2018, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on March 19, 2018)</u>

Exhibit Number	Description of Document
2.15	Global note representing 9.875% Senior Notes due 2020 (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on March 19, 2018)
2.16	Indenture, dated as of April 15, 2019, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on April 18, 2019)
2.17*	Global note representing 14.2% Senior Notes due 2021 (US \$200,000,000 aggregate principal amount)
2.18*	Global note representing 14.2% Senior Notes due 2021 (US \$100,000,000 aggregate principal amount)
4.2	2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant's F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
4.3	2014 Restricted Stock Unit Plan (incorporated by reference to Exhibit 4.3 to the registrant's Annual Report on Form 20-F (File No. 001-33863), filed with the SEC on April 27, 2015)
4.4	2015 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the registrant's Form S-8 (File No. 333-205371) filed with the SEC on June 30, 2015)
4.5	English Summary of the Capital Lease Agreement dated as of October 23, 2012, by and among MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd., and Henan Xinyuan Real Estate Co., Ltd. (Original Language: Chinese) (incorporated by reference to Exhibit 4.7 to the registrant's Annual Report on Form 20-F (File No. 001-33863), filed with the SEC on April 15, 2013)
4.6	English Summary of the Guarantee Agreement dated as of October 23, 2012, by and among MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd., Xinyuan (China) Real Estate , Ltd. and Henan Xinyuan Real Estate Co., Ltd. (Original Language: Chinese) (incorporated by reference to Exhibit 4.8 to the registrant's Annual Report on Form 20-F for the year ended December 31, 2012 (File No. 00133863), filed with the SEC on April 15, 2013)
4.7	Securities Purchase Agreement, dated as of August 26, 2013, among Xinyuan Real Estate Co., Ltd., the guarantors named therein and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
4.8	Registration Rights Agreement, dated as of September 19, 2013, between Xinyuan Real Estate Co., Ltd. and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.4 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
4.9	Letter Agreement, dated September 19, 2013, between Yong Zhang and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.6 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
8.1*	Subsidiaries of Xinyuan Real Estate Co., Ltd.
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to the registrant's F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
23.1*	Consent of Ernst & Young Hua Ming LLP
101*	The following materials from Xinyuan Real Estate Co., Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Operations, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Stockholders' Equity, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.
*	Filed with this Annual Report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Xinyuan Real Estate Co., Ltd.

By: /s/ Lizhou Zhang

Name: Lizhou Zhang

Title: Chief Executive Officer

Date: April 29, 2019

Xinyuan Real Estate Co., Ltd. and Subsidiaries
As of December 31, 2018 and 2017
For the years ended December 31, 2016, 2017 and 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Xinyuan Real Estate Co., Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Xinyuan Real Estate Co., Ltd. and subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated April 29, 2019 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, the Company changed its method for accounting for revenue from contracts with customers using a modified retrospective approach and its method for accounting for the recognition, measurement, presentation and disclosure of certain equity securities during the year ended December 31, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company’s auditor since 2007

Beijing, the People’s Republic of China

April 29, 2019

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(All amounts stated in US\$, except for number of shares data)

	<u>Notes</u>	<u>December 31,</u> <u>2017</u> <u>US\$</u>	<u>December 31,</u> <u>2018</u> <u>US\$</u>
ASSETS			
Current assets			
Cash and cash equivalents		894,551,480	674,141,554
Restricted cash		566,675,697	511,874,925
Short-term investments	3	57,739,558	8,442,063
Accounts receivable		100,553,481	64,129,969
Other receivables		73,193,654	166,632,745
Deposits for land use rights		103,715,834	42,254,342
Other deposits and prepayments		272,022,244	257,287,874
Advances to suppliers		36,731,393	46,983,182
Real estate properties development completed	4	840,393,193	632,359,691
Real estate properties under development (including real estate properties under development of the consolidated variable interest entities (“VIEs”) to be used only to settle obligations of the VIEs of US\$154,339,321 and US\$166,327,833 as of December 31, 2017 and December 31, 2018, respectively)	4	1,996,000,653	4,068,716,308
Amounts due from related parties	17	125,662,072	216,184,205
Amounts due from employees	17	2,174,302	1,694,416
Other current assets		798,920	520,391
Total current assets		<u>5,070,212,481</u>	<u>6,691,221,665</u>
Real estate properties held for lease, net	5	277,933,313	302,764,217
Deposits for land use rights		22,956,138	21,855,694
Property and equipment, net	6	32,385,860	38,114,483
Long-term investment	7	829,773,150	564,340,219
Deferred tax assets	14	82,006,132	230,452,674
Amounts due from related parties	17	24,665,944	26,122,186
Contract assets		-	21,779,221
Other assets		44,501,252	137,062,313
TOTAL ASSETS		<u>6,384,434,270</u>	<u>8,033,712,672</u>

	<u>Notes</u>	<u>December 31, 2017 US\$</u>	<u>December 31, 2018 US\$</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and notes payable (including accounts payable and notes payable of the VIEs without recourse to the primary beneficiary of US\$2,454,089 and US\$2,489,669 as of December 31, 2017 and December 31, 2018, respectively)		690,839,190	790,631,410
Short-term bank loans and other debt	9	247,758,295	43,711,388
Customer deposits	13	438,341,713	1,921,851,255
Income tax payable		169,839,336	213,272,832
Other payables and accrued liabilities (including other payables and accrued liabilities of the VIEs without recourse to the primary beneficiary of US\$2,990,885 and US\$3,767,049 as of December 31, 2017 and December 31, 2018, respectively)	16	300,118,332	341,107,500
Payroll and welfare payable (including payroll and welfare payable of the VIEs without recourse to the primary beneficiary of US\$102,316 and US\$2,263,756 as of December 31, 2017 and December 31, 2018, respectively)		31,445,229	33,752,390
Current portion of long-term bank loans and other debt	10, 11	1,648,233,254	1,647,918,456
Current maturities of capital lease obligations	12	4,472,386	6,562,425
Mandatorily redeemable non-controlling interests	17	15,593,340	22,558,686
Amounts due to related parties	17	128,178,423	48,502,441
Total current liabilities		<u>3,674,819,498</u>	<u>5,069,868,783</u>
Long-term bank loans	10	11,018,946	720,038,940
Deferred tax liabilities	14	164,203,580	370,508,807
Unrecognized tax benefits	14	31,231,376	45,939,234
Other long-term debt	11	1,404,814,439	1,040,455,200
Capital lease obligations, net of current maturities	12	11,415,344	10,014,791
Amounts due to related parties	17	29,917,961	31,241,768
Total liabilities		<u>5,327,421,144</u>	<u>7,288,067,523</u>
Commitments and contingencies	21		
Shareholders' equity			
Common shares, US\$0.0001 par value:			
Authorized-500,000,000 shares; shares issued and outstanding- 119,805,636 shares as of December 31, 2018 (December 31, 2017: 129,578,676 shares)	18	16,314	16,399
Treasury shares	18	(67,792,368)	(87,639,088)
Additional paid-in capital		543,338,206	532,117,479
Statutory reserves		105,660,269	166,495,744
Retained earnings		382,123,692	99,502,126
Accumulated other comprehensive income/(loss)	23	29,225,736	(30,122,179)
Total Xinyuan Real Estate Co., Ltd. shareholders' equity		<u>992,571,849</u>	<u>680,370,481</u>
Non-controlling interest	24	64,441,277	65,274,668
Total equity		<u>1,057,013,126</u>	<u>745,645,149</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,384,434,270</u>	<u>8,033,712,672</u>

The accompanying notes are an integral part of these consolidated financial statements.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2016, 2017 and 2018
(All amounts stated in US\$, except for number of shares data)

	Notes	Year ended December 31		
		2016 US\$	2017 US\$	2018 US\$
Revenue:				
Real estate sales, net of sales taxes of US\$30,105,069 in 2016, US\$21,745,253 in 2017 and US\$21,388,994 in 2018		1,524,968,403	1,924,560,806	2,139,370,792
Real estate management services income		30,022,747	41,738,319	63,447,420
Real estate lease income		5,946,051	8,732,799	9,584,972
Other revenue		687,492	1,875,307	5,148,101
Total revenue		1,561,624,693	1,976,907,231	2,217,551,285
Costs of revenue:				
Cost of real estate sales		(1,174,571,926)	(1,474,067,213)	(1,543,974,061)
Cost of real estate management services		(24,281,442)	(31,646,448)	(44,619,783)
Cost of real estate lease income		(3,682,645)	(11,006,122)	(9,348,616)
Other costs		(1,100,367)	(559,235)	(4,130,523)
Total costs of revenue		(1,203,636,380)	(1,517,279,018)	(1,602,072,983)
Gross profit		357,988,313	459,628,213	615,478,302
Selling and distribution expenses		(58,213,716)	(75,723,717)	(83,591,651)
General and administrative expenses		(120,415,631)	(136,844,741)	(156,456,170)
Operating income		179,358,966	247,059,755	375,430,481
Interest income		20,916,567	16,859,086	31,225,694
Interest expense		(29,856,832)	(66,153,440)	(99,245,696)
Net loss on debt extinguishment	11	(12,123,750)	(15,879,702)	(21,443,949)
Net realized gain/ (loss) on short-term investments	3	2,505,696	7,873,987	(3,407,090)
Unrealized gain on short-term investments	3	235,334	2,095,979	1,150,200
Exchange gain/ (loss)		458,959	756,926	(25,677,654)
Other income		4,540,227	2,326,010	1,741,732
Share of loss of equity investees	7	(324,612)	(1,710,070)	(9,374,451)
Income from operations before income taxes		165,710,555	193,228,531	250,399,267
Income taxes	14	(86,247,875)	(113,117,126)	(144,447,247)
Net income		79,462,680	80,111,405	105,952,020
Net income attributable to non-controlling interest		(6,485,132)	(16,483,854)	(32,917,471)
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders		72,977,548	63,627,551	73,034,549
Earnings per share:				
Basic	19	0.55	0.49	0.57
Diluted	19	0.53	0.48	0.57
Shares used in computation:				
Basic	19	133,261,510	128,704,610	127,129,478
Diluted	19	137,653,029	131,605,869	129,140,830
Other comprehensive (loss)/income, net of tax of nil				
Foreign currency translation adjustments		(66,273,588)	66,062,603	(59,759,616)
Comprehensive income		13,189,092	146,174,008	46,192,404
Comprehensive income attributable to non-controlling interest		(5,846,269)	(18,637,833)	(32,505,770)
Comprehensive income attributable to Xinyuan Real Estate Co., Ltd. shareholders		7,342,823	127,536,175	13,686,634

The accompanying notes are an integral part of these consolidated financial statements.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016, 2017 and 2018
(All amounts stated in US\$, except for number of shares data)

	Year ended December 31		
	2016 US\$	2017 US\$	2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	79,462,680	80,111,405	105,952,020
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:			
Depreciation and amortization	8,688,384	13,727,526	15,132,875
Stock-based compensation expenses	7,828,255	4,894,478	3,382,628
Deferred tax benefit	(17,244,658)	(35,587,912)	(60,602,166)
Amortization of deferred charges	7,732,038	6,049,202	12,182,821
Share of loss of equity investees	324,612	1,710,070	9,374,451
Exchange (gain)/loss	(458,959)	(756,926)	25,677,654
Changes in unrecognized tax benefit	2,718,631	10,737,387	14,707,858
Loss on extinguishment of debt (Note 11)	12,123,750	15,879,702	21,443,949
Net realized (gain)/loss on short-term investments	(2,505,696)	(7,873,987)	3,407,090
Unrealized gain on short-term investments	(235,334)	(2,095,979)	(1,150,200)
Proceeds from disposal of trading securities	61,064,916	178,849,628	77,788,586
Purchase of trading securities	(97,389,871)	(186,062,974)	(26,673,525)
Bargain purchase gain	(2,004,507)	-	-
Gain from re-measurement of previously held interest upon acquisition (Note 8)	(2,100,563)	-	(4,384,563)
Allowance for doubtful accounts	-	7,067,288	3,016,234
Others	(289,020)	1,327,529	1,985,331
Changes in operating assets and liabilities:			
Accounts receivable	6,948,740	(63,691,438)	36,940,910
Real estate properties development completed	(429,429,125)	(355,551,919)	232,507,523
Real estate properties under development	346,724,458	151,787,433	(67,338,946)
Contract assets	-	-	(6,420,339)
Real estate properties held for lease	(100,388,128)	(111,952,749)	(47,051,796)
Advances to suppliers	24,935,560	(7,335,343)	(8,205,641)
Other receivables	114,240,396	(47,195,272)	(118,383,454)
Deposits for land use rights	(129,517,140)	(180,359,751)	(452,147,524)
Other deposits and prepayments	(258,358,536)	275,227,746	(13,203,444)
Other current assets	326,254	(2,783,559)	4,174,280
Amounts due from related parties	(45,409,421)	(128,319,422)	(104,487,109)
Amounts due from employees	(292,592)	(1,465,840)	389,697
Other assets	(10,525,572)	(16,415,381)	(94,969,524)
Accounts payable	39,976,328	131,546,280	127,227,761
Customer deposits	101,932,472	269,509,197	264,194,597
Income tax payable	21,938,554	40,872,077	88,808,505
Other payables and accrued liabilities	101,375,219	91,455,504	(73,276,156)
Payroll and welfare payable	(2,073,425)	6,408,972	7,097,694
Net cash (used in)/provided by operating activities	(159,881,300)	139,712,972	(22,901,923)

The accompanying notes are an integral part of these consolidated financial statements.

	Year ended December 31		
	2016	2017	2018
	US\$	US\$	US\$
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of properties held for lease and property and equipment	559,030	425,850	330,773
Purchase of property and equipment	(2,739,578)	(5,565,513)	(9,132,946)
Acquisition of subsidiaries, net of cash acquired (Note 8)	15,055,431	-	11,761,992
Acquisition of long-term investment	(8,407,244)	(822,029,106)	(127,031,797)
Return of capital	-	-	158,634,902
Net cash (used in)/provided by investing activities	4,467,639	(827,168,769)	34,562,924
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	1,454,020	6,111,912	1,390,666
Repurchase of shares for Restricted Stock Unit ("RSU") plan	(4,003,999)	-	(7,768,139)
Purchase of treasury shares (Note 18)	(29,688,648)	(14,058,280)	(19,846,720)
Dividends to shareholders	(20,545,257)	(26,090,734)	(25,739,147)
Capital injection from non-controlling interests	4,505,328	23,687,327	36,698,455
Amounts due to related parties	66,414,412	82,725,874	(79,846,860)
Repayments of short-term bank loans and current portion of long-term bank loans	(444,479,915)	(51,330,241)	(201,583,103)
Proceeds from short-term bank loans and current portion of long-term bank loans	203,622,120	256,681,062	310,137,935
Repayment of long-term bank loans	(13,553,962)	(14,780,892)	(65,519,223)
Proceeds from long-term bank loans	201,936,395	10,659,297	337,961,266
Repayment of other short-term debt	(669,849,132)	(516,320,358)	(943,033,901)
Proceeds from other short-term debt	819,039,966	884,488,867	407,755,830
Repayment of other long-term debt	(369,338,675)	(236,322,138)	(218,895,920)
Proceeds from other long-term debt	612,307,593	788,220,956	331,989,141
Debt issuance cost charges	(10,725,482)	(23,254,595)	(9,778,697)
Capital lease payments	(3,721,954)	(4,196,345)	(7,521,441)
Proceeds from sale and leaseback (Note 12)	2,861,392	-	7,562,237
Repayment of mandatorily redeemable non-controlling interests	(3,463,790)	(12,954,007)	(2,447,140)
Proceeds from mandatorily redeemable non-controlling interests	13,177,463	14,210,916	8,720,772
Debt extinguishment costs (Note 11)	(12,123,750)	(13,000,000)	(6,795,362)
Distribution to non-controlling interests	-	-	(35,521,013)
Acquisition of non-controlling interests	-	-	(7,500,918)
Net cash provided by/(used in) financing activities	343,824,125	1,154,478,621	(189,581,282)
NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
	188,410,464	467,022,824	(177,920,281)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(32,332,329)	87,460,916	(97,290,417)
Cash, cash equivalents and restricted cash, at beginning of year	750,665,302	906,743,437	1,461,227,177
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, AT END OF YEAR	906,743,437	1,461,227,177	1,186,016,479
SUPPLEMENTARY INFORMATION ON CASH FLOWS			
Cash and cash equivalents	578,244,378	894,551,480	674,141,554
Restricted cash	328,499,059	566,675,697	511,874,925
Incomes taxes paid	122,347,190	112,460,711	147,809,372
Interest paid	181,857,136	223,541,763	284,624,926
NON-CASH ACTIVITIES			
Non-controlling interest arising from business combination	5,724,339	-	-
Non-controlling interest arising from asset acquisitions	-	5,193,097	-
Purchase consideration for asset acquisitions and business combinations included in other payables and accrued liabilities	-	70,460,343	75,565,148
Debt extinguishment costs included in other payables and accrued liabilities	-	-	13,761,966

The accompanying notes are an integral part of these consolidated financial statements.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2016, 2017 and 2018
(All amounts stated in US\$, except for number of shares data)

	Number of Shares	Common Shares US\$	Treasury Shares US\$	Additional Paid- in Capital US\$	Statutory Reserves US\$	Retained Earnings US\$	Accumulated Other Comprehensive Income / (Loss) (Note 23) US\$	Total Xinyuan Real Estate Co., Ltd. shareholders' equity US\$	Non-controlling Interest (Note 24) US\$	Total US\$
BALANCE AT DECEMBER 31, 2015	142,802,936	15,835	(24,045,440)	531,233,336	80,049,764	317,765,089	30,951,837	935,970,421	(18,819)	935,951,602
Capital injection from non- controlling interests	-	-	-	-	-	-	-	-	10,064,263	10,064,263
Exercise of share options	2,160,884	216	-	3,356,654	-	-	-	3,356,870	-	3,356,870
Treasury share repurchases	(13,198,238)	-	(29,688,648)	-	-	-	-	(29,688,648)	-	(29,688,648)
Shares repurchased under RSU plan	(1,614,220)	-	-	(4,003,999)	-	-	-	(4,003,999)	-	(4,003,999)
Other comprehensive loss	-	-	-	-	-	-	(65,634,725)	(65,634,725)	(638,863)	(66,273,588)
Stock-based compensation expenses	1,275,379	-	-	7,828,255	-	-	-	7,828,255	-	7,828,255
Net income	-	-	-	-	-	72,977,548	-	72,977,548	6,485,132	79,462,680
Appropriation to statutory reserves	-	-	-	-	15,923,532	(15,923,532)	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(20,545,257)	-	(20,545,257)	-	(20,545,257)
BALANCE AT DECEMBER 31, 2016	131,426,741	16,051	(53,734,088)	538,414,246	95,973,296	354,273,848	(34,682,888)	900,260,465	15,891,713	916,152,178
Capital injection from non- controlling interests	-	-	-	-	-	-	-	-	29,911,731	29,911,731
Exercise of share options	2,631,928	263	-	4,255,657	-	-	-	4,255,920	-	4,255,920
Treasury share repurchases	(5,481,846)	-	(14,058,280)	-	-	-	-	(14,058,280)	-	(14,058,280)
Shares repurchased under RSU plan	-	-	-	(3,485,952)	-	-	-	(3,485,952)	-	(3,485,952)
Other comprehensive loss	-	-	-	-	-	-	63,908,624	63,908,624	2,153,979	66,062,603
Stock-based compensation expenses	1,001,853	-	-	4,154,255	-	-	-	4,154,255	-	4,154,255
Net income	-	-	-	-	-	63,627,551	-	63,627,551	16,483,854	80,111,405
Appropriation to statutory reserves	-	-	-	-	9,686,973	(9,686,973)	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(26,090,734)	-	(26,090,734)	-	(26,090,734)
BALANCE AT DECEMBER 31, 2017	129,578,676	16,314	(67,792,368)	543,338,206	105,660,269	382,123,692	29,225,736	992,571,849	64,441,277	1,057,013,126
Adjustment to opening balance of equity (2(h))	-	-	-	-	-	(269,081,493)	(9,132,084)	(278,213,577)	(37,019,325)	(315,232,902)
Capital injection from non- controlling interests	-	-	-	-	-	-	-	-	36,698,455	36,698,455
Acquisition of non- controlling interests	-	-	-	(12,056,879)	-	-	-	(12,056,879)	4,169,504	(7,887,375)

Exercise of share options	846,588	85	-	1,390,581	-	-	1,390,666	-	1,390,666	
Treasury share repurchases (Note 18)	(8,984,626)	(19,846,720)	-	-	-	-	(19,846,720)	-	(19,846,720)	
Shares repurchased under RSU plan	(3,089,050)	-	-	(3,937,057)	-	-	(3,937,057)	-	(3,937,057)	
Other comprehensive loss	-	-	-	-	-	(50,215,831)	(50,215,831)	(411,701)	(50,627,532)	
Stock-based compensation expenses	1,454,048	-	-	3,382,628	-	-	3,382,628	-	3,382,628	
Net income	-	-	-	-	-	73,034,549	73,034,549	32,917,471	105,952,020	
Appropriation to statutory reserves	-	-	-	-	60,835,475	(60,835,475)	-	-	-	
Dividends to shareholders	-	-	-	-	-	(25,739,147)	-	(25,739,147)	-	
Dividends to non-controlling interests	-	-	-	-	-	-	-	(35,521,013)	(35,521,013)	
BALANCE AT DECEMBER 31, 2018	<u>119,805,636</u>	<u>16,399</u>	<u>(87,639,088)</u>	<u>532,117,479</u>	<u>166,495,744</u>	<u>99,502,126</u>	<u>(30,122,179)</u>	<u>680,370,481</u>	<u>65,274,668</u>	<u>745,645,149</u>

The accompanying notes are an integral part of these consolidated financial statements.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

1. Background information of business and organization

Xinyuan Real Estate Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in residential real estate development and the provision of property management services. The Group’s operations are conducted mainly in the People’s Republic of China (“PRC”). In 2012, the Group expanded its business into the U.S. residential real estate market.

As of December 31, 2018, principal subsidiaries of the Company and its consolidated variable interest entities included the following entities:

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Xinyuan International Property Investment Co., Ltd.	Cayman Islands October 6, 2011	US\$ 500,000	100%	Investment holding company
Xinyuan International (HK) Property Investment Co., Ltd.	Hong Kong October 26, 2011	HK\$ 3,000,000	100%	Investment holding company
XIN Development Group International Inc.	United States November 10, 2011	US\$ 0	100%	Investment holding company
Xinyuan Real Estate, Ltd.	Cayman Islands January 27, 2006	US\$ 50,000,000	100%	Investment holding company
XIN Development Management East, LLC	United States August 28, 2012	US\$ 1,000	100%	Property management services
XIN NY Holding, LLC	United States August 29, 2012	US\$ 1,000	100%	Investment holding company
421 Kent Development, LLC	United States August 29, 2012	US\$ 1,000	100%	Real estate development
Xinyuan Sailing Co., Ltd.	Hong Kong June 21, 2013	HK\$ 3,000,000	100%	Investment holding company
AWAN Plasma Sdn Bhd	Malaysia April 16, 2007	MYR 33,577,000	100%	Real estate development
XIN Eco Marine Group Properties Sdn Bhd	Malaysia July 9, 2014	MYR 33,217,000	100%	Investment holding company
Zhengzhou Jiasheng Real Estate Co., Ltd.	PRC December 2, 2013	US\$ 60,000,000	100%	Real estate development

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Company Name	Registered Place and Date of Incorporation	Registered Capital		Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:					
Xinyuan (China) Real Estate, Ltd. ("Xinyuan China")	PRC April 10, 2006	US\$	307,000,000	100%	Investment holding company
Henan Xinyuan Real Estate Co., Ltd. ("Henan Xinyuan")	PRC May 19, 1997	RMB	200,000,000	100%	Real estate development
Qingdao Xinyuan Xiangrui Real Estate Co., Ltd.	PRC February 9, 2006	RMB	10,000,000	100%	Real estate development
Shandong Xinyuan Real Estate Co., Ltd.	PRC June 2, 2006	RMB	300,000,000	100%	Real estate development
Xinyuan Technology Service Co., Ltd.	PRC December 28, 1998	RMB	50,000,000	94%	Property management services
Mingyuan Landscape Engineering Co., Ltd.	PRC February 17, 2004	RMB	50,000,000	100%	Landscaping engineering and management
Henan Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC December 29, 2011	RMB	20,000,000	100%	Real estate development
Suzhou Xinyuan Real Estate Development Co., Ltd.	PRC November 24, 2006	RMB	200,000,000	100%	Real estate development
Anhui Xinyuan Real Estate Co., Ltd.	PRC December 7, 2006	RMB	50,000,000	100%	Real estate development
Kunshan Xinyuan Real Estate Co., Ltd.	PRC January 31, 2008	RMB	200,000,000	100%	Real estate development
Xinyuan Real Estate (Chengdu) Co., Ltd.	PRC June 12, 2007	RMB	220,000,000	100%	Real estate development
Xuzhou Xinyuan Real Estate Co., Ltd.	PRC November 9, 2009	RMB	200,000,000	100%	Real estate development
Henan Xinyuan Jiye Real Estate Co., Ltd.	PRC November 15, 2009	RMB	50,000,000	100%	Real estate development
Beijing Xinyuan Wanzhong Real Estate Co., Ltd. ("Beijing Wanzhong")	PRC March 4, 2008	RMB	900,000,000	100%	Real estate development

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Company Name	Registered Place and Date of Incorporation	Registered Capital		Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:					
Xinyuan Renju (Beijing) Asset Management Co., Ltd.	PRC January 16, 2009	RMB	30,000,000	100%	Real estate development
Beijing Xinyuan Priority Real Estate Consulting Co., Ltd.	PRC March 8, 2012	RMB	30,000,000	100%	Real estate consulting services
Henan Xinyuan Priority Commercial Management Co., Ltd.	PRC August 10, 2012	RMB	2,000,000	100%	Leasing management services
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. ("Suzhou Wanzhuo")	PRC September 20, 2012	RMB	200,000,000	20%	Real estate development
Jiangsu Jiajing Real Estate Co., Ltd.	PRC March 28, 2005	RMB	150,000,000	100%	Real estate development
Xingyang Xinyuan Real Estate Co., Ltd.	PRC July 25, 2013	RMB	200,000,000	100%	Real estate development
Jinan Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC December 4, 2013	RMB	300,000,000	100%	Real estate development
Sanya Beida Science and Technology Park Industrial Development Co., Ltd.	PRC January 10, 2014	RMB	200,000,000	100%	Real estate development
Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC February 21, 2014	RMB	50,000,000	100%	Real estate development
Zhengzhou Hengsheng Real Estate Co., Ltd. (1)	PRC June 19, 2014	RMB	20,000,000	100%	Real estate development
Tianjin Xinyuan Real Estate Co., Ltd.	PRC September 17, 2014	RMB	100,000,000	100%	Real estate development
Xi'an Yinghuai Commerce and Trade Co., Ltd.	PRC November 25, 2014	RMB	3,000,000	100%	Retail store

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Changsha Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC April 3, 2014	RMB 100,000,000	100%	Real estate development
Shanghai Junxin Real Estate Co., Ltd.	PRC January 16, 2014	RMB 5,000,000	100%	Real estate development
Beijing Yinghuai Commerce and Trade Co., Ltd.	PRC January 5, 2015	RMB 30,000,000	100%	Retail store
Beijing Xinhe Investment Development Co., Ltd.	PRC May 5, 2015	RMB 5,000,000	100%	Investment holding company
Henan Yinghuai Commerce and Trade Co., Ltd.	PRC March 23, 2015	RMB 10,000,000	100%	Retail store
Henan Xinyuan Guangsheng Real Estate Co., Ltd.	PRC July 27, 2015	RMB 200,000,000	100%	Real estate development
Shanghai Hexinli Property Management Center. (Limited partnership)	PRC July 28, 2015	RMB 10,640,000	78.95%	Property management services
Shandong Xinyuan Renju Real Estate Co., Ltd.	PRC November 19, 2011	RMB 50,000,000	100%	Real estate development
Shaanxi Zhongmao Economy Development Co., Ltd. ("Shaanxi Zhongmao")	PRC June 22, 1998	RMB 22,500,000	65.98%	Real estate development
421 Kent Holding Co, Ltd.	United States May 2, 2014	US\$ 1,000	100%	Investment holding company
Hudson 888 Owner LLC	United States October 22, 2015	US\$ 1,000	100%	Real estate development
XIN Manhattan Holding LLC	United States December 9, 2015	US\$ 1,000	100%	Investment holding company
Hudson 888 Holding LLC	United States December 9, 2015	US\$ 1,000	100%	Investment holding company
Shenzhen Xinchuang Investment Consulting Co., Ltd.	PRC January 20, 2016	RMB 10,000,000	100%	Investment

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Henan Xinyuan Quansheng Real Estate Co., Ltd.	PRC January 14, 2015	RMB 40,000,000	100%	Real estate development
Zhengzhou Shengdao Real Estate Co., Ltd.	PRC October 14, 2013	RMB 20,000,000	100%	Real estate development
Henan Xinyuan Shunsheng Real Estate Co., Ltd.	PRC January 13, 2016	RMB 30,000,000	100%	Real estate development
Hunan Erli Real Estate Co., Ltd.	PRC January 4, 2008	RMB 50,000,000	100%	Real estate development
XIN Queens Holding LLC	United States July 6, 2016	US\$ 1,000	100%	Investment holding company
Queens Theatre Holdco LLC	United States July 6, 2016	US\$ 1,000	100%	Investment holding company
Queens Theatre Owner LLC	United States July 6, 2016	US\$ 1,000	100%	Real estate development
Zhengzhou Xinnan Real Estate Co., Ltd. (“Zhengzhou Xinnan”)	PRC January 21, 2016	RMB 50,000,000	100%	Real estate development
Xinyan Investment Management Co., Limited.	PRC April 8, 2016	RMB 100,000,000	70%	Investment
Hunan Xintian Real Estate Co., Ltd. (“Hunan Xintian”)	PRC September 28, 2009	RMB 20,000,000	100%	Real estate development
Zhengzhou Hangmei Technology Development Co., Ltd. (“Zhengzhou Hangmei”)	PRC November 25, 2014	RMB 50,000,000	51%	Real estate development
Zhengzhou Hangmei Zhengxing Technology Co., Ltd. (“Hangmei Zhengxing”)	PRC March 28, 2016	RMB 50,000,000	60%	Real estate consulting services

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Xi'an Dingrun Real Estate Co., Ltd. ("Xi'an Dingrun")	PRC June 1, 2011	RMB 20,000,000	100%	Real estate development
Zhengzhou Kangshengboda Real Estate Co., Ltd. ("Zhengzhou Kangshengboda")	PRC July 29, 2016	RMB 50,000,000	100%	Real estate development
Xinjiang Xinyuan Renju Equity Investment, Ltd.	PRC February 24, 2017	RMB 10,000,000	100%	Real estate consulting services
Zhuhai Prince Real Estate Co., Ltd. ("Zhuhai Prince")	PRC September 13, 1990	RMB 16,000,000	100%	Real estate development
Henan Renxin Real Estate Co., Ltd. ("Henan Renxin")	PRC July 11, 2008	RMB 200,000,000	51%	Real estate development
Xinchuang Technology Co., Ltd.	PRC May 2, 2017	RMB 100,000,000	100%	Real estate consulting services
Hangzhou Huiyuan Investment Management Partnership Enterprise. (Limited partnership)	PRC May 23, 2017	RMB 5,000,000	100%	Investment holding company
Guangdong Xinyuan Real Estate Co., Ltd.	PRC October 18, 2017	RMB 100,000,000	100%	Real estate development
Taicang Pengchi Real Estate Co., Limited. ("Taicang Pengchi")	PRC June 16, 2017	RMB 200,000,000	17%	Real estate development
Khorgos XinYan Enterprise Management Consulting Co., Ltd.	PRC December 4, 2017	RMB 5,000,000	100%	Management consulting services
Jinan Xinyuan Quansheng Real Estate Co., Ltd.	The PRC May 25, 2018	RMB 50,000,000	100%	Real estate development

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Suzhou Yuxi Real Estate Co., Limited. ("Suzhou Yuxi") (2)	The PRC March 5, 2018	RMB 100,000,000	100%	Real estate development
Xinchuang Sailing (Dalian) Healthy Technology Industrial Investment Co., Ltd.	The PRC June 5, 2018	RMB 600,000,000	100%	Real estate development
Dalian Xinyi Renju Real Estate Co., Ltd.	The PRC June 26, 2018	RMB 100,000,000	100%	Real estate development
Jiangxi Xinkai Renju Management Consulting Service., Ltd.	The PRC August 28, 2018	RMB 10,000,000	100%	Real estate consulting services
Beijing Xinyuan Huicheng Technology Development Co., Ltd.	The PRC January 26, 2018	RMB 100,000,000	100%	Technical services
Suzhou Yefang Real Estate Co., Limited. ("Suzhou Yefang") (3)	The PRC April 14, 2017	RMB 100,000,000	20%	Real estate development
Chengdu Xinyuan Renju Enterprise Management Co., Ltd. ("Chengdu Renju") (4)	The PRC October 26, 2017	RMB 50,000,000	100%	Real estate development
Chengdu Guohongteng Real Estate Co., Ltd. ("Chengdu Guohongteng") (5)	The PRC July 16, 2010	RMB 1,673,179,200	100%	Real estate development
Qingdao Keda Real Estate Co., Ltd. ("Qingdao Keda") (6)	The PRC September 20, 2010	RMB 50,000,000	100%	Real estate development
Wuhan Yinghexin Real Estate Co., Ltd. ("Wuhan Yinghexin") (7)	The PRC January 15, 2014	RMB 100,000,000	100%	Real estate development
Henan Xinyuan Property Management Co., Ltd.	The PRC December 1, 2016	RMB 10,000,000	100%	Property management services
Wuhu Xinyansuifeng NO.1 Investment Center (Limited partnership) (8)	The PRC November 22, 2017	RMB 1,501,000,000	100%	Investment holding company

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group	Principal Activities
Subsidiary companies:				
Zhuhai Xinyuan Real Estate Co., Ltd.	The PRC December 31, 2018	RMB 100,000,000	100%	Real estate development
VIE:				
Beijing Ruihao Rongtong Real Estate Co., Ltd. ("Ruihao Rongtong") (Note 2(a))	PRC June 15, 2006	RMB 250,000,000	65%	Real estate development
Beijing Yuzhouyun Technology Development Center (Limited partnership) and its subsidiary ("Yuzhouyun") (Note 2(a))	The PRC March 2, 2018	RMB 18,388,300	51%	Technical services

- (1) Liquidated on January 10, 2018.
- (2) Acquired on June 6, 2018. The Company indirectly controls Suzhou Yuxi through its subsidiary Suzhou Yefang, which owns 100% equity interest in Suzhou Yuxi.
- (3) Acquired on June 6, 2018.
- (4) Acquired on September 6, 2018. The Company indirectly controls Chengdu Renju through its subsidiary Wuhu Xinyansuifeng NO.1 Investment Center (Limited partnership) and Xinyuan Real Estate (Chengdu) Co., Ltd.
- (5) Acquired on September 6, 2018. The Company indirectly controls Chengdu Guohongteng through its subsidiary Chengdu Renju.
- (6) Acquired on July 3, 2018.
- (7) Acquired on May 18, 2018.
- (8) Acquired on September 6, 2018.

Equity holdings remained unchanged throughout the year ended December 31, 2018 except for Zhengzhou Xinnan (Note 24).

2. Summary of significant accounting policies

(a) The Company and basis of presentation and consolidation

The Group is principally engaged in residential real estate development and the provision of property management services. The Group's operations are conducted mainly in the PRC. In 2012, the Group expanded its business into the U.S. residential real estate market. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs, and the subsidiaries of VIEs. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

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Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control. As of December 31, 2018, the Group also effectively controls the following VIEs:

Ruihao Rongtong

Ruihao Rongtong, with registered capital of US\$37.6 million (RMB250.0 million), was invested in by the Company on May 6, 2015, for the purpose of undertaking a residential property development project in Beijing. On March 1, 2016, June 28, 2016 and September 18, 2016, an unrelated trustee company, Ping An trust Co., Ltd. ("Ping An trust") purchased 20%, 5% and 10% of the Company's equity interest in Ruihao Rongtong, respectively, and loaned US\$124.3 million (RMB862.5 million) in aggregate to the Group. On February 28, 2017, the Company repurchased the 35% equity interest of Ruihao Rongtong from Ping An trust. On May 23, 2017, Ping An trust subsequently repurchased back 35% of the Company's equity interest in Ruihao Rongtong, and loaned US\$246.8 million (RMB1.61 billion) in aggregate to the Group (Note 11). As of December 31, 2018, Ruihao Rongtong had one project under construction. Pursuant to the share purchase agreement, the 35% of non-controlling equity interest of Ruihao Rongtong will be repurchased by the Company in cash at the earlier of the second anniversary date, or the date the Company elects to repurchase the 35% equity interest of Ruihao Rongtong. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. In addition, since the Company planned to repurchase the 35% equity interest of Ruihao Rongtong within the next 12 months, the liability is classified as current liability as of December 31, 2018.

In accordance with ASC 810, *Consolidation*, Ruihao Rongtong as of December 31, 2017 and 2018 is a variable interest entity as it was not established with sufficient equity at risk to finance its activities without additional subordinated financial support. As of December 31, 2017 and 2018, the Company is considered as the primary beneficiary of Ruihao Rongtong, as it has the power to direct the activities of Ruihao Rongtong that most significantly impact their economic performance and has the obligation to absorb the losses and the right to receive benefits from Ruihao Rongtong through its voting interest underlying its 65% equity interest in accordance with PRC Law and the articles of association of Ruihao Rongtong. Based on the above, Ruihao Rongtong is consolidated by the Company.

The carrying amounts and classifications of the assets and liabilities of the VIE are as follows:

	December 31, 2017	December 31, 2018
	US\$	US\$
Current assets	160,889,349	174,366,164
Non-current assets	287,409	247,753
Total assets	161,176,758	174,613,917
Current liabilities	132,170,781	151,609,433
Non-current liabilities	-	-
Total liabilities	132,170,781	151,609,433

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The financial performance and cash flows of the VIE are as follows:

	Year ended December 31, 2017	Year ended December 31, 2018
	US\$	US\$
Revenue	-	-
Cost of revenue	-	-
Net loss	(7,266,337)	(4,786,363)
Net cash used in operating activities	(18,569,850)	(8,804,491)
Net cash used in investing activities	-	-
Net cash provided/(used in) by financing activities	(13,688,554)	8,949,715

As of December 31, 2018, the current liabilities of the Ruihao Rongtong included amounts due to subsidiaries of the Group amounting to US\$145,728,475 (2017: US\$126,623,561), which were eliminated upon consolidation by the Company. As of December 31, 2018, the land use rights included in real estate properties under development of Ruihao Rongtong of US\$188,437,461 (2017: US\$155,782,729) were pledged as collateral for bank loans and other debt and the creditors have no recourse to the general credit of the primary beneficiary.

Ruihao Rongtong contributed nil (2017: nil) of the Company's consolidated revenues for the year ended December 31, 2018.

Yuzhouyun

On March 2, 2018, the Group signed a partnership agreement with certain senior management members to form Yuzhouyun. According to the partnership agreement, the design and purpose of Yuzhouyun's activities are to provide technical services to the Group. The Group acts as a limited partner and the senior management members are general partners. Substantially all significant activities require the approval from the senior management members. The Group and senior management members agreed to share profits at the proportion of 51% and 49%, respectively. The Group, as the limited partner, is the only party with the equity at risk to absorb losses of Yuzhouyun. Yuzhouyun's principal activities are also to provide technical service to the Group, which indicates that Yuzhouyun's activities are conducted on behalf of the Group. Therefore, under ASC 810, Consolidation, Yuzhouyun is a variable interest entity. In addition, as the senior management members are the Group's employees, which represent a principal-agency relationship, therefore, the Group is concluded to be "most closely associated" with Yuzhouyun. Based on the above, the Group is the primary beneficiary because it has the power to direct the activities of Yuzhouyun that most significantly impact their economic performance and has the obligation to absorb the losses and the right to receive benefits from Yuzhouyun.

The carrying amounts and classifications of the assets and liabilities of Yuzhouyun are as follows:

	December 31, 2018
	US\$
Current assets	5,775,479
Non-current assets	3,557,562
Total assets	9,333,041
Current liabilities	11,808,683
Non-current liabilities	-
Total liabilities	11,808,683

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The financial performance and cash flows of Yuzhouyun are as follows:

	Year ended December 31, 2018
	US\$
Revenue	7,991,038
Cost of revenue	(1,559,129)
Net loss	(1,929,266)
Net cash used in operating activities	519,050
Net cash used in investing activities	(255,509)
Net cash provided/(used in) by financing activities	-

As of December 31, 2018, the current liabilities of Yuzhouyun included amounts due to subsidiaries of the Group amounting to US\$9,169,167, which were eliminated upon consolidation by the Company. The revenue of Yuzhouyun included amounts that come from the Group amounting to US\$7,399,410, which were eliminated upon consolidation by the Company.

Yuzhouyun contributed US\$591,628 of the Company's consolidated revenues for the year ended December 31, 2018.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates are used for, but not limited to, the selection of the useful lives of property and equipment and capital lease, allowance for doubtful amount associated with accounts receivables, other receivables, contract assets and advances to suppliers, fair values of the purchase price allocation with respect to business combinations, progress towards the completion of the performance obligation, accounting for the share-based compensation, accounting for deferred income taxes, impairment of real estate properties under development, real estate properties held for lease and long-term investments, and provision necessary for contingent liabilities. Management analyzed the forecasted cash flows for the twelve months from April 29, 2019, which indicates that the Group will have sufficient liquidity from cash flows generated by operations and existing credit facilities and therefore, there will be sufficient financial resources to settle borrowings and payables that will be due through April 29, 2020. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

(c) Fair value of financial instruments

Financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related parties, other receivables, investment in joint ventures and other long-term investments, accounts payable, customer deposits, other payables and accrued liabilities, borrowings and due to related parties. The carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related parties, other receivables, accounts payable, customer deposits, other payables and accrued liabilities, short-term bank borrowings and due to related parties approximate their fair value due to the short term maturities of these instruments. The Group is exposed to credit risk for financial assets and its maximum amount of loss in the event of non-performance by the counterparty is the recorded amount. The Group's financial asset and liability arrangements generally do not require collateral, except as disclosed in Note 9, Note 10 and Note 11. Trading securities were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in profit and loss.

Investment in joint ventures and other long-term investments have no quoted market prices and it is not practicable to estimate their fair value without incurring excessive costs. The Group reviews the investments for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

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The carrying amounts of the long-term borrowings approximate their fair values because the stated interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable credit risk and maturities.

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1-Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2-Includes other inputs that are directly or indirectly observable in the market place

Level 3-Unobservable inputs which are supported by little or no market activity

The carrying values of the Company's financial instruments approximate their fair values except for the short-term investments.

ASC 820 describes three main approaches for measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the investment in debt and equity securities, real estate investment trusts ("REITs") and money market instruments classified as trading securities is within Level 1 as the Company measures the fair value using quoted trading prices that are published on a regular basis.

(d) Foreign currency translation

The Group's financial information is presented in U.S. dollars. The functional currency of the Company is U.S. dollars. The functional currency of the Company's subsidiaries in the PRC is Renminbi ("RMB"), the currency of the PRC. The functional currency of the Company's subsidiaries in Malaysia is Malaysian Ringgit ("MYR"), the currency of Malaysia. The functional currency of the Company's subsidiaries other than those in the PRC and Malaysia is U.S. dollars. Transactions by the Company's subsidiaries in the PRC which are denominated in currencies other than RMB are remeasured into RMB at the exchange rate quoted by the People's Bank of China ("PBOC") prevailing at the dates of the transactions. Exchange gains and losses resulting from transactions denominated in a currency other than RMB are included in the consolidated statements of comprehensive income as exchange gains (losses). The consolidated financial statements of the Company's subsidiaries have been translated into U.S. dollars in accordance with ASC 830, *Foreign Currency Matters*. The PRC subsidiaries' financial information is first prepared in RMB and then is translated into U.S. dollars at period-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

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(e) Cash and cash equivalents

The Group considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Group maintains bank accounts mainly in the PRC, Hong Kong and United States. The vast majority of the PRC bank balances are denominated in RMB. Hong Kong and United States bank balances are denominated in U.S. dollars.

Cash includes cash on hand and demand deposits in accounts maintained with various state-owned and private banks within the PRC, Hong Kong and United States. Total cash in banks at December 31, 2018 amounted to US\$674,141,554 (December 31, 2017: US\$894,551,480), of which the vast majority of deposits are not covered by insurance. The Group has not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

(f) Restricted cash

The Group is required to maintain certain deposits with banks that provide mortgage loans to the Group's customers in order to purchase residential units from the Group. These balances are subject to withdrawal restrictions and totaled US\$43,748,940 as of December 31, 2018 (December 31, 2017: US\$49,252,645). As of December 31, 2018, the Group held US\$338,633,911 (December 31, 2017: US\$197,552,310) in its restricted cash accounts, representing funds received from sales proceeds that are subject to withdrawal restrictions. The Group is also required to maintain certain deposits with banks and financial institutions that provide loans to the Group. As of December 31, 2018, the Group also held no restricted cash accounts (December 31, 2017: US\$64,779,162) as security for its short-term loans (Note 9), held US\$129,492,074 (December 31, 2017: US\$74,503,382) in its restricted cash accounts as security for its current portion of long-term loans (Note 10), and held no restricted cash accounts (December 31, 2017: US\$15,304,092) as security for its other debts (Note 11). These restricted cash deposits are not covered by insurance. The Group has not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

(g) Real estate properties development completed and under development

Real estate properties completed and under development consist of residential unit sites and commercial offices. The Group leases the land for the residential unit sites under land use right leases with various terms from the PRC government. Real estate properties development completed and under development are stated at the lower of carrying amounts or fair value less selling costs.

Expenditures for land development, including cost of land use rights, deed tax, pre-development costs and engineering costs, are capitalized and allocated to development projects by the specific identification method. Costs are allocated to specific units within a project based on the ratio of the sales value of units to the estimated total sales value times the total project costs.

Costs of amenities transferred to buyers are allocated as common costs of the project that are allocated to specific units as a component of total construction costs. For amenities retained by the Group, costs in excess of the related fair value of the amenities are also treated as common costs. Results of operations of amenities retained by the Group are included in the current operating results.

In accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360"), real estate property development completed and under development are subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

When the profitability of a current project deteriorates due to a slowdown in the sales pace, reduction of pricing or some other factor, this indicates that there may be a possible future loss on delivery and possible impairment in the recoverability of the assets. Accordingly, the assets of such project are subsequently reviewed for future losses and impairment by comparing the estimated future undiscounted cash flows for the project to the carrying value of such project. If the estimated future undiscounted cash flows are less than the asset's carrying value, such deficit will be charged as a future loss and the asset will then be written down to its estimated fair value.

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The Group determines estimated fair value primarily by discounting the estimated future cash flows relating to the asset. In estimating the cash flows for a project, the Group uses various factors including (a) the expected pace at which the planned number of units will be sold, based on competitive market conditions, historical trends in sales pace and actual average selling prices of similar product offerings and any other long or short-term economic conditions which may impact the market in which the project is located; (b) the estimated net sales prices expected to be attained based on the current market conditions and historical price trends, as well as any estimated increases in future sales prices based upon the projected rate of unit sales, the estimated time gap between presale and expected delivery, the impact of government policies, the local and regional competitive environment, and certain external factors such as the opening of a subway line, school or factory; and (c) the expected costs to be incurred in the future by the Group, including, but not limited to, construction cost, construction overhead, sales and marketing, sales taxes and interest costs.

The Group's determination of fair value requires discounting the estimated cash flows at a rate commensurate with the inherent risk associated with the assets and related estimated cash flows. The discount rate used in determining each project's fair value depends on the stage of development, location and other specific factors that increase or decrease the risk associated with the estimated cash flows.

For the periods presented, the Group did not recognize any impairment for real estate properties completed and under development.

(h) Revenue recognition

Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group also elected to exclude sales taxes and other similar taxes from the measurement of the transaction price. Therefore, revenues are recognized net of business tax, value added taxes ("VAT") and surcharges.

Real estate sales

Revenues arising from real estate sales are recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

For real estate sales contracts for which the Group has an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For the remaining real estate sales contracts, revenue is recognized when the customer obtains the physical possession, the legal title, or the significant risks and rewards of ownership of the assets and the Group has present right to payment and the collection of the consideration is probable.

Generally, the Group receives short-term advances from its customers for real estate sales. Using the practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group also receives long-term advances from customers for real estate sales. The transaction price for such contracts is adjusted for the effects of a financing component, if long-term advances from customers is assessed as significant at the individual contract level.

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Real estate management services income

Real estate management services income is recognized in the accounting period in which the services are rendered. The Group bills a fixed amount periodically for services provided and recognizes as revenue the amount to which the Group has a right to invoice that corresponds directly with the value of performance completed.

Real estate management lease income

Real estate lease income is generally recognized on a straight-line basis over the terms of the tenancy agreements. For real estate leases, these contracts are treated as leases for accounting purposes, rather than contracts with customers subject to ASC 606.

Other revenue

Other revenue includes services ancillary to the Group's real estate projects, including construction service revenue. Construction service revenue is recognized when services are provided as the customer simultaneously benefits from the services as they are performed.

For the years ended December 31, 2017 and 2018, revenue is recognized and disaggregated by major source as below:

	2017	2018
	US\$	US\$
Real estate sales	1,924,560,806	2,139,370,792
Real estate management services income	41,738,319	63,447,420
Other revenue	<u>1,875,307</u>	<u>5,148,101</u>
Revenue from contracts with customers	<u>1,968,174,432</u>	<u>2,207,966,313</u>
Real estate lease income	<u>8,732,799</u>	<u>9,584,972</u>
Total revenue	<u>1,976,907,231</u>	<u>2,217,551,285</u>

Contract assets

The Group pays sales commission to its real estate sales agencies for each real estate sales contract. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under selling and distribution expenses) when the amortization period of the asset that the Group otherwise would have used is one year or less. For incremental costs of obtaining real estate sales contracts that extend beyond a one year period, these incremental costs of obtaining real estate sales contracts are recognized as an assets if the real estate sales are collectible and amortized as the Group transfers the control of the assets to customers. The Group recognized US\$6.2 million of such costs in selling and distribution expense during the year ended December 31, 2018. As of December 31, 2018, there was no impairment losses on contract assets.

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Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). The Group's contract liabilities are comprised of customer deposits, which are recognized as revenue when the Group performs under the contract.

The following table presents the Group's contract balances as of December 31, 2018 and January 1, 2018 as adjusted:

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract assets	21,779,221	15,575,829
Customer deposits (note 13)	1,921,851,255	2,040,385,658

The amount of revenue recognized during the year ended December 31, 2018 and included in the customer deposits as of January 1, 2018 is US\$1,003,626,858.

Impact of adoption of ASC 606

The Group adopted ASC 606 on January 1, 2018 using the modified retrospective approach, applying the adoption only to contracts not completed as of the date of adoption, with no restatement of comparative periods, and a cumulative-effect adjustment to retained earnings recognized as of the date of adoption.

The effect of adopting ASC 606 on January 1, 2018 was, as follows:

	Reference	As previously reported at December 31, 2017	Effects of the adoption of ASC606	As adjusted at January 1, 2018
Consolidated balance sheet				
Real estate properties development completed	(a)	840,393,193	35,131,913	875,525,106
Real estate properties under development	(a)	1,996,000,653	1,176,119,731	3,172,120,384
Other current assets	(a),(b)	2,233,818,635	(61,184,518)	2,172,634,117
Contract assets	(c)	-	15,575,829	15,575,829
Other non-current assets	(d)	1,314,221,789	68,159,350	1,382,381,139
Customer deposits	(a)	438,341,713	1,602,043,945	2,040,385,658
Other current liabilities	(a)	3,236,477,785	(17,664,865)	3,218,812,920
Total non-current liabilities	(d)	1,652,601,646	(35,343,873)	1,617,257,773
Total equity	(a),(b),(c),(d)	1,057,013,126	(315,232,902)	741,780,224

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The following table summarizes the impact of adopting ASC 606 on each financial statement line item as of and for the year ended December 31, 2018. The adoption of ASC 606 did not have a material impact to the Group's operating, investing and financing cash flows:

	Reference	December 31, 2018		
		Amounts without adoption of ASC606	Effects of adoption of ASC606	Amounts as reported
Consolidated balance sheet				
Real estate properties development completed	(a)	561,058,497	71,301,194	632,359,691
Real estate properties under development	(a)	3,150,851,667	917,864,641	4,068,716,308
Other current assets	(a),(b)	1,982,473,950	7,671,716	1,990,145,666
Contract assets	(c)	-	21,779,221	21,779,221
Other non-current assets	(d)	1,295,436,169	25,275,617	1,320,711,786
Customer deposits	(a)	703,228,589	1,218,622,666	1,921,851,255
Other current liabilities	(a)	3,176,321,924	(28,304,396)	3,148,017,528
Total non-current liabilities	(d)	2,232,067,849	(13,869,109)	2,218,198,740
Total equity	(a),(b),(c),(d)	878,201,921	(132,556,772)	745,645,149
Consolidated statement of comprehensive income				
Revenue	(a),(b)	1,896,940,997	320,610,288	2,217,551,285
Cost of revenue	(a)	(1,499,457,049)	(102,615,934)	(1,602,072,983)
Selling and distribution expenses	(c)	(90,805,960)	7,214,309	(83,591,651)
General and administrative expenses	(b)	(155,805,869)	(650,301)	(156,456,170)
Income taxes	(d)	(93,887,973)	(50,559,274)	(144,447,247)
Net income/(loss)		(68,047,068)	173,999,088	105,952,020

(a) Real estate sales

A significant portion of the Group's revenue is derived from real estate sales of development properties in the PRC. Prior to the adoption of ASC 606, the Group recognizes revenue using the percentage-of-completion ("POC") method. Under ASC 606, to recognize revenue over time similar to the POC method, contractual provisions need to provide the Group with an enforceable right to payment. Historically, the Group's contracts did not include a specific term on enforceable right to payment. For all contracts executed starting from January 1, 2018, the Group modified certain terms to establish an enforceable right to payment for performance completed to date, including a reasonable profit. Under ASC 606, the Group recognizes revenue on an "over time" basis prospectively for these new contracts by using cost inputs to measure progress towards the completion of the performance obligation. For contracts that do not include enforceable right to payment terms, revenue is recognized at a point in time when title to the property is transferred to the customer.

(b) Real estate management services income

Upon adopting ASC 606, the Group reassessed its exposure to credit risk for the services that will be transferred to the customer, specifically, evaluating the customer's ability and intention to pay the contract consideration when it is due. As a result of this evaluation, the Group will recognize revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed. Upon adoption of ASC 606, the Group recognized the cumulative impact by increasing accounts receivable, accumulated other comprehensive income and retained earnings by US\$5.5 million, US\$0.1 million and US\$4.0 million, respectively, as of January 1, 2018.

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As of December 31, 2018, the effect of adopting ASC 606 increased accounts receivable, general and administrative expenses, revenue and retained earnings by US\$6.8 million, US\$0.7 million US\$1.9 million and US\$5.2 million, respectively, and decreased accumulated other comprehensive income by US\$0.1 million.

(c) Incremental cost to obtain a contract

Under ASC 606, the Group recognizes incremental costs of obtaining real estate sales, such as sales commissions, as an asset instead of expensing as incurred under the legacy guidance. Therefore, upon adoption of ASC 606, contract assets, accumulated other comprehensive income and retained earnings increased by US\$15.6 million, US\$0.4 million and US\$11.3 million, respectively, as of January 1, 2018.

As of December 31, 2018, the effect of adopting ASC 606 increased contract assets and retained earnings by US\$21.8 million and US\$18.5 million, respectively, and decreased selling and distribution expenses and accumulated other comprehensive income by US\$7.2 million and US\$0.4 million.

(d) Income taxes

The tax effects of the adjustments at the applicable statutory tax rates were also reflected. Upon the adoption of ASC 606, the Group increased deferred tax assets by US\$68.2 million, and decreased deferred tax liabilities by US\$35.3 million as of January 1, 2018. And the effect of adopting ASC 606 increased deferred tax assets by US\$25.3 million, decreased deferred tax liabilities by US\$13.9 million, and increased income taxes by US\$50.6 million as of December 31, 2018.

(i) Accounts receivable

Accounts receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The Group's account receivable consists of balances due from customers for the sale of residential units in the PRC and United States and real estate management service contracts. These balances are unsecured, bear no interest and are due within a year from the date of the sale.

Accounts receivable are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. As of December 31, 2018, there was US\$1,539,894 allowance for doubtful accounts (December 31, 2017: nil).

(j) Other receivables

Other receivables consist of various cash advances to unrelated companies and individuals with which the Group has business relationships.

Other receivables are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances becomes doubtful. As of December 31, 2018, there was US\$10,594,423 allowance for doubtful accounts (December 31, 2017: US\$7,067,288).

(k) Deposits for land use rights

Deposits for land use rights consist of upfront cash payments made to local land bureaus to secure land use rights under executed short-term or long-term land framework cooperation agreements or land use rights agreements.

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Deposits for land use rights are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. There were no impairment losses for any periods presented.

(l) Other deposits and prepayments

Other deposits and prepayments mainly consist of upfront cash payments made to third parties related to the direct negotiation model in acquiring land parcels and prepaid tax.

Other deposits and prepayments are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. There were no impairment losses for any periods presented.

(m) Advances to suppliers

Advances to suppliers consist of balances paid to contractors and vendors for services and materials that have not been provided or received and generally relate to the development and construction of residential units in the PRC. Advances to suppliers are reviewed periodically to determine whether their carrying value has become impaired. The Group considers the assets to be impaired if it is doubtful that the services and materials can be provided. As of December 31, 2017 and 2018, there was no allowance provided.

(n) Customer deposits

Customer deposits consist of sales proceeds received from customers from the sale of residential units in the PRC. In the PRC, customers will generally obtain financing for the purchase of their residential unit prior to the completion of the project. The lending institution will provide the funding to the Group upon the completion of the financing rather than the completion of the project. The Group receives these funds and recognizes them as a customer deposit current liability until the revenue can be recognized.

(o) Notes payable and other payables

Notes payable represents short-term bank acceptance notes issued by financial institutions that entitle the holder to receive the stated amount from the financial institutions at the maturity date of the notes. The Group has utilized notes payable to settle amounts owed to suppliers and contractors. The notes payable is non-interest bearing and is normally settled within six months. Notes payable was US\$23,708,054 and US\$49,652,091 as of December 31, 2017 and 2018, respectively.

Other payables consist of balances for non-construction costs with unrelated companies and individuals with which the Group has business relationships.

(p) Real estate properties held for lease, net

Real estate properties held for lease are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the real estate properties held for lease are 20-60 years.

Maintenance, repairs and minor renewals are charged directly to expenses as incurred. Major additions and improvements to the real estate properties held for lease are capitalized.

In accordance with ASC 360, *Property, Plant and Equipment*, real estate properties held for lease is subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

For the periods presented, the Group did not recognize any impairment for real estate properties held for lease.

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(q) Property and equipment, net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

Corporate aircraft	15 years
Vehicles	5 years
Furniture and fixtures	5 years
Office buildings	20-60 years

Maintenance, repairs and minor renewals are charged directly to expense as incurred unless such expenditures extend the useful life or represent a betterment, in which case they are capitalized.

(r) Investments

The Group's long-term investments consist of equity method investments and equity investments without readily determinable fair value.

Equity method Investments

Where the Group has significant influence over the investee, the Group applies the equity method of accounting in accordance with ASC subtopic 323-10-20, *Investments-Equity Method and Joint Ventures* ("ASC 323-10-20"). The reporting dates and accounting policies of the equity investee are the same as the Group. The investment in the equity investee is stated at cost, including the Group's share of the equity investee's net gain or loss, less any impairment in value. The Group recognizes in its consolidated statement of comprehensive income its share of the net income (loss) of the equity investees. The Company periodically evaluate whether declines in fair values of our investments indicate impairment and whether declines in fair value of our investments below their book value are other-than-temporary.

Nonmarketable equity securities

Nonmarketable equity securities are investments in privately held companies without readily determinable market values.

Prior to adopting ASC Topic 321, *Investments—Equity Securities* ("ASC 321") on January 1, 2018, the Group carries at cost for its investments in investees that do not have readily determinable fair value and over which the Group does not have significant influence. The Group only adjusts the carrying value of such investments for other-than-temporary declines in fair value and for distribution of earnings that exceed the Group's share of earnings since its investment.

On January 1, 2018, the Group adopted ASU 2016-01, pursuant to which, for equity investments without readily determinable fair value, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. All gains and losses on nonmarketable equity securities, realized and unrealized, are recognized in earnings. The Group performs a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity recognizes an impairment loss in net income equal to the difference between the carrying value and fair value.

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(s) Capitalized interest

The Group capitalizes interest as a component of building construction costs in accordance with ASC 835, *Interest* (“ASC 835”).

As a result of the total interest costs capitalized during the period, the interest expense for the years ended December 31, 2016, 2017 and 2018, was as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	US\$	US\$	US\$
Amortization of issuance cost related to other long term debt	9,371,957	4,384,801	8,624,334
Interest expense related to capital leases	2,055,995	1,705,739	1,385,292
Interest on borrowings	<u>196,243,562</u>	<u>197,410,532</u>	<u>271,831,465</u>
Total interest costs	207,671,514	203,501,072	281,841,091
Total interest costs capitalized	<u>(177,814,682)</u>	<u>(137,347,632)</u>	<u>(182,595,395)</u>
Interest expense, net	<u>29,856,832</u>	<u>66,153,440</u>	<u>99,245,696</u>

(t) Retirement benefits

Regulations in the PRC require the Group to contribute to a defined contribution retirement plan for all permanent employees. Pursuant to the mandatory requirement from the local authority in the PRC, the retirement pension insurance, unemployment insurance, health insurance and housing fund were established for the employees during the term they are employed. For the years ended December 31, 2016, 2017 and 2018, the Group is obligated to contribute for each employee an amount equal to 45% of last year average salary determined by the Social Welfare Bureau. For the year ended December 31, 2018, the Group recorded expense in the amount of US\$18,422,330 (2016: US\$11,023,291; 2017: US\$17,101,606).

(u) Distribution of earnings and reserve fund

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions from its subsidiaries. The earnings reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s subsidiaries. In accordance with the PRC Company Law, the PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the statutory surplus reserve (the “SSR”) until such reserve reaches 50% of the registered capital of the subsidiaries. Subject to certain restrictions set out in the PRC Company Law, the SSR may be distributed to stockholders in the form of share bonus issued to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital before capital increase.

(v) Income taxes

The Group accounts for income tax using the balance sheet method. Deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as unutilized net operating losses. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Group is able to realize their benefits, or that future utilization is uncertain. The Group assesses its need for valuation allowances by tax reporting unit by jurisdiction.

Late payment interests and penalties arising from underpayment of income taxes is recognized according to the relevant tax law. The amount of interest expense to be recognized is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest recognized in accordance with ASC 740-10, *Income Tax* (“ASC 740-10”) is classified in the consolidated financial statements as interest expense, while penalties recognized in accordance with this interpretation are classified in the consolidated financial statements as other expenses.

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In accordance with the provisions of ASC 740-10, the Group recognizes in its consolidated financial statements the impact of a tax position if a tax return's position or future tax position is "more likely than not" to prevail (defined as a likelihood of more than fifty percent of being sustained upon audit, based on the technical merits of the tax position). Tax positions that meet the "more likely than not" threshold are measured (using a probability weighted approach) at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group's estimated liability for unrecognized tax benefits is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, certain changes and/or developments with respect to audits, and expiration of the statute of limitations. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are appropriately recorded in the Group's consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regards to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

(w) Land Appreciation Tax ("LAT")

In accordance with the relevant taxation laws for real estate companies of the provinces in which the subsidiaries operate in the PRC, the local tax authorities levy LAT based on progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures, generally including borrowing costs and relevant property development expenditures. LAT is generally prepaid based on a fixed percentage (varying by local tax jurisdiction) of customer deposits and is expensed when the related revenue is recognized, as explained in Note 2(h).

(x) Comprehensive income

Comprehensive income is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive income includes net income and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income.

(y) Advertising and promotion expenses

Advertising and promotion costs are expensed as incurred, or the first time the activity takes place, in accordance with ASC 720-35, *Advertising Costs*. For the year ended December 31, 2018, the Group recorded advertising and promotion expenses of US\$56,575,316 (2016: US\$39,718,114; 2017: US\$53,932,462).

(z) Leases

In accordance with ASC 840, *Leases*, leases are classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease.

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Capital leases are measured at the commencement of the lease at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term excluding that portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) including any profit thereon. During the lease term, each minimum lease payment is allocated between a reduction of the obligation and interest expense to produce a constant periodic rate of interest on the remaining balance of the obligation (the interest method). A leased asset is amortized in a manner consistent with the Group's normal depreciation policy for owned assets (Note 6).

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis. Certain lease arrangements contain escalation clauses.

For the year ended December 31, 2018, the Group recorded operating lease expenses of US\$9,614,639 (2016: US\$6,626,414; 2017: US\$5,132,393).

(aa) Property warranty

The Company and its subsidiaries provide customers with assurance-type warranties which cover major defects of building structure and certain fittings and facilities of properties sold as stipulated in the relevant sales contracts. The warranty period varies from two months to three years, depending on different property components the warranty covers.

The Group regularly estimates potential costs for materials and labor with regards to warranty-type claims expected to be incurred subsequent to the delivery of a property. The Group regularly monitors the warranty reserve and makes adjustments to its pre-existing warranties, if any, in order to reflect changes in trends and historical data as information becomes available. The Group may seek recourse against its contractors or any related third parties if it can be demonstrated they are at fault. In addition, the Group withholds up to 5% of the contract cost from sub-contractors for periods of two to five years. These amounts are included in current liabilities, and are only paid to the extent that there has been no warranty claim against the Group relating to the work performed or materials supplied by the subcontractors. For the periods presented, the Group had not recognized any warranty liability nor incurred any warranty costs in excess of the amount retained from subcontractors.

(ab) Earnings per share

Earnings per share are calculated in accordance with ASC 260, *Earnings per Share*. Basic earnings per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common share equivalents consists of common shares issuable upon the exercise of the share options and vesting of restricted shares units using treasury stock method. Common equivalents shares are excluded from the computation of diluted earnings per share if their effects would be anti-dilutive. The non-vested options granted with performance conditions are excluded in the computation of diluted EPS unless the options are dilutive and unless their conditions (a) have been satisfied at the reporting date or (b) would have been satisfied if the reporting date was the end of the contingency period.

(ac) Treasury Shares

The Company accounted for shares repurchased as treasury shares at cost in accordance to ASC Subtopic 505-30, *Treasury Shares*. When the Company decides to retire the treasury shares, the difference between the original issuance price and the repurchase price may be allocated between additional paid-in capital and retained earnings.

On July 12, 2013, the Board of Directors unanimously authorized management to repurchase up to US\$60 million of the Company's shares from the approval date to July 5, 2015. On December 28, 2015, the Board of Directors unanimously authorized management to repurchase up to US\$40 million of the Company's shares from the approval date to the end of 2017. The Board of Directors review the Company's share repurchase program periodically and to adjust the amount authorized for repurchase as necessary. On March 21, 2017, the Board of Directors unanimously authorized management to repurchase up to US\$40 million of the Company's shares from the approval date to the end of 2019. On August 14, 2018, the Board of Directors unanimously authorized management to repurchase up to US\$50 million of the Company's shares from the approval date to the end of 2019. As of December 31, 2018, the Company had a balance of 41,135,198 (2017: 32,150,572) treasury shares amounting to US\$87,639,088 (2017: US\$67,792,368).

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(ad) Senior Secured Notes

On December 6, 2013, the Company issued notes with an aggregate principal amount of US\$200,000,000 due on June 6, 2019 (the “June 2019 Senior Secured Notes”) at a coupon rate of 13% per annum payable semi-annually. Interest is payable on June 6 and December 6 of each year, commencing June 6, 2014. Given that the June 2019 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the June 2019 Senior Secured Notes under the requirements of ASC 815, *Derivatives and Hedging* (“ASC 815”). The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the June 2019 Senior Secured Notes. The June 2019 Senior Secured Notes were issued at par.

On February 13, 2015, through a consent solicitation to the holders of the June 2019 Senior Secured Notes, the Company amended the indenture governing the June 2019 Senior Secured Notes (the “Indenture”) to provide it with additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indenture include changes to: (i) incur additional Indebtedness (as defined in the Indenture) in furtherance of the Company’s business plans; (ii) make certain Restricted Payments (as defined in the Indenture) and Permitted Investments (as defined in the Indenture); and (iii) make certain deemed Investments (as defined in the Indenture) without having to satisfy the Fixed Charge Coverage Ratio (as defined in the Indenture) requirement. The amendments also amend (i) the “Limitation on Issuances of Guarantees by Restricted Subsidiaries” covenant in the Indenture to the extent that the Company believes necessary as a result of the amendments to other covenants and (ii) the “Limitation on Asset Sales” covenant in the Indenture to remove the Fixed Charge Coverage Ratio requirement for Asset Dispositions (as defined in the Indenture). The amendments also amended certain related definitions in the Indenture. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt – Modifications and Exchanges* (“ASC 470-50”).

On February 3, 2016, through a consent solicitation to the holders of the June 2019 Secured Notes, the Company amended the Indenture to provide it with additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indenture include: (i) amending the provisions relating to future Subsidiary Guarantors, JV Subsidiary Guarantors and pledged subsidiary Capital Stock (each, as defined in the Indenture); (ii) amending the “Limitation on Indebtedness and Preferred Stock” covenant; (iii) amending the “Limitation on Transactions with Shareholders and Affiliates” covenant and the provisions relating to “Designation of Restricted Subsidiaries and Unrestricted Subsidiaries”; (iv) amending the definition of “Permitted Investment” and the “Limitation on Restricted Payments” covenant; and (v) removing the “Limitation on the Company’s Business Activities” covenant and amend the related definitions and provisions. The amendments also clarify certain other provisions in the Indenture. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50.

On August 30, 2016, the Company issued notes with an aggregate principal amount of US\$300,000,000 due on August 30, 2019 (the “August 2019 Senior Secured Notes”) at a coupon rate of 8.125% per annum payable semi-annually. Interest is payable on February 28 and August 30 of each year, commencing February 28, 2017. The August 2019 Senior Secured Notes have a three year term maturing on August 30, 2019. Given that the August 2019 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the August 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes were issued at par.

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On February 28, 2017, the Company issued notes with an aggregate principal amount of US\$300,000,000 due on February 28, 2021 (the “February 2021 Senior Secured Notes”) at a coupon rate of 7.75% per annum payable semi-annually. Interest will be payable on February 28 and August 28 of each year, commencing August 28, 2017. The February 2021 Senior Secured Notes have a four year term maturing on February 28, 2021. Given that the February 2021 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the February 2021 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the February 2021 Senior Secured Notes. The February 2021 Senior Secured Notes were issued at a discount.

On November 22, 2017 and December 1, 2017, the Company issued notes with an aggregate principal amount of US\$200,000,000 and US\$100,000,000 due on November 22, 2020 (the “November 2020 Senior Secured Notes”) at a coupon rate of 8.875% per annum payable semi-annually. Interest will be payable on November 22 and May 22 of each year, commencing May 22, 2018. The November 2020 Senior Secured Notes have a three year term maturing on November 22, 2020. Given that the November 2020 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the November 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the November 2020 Senior Secured Notes. The November 2020 Senior Secured Notes were issued at a discount.

On March 19, 2018, the Company issued notes with an aggregate principal amount of US\$200,000,000 due on March 19, 2020 (the “March 2020 Senior Secured Notes”) at a coupon rate of 9.875% per annum payable semi-annually. Interest will be payable on March 19 and September 19 of each year, commencing September 19, 2018. The March 2020 Senior Secured Notes have a two year term maturing on March 19, 2020. Given that the March 2020 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the March 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the March 2020 Senior Secured Notes. The March 2020 Senior Secured Notes were issued at a discount.

Onshore corporate bonds

During the periods presented, Xinyuan China issued a series of onshore corporate bonds. Given that each onshore corporate bond individually is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from these onshore corporate bonds under the requirements of ASC 815. The onshore corporate bonds were issued at par.

(ae) Short-term investments

All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. Investments that are expected to be realized in cash during the next 12 months are also included in short-term investments.

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The Company accounts for its investments in debt securities in accordance with ASC 320, *Investments-Debt and Equity Securities: Overall* (“ASC 320”). The Company classifies the investments in debt securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which such gains or losses are realized. The debt securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity and stated at amortized cost. For individual securities classified as held-to-maturity securities, the Company evaluates whether a decline in fair value below the amortized cost basis is other-than-temporary in accordance with the Company’s policy and ASC 320. Other-than-temporary impairment loss is recognized in earnings equal to the entire excess of the debt security’s amortized cost basis over its fair value at the balance sheet date of the reporting period for which the assessment is made. The debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value. Realized gains and losses, and unrealized gains and losses for trading securities are included in earnings. Investments in debt securities not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. An impairment loss on available-for-sale securities would be recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary.

(af) Assets acquisition and business combinations

Pursuant to ASC 805, *Business Combinations* (“ASC 805”), the Company determines whether a transaction or other event is a business combination by applying the definition below, which requires that the assets acquired and liabilities assumed constitute a business. The guidance requires an entity to first evaluate whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If that threshold is met, the set of assets and activities is not a business. If it’s not met, the entity evaluates whether the set meets the definition of a business. ASC 805 defines a business as consisting of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. Inputs are defined as economic resources, while processes are defined as protocols, systems or standards. Inputs and processes create, or have the ability to contribute to the creation of, outputs. Outputs are often present in businesses but are not required to meet the definition of a business. To be considered a business under ASC 805, the acquisition of net assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an assets acquisition.

The Company accounted for its acquisitions of Zhengzhou Hangmei, Hangmei Zhengxing, Hunan Xintian, Xi’an Dingrun, Zhengzhou Kangshengboda, Zhuhai Prince, Henan Renxin, Taicang Pengchi, Suzhou Yefang, Wuhan Yinghexin and Qingdao Keda as asset acquisitions either because that the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets or the acquired entities had no processes in place to apply to inputs to have the ability to create outputs.

(ag) Non-controlling interests

A non-controlling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group. Consolidated net income on the consolidated statements of comprehensive income includes the net loss/(income) attributable to non-controlling interests. The cumulative results of operations attributable to non-controlling interests are recorded as non-controlling interests in the Group’s consolidated balance sheets. Losses attributable to the Group and the non-controlling interest in a subsidiary may exceed their interests in the subsidiary’s equity. The excess, and any further losses attributable to the Group and the non-controlling interest, shall continue to be attributed to those interests.

(ah) Effect of change in estimate

Revisions in estimated gross profit margins related to estimated costs and revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2018, real estate development projects (Chengdu Thriving Family, Changsha Xinyuan Splendid, Sanya Yazhou Bay No.1, Tianjin Spring Royal Palace I, Kunshan Royal Palace, Xi’an Metropolitan, Jinan Xin Central), which recognized gross profit in 2017, had changes in their estimated gross profit margins. As these projects moved closer to completion during 2018, the Company adjusted its prior estimates related to selling prices and development costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share increased by US\$34.5 million (2016: increased US\$61.2 million, 2017: decreased US\$11.1 million), US\$25.9 million (2016: increased US\$45.9 million, 2017: decreased US\$8.3 million), US\$0.20 per share (2016: increased US\$0.34 per share, 2017: decreased US\$0.06 per share), and US\$0.20 per share (2016: increased US\$0.33 per share, 2017: decreased US\$0.06 per share), respectively, for the year ended December 31, 2018.

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(ai) Share-based compensation

The Group has adopted ASC 718, *Compensation-Stock Compensation*, which requires that share-based payment transactions with employees, such as restricted shares or stock options, be measured based on the grant-date fair value of the equity instrument issued and the Company has elected to recognize compensation expense using the straight-line method for all restricted shares and stock options granted with service conditions that have a graded vesting schedule. In addition, the Company recognizes share-based compensation expense net of an estimated forfeiture rate and therefore, only recognizes compensation cost for those shares expected to vest over the service period of the award. The estimation of the forfeiture rate is primarily based on historical experience of employee turnover. To the extent the Company revises this estimate in the future, the share-based payments could be materially impacted in the year of revision, as well as in the following years.

The Company also has a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the RSUs granted under the Company's 2014 Restricted Stock Unit plan.

For options granted with performance conditions, share-based compensation expense is recognized based on the probable outcome of the performance condition. A performance condition is not taken into consideration in determining fair value of the non-vested shares granted. The fair value of liabilities incurred in share-based payment transactions with employees are remeasured at the end of each reporting period through settlement. Changes in the fair value of a liability incurred under a share-based payment arrangement that occur during the requisite service period are recognized as compensation costs over that period.

(aj) Segment Reporting

In accordance with ASC 280, *Segment Reporting*, segment reporting is determined based on how the Group's chief operating decision maker reviews operating results to make decisions about allocating resources and assessing performance for the Group. According to the management approach, the Group operates in geographical segments. Therefore, each of its individual property developments is a discrete operating segment. The Group has aggregated its segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offering, customers and market and regulatory environment (Note 20).

(ak) Comparative information

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

(al) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 modifies existing guidance for off-balance sheet treatment of lessees' operating leases by requiring lessees to recognize lease assets and lease liabilities. Under ASU 2016-02, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Group currently believes the most significant change will be related to the recognition of right-of-use assets and lease liabilities on the Group's balance sheet for certain in-scope operating leases. The Group does not expect any material impact on net assets and the consolidated statements of comprehensive income as a result of adopting the new standard.

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In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses ("ASU 2016-13"). The amendments in ASU 2016-13 update guidance on reporting credit losses for financial assets. This ASU requires entities to measure credit losses for financial assets measured at amortized cost based on expected losses rather than incurred losses. For available-for-sale debt securities with unrealized losses, entities will be required to recognize credit losses through an allowance for credit losses. These amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities that are U.S. SEC filers, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Group is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

On February 2018, the FASB issued *ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Comprehensive Income ("AOCI")."* The ASU and its amendments were issued as a result of the enactment of the U.S. Tax Cuts and Jobs Act of 2017. The amendments of this ASU address the available options to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change (or portion thereof) is recorded. Additionally, the ASU outlines the disclosure requirements for releasing income tax effects from AOCI. The ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Group does not believe the adoption of ASU No. 2018-02 will have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting to simplify the accounting for share-based payments to nonemployees ("ASU 2018-07")* by aligning it with the accounting for share-based payments to employees, with certain exceptions. Under the guidance, the measurement of equity-classified nonemployee awards will be fixed at the grant date, which may lower their cost and reduce volatility in the income statement. The guidance is effective for public business entities in annual periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted, including in an interim period. The Group does not believe that the adoption of ASU 2018-07 will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement.* The update eliminates, modifies, and adds certain disclosure requirements for fair value measurements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2019, and early adoption is permitted. The added disclosure requirements and the modified disclosure on the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented. All other changes to disclosure requirements in this update should be applied retrospectively to all periods presented upon their effective date. The Group is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This update requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to defer and recognize as an asset. This update is effective in fiscal years, including interim periods, beginning after December 15, 2019, and early adoption is permitted. This guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Group is currently evaluating the impact on its consolidated financial statements of adopting this guidance.

3. Short-term investments

The short-term investments represent investments in REITs, publicly traded on the Hong Kong Stock Exchange, money market instruments and publicly traded debt and equity securities, which are expected to be realized in cash during the next 12 months. These marketable securities are initially recorded at cost and adjusted to fair value at the end of each reporting period. The fair value of these marketable securities are based on Level 1 inputs (quoted prices in active markets for identical assets).

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The following summarizes the short-term investments measured at fair value at December 31, 2017 and 2018:

	December 31, 2017		
	Fair value	US\$	
		Cost	Unrealized gain in profit
Debt securities - trading	888,067	784,946	103,121
REITs	21,239,128	20,044,583	1,194,545
Money market instruments	26,577,133	26,574,990	2,143
Equity securities	9,035,230	8,239,060	796,170
Total	<u>57,739,558</u>	<u>55,643,579</u>	<u>2,095,979</u>
	December 31, 2018		
	Fair value	US\$	
		Cost	Unrealized gain in profit
REITs	8,442,063	7,291,863	1,150,200
Total	<u>8,442,063</u>	<u>7,291,863</u>	<u>1,150,200</u>

During the year ended December 31, 2018, US\$3,407,090 (2017: US\$7,873,987 realized gain) net realized loss and US\$1,150,200 (2017: US\$2,095,979) unrealized gain are included in earnings.

4. Real estate properties development completed and under development

The following summarizes the components of real estate properties development completed and under development at December 31, 2017 and 2018:

	December 31,	December 31,
	2017	2018
	US\$	US\$
Development completed:		
Zhengzhou Century East A	2,293,021	4,000,881
Suzhou International City Garden	441,934	1,460,187
Jinan Xinyuan Splendid	4,349,276	4,952,551
Zhengzhou Xin City	15,052,135	14,946,209
Beijing Xindo Park	52,675,024	42,003,855
Suzhou Lake Royal Palace	3,400,095	4,880,245
Xingyang Splendid I	15,528,607	16,616,861
Zhengzhou Thriving Family	16,834,270	14,908,355
Shanghai Yipin Royal Palace	90,003,702	82,320,988

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	December 31,	December 31,
	2017	2018
	US\$	US\$
New York Oosten	131,656,360	127,749,947
Chengdu Thriving Family	146,791,480	88,492,260
Sanya Yazhou Bay No.1	97,350,745	31,716,745
Xi'an Metropolitan	127,107,105	48,352,943
Kunshan Royal Palace	9,782,983	8,279,289
Jinan Xin Central	77,779,716	41,158,302
Changsha Xinyuan Splendid	49,346,740	7,340,408
Zhengzhou Fancy City II (South)	-	151,224
Kunshan Xindo Park	-	23,673,323
Zhengzhou Xindo Park	-	13,794,988
Zhengzhou Fancy City I	-	19,329,493
Henan Xin Central I	-	36,230,637
Real estate properties development completed	840,393,193	632,359,691
Under development:		
<i>Current:</i>		
Xuzhou Colorful City	39,903,835	49,972,999
Xingyang Splendid II	49,848,748	44,074,338
Xingyang Splendid III	47,475,624	62,771,683
Xingyang Splendid IV	8,433,926	11,743,049
Zhengzhou Xindo Park	86,116,485	-
Jinan Royal Palace	227,113,681	328,737,914
Zhengzhou Fancy City I	43,895,304	-
Tianjin Spring Royal Palace I	26,044,650	101,091,391
Henan Xin Central I	54,380,998	-
Henan Xin Central II	68,783,659	99,196,076
Zhengzhou Fancy City II(South)	16,036,363	-
Zhengzhou Fancy City II(North)	52,672,711	77,295,404
Kunshan Xindo Park	84,020,974	-
Zhengzhou International New City I	173,061,962	339,890,348
Zhengzhou International New City II	135,671,000	171,711,098
Tongzhou Xinyuan Royal Palace	200,296,958	214,011,166
Changsha Mulian Royal Palace	89,289,525	108,637,317
XIN Eco Marine Group Properties Sdn Bhd	11,135,393	15,064,162
Hudson Garden Project	84,953,745	106,844,124
Flushing Project	83,282,854	92,821,714
Changsha Furong Thriving Family	59,459,200	39,054,048
Zhengzhou International New City III A	74,241,651	86,999,855
Zhuhai Xin World	93,205,573	102,997,747
Xinyuan Chang'an Royal Palace	134,714,398	144,771,923
Kunshan Xinyu Jiayuan	137,704,916	159,974,516
Zhengzhou International New City Pending Staging	216,520,610	238,835,232
Zhengzhou Hangmei International Wisdom City I	42,437,196	91,069,505
Xinyuan Golden Water View City	337,850,952	428,430,649
Suzhou Galaxy Bay	42,061,346	51,739,509
Xi'an Metropolitan II	5,543,530	5,609,532
Zhengzhou International New City III B	80,790,689	94,547,682

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	December 31,	December 31,
	2017	2018
	US\$	US\$
Zhengzhou International New City III C	39,551,333	99,240,244
Zhengzhou International New City III D	31,316,650	42,706,005
Tianjin Spring Royal Palace II	42,704,121	70,891,230
Zhengzhou Fancy City III	-	89,529,453
Jinan Royal Spring Bay	-	119,400,947
Suzhou Gusu Shade I (Suzhou New Project)	-	39,163,694
Wuhan Canglong Royal Palace (Wuhan New Project)	-	124,701,587
Dalian International Health Technology Town I	-	33,796,959
Qingdao Royal Dragon Bay	-	246,387,446
Chengdu Xinyuan City	-	688,987,085
Zhengzhou International New City IV	-	176,269,525
Xingyang Splendid V	-	45,984,974
Xingyang Splendid Building 46	-	4,836,734
	<u>2,920,520,560</u>	<u>5,049,788,864</u>
Profit recognized	396,756,891	348,170,931
Less: progress billings (Note 13)	<u>(1,321,276,798)</u>	<u>(1,329,243,487)</u>
Total real estate properties under development	<u>1,996,000,653</u>	<u>4,068,716,308</u>
Total real estate properties development completed and under development	<u>2,836,393,846</u>	<u>4,701,075,999</u>

As of December 31, 2018, land use rights included in the real estate properties under development totaled US\$2,733,197,585 (December 31, 2017: US\$1,761,525,629).

As of December 31, 2018, land use rights with an aggregate net book value of US\$1,046,360,853 (December 31, 2017: US\$908,833,863) was pledged as collateral for certain bank loans and other debts.

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5. Real estate properties held for lease, net

	December 31,	December 31,
	2017	2018
	US\$	US\$
Elementary schools	3,264,185	3,107,711
Basement parking	10,118,622	9,633,568
Kindergartens	9,596,645	10,194,286
Parking facilities	58,460,591	55,941,369
Clubhouses	8,181,616	7,789,415
Shopping mall	211,690,677	243,346,989
Others	-	2,972,811
Total costs	<u>301,312,336</u>	<u>332,986,149</u>
Accumulated depreciation	<u>(23,379,023)</u>	<u>(30,221,932)</u>
Real estate properties held for lease, net	<u>277,933,313</u>	<u>302,764,217</u>

Depreciation expense for real estate properties held for lease for the year ended December 31, 2018 amounted to US\$7,963,627(2016: US\$2,929,277; 2017: US\$7,280,421).

As of December 31, 2018, US\$175,429,630 of real estate properties held for lease were pledged as collateral for other debts (2017: US\$48,610,581).

As of December 31, 2018, minimum future rental income on non-cancellable leases (none of which contains any contingent rental clauses), in the aggregate and for each of the five succeeding fiscal years and thereafter, is as follows:

Year	Amount
	US\$
2019	12,688,803
2020	12,900,942
2021	12,510,802
2022	11,803,631
2023 and thereafter	<u>95,712,565</u>
Total	<u>145,616,743</u>

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6. Property and equipment, net

Property and equipment consisted of the following:

	December 31, 2017 US\$	December 31, 2018 US\$
Corporate aircraft (Note 12)	39,382,367	37,494,502
Vehicles	5,210,349	5,109,037
Furniture and fixtures	11,787,191	12,580,384
Office buildings	-	10,994,284
Total	56,379,907	66,178,207
Accumulated depreciation	(23,994,047)	(28,063,724)
Property and equipment, net	32,385,860	38,114,483

Depreciation expense for property and equipment for the year ended December 31, 2018 amounted to US\$4,908,299(2016: US\$5,093,038; 2017: US\$5,350,256) which includes amortization expense related to the corporate aircraft capital lease (Note 12) amounting to US\$ 2,582,340(2016: US\$2,461,283; 2017: US\$2,613,008).

Accumulated depreciation expense for property and equipment as of December 31, 2018 amounted to US\$28,063,724(2016: US\$16,750,788; 2017: US\$23,994,047) which includes accumulated amortization expense related to the corporate aircraft capital lease (Note 12) amounting to US\$13,238,949(2016: US\$8,175,540; 2017: US\$11,375,747).

7. Long-term investment

As of December 31, 2017 and 2018, the long-term investment consisted of the following:

	Initial Cost US\$	Ownership	December 31, 2017 US\$
Nonmarketable equity securities			
Zhengzhou Lianhe Real Estate Co., Ltd.	241,648	1.85%	241,648
Zhengzhou Taike Real Estate Co., Ltd.	738,073	3.75%	738,073
Equity method investees			
Shenzhen Zhong An Financial Lease Co., Ltd.	7,639,186	25%	8,207,136
Zhengzhou Xinci Health Service Co. Ltd.	1,290,135	60%	1,202,661
Shenzhen Qianhai Jingjie City Renewal Investment Partnership (Limited Partnership)	8,118,800	n/a	8,118,800
Qingdao Huiju Zhihui City Industrial Development Co., Ltd.	413,210,492	49%	412,593,226
Wuhu Penghong Investment Center (Limited Partnership)	30,608,185	n/a	30,608,185
Wuhu Penghua Tenth Investment Center (Limited Partnership)	367,298,216	n/a	367,298,216
Chengdu Xinyuan Renju Enterprise management Co., Ltd.	765,205	10%	765,205
Total			829,773,150

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	<u>Initial Cost</u>	<u>Ownership</u>	<u>December 31,</u>
	US\$		2018
			US\$
Nonmarketable equity securities			
Zhengzhou Lianhe Real Estate Co., Ltd. (“Zhengzhou Lianhe”)	241,648	1.85%	291,409
Zhengzhou Taike Real Estate Co., Ltd. (“Zhengzhou Taike”)	738,073	3.75%	728,523
Equity method investees			
Shenzhen Zhong An Financial Lease Co., Ltd.	7,639,186	25%	7,593,505
Zhengzhou Xinci Health Service Co. Ltd.	1,290,135	60%	779,847
Shenzhen Qianhai Jingjie City Renewal Investment Partnership (limited partnership)	8,118,800	n/a	8,013,755
Qingdao Huiju Zhihui City Industrial Development Co., Ltd.	505,162,873	49%	478,778,879
Wuhu Penghong Investment Center (Limited Partnership)	30,608,185	n/a	23,613,358
Suzhou Hengwan Real Estate Co., Ltd	18,613,537	16.66%	9,171,102
Madison Developments Limited.	19,095,969	50%	16,743,122
Henan Qingning Apartment Management Co., Ltd.	3,808,830	51%	2,796,705
Suzhou Litai Real Estate Co., Ltd.	9,284,103	19.99%	8,466,373
Beijing Starry Sky Cinema Co., Ltd. (“Starry Sky”)	3,103,509	70.77%	155,537
Huzhou Xinhong Town Construction and Development Co., Ltd.(“Huzhou Xinhong”)	7,430,936	78.46%	7,208,104
Total			<u>564,340,219</u>

Nonmarketable equity securities

Nonmarketable equity securities represent equity investments without readily determinable fair values. Those investments were previously accounted for using the cost method of accounting. As of December 31, 2017 and 2018, the Company beneficially owned a 1.85% and 3.75% equity interest in Zhengzhou Lianhe and Zhengzhou Taike, respectively. The Company adopted ASU 2016-01 and elected to record equity investments without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company. There were no material adjustments for observable price change or impairment related to these investments for the year ended December 31, 2018.

The following table summarizes the movement of the Company’s investment in Zhengzhou Lianhe and Zhengzhou Taike for years ended December 31, 2018:

	<u>December 31,</u>
	2018
	US\$
Balance as of January 1, 2018	979,721
Impairment on nonmarketable equity securities	-
Exchange translation adjustment	40,211
Balance as of December 31, 2018	<u>1,019,932</u>

Equity method investees

On January 11, 2016, the Group together with two other entities established a joint venture called Shenzhen Zhong An Financial Lease Co., Ltd. (“Shenzhen Zhong An”), in which the Group holds a 25% equity interest. The purpose of the joint venture is to undertake financial lease businesses.

On November 3, 2016, the Company together with two third parties established Zhengzhou Xinci Health Service Co., Ltd. (“Zhengzhou Xinci”) to provide health service in Zhengzhou, in which the Company holds a 60% equity interest and injected capital amounted US\$1,290,135 in 2017. Based on the articles of association, Company cannot exercise control over relevant activities of the investee, but it has the ability to exercise significant influence over Zhengzhou Xinci’s operation and financial decisions and accounted for it as an equity method investment.

On January 9, 2017, the Company set up a limited partnership, Shenzhen Qianhai Jingjie City Renewal Investment Partnership (“Shenzhen Qianhai”), with third parties and made a capital injection of US\$8,118,800. Shenzhen Qianhai will focus on investment in real estate renewal projects in Shenzhen city. The Company has significant influence over Shenzhen Qianhai operating and financial decisions and accounted for it as an equity method investment.

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On April 19, 2017, the Company signed an agreement to acquire up to 70% equity interest of Qingdao Huiju Zhihui City Industrial Development Co., Ltd. (“Qingdao Huiju”), which is developing a real estate project in Qingdao city from Beijing Huiju Technology Industry Development Co., Ltd., a non-affiliated company for a consideration of US\$505.2 million. As of December 31, 2018, US\$505.2 million had been paid and a 49% equity interest has been transferred to the Company. Based on the articles of association, the Company cannot exercise control of Qingdao Huiju until it acquires the entire 70% equity interest, but has the ability to exercise significant influence over Qingdao Huiju’s operating and financial decisions and accounted for it as an equity method investment.

On September 4, 2017, the Company with two non-affiliated companies, established a limited partnership, Wuhu Penghong Investment Center (Limited Partnership) (“Wuhu Penghong”), in which the Company and the other two partners each invested US\$30.6 million, US\$91.8 million and US\$3.1 million in cash, respectively. The other two partners hold substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghong under the equity method. On September 8, 2017, Wuhu Penghong acquired 90.57% equity interest of Guangzhou Huanglong Information Technology Co., Ltd. (“Guangzhou Huanglong”) for a total cash consideration of US\$19.7 million.

On December 27, 2017, the Company with a non-affiliated company, established a limited partnership, called Wuhu Penghua Tenth Investment Center (Limited Partnership) (“Wuhu Penghua”), where the Company and the other partner invested US\$367.3 million and US\$153.0 million in cash, respectively. The other partner holds substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghua under the equity method. In December 2017, Wuhu Penghua and the Company made capital contributions amounting to US\$6.9 million and US\$0.8 million, representing a 90% and 10% equity interest in Chengdu Xinyuan Renju Enterprise Management Co., Ltd. (“Chengdu Renju”), respectively. The Company exercises significant influence and accounted for its investment in Chengdu Renju using equity method. On September 6, 2018, Wuhu Penghua returned to the non-affiliated partner its related investment contribution resulting in the Company becoming the sole owner of the WuhuPenghua and Chengdu Renju. Therefore, management assessed that the acquisition constitutes an acquisition of business according to ASC805, *Business combinations* (see Note 8).

On March 20, 2018, the Company acquired 16.66% equity interest in Suzhou Hengwan Real Estate Co., Ltd (“Suzhou Hengwan”), which is developing a real estate project in Suzhou city from Suzhou Hengwan Enterprise Management Consulting Co., Ltd., a non-affiliated company for a consideration of US\$18.6 million. In the second half of 2018, Suzhou Hengwan returned US\$7.3 million of capital to the Company. Based on the articles of association, the Company cannot exercise control of Suzhou Hengwan, but has the ability to exercise significant influence over Suzhou Hengwan’s operating and financial decisions and accounted for it as an equity method investment.

On March 21, 2018, the Company acquired 50% equity interest in Madison Developments Limited (“MDL”), which is developing a real estate project in London, England from ED Jersey Limited, a non-affiliated company for a consideration of US\$19.1 million. Based on the articles of association, the Company cannot exercise control of MDL, but has the ability to exercise significant influence over MDL’s operating and financial decisions and accounts for it as an equity method investment.

On April 26, 2018, the Company acquired 51% equity interest in Henan Qingning Apartment Management Co., Ltd. (“Henan Qingning”), which is operating rental apartments in Henan Province, from one natural person and Henan Yangjian Industry Co., Ltd., a non-affiliated company, for a consideration of US\$3.8 million. Based on the articles of association, the Company cannot exercise control of Henan Qingning, but has the ability to exercise significant influence over Henan Qingning’s operating and financial decisions and accounted for it as an equity method investment.

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On May 31, 2018, the Company acquired 19.99% equity interest in Suzhou Litai Real Estate Co., Ltd (“Suzhou Litai”), which is developing a real estate project in Suzhou city from Yongwei Real Estate (Suzhou) Co., Ltd., a non-affiliated company, for a consideration of US\$9.3 million. Based on the articles of association, the Company cannot exercise control of Suzhou Litai, but has the ability to exercise significant influence over Suzhou Litai’s operating and financial decisions and accounted for it as an equity method investment.

On June 22, 2018, the Company together with a non-affiliated company, Huzhou Tianhong Real Estate Development Co., Ltd, established a joint venture, Huzhou Xinhong, in which the Company holds a 78.46% equity interest. The purpose of the joint venture is to undertake residential property development projects in Huzhou, Zhejiang Province. Based on the articles of association, the Company cannot exercise control of Huzhou Xinhong, but has the ability to exercise significant influence over Huzhou Xinhong’s operating and financial decisions and accounted for it as an equity method investment.

On May 27, 2015, the Company together with a non-affiliated company, Nanjing Starry Sky Studios Management Co., Ltd. established a joint venture Starry Sky, in which the Company holds a 51% equity interest. The purpose of the joint venture is to operate movie theatres. On October 18, 2018, for the best interests of the Company, the Company and its non-affiliated joint venture partner agreed that advances amounting to US\$2.4 million for operational needs due from Nanjing Starry Sky should be converted to an additional 19.77% equity interest. Therefore, as of October 18, 2018, the Company’s accumulated equity interest in Starry Sky is 70.77%. Based on the latest articles of association, the Company still cannot exercise control of Starry Sky, but has the ability to exercise significant influence over Starry Sky’s operating and financial decisions and accounted for it as an equity method investment.

As of December 31, 2018, the Group’s investment in the investees in the aggregate exceeded its proportionate share of the net assets of the equity method investee by nil (December 31, 2017: nil). This difference, if any, represents equity method goodwill and therefore, is not amortized. For the year ended December 31, 2018, the Group recognized investment loss amounting to US\$9,374,451 (2016: loss of US\$324,612; 2017: loss of US\$1,710,070). As of December 31, 2017 and 2018, there was no material impairment related to these investments.

8. Acquisition of subsidiaries

On September 6, 2018, the Group’s equity method investee, Wuhu Penghua Tenth Investment Center (Limited Partnership) (“Wuhu Penghua”), repurchased all partnership interests from all its partners except the Group for a consideration of US\$146.6 million. As a result, the Company was the sole partner remaining. Therefore, Wuhu Penghua and its subsidiaries Chengdu Renju and Chengdu Guohongteng Real Estate Co., Ltd. (“collectively, the “Wuhu Group”) became wholly-owned by the Company

This acquisition was consistent with the Group’s strategy to develop residential real estate markets in fast growth cities in China, and was accounted for under the acquisition method of accounting with acquired assets and assumed liabilities recorded at their acquisition date fair values. A gain of US\$4,384,563 is recognized as a result of the re-measurement of previously held equity interest in the Wuhu Group at acquisition-date fair value and is presented as a component of other income. The goodwill recognized at acquisition date amounting to US\$534,697 is primarily as a result of the ASC 740 requirement to recognize a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired real estate property under development and its corresponding tax base. None of the goodwill recognized is tax deductible.

The operational results of the Wuhu Group have been included in the Group’s consolidated financial statements since September 6, 2018 (“Acquisition Date”).

The purchase price allocation for the acquisition is primarily based on a valuation determined by the Group with the assistance of an independent third party valuation firm. The following table summarizes the fair values of the assets acquired and liabilities assumed on Acquisition Date.

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	US\$
Carrying amount of previously held equity interests	202,354,932
Remeasurement gain	4,384,563
Fair value of previously held equity interests(i)	206,739,495
Less: Goodwill	534,697
	206,204,798
Fair value of net identifiable assets acquired:	
Cash and cash equivalents	11,761,992
Real estate properties under development	538,393,230
Current assets	7,471,403
Current liabilities	(57,705,079)
Deferred tax liabilities	(534,697)
Long-term bank loan	(293,182,051)
	206,204,798

(i) The business combination was achieved without the transfer of consideration. The difference between the fair value of previously held equity interest and the fair value of net identifiable assets acquired was recognized as goodwill. As the Wuhu Group were private companies, the fair value of the Group's previously held equity interest is estimated based on asset-based approach using significant unobservable inputs that market participants would consider, which mainly include estimated revenue and estimated cost for the construction project.

The amount of revenue and net income of the Wuhu Group included in the Group's consolidated statement of comprehensive income for the period from the Acquisition Date to December 31, 2018 are US\$30,248,316 and US\$6,710,751, respectively.

The pro forma results of operations for the acquisition has not been presented because the revenue and earnings generated before the acquisition is immaterial.

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9. Short-term bank loans and other debt

Short-term bank loans and other debt represent amounts due to various banks and financial institutions that are due on the dates indicated below. Short-term bank loans and other debt at December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	December 31, 2018
	US\$	US\$
Loan from The Bank of East Asia		
Due June 1, 2018, at 1.10% plus 3 month LIBOR (1)	34,421,617	-
Due September 27, 2018, at 1.10% plus 3 month LIBOR (1)	24,294,636	-
	<u>58,716,253</u>	<u>-</u>
Loan from Huarong International Trust Co., Ltd. Limited		
Due August 9, 2018, at 8.50% per annum (1)	20,522,788	-
	<u>20,522,788</u>	<u>-</u>
Loan from Henan Zhongyuan Microfinance Co., Ltd.		
Due July 27, 2018, at 10.00% per annum (1)	7,652,046	-
Due July 26, 2019, at 11.60% per annum	-	7,285,231
	<u>7,652,046</u>	<u>7,285,231</u>
Loan from Zhongyuan Aviation Leasing Co., Ltd.		
Due November 23, 2018, at 10.00% per annum (1)	15,304,092	-
	<u>15,304,092</u>	<u>-</u>
Loan from Bridge Trust Co., Ltd.		
Due May 29, 2018, at 9.50% per annum (1)	41,933,213	-
Due November 29, 2018, at 9.50% per annum (1)	45,912,277	-
	<u>87,845,490</u>	<u>-</u>
Loan from China Huarong Asset Management Co., Ltd. Shaanxi Branch		
Due December 14, 2018, at 11.50% per annum (1)	15,304,092	-
	<u>15,304,092</u>	<u>-</u>
Loan from Kunlun Trust Co., Ltd.		
Due December 28, 2018, at 8.20% per annum (1)	38,260,231	-
Due June 28, 2019, at 10.50% per annum	-	36,426,157
	<u>38,260,231</u>	<u>36,426,157</u>
Uncommitted on-demand revolving facilities from Bank of China International Limited		
1.00% plus LIBOR (2)	3,935,538	-
1.00% plus HIBOR (2)	217,765	-
	<u>4,153,303</u>	<u>-</u>
Total short-term bank loans and other debt	<u>247,758,295</u>	<u>43,711,388</u>

(1) These loans were paid in full in 2018.

(2) These represent revolving credit facilities that are unsecured and repayable on demand.

As of December 31, 2018, except when otherwise indicated the Group's short-term bank loans and other debt were denominated in RMB and were mainly secured by the Group's real estate properties under development with net book value of nil (December 31, 2017: US\$318,402), land use rights with net book value of nil (December 31, 2017: US\$22,192,013), account receivables due from homebuyers amounting to nil (December 31, 2017: US\$17,004,691), the Group's real estate properties development completed with net book value of nil (December 31, 2017: US\$83,542,622), and the Group's real estate properties held for lease with net book value of nil (December 31, 2017: US\$ 102,285,772).

The weighted average interest rate on short-term bank loans and other debt as of December 31, 2018 was 10.68% (December 31, 2017: 7.67%).

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10. Long-term bank loans

Long-term bank loans as of December 31, 2017 and 2018 consisted of the following:

	December 31, 2017	December 31, 2018
	US\$	US\$
Loan from ICBC		
Due December 26, 2021, at 6.175% per annum (1)	147,938,539	116,560,788
Due December 22, 2021, at 6.175% per annum (1)	73,970,800	58,284,765
Due December 30, 2021, at 6.60% per annum (1)	68,051,177	53,619,303
Due December 22, 2021, at 9.80% per annum (1)	-	58,281,851
	<u>289,960,516</u>	<u>286,746,707</u>
Loan from China Guangfa Bank		
Due December 15, 2018, at 4.75% per annum (5)	8,539,683	-
Due October 20, 2019, at 6.4125% per annum (1)	14,691,929	10,490,733
	<u>23,231,612</u>	<u>10,490,733</u>
Loan from Bank of China		
Due March 27, 2018, at 5.23% per annum (5)	22,956,138	-
Due July 6, 2020, at 5.46% per annum (5)	22,956,138	-
Due March 30, 2020, at 6.65% per annum (2)	-	33,512,064
Due October 31, 2021 at 6.8875% per annum (3)	-	64,110,036
	<u>45,912,276</u>	<u>97,622,100</u>
Loan from Bank of Bohai		
Due March 14, 2019 at 5.415% per annum (5)	39,025,435	-
Loan from Bank of Beijing		
Due February 14, 2020 at 4.75% per annum (6)	49,374,063	42,810,934
Loan from The Bank of East Asia		
Due April 26, 2018, at 1.25% plus 3 month LIBOR (5)	13,250,000	-
Due June 1, 2018, at 1.25% plus 3 month LIBOR (4)	9,675,655	-
Due June 1, 2019, at 1.10% plus 1 month LIBOR(4)	-	9,675,654
Due June 5, 2018, at 1.25% plus 3 month LIBOR (4)	10,000,000	-
Due June 5, 2019, at 1.10% plus 1 month LIBOR (4)	-	10,000,000
Due August 15, 2018, at 1.25% plus 3 month LIBOR (4)	20,000,000	-
Due August 15, 2019, at 1.10% plus 1 month LIBOR (4)	-	20,000,000
Due August 30, 2018, at 1.10% plus 3 month LIBOR (4)	9,700,000	-
Due August 30, 2019, at 1.10% plus 1 month LIBOR (4)	-	9,700,000
Due September 19, 2018, at 1.10% plus 3 month LIBOR (4)	2,220,000	-
Due September 19, 2019, at 1.10% plus 1 month LIBOR (4)	-	2,220,000
Due January 9, 2020, at 1.10% plus 1 month LIBOR (4)	-	3,178,000
Due June 2, 2019, at 1.10% plus 1 month LIBOR (4)	-	34,421,617
Due September 27, 2019, at 1.10% plus 3 month LIBOR (4)	-	24,294,636
	<u>64,845,655</u>	<u>113,489,907</u>
Loan from Ping An Bank Co., Ltd.		
Due May 31, 2021, at 6.8875% per annum (7)	-	116,417,997
Due May 27, 2021, at 7.3625% per annum (8)	-	14,570,463
	<u>-</u>	<u>130,988,460</u>
Loan from China Construction Bank		
Due July 2, 2021, at 6.65% per annum	-	56,824,805
Due August 31, 2021, at 7.9% per annum (9)	-	17,484,555
Due April 4, 2021, at 6.175% per annum (14)	-	36,424,700
	<u>-</u>	<u>110,734,060</u>
Loan from Bank of Minsheng		
Due June 14, 2031, at 8.50% per annum (10)	-	62,798,694
Due March 30, 2023 at 8.8825% per annum (11)	-	291,394,685
	<u>-</u>	<u>354,193,379</u>
Loan from Bank of Hengfeng		
Due September 20, 2021, at 8.0009% per annum (12)	-	73,580,837

Loan from Zheshang Bank Co., Ltd		
Due September 21, 2021, at 7.98% per annum (13)	-	29,286,630
Total	512,349,557	1,249,943,747
Less: current portion of long-term bank loans	(501,330,611)	(529,904,807)
Total long-term bank loans	<u>11,018,946</u>	<u>720,038,940</u>

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As of December 31, 2018, the contractual maturities of these loans are as follows:

Year	Amount
	US\$
2019	120,802,640
2020	79,500,998
2021	695,446,730
2022	-
2023 and thereafter	354,193,379
Less: current portion of long-term bank loans	<u>(529,904,807)</u>
Total: long-term bank loans	<u><u>720,038,940</u></u>

- (1) Pursuant to the loan contracts, if the Group achieves an agreed upon sales target from the sales of the underlying real estate properties under development, the Group has an obligation to repay certain portion of the loan before the maturity date. Therefore, the respective current portions of these loans have been classified as current liabilities as of December 31, 2018.
- (2) Pursuant to the agreements with Bank of China the debt is secured by the Group's real estate properties under development with net book value of US\$3,867,049 (December 31, 2017: nil) and the Group's real estate properties held for lease with net book value of US\$13,455,966 (December 31, 2017: nil).
- (3) Pursuant to the agreements with Bank of China the debt is secured by the Group's real estate properties held for lease with net book value of US\$15,663,781 (December 31, 2017: nil).

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- (4) Pursuant to the loan contract with The Bank of East Asia, these eight loans from The Bank of East Asia, amounting to US\$9.7 million, US\$10.0 million, US\$20.0 million, US\$9.7 million, US\$2.2 million, US\$3.2 million, US\$34.4 million and US\$24.3 million respectively, are denominated in US\$ and are secured by restricted cash of US\$9,907,915 (December 31, 2017: US\$10,911,818), US\$10,199,324 (December 31, 2017: US\$11,279,116), US\$20,719,198 (December 31, 2017: US\$22,558,232.07), US\$10,056,533 (December 31, 2017: US\$10,939,365.19), US\$2,302,133 (December 31, 2017: US\$2,503,749.50), US\$3,205,502 (long term restricted cash recorded under non-current assets, December 31, 2017: nil), US\$36,863,271 (December 31, 2017: nil), and US\$24,810,584 (December 31, 2017: nil), respectively. Besides, these loans are secured by supplementary restricted cash US\$3,107,880 as the RMB depreciated against the US dollar in 2018.
- (5) These loans were paid in full or partially repaid in 2018.
- (6) Pursuant to the agreement with Bank of Beijing, the debt is secured by the Group's land use rights with net book value of US\$4,456,170 (December 31, 2017: US\$26,510,878) and partially repaid in 2018.
- (7) Pursuant to the agreement with Ping An Bank Co., Ltd., the debt is secured by the Group's land use rights with net book value of US\$23,144,926 (December 31, 2017: nil)
- (8) Pursuant to the agreement with Ping An Bank Co., Ltd, the debt is secured by the Group's land use rights with net book value of US\$35,085,752 (December 31, 2017: nil).
- (9) Pursuant to the agreement with China Construction Bank, the debt is secured by the Group's land use rights with net book value of US\$35,052,888 (December 31, 2017: nil).
- (10) Pursuant to the agreements with Bank of Minsheng the debt is secured by the Group's real estate properties held for lease with net book value of US\$94,661,603 (December 31, 2017: nil).
- (11) Pursuant to the agreement with Bank of Minsheng, the debt is secured by the Group's land use rights with net book value of US\$108,344,332 (December 31, 2017: nil).
- (12) Pursuant to the agreements with Bank of Hengfeng the debt is secured by the Group's real estate properties under development with net book value of US\$26,860,581 (December 31, 2017: nil) and the Group's land use rights with net book value of US\$39,208,344 (December 31, 2017: nil).
- (13) Pursuant to the agreement with Zheshang Bank Co., Ltd, the debt is secured by the Group's land use rights with net book value of US\$29,080,964 (December 31, 2017: nil).
- (14) Pursuant to the agreement with China Construction Bank, the debt is secured by restricted cash of US\$11,525,236 (December 31, 2017: nil).

As of December 31, 2018, except when otherwise indicated, the Group's long term bank loans were all denominated in RMB and were mainly secured by the Group's real estate properties under development with net book value of US\$30,727,630 (December 31, 2017: US\$399,622), land use rights with net book value of US\$462,352,750 (December 31, 2017: US\$114,610,709), the Group's real estate properties held for lease with net book value of US\$123,781,349 (December 31, 2017: nil).

The interest rates of these bank loans are adjustable based on the range of 100% to 206% of the PBOC prime rate. The weighted average interest rate on long-term bank loans as of December 31, 2018 was 7.16% (December 31, 2017: 5.43%).

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11. Other long-term debt

As of December 31, 2017 and 2018, other long-term debt consisted of the following:

	December 31, 2017 US\$	December 31, 2018 US\$
November 2020 Senior Secured notes due on November 22, 2020 at 8.875%	293,742,826	295,673,796
August 2019 Senior Notes due on August 30, 2019 at 8.125%	295,270,134	286,741,749
February 2021 Senior notes due on February 28, 2021 at 7.75%	286,865,011	270,624,821
March 2020 Senior Secured Notes due on March 12, 2020 at 9.875%	-	197,226,325
Corporate bonds due on December 28, 2020 at 8.20%	152,661,716	58,275,179
Corporate bonds due on January 27, 2021 at 7.47%	107,005,532	43,709,787
Corporate bonds due on March 14, 2021 at 7.09%	76,420,211	72,849,705
Corporate bonds due on August 15, 2019 at 8.20%	226,122,693	63,404,057
Corporate bonds due on April 7, 2020 at 8.20%	172,188,160	89,655,359
Corporate bonds due on September 21, 2020 at 8.50%	-	28,998,553
Collateralized loan due on May 22, 2020 at 10.3192% (2)	135,992,164	189,416,016
Collateralized loan due on November 6, 2018 at 8.20% (1)	6,387,795	-
Collateralized loan due on January 4, 2019 at 8.20% (1)	2,794,660	-
Collateralized loan due on May 10, 2018 at 7.501% (1)	28,312,572	-
Collateralized loan due on July 31, 2021 at 8.00% (1)	48,973,095	-
Collateralized loan due on August 2, 2021 at 8.00% (1)	5,662,515	-
Collateralized loan due on September 6, 2019 at 8.50% (1)	15,304,092	-
Collateralized loan due on October 30, 2019 at 9.30%	2,479,263	2,360,415
Collateralized loan due on November 2, 2019 at 9.30%	28,128,922	26,780,511
Collateralized loan due on November 23, 2024 at 6.90% (1)	40,173,242	-
Collateralized loan due on March 17, 2020 at 7.62% (1)	35,199,412	21,855,694
Collateralized loan due on November 30, 2019 at 10.3192% (3)	260,169,569	130,813,615
Collateralized loan due on December 4, 2020 at 12.00% (4)	-	1,427,905
Collateralized loan due on November 28, 2020 at 11.50% (5)	-	11,656,370
Collateralized loan due on November 9, 2020 at 9.405%	-	50,996,620
Collateralized loan due on October 30, 2020 at 11.50% (6)	-	40,951,099
Non-controlling shareholder's loan due on May 23, 2019 at 10.3192% (7)	246,778,489	189,780,277
Kent EB-5 LLC loan due on January 23, 2020 at 5.95% (8)	10,000,000	9,500,000
Kent EB-5 LLC loan due on April 30, 2020 at 5.95% (8)	5,000,000	5,000,000
Kent EB-5 LLC loan due on June 25, 2020 at 5.95% (8)	5,000,000	5,000,000
Kent EB-5 LLC loan due on August 4, 2020 at 5.95% (8)	5,000,000	5,000,000
Kent EB-5 LLC loan due on August 20, 2020 at 5.95% (8)	5,000,000	5,000,000
Kent EB-5 LLC loan due on October 1, 2020 at 5.95% (8)	10,000,000	10,000,000
Kent EB-5 LLC loan due on November 23, 2020 at 5.95% (8)	10,000,000	10,000,000
Kent EB-5 LLC loan due on March 15, 2021 at 5.95% (8)	9,500,000	9,500,000
Kent EB-5 LLC loan due on September 12, 2021 at 5.95% (8)	500,000	500,000
Ozarks loan due on March 24, 2020 at 4.50% plus 1 month LIBOR (9)	22,283,892	24,008,924
Bank Direct Capital Finance loan due on January 1, 2020 at 4.19% (10)	2,801,117	1,762,072
Total principal of other long-term debt	2,551,717,082	2,158,468,849
Less: current portion of other long-term debt	(1,146,902,643)	(1,118,013,649)
Total other long-term debt	1,404,814,439	1,040,455,200

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The August 2019, November 2020, February 2021 and March 2020 Senior Secured Notes are senior secured pari passu obligations of the Company.

As of December 31, 2018, the contractual maturities of these debts are as follows:

Year	Amount
	US\$
2019	699,880,624
2020	1,061,403,912
2021	397,184,313
2022	-
2023 and thereafter	-
Less: current portion of other long term debt	<u>(1,118,013,649)</u>
Total: Other long-term debt	<u>1,040,455,200</u>

- (1) These loans were paid in full or partially repaid in 2018.
- (2) Pursuant to the agreements with Ping An Trust Co., Ltd., this other long-term debt is secured by the Group's equity interest in Qingdao Huiju.
- (3) Pursuant to the agreements with Ping An Trust Co., Ltd., the debt is secured by the Group's 51% equity interest of Henan Renxin.
- (4) Pursuant to the agreements with Wanxiang Trust Co., Ltd., the debt is secured by the Group's real estate properties under development with net book value of US\$963,588 (December 31, 2017: nil), land use rights with net book value of US\$92,753 (December 31, 2017: nil) and the Group's real estate properties development completed with net book value of US\$576,774 (December 31, 2017: nil).
- (5) Pursuant to the agreements with Huarong International Trust Co., Ltd, the debt is secured by the Group's land use rights with net book value of US\$396,377 (December 31, 2017: nil) and the Group's real estate properties development completed with net book value of US\$4,346,035 (December 31, 2017: nil).
- (6) Pursuant to the agreements with Huarong International Trust Co., Ltd, the debt is secured by the Group's land use rights with net book value of US\$7,299,073 (December 31, 2017: nil), the Group's real estate properties held for lease with net book value of US\$33,336,335 (December 31, 2017: nil) and the Group's real estate properties development completed with net book value of US\$1,048,715 (December 31, 2017: nil).
- (7) Pursuant to the agreements with Ping An Trust Co., Ltd., which is the non-controlling shareholder of Ruihao Rongtong, this other long-term debt is secured by the Group's 65% equity interest in Ruihao Rongtong.
- (8) Pursuant to the agreements with Kent EB-5 LLC, this other long-term debt amounting to US\$59.5 million in total, is denominated in US\$ with maturity dates that vary from January 23, 2020 to September 12, 2021.

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- (9) Pursuant to the agreements with Bank of Ozarks (“Ozarks”), Hudson 888 Owner LLC has agreed to provide security in the form of mortgages and assignment of leases and rents. In addition, XIN Development Group International Inc., agreed to, jointly and severally, provide a number of guarantees, including carve out guaranty, completion guaranty, repayment guaranty and carry guaranty to Ozarks and its successors in relation to the mortgaged property, liabilities of and/or payments to Ozarks. The other long-term debt is denominated in US\$.
- (10) Pursuant to the agreements with Bank Direct Capital Finance, this other long-term debt is denominated in US\$ and unsecured, and repayable in 30 months from August 1 2017. The balance to be paid in next year has been classified as current liabilities as of December 31, 2018

As of December 31, 2018, except when otherwise indicated and the Senior Secured Notes, the Group’s other long-term debt was all denominated in RMB and mainly secured by the Group’s real estate properties under development with net book value of US\$963,588 (December 31, 2017: nil), land use rights with net book value of US\$584,008,103 (December 31, 2017: US\$772,031,141), real estate properties held for lease with net book value of US\$51,648,281 (December 31, 2017: US\$48,610,581), and real estate properties development completed with net book value of US\$36,801,393 (December 31, 2017: US\$70,161,378).

June 2019 Senior Secured Notes

On December 6, 2013, the Company issued senior notes with an aggregate principal amount of US\$200,000,000 due June 6, 2019 at a coupon rate of 13% per annum payable semi-annually. Interest is payable on June 6 and December 6 of each year, commencing June 6, 2014.

The effective interest rate of June 2019 Senior Secured Notes is 14.05%.

The June 2019 Senior Secured Notes were issued pursuant to the June 2019 Indenture, dated December 6, 2013, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent. The Company’s obligations under the June 2019 Indenture and the June 2019 Senior Secured Notes have been guaranteed by certain of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the June 2019 Indenture. The Company’s obligations under the June 2019 Indenture and the June 2019 Senior Secured Notes are secured by a pledge of the capital stock of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd.

The Company may redeem the June 2019 Senior Secured Notes, in whole or in part, at 106.5% and 103.25% of principal amount, plus accrued and unpaid interest, if any, to (but excluding) the redemption date during the 12 month period commencing on June 6, 2017 and June 6, 2018, respectively.

At any time prior to June 6, 2017, the Company may at its option redeem the June 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the June 2019 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on June 6, 2017, plus all required remaining scheduled interest payments due on such Note through June 6, 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the June 2019 Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

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The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the June 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the June 2019 Secured Senior Notes.

The June 2019 Indenture, as amended, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the June 2019 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the June 2019 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the June 2019 Indenture) of 2.75 to 1.0 (reduced from 3.0 to 1.0 effective February 2016). The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt – Modifications and Exchanges*. For a further discussion of the amendments to the June 2019 Indenture, see Note 2 (ad) above.

On July 10, 2017, the Company redeemed the June 2019 Senior Secured Notes for a total redemption amount of US\$215,456,000 consisting of the entire outstanding principal balance, interest to the redemption date and debt redemption price amounting to US\$200,000,000, US\$2,456,000 and US\$13,000,000 (equal to the 6.5% of the outstanding principal amount), respectively. The Company recognized loss on extinguishment of debt amounting to US\$15,879,702, consisting of both the debt redemption price amounting to US\$13,000,000 and unamortized deferred debt issuance costs amounting to US\$2,879,702. The Company funded the redemption using the proceeds from the issuance of its February 2021 Senior Secured Notes.

August 2019 Senior Secured Notes

On August 30, 2016, the Company issued an aggregate principal amount of US\$300,000,000 of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes bear interest at 8.125% per annum payable semi-annually. Interest will be payable on February 28 and August 30 of each year, commencing February 28, 2017.

The effective interest rate of August 2019 Senior Secured Notes is 9.06%.

The August 2019 Senior Secured Notes were issued pursuant to an indenture, dated August 30, 2016, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "August 2019 Indenture"). The Company's obligations under the August 2019 Indenture and the August 2019 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the August 2019 Indenture. The Company's obligations under the August 2019 Indenture and the August 2019 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd..

At any time prior to August 30, 2019, the Company may at its option redeem the August 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the August 2019 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any August 2019 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such August 2019 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such August 2019 Senior Secured Note, plus all required remaining scheduled interest payments due on such August 2019 Senior Secured Note through the maturity date of the August 2019 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the August 2019 Indenture) plus 100 basis points, over (B) the principal amount of such August 2019 Senior Secured Note on such redemption date.

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At any time prior to August 30, 2019, the Company may redeem up to 35% of the aggregate principal amount of the August 2019 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 108.125% of the principal amount of the August 2019 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the August 2019 Senior Secured Notes issued on August 30, 2016 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the August 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the August 2019 Secured Senior Notes.

The August 2019 Indenture, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the August 2019 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the August 2019 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the August 2019 Indenture) of 2.50 to 1.0.

From August 31, 2018 to December 31, 2018, the Company redeemed the August 2019 Senior Secured Notes for a total principal amount of US\$11.9 million. The Company recognized gain on extinguishment of debt amounting to US\$511,919, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$577,449 and the loss from unamortized deferred debt issuance costs amounting to US\$65,530.

February 2021 Senior Secured Notes

On February 28, 2017, The Company issued an aggregate principal amount of US\$300,000,000 of the February 2021 Senior Secured Notes. The February 2021 Senior Secured Notes bear interest at 7.75% per annum payable semi-annually. Interest will be payable on February 28 and August 28 of each year, commencing August 28, 2017. The February 2021 Senior Secured Notes have a four year term maturing on February 28, 2021.

The effective interest rate of February 2021 Senior Secured Notes is 8.68%.

The February 2021 Senior Secured Notes were issued pursuant to an indenture, dated February 28, 2017, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "February 2021 Indenture"). The Company's obligations under the February 2021 Indenture and the February 2021 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the February 2021 Indenture. The Company's obligations under the February 2021 Indenture and the February 2021 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

At any time prior to February 28, 2021, the Company may at its option redeem the February 2021 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the February 2021 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any February 2021 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such February 2021 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such February 2021 Senior Secured Note, plus all required remaining scheduled interest payments due on such February 2021 Senior Secured Note through the maturity date of the February 2021 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the February 2021 Indenture) plus 100 basis points, over (B) the principal amount of such February 2021 Senior Secured Note on such redemption date.

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At any time prior to February 28, 2021, the Company may redeem up to 35% of the aggregate principal amount of the February 2021 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 107.75% of the principal amount of the February 2021 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the February 2021 Senior Secured Notes issued on February 28, 2017 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the February 2021 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the February 2021 Secured Senior Notes.

The February 2021 Indenture, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the February 2021 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the February 2021 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the February 2021 Indenture) of 2.0 to 1.0.

From August 31, 2018 to December 31, 2018, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$25.4 million. The Company recognized gain on extinguishment of debt amounting to US\$2,642,710, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$3,043,135 and the loss from unamortized deferred debt issuance costs amounting to US\$400,425.

November 2020 Senior Secured Notes

On November 22, 2017 and December 1, 2017, the Company issued an aggregate principal amount of US\$200,000,000 and US\$100,000,000 of the November 2020 Senior Secured Notes, respectively. The November 2020 Senior Secured Notes bear interest at 8.875% per annum payable semi-annually. Interest will be payable on May 22 and November 22 of each year, commencing May 22, 2018. The November 2020 Senior Secured Notes have a three year term maturing on November 22, 2020.

The effective interest rate of November 2020 Senior Secured Notes is 9.95%.

The November 2020 Senior Secured Notes were issued pursuant to an indenture, dated November 22, 2017, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "November 2020 Indenture"). The Company's obligations under the November 2020 Indenture and the November 2020 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the November 2020 Indenture. The Company's obligations under the November 2020 Indenture and the November 2020 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

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At any time prior to November 22, 2020, the Company may at its option redeem the November 2020 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the November 2020 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any November 2020 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such November 2020 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such November 2020 Senior Secured Note, plus all required remaining scheduled interest payments due on such November 2020 Senior Secured Note through the maturity date of the November 2020 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the November 2020 Indenture) plus 100 basis points, over (B) the principal amount of such November 2020 Senior Secured Note on such redemption date.

At any time prior to November 22, 2020, the Company may redeem up to 35% of the aggregate principal amount of the November 2020 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 108.875% of the principal amount of the November 2020 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the November 2020 Senior Secured Notes issued on November 22, 2017 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the November 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the November 2020 Secured Senior Notes.

The November 2020 Indenture, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the November 2020 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the November 2020 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the November 2020 Indenture) of 2.0 to 1.0.

March 2020 Senior Secured Notes

On March 19, 2018, the Company issued an aggregate principal amount of US\$200,000,000 of the March 2020 Senior Secured Notes. The March 2020 Senior Secured Notes bear interest at 9.875% per annum payable semi-annually. Interest will be payable on March 19 and September 19 of each year, commencing September 19, 2018. The March 2020 Senior Secured Notes have a two year term maturing on March 19, 2020.

The effective interest rate of March 2020 Senior Secured Notes is 11.34%.

The March 2020 Senior Secured Notes were issued pursuant to an indenture, dated March 19, 2017, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "March 2020 Indenture"). The Company's obligations under the March 2020 Indenture and the March 2020 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the March 2020 Indenture. The Company's obligations under the March 2020 Indenture and the March 2020 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

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At any time prior to March 19, 2020, the Company may at its option redeem the March 2020 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the March 2020 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any March 2020 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such March 2020 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such March 2020 Senior Secured Note, plus all required remaining scheduled interest payments due on such March 2020 Senior Secured Note through the maturity date of the March 2020 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the March 2020 Indenture) plus 100 basis points, over (B) the principal amount of such March 2020 Senior Secured Note on such redemption date.

At any time prior to March 19, 2020, the Company may redeem up to 35% of the aggregate principal amount of the March 2020 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 109.875% of the principal amount of the March 2020 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the March 2020 Senior Secured Notes issued on March 19, 2018 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the March 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the March 2020 Senior Secured Notes.

The March 2020 Indenture, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the March 2020 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the March 2020 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the March 2020 Indenture) of 2.0 to 1.0.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan China issued the first tranche of the onshore corporate bonds with an aggregate principal amount of RMB 1 billion (US\$154 million) due on December 28, 2020 (the "First Tranche Bonds") at a coupon rate of 7.5% per annum payable annually. Interest is payable on December 28 of each year, commencing December 28, 2016.

On January 27, 2016, Xinyuan China issued the second tranche of the onshore corporate bonds with an aggregate principal amount of RMB 0.7 billion (US\$107 million) due on January 27, 2021 (the "Second Tranche Bonds") at a coupon rate of 7.47% per annum payable annually. Interest is payable on January 27 of each year, commencing January 27, 2017.

On March 14, 2016, Xinyuan China issued the third tranche of the onshore corporate bonds with an aggregate principal amount of RMB 0.5 billion (US\$77 million) due on March 14, 2021 (the "Third Tranche Bonds") at a coupon rate of 7.09% per annum payable annually. Interest is payable on March 14 of each year, commencing March 14, 2017.

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The above three tranches of onshore corporate bonds were issued at par. Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company's announcement of whether it intends to adjust the interest rate. Upon the third anniversary on December 28, 2017, the first tranche of the onshore corporate bonds have been reclassified to current liabilities. Upon the third anniversary on January 27, 2018, the second tranche of the onshore corporate bonds have been reclassified to current liabilities. Upon the third anniversary on March 14, 2018, the third tranche of the onshore corporate bonds have been reclassified to current liabilities. On December 28, 2018, Xinyuan China adjusted the annual interest rate of the First Tranche Bonds to 8.2% from 7.5%. The first and second tranche of the onshore corporate bonds have been reclassified to non-current liabilities.

From November 19, 2018 to November 30, 2018, the Company redeemed the First Tranche Bonds for a total principal amount of RMB 0.6 billion (US\$87 million). The Company recognized loss on extinguishment of debt amounting to US\$6,518,487, consisting of both the debt redemption price amounting to US\$6,509,574 and unamortized deferred debt issuance costs amounting to US\$8,913.

From December 14, 2018 to December 21, 2018, the Company redeemed the Second Tranche Bonds for a total principal amount of RMB 0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$4,775,500, consisting of both the debt redemption price amounting to US\$4,773,284 and unamortized deferred debt issuance costs amounting to US\$2,216.

On August 15, 2016, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB 1.5 billion (US\$216 million) due on August 15, 2019 (the "New Tranche") at a coupon rate of 7.5% per annum payable annually. Interest is payable on August 15 of each year, commencing August 15, 2017.

On April 7, 2017, Xinyuan China issued a new second tranche of onshore corporate bonds with an aggregate principal amount of RMB 1.13 billion (US\$173 million) due on April 7, 2020 (the "2017 Tranche") at a coupon rate of 8.2% per annum payable annually. Interest is payable on April 7 of each year, commencing April 7, 2018.

Upon the first anniversary of the issuance of the New Tranche and 2017 Tranche, respectively, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company's announcement of whether it intends to adjust the interest rate. Therefore, the entire amount of the New Tranche and 2017 Tranche, respectively, has been classified as current liabilities for the periods presented. On August 15, 2017, Xinyuan China adjusted the annual interest rate of the New Tranche Bonds to 8.2% from 7.5%. The annual interest rate of the 2017 Tranche Bonds remained unchanged, at 8.2%.

From August 1, 2018 to August 3, 2018, the Company redeemed the New Tranche for a total principal amount of RMB 1.05 billion (US\$153 million). The Company recognized loss on extinguishment of debt amounting to US\$5,989,710, consisting of both the debt redemption price amounting to US\$5,710,866 and unamortized deferred debt issuance costs amounting to US\$278,844.

On March 20, 2018, the Company redeemed the 2017 Tranche for a total principal amount of RMB 0.5 billion (US\$73 million). The Company recognized loss on extinguishment of debt amounting to US\$3,782,353, consisting of both the debt redemption price amounting to US\$3,494,557 and unamortized deferred debt issuance costs amounting to US\$287,796.

On September 20, 2018, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB 600 million (US\$87 million) due on September 21, 2020 (the "2018 Tranche") at a coupon rate of 8.5% per annum payable annually. Interest is payable on September 21 of each year, commencing September 21, 2019. The above three tranches of onshore corporate bonds were issued at par.

On September 21, 2018, the Company redeemed the 2018 Tranche for a total principal amount of RMB 0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$3,599,937, consisting of both the debt redemption price amounting to US\$3,291,086 and unamortized deferred debt issuance costs amounting to US\$308,851.

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12. Capital lease obligations

On October 23, 2012, the Group entered into an agreement with Minsheng Hongtai (Tianjin) Aircraft Leasing Co., Ltd. (“Minsheng”) to lease a corporate aircraft. The lease meets the transfer-of-ownership to the lessee criterion and is therefore, classified as a capital lease. The corporate aircraft was delivered on September 12, 2013, and the capital lease commenced on September 15, 2013 (the “Commencement Date”). The lease has an eight year term and expires on September 15, 2021. The Group has to make 32 quarterly lease payments of US\$1,426,435 starting from the Commencement Date. In 2012, Henan Xinyuan paid a deposit in the amount of US\$6.7 million to Minsheng. Upon the expiration of the lease agreement, the deposit in the amount of US\$6.7 million may be used as full and final payment to Minsheng to purchase the corporate aircraft. The effective interest rate for the capital lease obligation is 10.47%.

On August 1, 2016, the Group entered into a sale and leaseback agreement with Shenzhen Zhong An for shopping mall equipment. Upon expiration of the lease period and settlement of all the lease payments, the Group is entitled to purchase the leased assets at a nominal amount. The lease meets the transfer-of-ownership to the lessee criterion and is therefore, classified as a capital lease. The capital lease commenced on August 1, 2016 (the “Commencement Date”). The lease has a three year term and expires on July 31, 2019. The Group has to make 12 quarterly lease payments of US\$260,143 starting from the Commencement Date. The effective interest rate for the capital lease obligation is 5.58%. On November 28, 2018, the Group paid all the lease payments in advance.

On November 30, 2018, the Group entered into a sale and leaseback agreement with Shenzhen Zhong An for shopping mall equipment. Upon the expiry of the lease period and settlement of all the lease payments, the Group is entitled to purchase the leased assets at a nominal amount. The lease meets the transfer-of-ownership to the lessee criterion and is therefore, classified as a capital lease. The capital lease commenced on November 30, 2018 (the “2018 Commencement Date”). The lease has a three year term and expires on November 29, 2021. The sales consideration received for the shopping mall equipment was US\$7,562,237; and the Group agreed to make 12 quarterly lease payments for an aggregate amount of US\$8,059,227 starting from the 2018 Commencement Date. The effective interest rate for the capital lease obligation is 6.95%.

Capital lease obligations are summarized as follows:

	December 31, 2017	December 31, 2018
	US\$	US\$
Capital lease obligations, net of current maturities		
Due to Minsheng	10,764,638	6,362,777
Due to related party - Shenzhen Zhong An	650,706	3,652,014
	<u>11,415,344</u>	<u>10,014,791</u>
Current maturities of capital lease obligations		
Due to Minsheng	3,353,698	3,657,730
Due to related party - Shenzhen Zhong An	1,118,688	2,904,695
	<u>4,472,386</u>	<u>6,562,425</u>
Total capital lease obligations	<u><u>15,887,730</u></u>	<u><u>16,577,216</u></u>

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13. Customer deposits

Advances for real estate properties comprise of sales proceeds received from customers for the pre-sale of residential units in the PRC. Advances for real estate properties are typically funded up to 40% - 80% by mortgage loans made by banks to the customers. The Group holds certain cash balances in restricted cash accounts at the relevant banks (Note 2 (f)). The Group, in return, has a right to withhold transfer of title to the customer until outstanding amounts are fully settled.

	December 31, 2017	December 31, 2018
	US\$	US\$
Advances for real estate properties	1,683,218,520	3,218,686,349
Add: increase in revenue recognized in excess of amounts received from customers	76,399,991	32,408,393
Less: recognized as progress billings (Note 4)	<u>(1,321,276,798)</u>	<u>(1,329,243,487)</u>
Customer deposits (Note 2(n))	<u>438,341,713</u>	<u>1,921,851,255</u>

14. Income taxes

(a) Corporate income tax ("CIT")

Under the current law of the Cayman Islands, the Company is not subject to income tax and withholding tax.

The Company's PRC subsidiaries are subject to income tax at the statutory rate of 25% in accordance to the PRC corporate income tax laws and regulations. Further, under the same tax laws and regulations, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain jurisdictions.

The Company's HK subsidiaries are subject to income tax at the statutory rate of 16.5% in accordance to the HK profits tax laws and regulations. The Company did not make any provisions for Hong Kong Profits Tax as there were no assessable profits arising in or derived from Hong Kong for any of the periods presented. Under the Hong Kong tax law, the Company's HK subsidiaries are exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

The Company's US subsidiaries are subject to income tax at the effective rate of approximately 33% in accordance with US corporate income tax laws and regulations, dividends and interests paid by US enterprises to non-US tax resident enterprises are subject to US withholding tax of 30%.

Income before income tax expenses consists of:

	Year ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
PRC	211,620,233	275,898,007	355,674,888
Non PRC	<u>(45,909,678)</u>	<u>(82,669,476)</u>	<u>(105,275,621)</u>
Total	<u>165,710,555</u>	<u>193,228,531</u>	<u>250,399,267</u>

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Income tax expenses for the years ended December 31, 2016, 2017 and 2018 are summarized as follows:

	Year ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Current:			
CIT tax expense	70,285,607	103,302,037	141,399,866
Land Appreciation Tax (“LAT”) expense	33,254,340	40,203,748	62,996,403
Deferred tax benefit	(17,292,072)	(30,388,659)	(59,949,022)
Income tax expense	<u>86,247,875</u>	<u>113,117,126</u>	<u>144,447,247</u>

The Group’s income tax expense differs from the tax expense computed by applying the PRC statutory CIT rate of 25% for the years ended December 31, 2016, 2017 and 2018, are as follows:

	Year ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
CIT at rate of 25%	41,427,639	48,307,133	62,599,817
Tax effect of non-deductible expenses	7,425,406	3,641,665	5,799,761
Unrecognized tax benefits	(1,949,726)	-	-
LAT expense	33,254,340	40,203,748	62,996,403
CIT benefit of LAT	(8,313,585)	(10,050,937)	(15,749,101)
Changes in valuation allowance	(1,161,335)	3,180,741	(491,075)
International rate differences	17,814,114	10,149,331	18,224,012
Dividend and interest withholding taxes	-	18,877,500	15,403,663
Adjustment of estimated income tax accruals	(1,979,380)	(954,552)	(3,952,396)
Others	(269,598)	(237,503)	(383,837)
Actual income tax expense	<u>86,247,875</u>	<u>113,117,126</u>	<u>144,447,247</u>

(b) Unrecognized tax benefit

The following table summarizes the activities related to the Group’s unrecognized tax benefits:

	Year ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Balance at January 1	17,842,283	20,491,988	31,231,376
Additions for tax positions of current year	5,549,004	10,813,497	15,500,052
Movement in current year due to foreign exchange rate fluctuation	(68,926)	2,001	-
Reductions for tax positions of prior years	(880,647)	(76,110)	-
Lapse of statute of limitations	(1,949,726)	-	-
Reduction due to company liquidation	-	-	(792,194)
Balance at December 31	<u>20,491,988</u>	<u>31,231,376</u>	<u>45,939,234</u>

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The movement in the liability for unrecognized tax benefits of US\$5,549,004 in 2016 was due to deemed interest income from subsidiaries of the Company during the year. The movement in the liability for unrecognized tax benefits of US\$68,926 was due to the fluctuation of US\$/RMB exchange rate, and therefore was recorded as other comprehensive income arising from the foreign currency translation. The remaining change of US\$1,949,726 was recognized as a reduction of unrecognized tax benefits mainly due to the expiration of the statute of limitations period, and the amount of US\$880,647 was recognized due to the availability for taxation deductions in 2016.

The movement in the liability for unrecognized tax benefits of US\$10,813,497 in 2017 was due to deemed interest income from subsidiaries of the Company during the year. The movement in the liability for unrecognized tax losses of US\$2,001 was due to the fluctuation of US\$/RMB exchange rate, and therefore was recorded as other comprehensive income arising from the foreign currency translation. The remaining change of US\$76,110 was recognized due to the availability for taxation deductions in 2017.

The current year movement in the liability for unrecognized tax benefits of US\$15,500,052 in 2018 was due to deemed interest income from subsidiaries of the Company during the year. The change of US\$792,194 was recognized mainly due to the liquidation of a company.

As of December 31, 2017 and 2018, unrecognized tax benefits of nil and nil, respectively, if ultimately recognized, will impact the effective tax rate. The Group anticipates new unrecognized tax benefits, related to tax positions similar to those giving rise to its existing unrecognized tax benefits, to originate after December 31, 2018. It is possible that the amount of uncertain tax positions will change in the next twelve months, however, an estimate of the range of the possible outcomes cannot be made at this time.

The Group's income tax returns for fiscal year 2008 through fiscal year 2018 remain open to potential examination. In addition, local tax authorities may exercise broad discretion in applying the tax law, thus potentially exposing the subsidiaries to audits of tax years outside the general statute of limitations.

It is the Group's continuing practice to recognize late payment interests and penalties related to uncertain tax positions in interest expenses and other expenses, respectively. As of December 31, 2018, the Group recognized US\$2.7 million late payment interests related to unrecognized tax benefit.

(c) LAT

LAT is applicable at progressive tax rates ranging from 30% to 60% on the appreciation of land values, with an exemption provided for the sales of ordinary residential properties if the appreciation values do not exceed certain thresholds specified in the relevant tax laws.

For all periods presented, the Group has made provision for LAT with respect to properties sold up to the respective reporting date in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

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(d) Deferred tax

The tax effects of temporary differences that give rise to the Group's deferred tax assets and liabilities as of December 31, 2017 and 2018 are as follows:

	December 31, 2017	December 31, 2018
	US\$	US\$
Deferred tax assets:		
Tax loss carried forward	41,367,888	42,185,810
Accruals and provisions	46,491,643	48,850,991
Capitalized expenses	11,992,000	26,796,716
Revenue recognition at a point in time less tax paid under deemed profit method	-	130,498,661
Revenue recognition of real estate lease income on a straight-line basis	11,285,190	14,269,520
Deemed interest income	31,231,375	43,266,604
Valuation allowance	(6,706,131)	(5,941,941)
Others	12,843	-
Total deferred tax assets	135,674,808	299,926,361
Deferred tax liabilities:		
Revenue recognition over time	(76,968,132)	(77,968,759)
Real estate properties accelerated cost deduction	(1,274,068)	(1,212,993)
Taxable temporary differences arising from asset acquisitions	(107,224,810)	(307,747,731)
Dividend and interest withholding taxes	(32,377,738)	(52,991,279)
Others	(27,508)	(61,732)
Total deferred tax liabilities	(217,872,256)	(439,982,494)

Certain of the Company's PRC subsidiaries have PRC tax net operating loss carry forwards of US\$159.9 million (2017: US\$153.9) which will expire in one to five years, if unutilized. Losses incurred in the U.S. amounting to 1.5 million (2017: US\$9.1 million) can be carried forward for 20 years.

During 2017 and 2018, the Company has considered its operational funding needs, future development initiatives and its dividend distribution plan and is permanently reinvesting all but US\$172.2 million and US\$374.4 million of its PRC subsidiaries earnings as at December 31, 2017 and 2018 respectively. Accordingly, the Company accrued deferred income tax liabilities of US\$21.9 million and US\$37.4 million for the withholding tax liability associated with the distribution of retained earnings that are not permanently reinvested as at December 31, 2017 and 2018, respectively. As of December 2017 and 2018, the total amount of undistributed earnings from the Company's PRC subsidiaries that are considered to be permanently reinvested were US\$547.0 million and US\$227.2 million, and the related unrecognized deferred tax liabilities were approximately US\$54.7 million and US\$22.7 million, respectively. The Company's remaining subsidiaries do not have retained earnings for all the periods presented.

In assessing the ability to realize the deferred tax assets, the Group has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Accordingly, the Group recorded valuation allowances amounting US\$6,706,131 and US\$5,941,941 as of December 31, 2017 and 2018, respectively.

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15. Share-based compensation

As of December 31, 2018, the Company has three share-based compensation plans under which awards may be granted to both employees and non-employees, namely, the 2007 Long Term Incentive Plan (the “2007 Plan”), 2015 Long Term Incentive Plan (the “2015 Plan”), and 2014 Restricted Stock Unit Plan (the “2014 RSU Plan”). Compensation cost of US\$3,382,628 (2016: US\$7,828,255, 2017: US\$4,894,478) was recorded in general and administrative expenses with a corresponding credit to additional paid-in capital and payroll and welfare payable in the year ended December 31, 2018. The compensation cost is regarded as a permanent difference for income tax purposes as the options were granted by the Company, which is registered in the Cayman Islands, a tax free jurisdiction. Hence, no tax benefit was recognized upon the recognition of compensation cost. The Company has a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the RSUs granted under the 2014 RSU Plan.

2007 Plan

In November 2007, the Company adopted the 2007 Plan which provides for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase its common shares. The maximum aggregate number of common shares which may be issued pursuant to all awards, including options, is 10 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

On February 26, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US\$1.255 per share. These options have a weighted average grant date fair value of US\$0.36 per option and a total expected compensation cost, net of expected forfeitures, of US\$71,853. These options have vesting periods based on length of service of 36 months and will expire no later than February 26, 2025.

On April 10, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 600,000 common shares to one employee, at an exercise price of US\$1.605 per share. These options have a weighted average grant date fair value of US\$0.52 per option and a total expected compensation cost, net of expected forfeitures, of US\$312,671. These options have vesting periods based on length of service of 36 months and will expire no later than April 10, 2025.

On July 1, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 1,200,000 common shares to two employees, at an exercise price of US\$1.71 per share. These options have a weighted average grant date fair value of US\$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US\$577,836. These options have vesting periods based on length of service of 36 months and will expire no later than July 1, 2025.

On September 30, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US\$1.39 per share. These options have a weighted average grant date fair value of US\$0.50 per option and a total expected compensation cost, net of expected forfeitures, of US\$100,243. These options have vesting periods based on length of service of 36 months and will expire no later than September 30, 2025.

On November 6, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US\$1.81 per share. These options have a weighted average grant date fair value of US\$0.61 per option and a total expected compensation cost, net of expected forfeitures, of US\$122,109. These options have vesting periods based on length of service of 36 months and will expire no later than November 6, 2025.

2015 Plan

In June 2015, the Company approved the 2015 Plan to provide grant of options to purchase shares of company stock with maximum aggregate number of 20 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

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On July 1, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 6,574,600 common shares to twenty-two employees, at an exercise price of US\$1.71 per share. These options have a weighted average grant date fair value of US\$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US\$3,165,867. These options have vesting periods based on length of service of 34 months and will expire no later than July 1, 2025.

On July 29, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 81,600 common shares to one employee, at an exercise price of US\$1.71 per share. These options have a weighted average grant date fair value of US\$0.42 per option and a total expected compensation cost, net of expected forfeitures, of US\$34,294. These options have vesting periods based on length of service of 33 months and will expire no later than July 29, 2025.

Assumptions

No options were granted during the years ended December 31, 2017 and 2018.

The fair value of each option is estimated on the date of grant using the Dividend Adjusted Black-Scholes option-pricing model that uses the assumptions noted below.

		Options Granted in 2015 Under the 2007 Plan	Options Granted in 2015 Under the 2015 Plan
Average risk-free rate of return	%	1.82-1.92%	1.57-1.92%
Expected term		6 Years	6 Years
Volatility rate	%	46.3-55.2%	55.0-55.9%
Dividend yield	%	5%	5%

The risk-free rate for periods within the expected life of the option is based on the implied yield rates of U.S treasury yield curve in effect at the time of grant. The expected life of options represents the period of time the granted options are expected to be outstanding. The Company had limited historical exercise data. Therefore, the expected life was estimated as the average of the contractual term and the vesting period. The dividend yield was based on the Company's dividend distribution plan. The expected volatility was based on the historical daily stock price of the Company, annualized.

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Share Option Activity

The following table is a summary of the Company's share option activity under the 2007 Plan (in US\$, except options):

Options Under the 2007 Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2018				
2.975 (exercise price)	180,000	2.975	0.50	77,400
1.21 (exercise price)	112,738	1.21	2.95	247,460
1.085 (exercise price)	100,000	1.085	3.50	232,000
1.64 (exercise price)	200,000	1.64	4.87	353,000
1.21 (exercise price)	39,400	1.21	6.50	86,483
1.81(exercise price)	68,000	1.81	7.85	108,460
Granted	-	-	-	-
Exercised				
1.21 (exercise price)	100,000	1.21	-	186,450
1.64 (exercise price)	100,000	1.64	-	141,327
Forfeited				
2.975 (exercise price)	180,000	2.975	-	-
Outstanding, December 31, 2018				
1.21 (exercise price)	12,738	1.21	1.95	32,991
1.085 (exercise price)	100,000	1.085	2.50	271,500
1.64 (exercise price)	100,000	1.64	3.87	216,000
1.21 (exercise price)	39,400	1.21	5.50	102,046
1.81(exercise price)	68,000	1.81	6.85	135,320
Exercisable as at December 31, 2018				
1.21 (exercise price)	12,738	1.21	1.95	32,991
1.085 (exercise price)	100,000	1.085	2.50	271,500
1.64 (exercise price)	100,000	1.64	3.87	216,000
1.21 (exercise price)	39,400	1.21	5.50	102,046
1.81(exercise price)	68,000	1.81	6.85	135,320

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company's closing stock price of US\$3.80 per common share as of December 31, 2018 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2018. As of December 31, 2018, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2007 Plan. Total fair value of options vested during the year ended December 31, 2016, 2017 and 2018 was US\$362,487, US\$40,703 and US\$33,919, respectively.

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The following table is a summary of the Company's share option activity under the 2015 Plan (in US\$, except options):

Options Under the 2015 Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2018				
1.71(exercise price)	54,400	1.71	7.58	92,208
1.71(exercise price)	3,524,922	1.71	7.50	5,974,743
Granted	-	-	-	-
Exercised				
1.71(exercise price)	646,588	1.71	-	612,734
Forfeited				
1.71 (exercise price)	54,400	1.71	-	-
1.71 (exercise price)	81,600	1.71	-	-
Outstanding, December 31, 2018				
1.71(exercise price)	2,796,734	1.71	6.50	5,845,173
Exercisable as at December 31, 2018				
1.71(exercise price)	2,796,734	1.71	6.50	5,845,173

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company's closing stock price of US\$3.80 per common share as of December 31, 2018 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2018. As of December 31, 2018, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2015 Plan. Total fair value of options vested during the year ended December 31, 2016, 2017 and 2018 was US\$952,941, US\$769,798 and US\$228,534, respectively.

2014 RSU Plan

On May 23, 2014, the Board of Directors approved the 2014 RSU Plan, which is administered by the Compensation Committee of the Board of Directors. The 2014 RSU Plan provides for discretionary grants of restricted stock units, or RSUs, to or for the benefit of participating employees. The maximum number of common shares that may be delivered to 2014 RSU Plan participants in connection with RSUs granted under the 2014 RSU Plan is 10,000,000, subject to adjustment if the Company's outstanding common shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction.

On May 23, 2014, the Company established a trust that is governed by a third party trustee and deposited US\$7,042,725 into the trust. The trustee used the funds to acquire 4,234,884 common shares in the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On April 10, 2015, under the 2014 RSU Plan, the Company deposited US\$3,259,998 into the trust. The trustee used the funds to acquire 2,076,964 common shares from the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On April 18, 2016, under the 2014 RSU Plan, the Company deposited US\$4,003,999 into the trust. The trustee used the funds to acquire 1,614,220 common shares from the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On July 27, 2017, under the 2014 RSU Plan, the Company deposited US\$3,485,952 into the trust. The trustee has not used the funds to acquire any common shares from the open market as of December 31, 2017. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

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On July 30, 2018, under the 2014 RSU Plan, the Company deposited US\$3,976,660 into the trust. The trustee has used the funds to acquire 1,732,466 common shares from the open market as of December 31, 2018. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

The trustee has used the funds to acquire 1,356,584 common shares from the open market as of December 31, 2018.

The weighted average grant-date fair value of restricted shares granted during the years ended December 31, 2016, 2017 and 2018 was US\$2.75, US\$2.68 and US\$2.21, respectively, which was derived from the fair value of the underlying ordinary shares.

Other awards

On March 20, 2017, the Compensation Committee approved a bonus to one senior executive. A portion of the bonus amounting to US\$740,223 is being settled by issuance of the Company's common shares through the purchase of ADSs by a trust company in the open market and the subsequent transfer of the common shares to the executive. As of December 31, 2018, a portion of the bonus amounting to US\$378,112 has not been settled. The remaining portion has been settled in cash. There is no vesting condition associated with the ordinary share award. The Company classified this ordinary share award as a liability and recognized share-based compensation expense amounting to US\$740,223 during the year ended 2017.

16. Other payables and accrued liabilities

The components of other payables and accrued liabilities are as follows:

	December 31,	December 31,
	2017	2018
	US\$	US\$
Contract deposit	89,383,227	107,480,079
Accrued expenses	41,715,403	51,306,223
Debt extinguishment costs	-	13,761,966
Deed tax and maintenance fund withheld for customers	12,149,522	9,998,534
Bidding deposit	2,983,801	3,723,584
Welfare payable	1,657,567	1,893,635
Other tax payable	8,172,022	14,786,612
Accrued aircraft operating expense	842,663	1,415,369
Accrued interest expense	54,250,778	47,214,392
Purchase consideration payable for asset acquisitions and business combinations	70,460,343	75,565,148
Others	18,503,006	13,961,958
Total	300,118,332	341,107,500

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17. Related party and employee transactions

(a) Amounts due from related parties

	December 31,	December 31,
	2017	2018
	US\$	US\$
Current:		
Beijing Starry Sky Cinema Co., Ltd. (“Starry Sky”)	5,909,736	8,052,075
Beijing Aijieli Technology Development Co., Ltd.	12,889,735	16,366,841
Beijing Ruizhuo Xitou Technology Development Co., Ltd.	10,429,990	14,494,710
Beijing Ruizhuo Xichuang Technology Development Co., Ltd.	3,576,543	7,539,604
Chengdu Renju	35,199,433	-
Guangzhou Huanglong	38,934,992	-
Qingdao Huiju	18,721,643	61,392,033
Henan Hongguang Olympic Real Estate Co., Ltd.	-	51,340,375
MDL	-	22,988,260
Zhengzhou Xinci Health Service Co., Ltd.	-	1,178,230
Suzhou Wanzhuo’s non-controlling interest holders	-	27,201,258
Taicang Pengchi’s non-controlling interest holders	-	5,630,819
Total current amounts due from related party	125,662,072	216,184,205
Non current:		
Xinzheng Meihang Network Technology Co., Ltd.	24,665,944	26,122,186
Total	150,328,016	242,306,391

As of December 31, 2017, the Company advanced US\$5,869,138 of working capital funds to Starry Sky. Of the amount advanced, US\$1,155,459 was in the form of unsecured interest bearing loans, which has no fixed payment terms and bears interest from 7.5% to 10%. Accrued interest amounted to US\$40,598 as of December 31, 2017. As of December 31, 2018, the Company advanced US\$7,903,416 of working capital funds to Starry Sky. Of the amount advanced, US\$1,100,070 was in the form of unsecured interest bearing loans, which has no fixed payment terms and bears interest at 10%. Accrued interest amounted to US\$148,659 as of December 31, 2018. The remaining advances are unsecured and bear no interest.

As of December 31, 2017 and December 31, 2018, the Company advanced US\$26,896,268 and US\$36,699,899 of working capital funds to Beijing Aijieli Technology Development Co., Ltd. (“Aijieli”), Beijing Ruizhuo Xitou Technology Development Co., Ltd. (“Xitou”) and Beijing Ruizhuo Xichuang Technology Development Co., Ltd. (“Xichuang”), without any fixed payments terms. As of December 31, 2017, balances are unsecured, and bear no interest. As of December 31, 2018, US\$18,410,797 was in the form of unsecured interest bearing loans, which bears interest from 10% to 12%. Accrued interest amounted to US\$1,701,256. The remaining advances are unsecured and bear no interest. Aijieli, Xitou and Xichuang are companies owned by senior management members of the Company.

As of December 31, 2017, the balance due from Chengdu Renju (Note 7) is related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year. In 2018, the Group obtained control over Chengdu Renju (see Note 8).

In 2017, the Company advanced US\$38,260,231 of working capital funds to Guangzhou Huanglong (Note 7) in the form of an unsecured interest bearing loan with a three months payment term and bears interest at 17.5%. As of December 31, 2017, the outstanding balance included accrued interest amounting to US\$353,375 and a receivable amounting to US\$321,386 related to construction services provided to Guangzhou Huanglong. In 2018, Guangzhou Huanglong repaid the entire outstanding balance.

As of December 31, 2017 and December 31, 2018, the balances due from Qingdao Huiju (Note 7) are related to advances for operational needs without any fixed payment terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

Henan Hongguang Olympic Real Estate Co., Ltd. (“Henan Hongguang”) is the non-controlling shareholder of Henan Renxin (Note 1), one of the Company’s subsidiaries. As of December 31, 2018, the balance due from Henan Hongguang is related to advances for operational needs without any fixed payment terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

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As of December 31, 2018, the balance due from MDL (Note 7) amounting to US\$20,010,257 is related to advances for operational needs. This balance is unsecured, bears interest at 15%, and has no fixed repayment term. Accrued interest amounted to US\$2,978,003 as of December 31, 2018.

As of December 31, 2018, the balance due from Zhengzhou Xinci (Note 7) amounting to US\$1,107,356 is related to advances for operational needs. This balance is secured by equity pledge, bears interest at 9%, and has no fixed repayment term. Accrued interest amounted to US\$70,874 as of December 31, 2018.

On September 12, 2017, the Company sold 80% of its equity interest in Suzhou Wanzhuo to four non-affiliated passive investors for an aggregate cash consideration of US\$23,687,327. Pursuant to the updated articles of association, the Company still exercises control over the relevant principal activities of Suzhou Wanzhuo and therefore, continues to consolidate it in its financial statements. As of December 31, 2018, the balances due from the non-controlling interest holders amounting to US\$27,201,258 are related to advances for working capital funds. The balances are in the form of an unsecured interest bearing loan, which has no fixed payment terms, and bears interest at 4.75%. Accrued interest is immaterial as of December 31, 2018.

On December 1, 2017, the Company together with seven other non-affiliated companies acquired 100% of Taicang Pengchi for an aggregate cash consideration of US\$28,836,311. The Company accounted for the acquisition of Taicang Pengchi as an asset acquisition because the only asset of Taicang Pengchi is the land. Pursuant to the articles of association, the Company exercises control over the relevant significant activities of Taicang Pengchi and therefore, consolidates it in its financial statements. As of December 31, 2018, the balance of due from the non-controlling interest holders amounting to US\$5,630,819 are related to advances for working capital funds. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

Xinzheng Meihang Network Technology Co., Ltd. (“Meihang”) is the non-controlling shareholder of Zhengzhou Hangmei Technology Development Co., Ltd. (“Zhengzhou Hangmei”), one of the Company’s subsidiaries. As of December 31, 2017, and December 31, 2018, the balances due from Meihang are US\$24,100,060 and US\$22,944,780, respectively, which have a three year payment terms, and bear interest at 11.5%. Accrued interest amounted to US\$565,884 and US\$3,177,406 as of December 31, 2017 and December 31, 2018, respectively.

In evaluating the collectability of the amounts due from related parties balance, the Group considers many factors, including the related parties’ repayment history and their credit-worthiness. An allowance for doubtful accounts is made when collection of the full amount is no longer probable. For the periods presented, based on management’s evaluation, no allowance was deemed necessary.

(b) Amounts due to related party

	December 31, 2017	December 31, 2018
	US\$	US\$
Current:		
Suzhou Wanzhuo’s non-controlling interest shareholders	93,548,383	23,447,245
Taicang Pengchi’s non-controlling interest holders	34,630,040	2,853,950
Suzhou Yefang’s non-controlling interest holders	-	11,902,028
Guangzhou Huanglong	-	7,285,231
Beijing Ruizhuo Xitou Technology Development Co., Ltd.	-	1,179,565
Beijing Xintou No.1 Management Consulting Center (limited partnership)	-	1,834,422
Total current amounts due to related party	128,178,423	48,502,441
Non current:		
Xinzheng Meihang Network Technology Co., Ltd.	29,917,961	31,241,768
Total	158,096,384	79,744,209

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As of December 31, 2017 and December 31, 2018, Suzhou Wanzhuo's non-controlling interest holders advanced US\$92,231,041 and US\$18,929,073 of working capital funds in aggregate to Suzhou Wanzhuo in the form of an unsecured interest-bearing loan, which has no fixed payment terms, and bears annual interest from 4.25% to 4.75%, respectively. Accrued interest amounted to US\$1,317,340 and US\$3,913,866 as of December 31, 2017 and December 31, 2018, respectively. The remaining advance amounting to US\$604,306 for shareholder service is unsecured, bears no interest, and is expected to be paid in one year.

As of December 31, 2017 and December 31, 2018, non-controlling interest holders of Taicang Pengchi advanced US\$34,630,040 and US\$2,710,571 of working capital funds in aggregate to Taicang Pengchi in the form of an unsecured interest-bearing loan, which has no fixed payment terms, and bears interest at the PBOC demand deposit interest rate. As of December 31, 2017 and December 31, 2018, accrued interest amounted to nil and US\$143,379, respectively.

On June 6, 2018, the Company together with 4 other non-affiliated companies acquired 100% of Suzhou Yefang for an aggregate cash consideration of US\$15,615,240. The Company accounted for the acquisition of Suzhou Yefang as an asset acquisition because the only asset of Suzhou Yefang is the land. Pursuant to the articles of association, the Company exercises control over the relevant significant activities of Suzhou Yefang and therefore, consolidates it in its financial statements. As of December 31, 2018, the non-controlling interest holders advanced US\$10,646,949 of working capital funds in aggregate to Suzhou Yefang in the form of an unsecured interest-bearing loan, which will be repaid by one year and bear annual interest at 8%. Accrued interest amounted to US\$1,255,079 as of December 31, 2018.

As of December 31, 2018, the balance due to Guangzhou Huanglong (Note 7) is related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be paid in one year.

As of December 31, 2018, the balances due to Xitou are related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be paid in one year.

As of December 31, 2018, the balance due to Beijing Xintou No.1 Management Consulting Center (limited partnership) ("Xintou No.1") is related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be paid in one year. Xintou No.1 is company owned by senior management members of the Company.

Meihang is the non-controlling shareholder of Zhengzhou Hangmei, one of the Company's subsidiaries. As of December 31, 2017, and December 31, 2018, Meihang advanced US\$28,968,446 and US\$27,579,790 of working capital funds to Zhengzhou Hangmei in the form of an unsecured interest (10%) bearing loan with a three year payment term. Accrued interest amounted to US\$949,515 and US\$3,661,978 as of December 31, 2017 and December 31, 2018, respectively.

(c) Amounts due from employees

	December 31, 2017	December 31, 2018
	US\$	US\$
Advances to employees	<u>2,174,302</u>	<u>1,694,416</u>

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The balance represents cash advances to employees for traveling expenses and other expenses. The balances are unsecured, bear no interest and have no fixed payment terms.

(d) Others

On July 31, 2017, the Company sold 1.33% of the equity interest in one real estate project company to key management personnel for a total consideration of US\$1,256,909. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

In 2018, the Company sold a small percentage of the equity interests (ranging from 0.50% to 5.54%) in eight real estate project companies to key management personnel for a total consideration of US\$8,720,772. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

On June 15, 2017, Xinyuan China, the Group's related parties, and a third party signed a partnership agreement to form a limited partnership, Beijing Future Xinruifeng Science and Technology Development Center (Limited Partnership) ("Xinruifeng"). The related parties that are partners of Xinruifeng comprise of (i) senior management members; and (ii) Beijing Xinyuan Future Investment Management Co., Ltd. ("Xinyuan Future"), which is also owned by one senior management member of the Company. The third party and the related parties are general partners of Xinruifeng whereas Xinyuan China is a limited partner.

Pursuant to the framework agreement signed in June 2017 by Xinruifeng and Xinyuan China, both parties agreed to invest a total of RMB 30 million in Xitou. After the completion of the arrangement, Xinruifeng and Xinyuan China will own 66.67% and 33.33% equity interest of Xitou, respectively. The arrangement will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Xitou for nil consideration ("Step one"); and 2) Xinruifeng will inject a capital of RMB 20 million and acquire 66.67% equity interest of Xitou, and Xinyuan China will invest RMB 10 million and obtain 33.33% of equity interest of Xitou ("Step two"). These two steps are inseparable and the acquisition of Xitou will be completed only after both of these two steps are completed. As of December 31, 2018, Step two is still in process. Considering Step one and Step two were entered into at the same time and in contemplation of one another, the Xitou transaction is not considered completed for accounting purposes.

Pursuant to the framework agreement signed in June 2017 by Beijing Future Xinhujin Science and Technology Development Center (Limited Partnership) ("Xinhujin"), owned by a senior management member of the Company, and Xinyuan China, both parties agreed to invest a total of RMB30 million in Xichuang. After the completion of the arrangement, Xinhujin and Xinyuan China will own 66.67% and 33.33% equity interest of Xichuang, respectively. The arrangement will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Xichuang for nil consideration ("Step one"); and 2) Xinhujin will inject capital of RMB20 million to Xichuang and acquire 66.67% equity interest of Xichuang, and Xinyuan China will invest RMB 10 million and obtain 33.33% of equity interest of Xichuang ("Step two"). These two steps are inseparable and the acquisition of Xichuang will be completed only after both of these two steps are completed. As of December 31, 2018, the Xichuang transaction has not been completed since Step two is still in process. Considering both Step one and Step two were entered into at the same time and in contemplation of one another, the Xichuang transaction is not considered completed for accounting purposes.

Pursuant to the framework agreement signed in June 2017 by Beijing Future Xinzhihui Science and Technology Development Center (Limited Partnership) ("Xinzhihui"), owned by a senior management member of the Company, and Xinyuan China, both parties agreed to invest a total of RMB 40 million in Aijieli. After the completion of the arrangement, Xinzhihui and Xinyuan China will own 75% and 25% equity interest of Aijieli, respectively. The acquisition will be completed with two steps that form a single transaction designed to achieve an overall commercial effect, 1) Xinyuan China will acquire 100% equity interest of Aijieli for nil consideration ("Step one"); and 2) Xinzhihui will inject a capital of RMB30 million and acquire 75% equity interest of Aijieli, and Xinyuan China will invest RMB10 million and obtain 25% of equity interest of Aijieli ("Step two"). These two steps are inseparable and the acquisition of Aijieli will be completed only after both of these two steps are completed. As of December 31, 2018, the Aijieli transaction has not been completed since Step two is still in process. Considering both Step one and Step two were entered into at the same time and in contemplation of one another, the Aijieli transaction is not considered completed for accounting purposes.

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On June 24, 2017, Beijing Wanzhong, one of the Company's subsidiaries, invested US\$2,142,573 in the Xin Future No.1 Private Equity Fund. The fund is operated by Beijing Xinyuan Future Investment Management Limited, an investment company controlled by the Company's key management personnel. Management accounted for this investment at fair value using the net asset value practical expedient. The Company can redeem its investment on the last trading day of each quarter by providing written notice in advance. On September 26, 2018, the Company redeemed its investment resulting in US\$59,970 gain recorded in net realized gain on short-term investments during the year ended December 31, 2018.

For the year ended December 31, 2018, total directors' remuneration amounted to US\$7,056,388 (2016: US\$10,295,641; 2017: US\$10,634,720).

All other related party transactions have been disclosed in Notes 1, 8 and 12.

18. Equity

(i) As at December 31, 2018, the Company's authorized share capital was 500 million common shares, par value US\$0.0001 per share (December 31, 2017: 500 million common shares).

(ii) During the year ended December 31, 2018, 8,984,626 common shares were repurchased at a total cost of US\$19,846,720.

(iii) During the year ended December 31, 2018, the Company distributed quarterly dividends of US\$0.05 per common share to common shareholders amounting to a total of US\$25,739,147.

All other equity transactions have been disclosed in Note 17.

19. Earnings per share

Basic and diluted net earnings per share for each period presented are calculated as follows:

	December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Numerator:			
Net income attributable to Xinyuan Real Estate Co., Ltd. Shareholders – basic	72,977,548	63,627,551	73,034,549
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders – diluted	72,977,548	63,627,551	73,034,549
Denominator:			
Weighted average number of shares outstanding, basic*	133,261,510	128,704,610	127,129,478
Stock options	1,271,209	1,877,785	1,728,058
Restricted stock units	3,120,310	1,023,474	283,294
Weighted average number of shares outstanding-diluted	<u>137,653,029</u>	<u>131,605,869</u>	<u>129,140,830</u>
Basic earnings per share	0.55	0.49	0.57
Diluted earnings per share	<u>0.53</u>	<u>0.48</u>	<u>0.57</u>

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* The restricted shares repurchased by the trustee that are unvested are excluded from the number of shares outstanding for purposes of computing basic earnings per share in accordance with ASC 260. However, these unvested restricted shares are factored into the computation of diluted earnings per share using the treasury stock method.

During the year ended December 31, 2018, nil (2016: 2,260,762; 2017: 180,000) stock options, and 1,019,128 (2016: nil; 2017: nil) RSUs, were excluded from the calculation of earnings per share, respectively, because their effect would be anti-dilutive.

20. Segment reporting

The Group's long-lived assets and revenue are mainly located in and derived from the PRC. Starting in 2012, a relatively smaller portion of the Group's long-lived assets and revenue are located in and derived from the United States. The Group considers that each of its individual property developments is a discrete operating segment. The Group has aggregated its segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offered, customers and market and regulatory environment. The Group's reportable operating segments are comprised of Henan Province, Shandong Province, Jiangsu Province, Sichuan Province, Beijing, Hainan Province, Hunan Province, Shaanxi Province, Shanghai, Tianjin, Guangdong Province, Hubei Province, and Liaoning Province in the PRC; and the United States.

Each geographic operating segment is principally engaged in the construction and development of residential real estate units. The "other" category relates to investment holdings, property management services, landscaping, engineering and management, real estate sale, purchase and lease activities. The accounting policies of the various segments are the same as those described in Note 2, "Summary of Significant Accounting Policies".

The Group's chief operating decision maker relies upon net sales, gross profit and net income when making decisions about allocating resources and assessing performance of the Group. Net sales for geographic segments are generally based on the location of the project development. Net income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Capital expenditures for each segment includes cost for acquisition of subsidiaries, vehicles, fixtures and furniture and accumulation of properties held for lease related to newly completed projects.

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No single customer accounted for more than 10% of net sales for the years ended December 31, 2016, 2017 and 2018.

Summary information by operating segment is as follows:

December 31, 2016	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan	Shanghai	Tianjin	Shaanxi	United States	Others	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net real estate sales	368,866,778	169,605,220	349,616,790	76,489,749	23,722,289	12,699,957	105,494,573	100,003,503	39,912,406	126,550,015	152,007,123	-	1,524,968,403
Real estate lease income	3,588,434	172,198	-	-	-	-	-	-	-	284,294	-	1,901,125	5,946,051
Real estate management services income	1,161,150	-	-	-	-	-	-	-	-	-	-	28,861,597	30,022,747
Other revenue	303,521	102,415	471	-	280,007	-	-	-	1,078	-	-	-	687,492
Total revenue	373,919,883	169,879,833	349,617,261	76,489,749	24,002,296	12,699,957	105,494,573	100,003,503	39,913,484	126,834,309	152,007,123	30,762,722	1,561,624,693
Cost of real estate sales	(252,522,117)	(142,763,272)	(273,738,274)	(58,762,806)	(30,743,520)	(8,544,624)	(75,514,694)	(89,067,765)	(22,837,517)	(91,274,052)	(128,803,285)	-	(1,174,571,926)
Cost of real estate lease income	(1,792,349)	(287,832)	(1,328,100)	-	-	-	-	-	-	(225,776)	-	(48,588)	(3,682,645)
Cost of real estate management services	(979,218)	-	-	-	-	-	-	-	-	-	-	(23,302,224)	(24,281,442)
Other costs	(525,052)	(100,695)	(69,971)	-	(404,649)	-	-	-	-	-	-	-	(1,100,367)
Total cost of revenue	(255,818,736)	(143,151,799)	(275,136,345)	(58,762,806)	(31,148,169)	(8,544,624)	(75,514,694)	(89,067,765)	(22,837,517)	(91,499,828)	(128,803,285)	(23,350,812)	(1,203,636,380)
Gross profit	118,101,147	26,728,034	74,480,916	17,726,943	(7,145,873)	4,155,333	29,979,879	10,935,738	17,075,967	35,334,481	23,203,838	7,411,910	357,988,313
Operating expenses	(41,459,159)	(8,682,365)	(12,234,106)	(3,329,524)	(38,841,455)	(4,028,044)	(6,372,468)	(3,120,707)	(16,533,371)	(10,239,653)	(11,002,123)	(22,786,372)	(178,629,347)
Operating income/(loss)	76,641,988	18,045,669	62,246,810	14,397,419	(45,987,328)	127,289	23,607,411	7,815,031	542,596	25,094,828	12,201,715	(15,374,462)	179,358,966
Interest income	18,611,346	974,322	262,675	71,673	246,892	18,809	91,757	83,756	123,642	92,040	-	339,655	20,916,567
Interest expense	(6,312,134)	-	-	-	-	-	-	-	-	-	(3,444,399)	(20,100,299)	(29,856,832)
Net realized gain on short-term investments	1,316,577	-	-	-	(1,742)	-	-	-	-	-	-	1,190,861	2,505,696
Share of (loss)/gain in an equity investee	(688,363)	-	-	-	-	-	-	-	-	-	-	363,751	(324,612)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	(12,123,750)	(12,123,750)
Exchange gains	461,627	-	-	-	(130,591)	-	-	-	-	-	-	127,923	458,959
Unrealized income on short-term investments	7,862	-	-	-	-	-	-	-	-	-	-	227,472	235,334
Other income	4,534,357	-	-	-	-	-	-	-	-	-	2,487	3,383	4,540,227
Income/(loss) before income taxes	94,573,260	19,019,991	62,509,485	14,469,092	(45,872,769)	146,098	23,699,168	7,898,787	666,238	25,186,868	8,759,803	(45,345,466)	165,710,555
Income tax expense	(13,089,933)	(11,666,859)	(28,647,951)	(5,223,645)	15,322,784	(556,388)	(13,925,672)	(3,089,750)	(3,217,994)	(12,955,165)	(8,388,686)	(808,616)	(86,247,875)
Net income/(loss)	81,483,327	7,353,132	33,861,534	9,245,447	(30,549,985)	(410,290)	9,773,496	4,809,037	(2,551,756)	12,231,703	371,117	(46,154,082)	79,462,680
Depreciation and amortization	5,477,178	411,694	1,442,768	61,572	454,728	208,161	82,330	77,851	8,278	106,653	106,407	250,764	8,688,384
Capital expenditure	5,257,710	57,511	19,302	11,035	744,844	28,005	13,599	-	1,029	8,593	25,770	294,134	6,461,532
Real estate properties development completed	39,369,770	2,309,387	94,008,195	-	52,671,437	-	-	91,307,299	-	-	197,513,164	-	477,179,252
Real estate properties under development	376,001,881	236,984,737	104,989,367	202,565,917	149,726,569	137,338,481	188,578,773	-	13,222,946	166,266,501	133,498,536	9,961,456	1,719,135,164
Real estate properties held for lease	38,584,030	5,604,196	20,648,238	-	-	-	-	-	-	94,413,043	-	624,427	159,873,934
Total long-lived assets	98,501,017	9,339,448	22,056,718	354,311	2,037,512	408,197	241,841	127,856	2,189,185	125,018,000	6,004,446	21,835,309	288,113,840
Total assets	1,371,127,748	370,315,900	354,089,481	222,100,489	283,695,245	207,361,083	276,147,610	109,047,209	97,995,395	356,256,758	409,269,847	162,152,194	4,219,558,959

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December 31, 2017	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan	Shanghai	Tianjin	Shaanxi	United States	Guangdong	Others	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net real estate sales	886,207,602	252,186,589	284,388,321	79,054,170	540,766	87,304,257	133,499,073	973,450	38,646,991	63,283,292	98,476,295	-	-	1,924,560,806
Real estate lease income	3,567,372	183,530	-	-	-	-	6,071	209,186	-	3,832,764	-	19,659	914,217	8,732,799
Real estate management services income	1,505,932	-	-	-	-	-	-	-	-	356,429	-	-	39,875,958	41,738,319
Other revenue	508,891	52,893	21,184	87,307	-	11,396	118,391	5,046	74	-	307,793	-	762,332	1,875,307
Total revenue	891,789,797	252,423,012	284,409,505	79,141,477	540,766	87,315,653	133,623,535	1,187,682	38,647,065	67,472,485	98,784,088	19,659	41,552,507	1,976,907,231
Cost of real estate sales	(607,656,121)	(204,691,234)	(247,765,242)	(71,332,282)	(363,305)	(55,291,475)	(107,834,718)	(664,093)	(23,602,129)	(46,516,108)	(108,350,506)	-	-	(1,474,067,213)
Cost of real estate lease income	(2,170,672)	(348,420)	(3,353,579)	(158,879)	-	-	(174,601)	(332,094)	-	(4,420,100)	-	-	(47,777)	(11,006,122)
Cost of real estate management services	(935,942)	-	-	-	-	-	-	-	-	-	-	-	(30,710,506)	(31,646,448)
Other costs	(227,081)	(10,706)	(127,375)	-	(51,424)	(3,846)	(95,235)	-	-	-	-	(10,342)	(33,226)	(559,235)
Total cost of revenue	(610,989,816)	(205,050,360)	(251,246,196)	(71,491,161)	(414,729)	(55,295,321)	(108,104,554)	(996,187)	(23,602,129)	(50,936,208)	(108,350,506)	(10,342)	(30,791,509)	(1,517,279,018)
Gross profit	280,799,981	47,372,652	33,163,309	7,650,316	126,037	32,020,332	25,518,981	191,495	15,044,936	16,536,277	(9,566,418)	9,317	10,760,998	459,628,213
Operating expenses	(64,061,347)	(10,497,498)	(16,659,076)	(3,772,416)	(44,507,378)	(7,726,269)	(10,099,854)	(747,409)	(6,001,987)	(9,123,653)	(10,597,926)	(680,754)	(28,092,891)	(212,568,458)
Operating income/(loss)	216,738,634	36,875,154	16,504,233	3,877,900	(44,381,341)	24,294,063	15,419,127	(555,914)	9,042,949	7,412,624	(20,164,344)	(671,437)	(17,331,893)	247,059,755
Interest income	11,355,876	338,069	218,937	100,988	516,950	26,443	320,666	268,325	271,527	69,336	-	264	3,371,705	16,859,086
Interest expense	(18,393,523)	(362,759)	(1,829,665)	-	(5,056,962)	-	-	(2,100,301)	(1,214,368)	-	(3,570,310)	-	(33,625,552)	(66,153,440)
Net realized gain on short-term investments	3,110,564	-	7,395	-	9,077	-	-	-	-	-	-	-	4,746,951	7,873,987
Share of (loss)/gain in an equity investee	(1,062,499)	(974,405)	(2,818)	-	-	-	-	-	-	-	-	-	329,652	(1,710,070)
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	(15,879,702)	(15,879,702)
Exchange gains	(362,736)	-	-	-	-	-	-	-	-	-	-	-	1,119,662	756,926
Unrealized income on short-term investments	151,003	-	-	-	-	-	-	-	-	-	-	-	1,944,976	2,095,979
Other income	2,326,004	-	-	-	-	-	-	-	-	-	6	-	-	2,326,010
Income/(loss) before income taxes	213,863,323	35,876,059	14,898,082	3,978,888	(48,912,276)	24,320,506	15,739,793	(2,387,890)	8,100,108	7,481,960	(23,734,648)	(671,173)	(55,324,201)	193,228,531
Income tax benefit/(expense)	(77,985,230)	(11,359,619)	(6,913,466)	(812,628)	4,065,308	(10,189,683)	(2,560,610)	686,619	(1,713,343)	(840,827)	8,694,642	145,513	(14,333,802)	(113,117,126)
Net income/(loss)	135,878,093	24,516,440	7,984,616	3,166,260	(44,846,968)	14,130,823	13,179,183	(1,701,271)	6,386,765	6,641,133	(15,040,006)	(525,660)	(69,658,003)	80,111,405
Depreciation and amortization	5,597,930	416,607	3,445,463	218,043	767,841	148,453	185,123	68,648	9,836	1,766,074	232,618	38	870,852	13,727,526
Capital expenditure	5,756,237	11,636	13,725	22,550	2,960,195	1,361	21,262	-	20,322	9,571	257,643	392,779	294,575	9,761,856
Real estate properties development completed	49,708,034	82,128,992	13,625,012	146,791,480	52,675,024	97,350,745	49,346,740	90,003,702	-	127,107,105	131,656,359	-	-	840,393,193
Real estate properties under development	937,340,899	78,988,478	217,051,399	-	200,296,958	-	109,107,637	-	40,379,791	140,257,927	168,236,598	93,205,573	11,135,393	1,996,000,653
Real estate properties held for lease	53,783,548	5,633,936	38,824,172	23,503,438	-	-	50,422,065	4,578,302	-	100,574,370	-	-	613,482	277,933,313
Total long-lived assets	207,599,517	420,656,893	50,598,511	391,437,638	16,714,738	609,466	51,791,292	4,639,263	1,706,170	125,298,084	19,666,135	125,896	23,378,186	1,314,221,789
Total assets	2,715,305,431	693,368,606	459,080,321	584,350,518	296,118,475	108,984,575	266,196,168	103,055,884	98,249,020	440,219,180	354,473,170	93,723,704	171,309,218	6,384,434,270

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December 31, 2018	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan	Shanghai	Tianjin	Shaanxi	United States	Guangdong	Hubei	Liaoning	Others	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net real estate sales	1,002,960,937	291,763,807	330,352,688	80,701,160	12,314,328	169,606,837	97,162,300	-	86,165,279	58,795,214	8,815,926	-	-	427,072	305,244	2,139,370,792
Real estate lease income	4,463,583	497,354	917,227	86,593	-	-	111,408	641,119	-	2,064,129	-	-	-	-	803,559	9,584,972
Real estate management services income	3,061,093	-	-	-	-	-	-	-	-	2,464,039	-	-	-	-	57,922,288	63,447,420
Other revenue	297,202	4,506	473,667	318,863	2,176,071	476,184	482,597	-	30	-	570,646	-	-	-	348,335	5,148,101
Total revenue	1,010,782,815	292,265,667	331,743,582	81,106,616	14,490,399	170,083,021	97,756,305	641,119	86,165,309	63,323,382	9,386,572	-	-	427,072	59,379,426	2,217,551,285
Cost of real estate sales	(701,238,639)	(228,347,098)	(214,621,791)	(75,842,475)	(9,355,460)	(87,710,266)	(100,986,641)	(57,369)	(56,487,052)	(59,670,857)	(9,357,970)	-	-	(298,443)	-	(1,543,974,061)
Cost of real estate lease income	(2,245,710)	(470,614)	(2,336,287)	(554,861)	-	-	(1,475,782)	(238,406)	-	(1,978,147)	-	-	-	-	(48,809)	(9,348,616)
Real estate management services cost	(2,733,062)	-	-	-	-	-	-	-	-	(2,870,604)	-	-	-	-	(39,016,117)	(44,619,783)
Other costs	(388,790)	(1,224,399)	(94,807)	(435,324)	-	(4,551)	(517,028)	-	-	-	-	-	-	-	(1,465,624)	(4,130,523)
Total cost of revenue	(706,606,201)	(230,042,111)	(217,052,885)	(76,832,660)	(9,355,460)	(87,714,817)	(102,979,451)	(295,775)	(56,487,052)	(64,519,608)	(9,357,970)	-	-	(298,443)	(40,530,550)	(1,602,072,983)
Gross profit	304,176,614	62,223,556	114,690,697	4,273,956	5,134,939	82,368,204	(5,223,146)	345,344	29,678,257	(1,196,226)	28,602	-	-	128,629	18,848,876	615,478,302
Operating expenses	(62,812,091)	(12,610,671)	(15,284,915)	(4,275,577)	(64,432,460)	(12,088,762)	(11,008,482)	(163,680)	(5,904,656)	(5,834,584)	(4,654,552)	(1,185,184)	(1,949,565)	(1,485,827)	(36,356,815)	(240,047,821)
Operating income/(loss)	241,364,523	49,612,885	99,405,782	(1,621)	(59,297,521)	70,279,442	(16,231,628)	181,664	23,773,601	(7,030,810)	(4,625,950)	(1,185,184)	(1,949,565)	(1,357,198)	(17,507,939)	375,430,481
Interest income	23,934,452	478,524	568,283	104,895	1,388,846	22,667	194,297	62,536	230,432	78,014	3,311	5,506	-	5,966	4,147,965	31,225,694
Interest expense	(15,091,954)	-	(1,009,438)	(2,259,789)	(2,137,378)	-	-	(1,689,514)	-	(915,585)	(3,501,863)	-	-	-	(72,640,175)	(99,245,696)
Net realized loss on short-term investments	183,450	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,590,540)	(3,407,090)
Share of loss in an equity investee	(1,342,875)	(1,067,320)	(949,748)	(3,719,920)	-	-	-	-	-	-	-	(1,295,899)	-	-	(998,689)	(9,374,451)
(Loss)/gain on extinguishment of debt	(2,665,987)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,222,038	(21,443,949)
Exchange (loss)/gain	(13,029,174)	-	-	-	(1,544)	-	-	-	-	-	-	-	-	-	335,310	(25,677,654)
Unrealized income on short-term investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,150,200	1,150,200
Other income	(3,773,556)	(162,149)	391,338	4,585,338	(521,424)	32,867	27,078	(1,822)	(948,161)	(120,442)	2,093,750	-	1,180	-	137,735	1,741,732
Income/(loss) before income taxes	207,578,879	48,861,940	98,406,217	(1,291,097)	(60,569,021)	70,334,976	(16,010,253)	(1,447,136)	23,055,872	(7,988,823)	(6,030,752)	(2,475,577)	(1,948,385)	(1,015,922)	(99,061,651)	250,399,267
Income tax benefit/(expense)	(66,585,136)	(24,338,485)	(33,672,476)	(1,312,549)	5,810,925	(33,888,754)	14,764,618	1,503,472	(8,088,479)	1,735,041	3,037,875	(392,906)	(152,722)	689,435	(3,557,106)	(144,447,247)
Net income/(loss)	140,993,743	24,523,455	64,733,741	(2,603,646)	(54,758,096)	36,446,222	(1,245,635)	56,336	14,967,393	(6,253,782)	(2,992,877)	(2,868,483)	(2,101,107)	(326,487)	(102,618,757)	105,952,020
Depreciation and amortization	5,881,359	664,325	2,398,697	553,823	1,506,886	44,773	1,395,291	277,113	150,980	1,888,104	(95,404)	137,262	15,028	8,235	306,403	15,132,875
Capital expenditure	8,700,583	4,689,576	6,226	10,229	2,279,441	-	278	-	290,791	13,183	89,510	-	197,756	58,259	318,555	16,654,387
Real estate property development completed	119,978,648	46,110,853	38,293,044	88,492,260	42,003,855	31,716,745	7,340,408	82,320,988	-	48,352,943	127,749,947	-	-	-	-	632,359,691
Real estate property under development	1,630,532,021	520,017,386	240,985,540	620,344,540	214,011,166	-	113,205,249	-	106,218,839	150,381,455	199,665,838	102,997,747	124,701,587	30,590,778	15,064,162	4,068,716,308
Real estate properties held for lease, net	72,389,385	7,929,336	39,824,983	36,086,237	-	-	47,347,197	4,037,272	-	94,612,752	-	-	-	-	537,055	302,764,217
Total long-lived assets	370,303,455	500,658,792	95,890,366	37,986,138	42,680,909	5,953,273	48,805,523	4,056,266	6,535,427	125,890,353	25,781,516	23,600,985	176,034	337,113	53,834,857	1,342,491,007
Total assets	3,326,001,406	902,384,756	740,208,056	839,829,759	340,188,589	39,269,241	274,708,013	95,034,595	185,400,019	330,029,859	384,883,423	134,196,645	127,532,829	34,993,328	279,052,154	8,033,712,672

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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21. Commitments and contingencies

Operating lease commitments

The Group leases certain of its office properties under non-cancellable operating lease arrangements. The terms of the leases do not contain rent escalation, or contingent rent, renewal, or purchase options. There are no restrictions placed upon the Group by entering into these leases.

As of December 31, 2018, the Group had the following operating lease obligations falling due in:

	Amount
	US\$
2019	7,630,760
2020	6,140,923
2021	4,469,563
2022	992,012
2023 and thereafter	117,525
Total	19,350,783

Capital lease commitments

The Group leases corporate aircraft and equipment under non-cancellable capital lease arrangements. The terms of the lease do not contain contingent rent clauses.

As of December 31, 2018, the Group had the following minimum lease payments (excluding the portion of the payments representing executory costs, including any profit thereon) falling due in:

	Amount
	US\$
2019	7,743,401
2020	7,555,151
2021	4,082,778
2022	-
2023 and thereafter	-
Total minimum lease payments	19,381,330
Less interest	(2,804,114)
Capital lease obligations	16,577,216
Less current maturities of capital lease obligations	(6,562,425)
Long-term capital lease obligations	10,014,791

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Other commitments

As of December 31, 2018, the Group had outstanding commitments with respect to non-cancellable construction contracts for real estate development and land use rights purchases as follows:

	Amount
	US\$
2019	653,276,378
2020	425,248,166
2021	204,844,862
2022	42,390,351
2023 and thereafter	-
Total	1,325,759,757

Contingencies

As of December 31, 2018, the Group provided guarantees of US\$1,988,632,540 (2017: US\$1,569,802,754), in favor of its customers in respect of mortgage loans granted by banks to such customers for their purchases of the Group's properties where the underlying real estate ownership certificates can only be provided to the banks on a time delay manner due to administrative procedures in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the bank and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends upon issuance of real estate ownership certificate which will generally be available within six to twelve months after the purchaser takes possession of the relevant property. The Group paid US\$1,820,324, US\$788,644, and US\$1,659,652 to satisfy guarantee obligations related to customer defaults for the years ended December 2016, 2017 and 2018, respectively.

The fair value of the guarantees is not significantly different than the net realizable value of the properties and management considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made for the guarantees.

In May 2015, XIN Development Management East, LLC ("XDME") filed an arbitration claim for not less than US\$10 million which was subsequently reduced for the purpose of a prior mediation to US\$8 million against Wanks Adams Slavin Associates LLP ("WASA"), the design company for the Group's Oosten project. WASA has asserted a total of approximately US\$2 million in counterclaims. XDME believes WASA's counterclaims are without merit and intends to contest vigorously such claims. On November 26, 2018, XDME reconciled with the design company WASA and settled the claim.

In December 2016, 421 Kent Development LLC ("421 Kent"), the property company for the Group's Oosten project, terminated its contract with its general contractor. The general contractor and various subcontractors have filed lawsuits against 421 Kent and the Company for approximately US\$26.1 million, in aggregate, plus punitive damages. In addition, the general contractor filed mechanic's liens against 421 Kent and the Company for approximately US\$7.5 million. 421 Kent has answered the claims and believes the contractors' claims and liens are without merit and intends to contest vigorously such claims. At this stage of the proceedings, 421 Kent cannot predict the outcome of this lawsuit or a judgment against 421 Kent, whether in whole or in part, may result in a loss, if any. An estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made at this time.

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At December 31, 2018, the Group provided financial guarantees for bank loans of two of its equity method investees. The Group could incur losses in the event of defaults under or foreclosure of these loans and its maximum exposure to credit losses is US\$280,189,999. The fair value of the guarantees is not significant and the Group considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding bank loans together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in the consolidated financial statements.

22. Concentration of risk

The Group's operations are conducted mainly in the PRC. Starting in 2012, a relatively smaller portion of the Group's operations is conducted in the United States. Accordingly, the Group's business, financial condition and results of operations is primarily influenced by the political, economic and legal environments in the PRC and by the general state of the PRC economy.

The Group's operations in the PRC are subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Group's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Group transacts most of its business in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the US\$. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a 17.1% appreciation of the RMB against the US\$ from July 21, 2005 to December 31, 2018.

To the extent that the Company needs to convert US\$ into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against US\$ would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into US\$ for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of US\$ against RMB would have a negative effect on the US\$ amount available to the Company. In addition, a significant depreciation of the RMB against the US\$ may significantly reduce the US\$ equivalent of the Company's earnings or losses.

The Group offers certain homebuyers seller-financing arrangements. All the homebuyers that entered into such arrangements were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via the Group's management reporting procedures. The Group provides longer payment terms to particular home buyers after applying strict credit requirements based on the Group's credit policy. As of December 31, 2017 and 2018, there is no concentration of credit risk with respect to receivables and the Group does not have a significant exposure to any individual debtor.

In 2013, PRC banks tightened the conditions on which mortgage loans are extended to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. The Group monitors its homebuyers' outstanding mortgage loans on an ongoing basis via the Group's management reporting procedures and took the position that contracts with underlying mortgage loans with processing periods exceeding one year cannot be recognized as revenue on an over time basis (Note 2(h) for further detail). There were no reversal of any contracted sales amounts during the year ended December 31, 2018.

In addition, no single customer or supplier accounted for more than 10% of revenue or project expenditures for the years ended December 31, 2016, 2017 and 2018.

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23. Accumulated other comprehensive (loss)/income

During the years ended December 31, 2016, 2017 and 2018, the other comprehensive income/(loss) attributable to non-controlling interest was related to foreign currency translation adjustments amounting to US\$638,863 (loss), US\$2,153,979 (income) and US\$ 411,701 (loss), respectively.

The movement of accumulated other comprehensive income attributable to Xinyuan Real Estate Co., Ltd. is as follows:

	Foreign currency translation adjustments
	US\$
Balance as of December 31, 2015	30,951,837
Other comprehensive loss	(65,634,725)
Balance as of December 31, 2016	(34,682,888)
Other comprehensive income	63,908,624
Balance as of December 31, 2017	29,225,736
Other comprehensive loss	(59,347,915)
Balance as of December 31, 2018	(30,122,179)

There have been no reclassifications out of accumulated other comprehensive income/loss to net loss for the periods presented.

24. Non-controlling interests

As of December 31, 2017, the non-controlling interests consisted of the following:

	Ownership	December 31, 2017 US\$
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	10.00%	21,941
Shaanxi Zhongmao Economy Development Co., Ltd.	34.02%	(15,065,986)
Zhengzhou Xinnan Real Estate Co., Ltd.	49.00%	(22,806,392)
Xinyuan Technology Service Co., Ltd.	6.00%	(1,132,730)
Xinyan Investment Management Co., Limited.	30.00%	251,835
Shanghai Hexinli Property Management Center. (Limited partnership)	21.05%	(342,579)
Zhengzhou Hangmei Technology Development Co., Ltd.	49.00%	(3,127,176)
Taicang Pengchi Real Estate Co., Limited. (Note 17(b))	83.00%	91,281
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. (Note 17(b))	80.00%	(23,932,541)
Beijing Xinju Technology Co., Ltd.	49.00%	1,601,070
Henan Renxin Real Estate Co., Ltd.	49.00%	-
Total		(64,441,277)

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As of December 31, 2018, the non-controlling interests consisted of the following:

	<u>Ownership</u>	<u>December 31, 2018</u>
		US\$
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	10.00%	20,987
Shaanxi Zhongmao Economy Development Co., Ltd.	34.02%	3,264,319
Xinyuan Technology Service Co., Ltd.	6.00%	(2,116,804)
Xinyuan Investment Management Co., Limited.	30.00%	436,593
Shanghai Hexinli Property Management Center. (Limited partnership)	21.05%	(326,117)
Zhengzhou Hangmei Technology Development Co., Ltd.	49.00%	(2,510,161)
Taicang Pengchi Real Estate Co., Limited. (Note 17(b))	83.00%	(25,096,542)
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. (Note 17(b))	80.00%	(27,912,339)
Henan Renxin Real Estate Co., Ltd.	49.00%	-
Suzhou Yefang Real Estate Co., Limited.	79.99%	(11,652,185)
Suzhou Yuxi Real Estate Co., Limited.	79.99%	703,618
Qingdao Xinyuan Jinguang Property Management Development Co., Ltd.	40.00%	(229,525)
Hunan Huaiwei Business Management Co., Ltd.	49.00%	(4,113)
Zhongyuan Real Estate Co., Ltd.	49.00%	156,859
Xi'an Jinbian Shunsheng Real Estate Co., Ltd.	30.00%	1,961
Xi'an Yinghe Huihuang Commercial Management Operation Co., Ltd.	49.00%	(11,219)
Total		(65,274,668)

On December 31, 2018, the Company acquired the remaining 49% equity interest of Zhengzhou Xinnan from the non-controlling interest shareholder for US\$7,500,918. The difference between the consideration transferred and the carrying amount of the deficit non-controlling interest balance was recognized as an adjustment to additional paid-in capital.

25. Subsequent events

On January 4, 2019, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB 600 million due on January 4, 2022 (the "2019 Tranche") at a coupon rate of 8.5% per annum payable annually. Interest is payable on January 4 of each year, commencing January 4, 2020.

On February 22, 2019, Guangdong Xinchuang Kechuang Zhigu development Co., Ltd acquired a parcel of land in Foshan, Guangdong Province for a purchase price of RMB 1,185.4 million, equivalent to US\$176.5million.

On April 1, 2019, Xinyuan (China) Real Estate, Ltd. completed the issuance of a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB 980 million due on April 1, 2022 (the "2019 First Tranche Bonds") at a coupon rate of 8.4% per annum payable annually. Interest is payable on April 1 of each year, commencing April 1, 2020.

On April 15, 2019 and April 26, 2019, the Company issued senior notes with an aggregate principal amount of US\$300,000,000 due October 15, 2021 (the "October 2021 Senior Secured Notes"). The October 2021 Senior Secured Notes bear interest at 14.2% per annum payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing October 15, 2019. The October 2021 Senior Secured Notes have a two and a half year (thirty month) term maturing on October 15, 2021.

On April 15, 2019, the Company completed the repurchase of US\$119,989,000 in principal amount of the August 2019 Senior Secured Notes pursuant to an Offer to Purchase for an aggregate purchase price of US\$121,861,755 including accrued interest.

On April 15, 2019, the Company completed the repurchase of US\$75,700,000 in principal amount of the March 2020 Senior Secured Notes pursuant to a privately negotiated transaction for an aggregate purchase price of US\$76,239,888 including accrued interest.

26. Condensed financial information of the Company

The condensed financial statements of Xinyuan Real Estate Co., Ltd. have been prepared in accordance with U.S. GAAP. Under the PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer certain of their net assets to the Company in the form of dividend payments, loans or advances. The amounts restricted include paid-in capital and statutory reserves, as determined pursuant to PRC generally accepted accounting principles, totaling US\$777,376,696 as of December 31, 2018 (2017: US\$592,660,269).

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Condensed Balance Sheets

	Year ended December 31	
	2017	2018
	US\$	US\$
ASSETS		
Current assets		
Cash and cash equivalents	15,726,978	93,606,791
Other receivables	-	665,428
Other current assets	46,780	250,569
Due from subsidiaries	720,955,318	667,811,964
Due from related parties	561,872	348,076
Total current assets	737,290,948	762,682,828
Investments in subsidiaries	1,287,013,327	1,142,335,163
TOTAL ASSETS	2,024,304,275	1,905,017,991
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loan	58,716,253	-
PRC income tax payable	13,388	13,388
PRC other tax payable	902,190	902,190
Other payable and accrued liabilities	16,747,632	24,090,605
Current portion of long-term bank loan	64,845,655	397,039,358
Payroll and welfare payables	7,238,573	2,817,136
Total current liabilities	148,463,691	424,862,677
Long term bank loan	-	3,178,000
Other long-term debt	883,268,735	796,606,833
Total liabilities	1,031,732,426	1,224,647,510
Shareholders' equity		
Common shares, \$0.0001 par value:		
Authorized-500,000,000 shares, issued and outstanding- 119,805,636 shares for 2018 (2017: 129,578,676 shares)	16,314	16,399
Treasury shares	(67,792,368)	(87,639,088)
Additional paid-in capital	543,338,206	532,117,479
Retained earnings	517,009,697	235,875,691
Total shareholders' equity	992,571,849	680,370,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,024,304,275	1,905,017,991

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Condensed Statements of Comprehensive Income

	Year ended December 31		
	2016	2017	2018
	US\$	US\$	US\$
General and administrative expenses	(20,081,338)	(13,781,596)	(9,877,059)
Operating loss	(20,081,338)	(13,781,596)	(9,877,059)
Interest expense	(65,092,711)	(65,387,198)	(105,990,420)
Interest income	127,852	3,200,520	1,221,465
(Loss)/Gain on extinguishment of debt	(12,123,750)	(15,879,702)	3,267,457
Other expenses	40,922	1,114,517	(11,135,488)
Equity in profit of subsidiaries, net	170,106,573	154,361,010	195,548,594
Income from operations before income taxes	72,977,548	63,627,551	73,034,549
Income taxes	-	-	-
Net income attributable to common shareholders	72,977,548	63,627,551	73,034,549
Other comprehensive (loss)/income, net of tax of nil			
Foreign currency translation adjustments	(65,634,725)	63,908,624	(59,347,915)
Comprehensive income attributable to shareholders	<u>7,342,823</u>	<u>127,536,175</u>	<u>13,686,634</u>

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

Condensed Statements of Cash Flows

	Year ended December 31		
	2016	2017	2018
	US\$	US\$	US\$
Cash flows from operating activities:			
Net income	72,977,548	63,627,551	73,034,549
Adjustment to reconcile net income to net cash provided by operating activities:			
Equity in profit of subsidiaries, net	(170,106,573)	(154,361,010)	(195,548,594)
Stock based compensation expense	7,085,958	4,266,373	3,152,908
Amortization of deferred charges	7,067,935	4,036,412	7,415,821
Loss on extinguishment of debt	12,123,750	15,879,702	(3,267,457)
Other deposits and prepayments	2,389,045	-	-
Other receivables	-	-	(665,428)
Other current assets	2,320	(2,214)	(203,789)
Other payable and accrued liabilities	3,679,102	4,874,134	7,342,974
Payroll and welfare payables	119,168	2,893,230	(590,356)
Amount due from related parties	-	(561,872)	213,796
Net cash used in operating activities	<u>(64,661,747)</u>	<u>(59,347,694)</u>	<u>(109,115,576)</u>
Cash flows from financing activities:			
Changes in due from a subsidiary	181,515,577	(326,904,897)	53,143,354
Proceeds from short-term bank loans	-	24,294,636	-
Repayments of short-term bank loans	(146,208,974)	-	(13,250,000)
Proceeds from long-term bank loans	23,250,000	-	3,178,000
Repayments from long-term bank loans	-	-	-
Proceeds from other long-term debts	300,000,000	603,179,617	200,000,000
Repayment of other long-term debts	(186,164,616)	(201,002,731)	-
Purchase of treasury shares	(29,688,648)	(14,058,280)	(19,846,720)
Dividends to shareholders	(20,545,257)	(26,090,734)	(25,739,147)
Deferred charges	(7,621,208)	(13,952,084)	(4,082,815)
Purchase of shares under RSU plan	(4,003,999)	-	(7,797,949)
Loss on extinguishment of debt	(12,123,750)	(13,000,000)	-
Proceeds from exercise of stock options	<u>1,454,020</u>	<u>6,111,912</u>	<u>1,390,666</u>
Net cash provided by financing activities	<u>99,863,145</u>	<u>38,577,439</u>	<u>186,995,389</u>
Net increase/(decrease) in cash and cash equivalents	35,201,398	(20,770,255)	77,879,813
Cash and cash equivalents, at the beginning of the year	<u>1,295,835</u>	<u>36,497,233</u>	<u>15,726,978</u>
Cash and cash equivalents, at end of the period	<u>36,497,233</u>	<u>15,726,978</u>	<u>93,606,791</u>

(a) Basis of presentation

In the company-only financial statements, the Company's investment in subsidiaries is stated at cost plus its equity interest in undistributed earnings of subsidiaries since inception. The company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US\$, except for number of shares data)

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in ASC 323, Investment-Equity Method and Joint Ventures. Such investment is presented on the balance sheet as “Investments in subsidiaries” and share of the subsidiaries’ profit or loss as “Equity in profit of subsidiaries, net” on the condensed statements of comprehensive income.

The subsidiaries did not pay any dividends to the Company for the periods presented.

(b) Related party transactions

As of December 31, 2017 and 2018, the Company had US\$671,853,439 and US\$618,710,085 due from its wholly-owned subsidiaries. These amounts mainly reflect intercompany loans from the Company to Xinyuan Real Estate, Ltd. While intercompany loans have no fixed payments terms, the Company has a legal enforceable right to demand payment at any time, and Xinyuan Real Estate, Ltd. has the ability to repay the outstanding balance on demand.

In 2013, the Company also entered into a separate loan facility agreement with XIN Development Group International Inc. Pursuant to the agreement, the Company will provide a loan facility to XIN Development for the period from July 1, 2013 to January 18, 2018 amounting to US\$50,000,000 at 17.5% per annum. As of December 31, 2018, the Company has US\$116,656,089 (2017: US\$99,289,833) including accrued interest of US\$67,554,210 (2017: US\$50,187,954), due from XIN Development under this loan facility.

(c) Commitments

The Company does not have significant commitments or long-term obligations as of the period end presented.

GLOBAL NOTE

XINYUAN REAL ESTATE CO., LTD.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE NOMINEE FOR THE COMMON DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AND ANY PAYMENT IS MADE TO THE COMMON DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE NOMINEE FOR THE COMMON DEPOSITARY HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGEABLE IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN THE COMMON DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

US\$200,000,000

XINYUAN REAL ESTATE CO., LTD.

14.2% SENIOR NOTES DUE 2021

Global Note

Guaranteed by the Subsidiary Guarantors

XINYUAN REAL ESTATE CO., LTD., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), for value received, hereby promises to pay to Citivic Nominees Limited as the nominee of the common depository for the accounts of Euroclear and Clearstream, upon surrender hereof the principal sum of TWO HUNDRED MILLION UNITED STATES DOLLARS (US\$200,000,000), as revised by the Schedule of Exchanges of the Notes attached hereto, on October 15, 2021, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof.

Interest Rate: 14.2% per annum.

Interest Payment Dates: April 15 and October 15 of each year, commencing October 15, 2019.

Interest Record Dates: one Clearing System Business Day immediately preceding an Interest Payment Date.

Reference is hereby made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date: April 15, 2019

XINYUAN REAL ESTATE CO., LTD.

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

Certificate of Authentication

This is one of the 14.2% Senior Notes Due 2021 described in the Indenture referred to in this Note.

Date: April 15, 2019

Citicorp International Limited, as Trustee

By: _____

Name:

Title:

REVERSE OF GLOBAL NOTE
XINYUAN REAL ESTATE CO., LTD.

14.2% Senior Notes Due 2021

1. Principal and Interest.

The Company promises to pay the principal of this Note on October 15, 2021.

The Company promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note, at the rate of 14.2% per annum.

Interest will be payable semiannually (to the Holders of record of the Notes at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1) on each Interest Payment Date, commencing October 15, 2019.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Original Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Company for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Company will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

2. Indenture; Subsidiary Guarantee; Collateral.

This is one of the Notes issued under an Indenture, dated as of April 15, 2019 (as amended from time to time, the “Indenture”), among Xinyuan Real Estate Co., Ltd., an exempted company incorporated with limited liability under the laws of Cayman Islands (the “Company”), the Subsidiary Guarantors listed on Schedule I thereto and Citicorp International Limited, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Company. The Indenture provides for the issuance from time to time of up to such principal amount or amounts as may from time to time be authorized of the Notes, and the originally issued Notes and any Additional Notes vote together for all purposes as a single class. This Note is guaranteed and will be secured by a pledge on the Capital Stock of certain initial Subsidiary Guarantors (other than Xinyuan International (HK) Property Investment Co., Limited), as set forth in the Indenture.

The Indenture limits, among other things, the ability of the Company to incur or guarantee additional Indebtedness and issue disqualified or preferred stock, declare dividends on its Capital Stock or purchase or redeem Capital Stock, make investments or other specified Restricted Payments, issue or sell Capital Stock of Restricted Subsidiaries, guarantee Indebtedness, sell assets, create liens, enter into certain Sale and Leaseback Transactions, enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans, enter into transactions with equity holders or affiliates or effect a consolidation or merger.

3. Optional Redemption.

At any time prior to October 15, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to October 15, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 114.2% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice to the Holders, the Trustee and the Paying Agent of any redemption pursuant to this Article 3. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing systems, as applicable; or
- (2) if the Notes are not listed on any national securities exchange and/or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

4. Registered Form; Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of US\$200,000 and any multiple of US\$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. Defaults and Remedies.

If an Event of Default (other than an Event of Default specified in clause (g) or (h) of Section 6.01) occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) of Section 6.01 occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes. Without notice to or the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not materially and adversely affect the rights of any Holder.

7. Authentication.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. Governing Law.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

9. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.

TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned hereby transfers to

(PRINT NAME AND ADDRESS OF TRANSFEREE)

U.S. \$ _____ principal amount of this Note, and all rights with respect thereto, and irrevocably constitutes and appoints _____ as attorney to transfer this Note on the books kept for registration thereof, with full power of substitution.

Dated _____
_____ Certifying Signature

Signed _____

Note:

(i) The signature on this transfer form must correspond to the name as it appears on the face of this Note in every particular.

(ii) A representative of the Holder of the Note should state the capacity in which he or she signs (*e.g.*, executor).

(iii) The signature of the person effecting the transfer shall conform to any list of duly authorized specimen signatures supplied by the registered holder or shall be certified by a bank which is a member of the Medallion Program or in such other manner as any Paying Agent or the Note Registrar may require.

(iv) None of the Trustee, the Paying Agent and the Note Registrar shall be obligated to register this Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer or registration set forth herein and in Section 2.05 of the Indenture shall have been satisfied.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, check the box:

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, state the amount (in original principal amount) below:

US\$ _____.

Wire transfer instructions for delivery of proceeds from the purchase of the Note are as follows:

[_____]

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee¹: _____

¹ Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “signature guarantee program” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the United States Securities Exchange Act of 1934, as amended.

SUBSIDIARY GUARANTEE

Each of the undersigned (the “**Subsidiary Guarantors**”) hereby, jointly and severally, Guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The obligations of each Subsidiary Guarantor are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by: (1) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Indenture or any Note, by operation of law or otherwise; (2) any modification or amendment of or supplement to the Indenture or any Note; (3) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in the Indenture or any Note; (4) the existence of any claim, set off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim; (5) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of the Indenture or any Note; or (6) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor’s obligations hereunder.

This Subsidiary Guarantee will not be discharged with respect to any Note except by payment in full of the principal of, premium, if any, and interest on the Notes and all other amounts payable, in respect of any Subsidiary Guarantor, or as otherwise contemplated in the Indenture. In case of the failure of the Company punctually to pay any such principal of, premium, if any, and interest on the Notes and all other amounts payable, each of the Subsidiary Guarantors hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at the stated maturity, by acceleration, call for redemption or otherwise, and as if such payment were made by the Company.

Subject to certain exceptions as set forth in the Indenture, each of the Subsidiary Guarantors hereby further agrees that all payments of, or in respect of, principal of, and premium (if any) and interest in respect of this Subsidiary Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined in the Indenture) or the applicable Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, each Subsidiary Guarantor severally agrees to pay such additional amounts as will result in receipt by the holder of this Subsidiary Guarantee of such amounts as would have been received by such holder had no such withholding or deduction been required.

The obligations of the Subsidiary Guarantors to the holder of this Note and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture, and reference is hereby made to such Article and Indenture for the precise terms of the Subsidiary Guarantee.

This Subsidiary Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Subsidiary Guarantee is endorsed shall have been executed by the Trustee or an Authenticating Agent under the Indenture by manual or facsimile signature of one of its authorized officers.

XINYUAN INTERNATIONAL PROPERTY INVESTMENT CO., LTD.

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

XINYUAN REAL ESTATE, LTD.

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

XINYUAN INTERNATIONAL (HK) PROPERTY INVESTMENT CO.,
LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

VICTORY GOOD DEVELOPMENT LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

SOUTH GLORY INTERNATIONAL LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

ELITE QUEST HOLDINGS LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

TRUSTEE, PAYING AGENT AND NOTE REGISTRAR

Trustee

Citicorp International Limited
39/F, Champion Tower
3 Garden Road, Central
Hong Kong

Paying Agent and Note Registrar

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

GLOBAL NOTE

XINYUAN REAL ESTATE CO., LTD.

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE NOMINEE FOR THE COMMON DEPOSITARY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY (AND ANY PAYMENT IS MADE TO THE COMMON DEPOSITARY OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE COMMON DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, THE NOMINEE FOR THE COMMON DEPOSITARY HAS AN INTEREST HEREIN.

THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE COMMON DEPOSITARY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGEABLE IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN THE COMMON DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

US\$100,000,000

XINYUAN REAL ESTATE CO., LTD.

14.2% SENIOR NOTES DUE 2021

**(to be consolidated and form a single class with the US\$200,000,000
14.2% Senior Notes due 2021 issued by the Company on April 15, 2019)**

Global Note

Guaranteed by the Subsidiary Guarantors

XINYUAN REAL ESTATE CO., LTD., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), for value received, hereby promises to pay to Citivic Nominees Limited as the nominee of the common depositary for the accounts of Euroclear and Clearstream, upon surrender hereof the principal sum of ONE HUNDRED MILLION UNITED STATES DOLLARS (US\$100,000,000), as revised by the Schedule of Exchanges of the Notes attached hereto, on October 15, 2021, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof.

Interest Rate: 14.2% per annum.

Interest Payment Dates: April 15 and October 15 of each year, commencing October 15, 2019.

Interest Record Dates: one Clearing System Business Day immediately preceding an Interest Payment Date.

Reference is hereby made to the further provisions set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee acting under the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Date: April 26, 2019

XINYUAN REAL ESTATE CO., LTD.

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

Certificate of Authentication

This is one of the 14.2% Senior Notes Due 2021 described in the Indenture referred to in this Note.

Date: April 26, 2019

Citicorp International Limited, as Trustee

By: _____

Name:

Title:

REVERSE OF GLOBAL NOTE
XINYUAN REAL ESTATE CO., LTD.

14.2% Senior Notes Due 2021

(to be consolidated and form a single class with the US\$200,000,000
14.2% Senior Notes due 2021 issued by the Company on April 15, 2019)

1. Principal and Interest.

The Company promises to pay the principal of this Note on October 15, 2021.

The Company promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note, at the rate of 14.2% per annum.

Interest will be payable semiannually (to the Holders of record of the Notes at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1) on each Interest Payment Date, commencing October 15, 2019.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Original Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Company for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Company will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

2. Indenture; Subsidiary Guarantee; Collateral.

This is one of the Notes issued under an Indenture, dated as of April 15, 2019 (as amended from time to time, the "Indenture"), among Xinyuan Real Estate Co., Ltd., an exempted company incorporated with limited liability under the laws of Cayman Islands (the "Company"), the Subsidiary Guarantors listed on Schedule I thereto and Citicorp International Limited, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Company. The Indenture provides for the issuance from time to time of up to such principal amount or amounts as may from time to time be authorized of the Notes, and the originally issued Notes and any Additional Notes vote together for all purposes as a single class. This Note is guaranteed and will be secured by a pledge on the Capital Stock of certain initial Subsidiary Guarantors (other than Xinyuan International (HK) Property Investment Co., Limited), as set forth in the Indenture.

The Indenture limits, among other things, the ability of the Company to incur or guarantee additional Indebtedness and issue disqualified or preferred stock, declare dividends on its Capital Stock or purchase or redeem Capital Stock, make investments or other specified Restricted Payments, issue or sell Capital Stock of Restricted Subsidiaries, guarantee Indebtedness, sell assets, create liens, enter into certain Sale and Leaseback Transactions, enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans, enter into transactions with equity holders or affiliates or effect a consolidation or merger.

3. Optional Redemption.

At any time prior to October 15, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to October 15, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 114.2% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice to the Holders, the Trustee and the Paying Agent of any redemption pursuant to this Article 3. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed and/or the requirements of the clearing systems, as applicable; or
- (2) if the Notes are not listed on any national securities exchange and/or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

4. Registered Form; Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of US\$200,000 and any multiple of US\$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. Defaults and Remedies.

If an Event of Default (other than an Event of Default specified in clause (g) or (h) of Section 6.01) occurs and is continuing under this Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) of Section 6.01 occurs with respect to the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes. Without notice to or the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not materially and adversely affect the rights of any Holder.

7. Authentication.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. Governing Law.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

9. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.

TRANSFER NOTICE

FOR VALUE RECEIVED, the undersigned hereby transfers to

(PRINT NAME AND ADDRESS OF TRANSFEREE)

U.S. \$ _____ principal amount of this Note, and all rights with respect thereto, and irrevocably constitutes and appoints _____ as attorney to transfer this Note on the books kept for registration thereof, with full power of substitution.

Dated _____
_____ Certifying Signature

Signed _____

Note:

(i) The signature on this transfer form must correspond to the name as it appears on the face of this Note in every particular.

(ii) A representative of the Holder of the Note should state the capacity in which he or she signs (*e.g.*, executor).

(iii) The signature of the person effecting the transfer shall conform to any list of duly authorized specimen signatures supplied by the registered holder or shall be certified by a bank which is a member of the Medallion Program or in such other manner as any Paying Agent or the Note Registrar may require.

(iv) None of the Trustee, the Paying Agent and the Note Registrar shall be obligated to register this Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer or registration set forth herein and in Section 2.05 of the Indenture shall have been satisfied.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, check the box:

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.12 or 4.13 of the Indenture, state the amount (in original principal amount) below:

US\$ _____.

Wire transfer instructions for delivery of proceeds from the purchase of the Note are as follows:

[_____]

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee¹: _____

¹ Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Association Medallion Program (“**STAMP**”) or such other “signature guarantee program” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the United States Securities Exchange Act of 1934, as amended.

SUBSIDIARY GUARANTEE

Each of the undersigned (the “**Subsidiary Guarantors**”) hereby, jointly and severally, Guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture. The obligations of each Subsidiary Guarantor are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by: (1) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Indenture or any Note, by operation of law or otherwise; (2) any modification or amendment of or supplement to the Indenture or any Note; (3) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in the Indenture or any Note; (4) the existence of any claim, set off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions; *provided* that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim; (5) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of the Indenture or any Note; or (6) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor’s obligations hereunder.

This Subsidiary Guarantee will not be discharged with respect to any Note except by payment in full of the principal of, premium, if any, and interest on the Notes and all other amounts payable, in respect of any Subsidiary Guarantor, or as otherwise contemplated in the Indenture. In case of the failure of the Company punctually to pay any such principal of, premium, if any, and interest on the Notes and all other amounts payable, each of the Subsidiary Guarantors hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at the stated maturity, by acceleration, call for redemption or otherwise, and as if such payment were made by the Company.

Subject to certain exceptions as set forth in the Indenture, each of the Subsidiary Guarantors hereby further agrees that all payments of, or in respect of, principal of, and premium (if any) and interest in respect of this Subsidiary Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined in the Indenture) or the applicable Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, each Subsidiary Guarantor severally agrees to pay such additional amounts as will result in receipt by the holder of this Subsidiary Guarantee of such amounts as would have been received by such holder had no such withholding or deduction been required.

The obligations of the Subsidiary Guarantors to the holder of this Note and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture, and reference is hereby made to such Article and Indenture for the precise terms of the Subsidiary Guarantee.

This Subsidiary Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Subsidiary Guarantee is endorsed shall have been executed by the Trustee or an Authenticating Agent under the Indenture by manual or facsimile signature of one of its authorized officers.

XINYUAN INTERNATIONAL PROPERTY INVESTMENT CO., LTD.

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

XINYUAN REAL ESTATE, LTD.

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

XINYUAN INTERNATIONAL (HK) PROPERTY INVESTMENT CO.,
LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

VICTORY GOOD DEVELOPMENT LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

SOUTH GLORY INTERNATIONAL LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li

Name: Xuefeng Li

Title: Authorized Signatory

ELITE QUEST HOLDINGS LIMITED

as Subsidiary Guarantor

By: /s/ Xuefeng Li
Name: Xuefeng Li
Title: Authorized Signatory

TRUSTEE, PAYING AGENT AND NOTE REGISTRAR

Trustee

Citicorp International Limited
39/F, Champion Tower
3 Garden Road, Central
Hong Kong

Paying Agent and Note Registrar

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

Xinyuan Real Estate Co., Ltd.

List of Subsidiaries as of April 1, 2019*

Company Name	Jurisdiction of Incorporation
Xinyuan International Property Investment Co., Ltd.	Cayman Islands
Xinyuan International (HK) Property Investment Co., Limited	Hong Kong
XIN Development Group International Inc.	United States
Xinyuan Real Estate, Ltd.	Cayman Islands
South Glory International Ltd.	Hong Kong
Victory Good Development Ltd.	Hong Kong
Elite Quest Holdings Ltd.	Hong Kong
XIN Irvine, LLC	United States
Vista Sierra, LLC	United States
XIN Development Management East, LLC	United States
XIN NY Holding, LLC	United States
421 Kent Development, LLC	United States
Xinyuan Sailing Co., Ltd.	Hong Kong
AWAN Plasma Sdn Bhd	Malaysia
XIN Eco Marine Group Properties Sdn Bhd	Malaysia
Xinyuan Internet Finance Co., Ltd.	Cayman Islands
New Dawn International Ltd.	Cayman Islands
New Legend International Ltd. (Transferred on June 28, 2018)	Cayman Islands
New Point International Ltd.	Cayman Islands
New Grace International Ltd.	Cayman Islands
Genesis Ocean Investments Ltd.	Hong Kong
Honest View Development Ltd. (Transferred on June 28, 2018)	Hong Kong
Honour Triumph Enterprises Ltd.	Hong Kong
Well Poly Holdings Ltd.	Hong Kong
Zhengzhou Yasheng Construction Material Co., Ltd.	China
Zhengzhou Jiasheng Real Estate Co., Ltd.	China
Zhengzhou Yusheng Landscape Design Co., Ltd.	China
Xinyuan (China) Real Estate, Ltd.	China
Henan Xinyuan Real Estate Co., Ltd.	China
Qingdao Xinyuan Xiangrui Real Estate Co., Ltd.	China
Shandong Xinyuan Real Estate Co., Ltd.	China
Xinyuan Technology Service Co., Ltd.	China
Mingyuan Landscape Engineering Co., Ltd.	China
Henan Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Suzhou Xinyuan Real Estate Development Co., Ltd.	China
Anhui Xinyuan Real Estate Co., Ltd.	China

Kunshan Xinyuan Real Estate Co., Ltd.	China
Xinyuan Real Estate (Chengdu) Co., Ltd.	China
Xuzhou Xinyuan Real Estate Co., Ltd.	China
Henan Xinyuan Jiye Real Estate Co., Ltd.	China
Beijing Xinyuan Wanzhong Real Estate Co., Ltd.	China
Beijing Heju Management Consulting Service Co., Ltd.	China
Xinyuan Renju (Beijing) Asset Management Co., Ltd.	China
Beijing Xinyuan Priority Real Estate Consulting Co., Ltd.	China
Henan Xinyuan Priority Commercial Management Co., Ltd.	China
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Jiangsu Jiajing Real Estate Co., Ltd.	China
Beijing XIN Media Co., Ltd.	China
Xingyang Xinyuan Real Estate Co., Ltd.	China
APEC Construction Investment (Beijing) Co., Ltd.	China
Beijing Xinxiang Huicheng Decoration Co., Ltd.	China
Jinan Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Xinrongji (Beijing) Investment Co., Ltd.	China
Sanya Beida Science and Technology Park Industrial Development Co., Ltd.	China
Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Zhengzhou Hengsheng Real Estate Co., Ltd.	China
Beijing Xinyuan Xindo Park E-commerce Co., Ltd.	China
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	China
Tianjin Xinyuan Real Estate Co., Ltd.	China
Xi'an Yinghuai Commerce and Trade Co., Ltd.	China
Changsha Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Shanghai Junxin Real Estate Co., Ltd.	China
Beijing Yinghuai Commerce and Trade Co., Ltd.	China
Beijing Xinhe Investment Development Co., Ltd.	China
Jinan Yinghuai Commerce and Trade Co., Ltd.	China
Henan Yinghuai Commerce and Trade Co., Ltd.	China
Henan Xinyuan Guangsheng Real Estate Co., Ltd.	China
Shanghai Hexinli Property Management Center. (Limited partnership)	China
Henan Xinyuan Real Estate Marketing Co., Ltd.	China
Shandong Xinyuan Renju Real Estate Co., Ltd.	China
Shaanxi Zhongmao Economy Development Co., Ltd.	China
421 Kent Holding Co, Ltd.	United States
Hudson 888 Owner LLC	United States
XIN Manhattan Holding LLC	United States
Hudson 888 Holding LLC	United States
Henan Xinyuan Quansheng Real Estate Co., Ltd.	China
Zhengzhou Shengdao Real Estate Co., Ltd.	China

Henan Xinyuan Shunsheng Real Estate Co., Ltd.	China
Hunan Erli Real Estate Co., Ltd.	China
Ningbo Meishan Bonded Port Xinshoulei Investment Management Co., Limited	China
Xinyuan (China) Technology Research Institute Limited	Hong Kong
XIN Queens Holding LLC	United States
Queens Theatre Holdco LLC	United States
Queens Theatre Owner LLC	United States
Guoxin Future Science & Technology Research (Beijing) Co., Limited	China
Zhengzhou Xinnan Real Estate Co., Ltd.	China
Xinyan Investment Management Co., Limited.	China
Hangzhou Investment Consulting Co., Limited	China
Hunan Yue-Mart Commerce and Trade Co., Ltd.	China
Hunan Xintian Real Estate Co., Ltd.	China
Beijing Xinju Technology Co., Ltd.	China
Zhengzhou Hangmei Technology Development Co., Ltd.	China
Zhengzhou Hangmei Zhengxing Technology Co., Ltd.	China
Xi'an Dingrun Real Estate Co., Ltd.	China
Zhengzhou Kangshengboda Real Estate Co., Ltd.	China
Xinjiang Xinyuan Renju Equity Investment., Ltd.	China
Zhuhai Prince Real Estate Co., Ltd.	China
Henan Renxin Real Estate Co., Ltd.	China
Henan Huanzhou Construction Engineering Co., Ltd	China
Xinchuang Technology Co., Ltd.	China
Hangzhou Huiyuan Investment Management Partnership Enterprise. (Limited partnership)	China
Guangdong Xinyuan Real Estate Co., Ltd.	China
Beijing Juhe Real Estate Brokerage Co., Ltd.	China
Taicang Pengchi Real Estate Co., Limited.	China
Beijing Yuandian Internet Technology Co., Ltd.	China
Khorgos XinYan Enterprise Management Consulting Co., Ltd.	China
Hunan Huaiwei Business Management Co., Ltd.	China
Xinyuan Technology Development Operation Henan Co., Limited.	China
Kunshan Litai Construction Co., Ltd.	China
Suzhou Danhua Construction Co., Ltd.	China
Wuhan Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Puyang Zhongfang Xinyuan Property Management Co., Ltd.	China
Xian Jinbian Shunsheng Real Estate Co., Ltd.	China
Henan Chengzhihang Property Management Co., Ltd.	China
Jinan Xinyuan Quansheng Real Estate Co., Ltd.	China
Beijing Xinyuan Technology Co., Limited.	China
Henan Yanchuang Enterprise Management Consulting Co., Ltd.	China

Xinchuang (Dalian) Healthy Industrial Development Co., Ltd.	China
Zhongyuan Real Estate Co., Ltd.	China
Suzhou Yuxi Real Estate Co., Limited.	China
Suzhou Yefang Real Estate Co., Limited.	China
Xinchuang Sailing (Dalian) Healthy Investment Co., Ltd.	China
Wuhan Yinghexin Real Estate Co., Ltd.	China
Beijing Ruizhuoxiyuan Technology Development Co., Ltd.	China
Henan Kaizhuo Construction Engineering Co., Ltd.	China
Henan Kaijing Landscape Construction Co., Ltd.	China
Henan Jiedong Construction Engineering Co., Ltd.	China
Beijing Ruizhuoxiyi Information Technology Co., Ltd.	China
Qingdao Xinyuan Jinguang Property Development Co., Ltd.	China
Xi'an Yinghehuihuang Business Management Co., Ltd.	China
Qingdao Jianuohua International Healthy Industrial Co., Ltd.	China
Chengdu Xinyuan Commercial Management Co., Ltd.	China
Dalian Xinyi Renju Industrial Co., Ltd.	China
Beijing Xinyuan Huicheng Technology Co., Limited.	China
Shenzhen Huixin Tongrong Commercial Factoring Co., Ltd.	China
Guoxin Future Kechuang (Tianjin) Fund Management Co., Ltd.	China
Henan Kaiyun Construction Design Co., Ltd.	China
Henan Kairen Real Estate Brokerage Co., Ltd.	China
Jiangxi Jingshengheda Construction Material Co., Ltd.	China
Jiangxi Xinkai Renju Management Consulting Service Co. Ltd.	China
Qingdao Keda Real Estate Co., Ltd.	China
Wuhu Xinyansuifeng NO.1 Investment Center (Limited partnership)	China
Chengdu Yinghuai Commercial Management Co., Ltd.	China
Shanyang Yinghuai Commerce and Trade Co., Ltd.	China
Yinghuai (Sanya) Technology Management Co., Ltd.	China
Wuhan Xinchuang Financial Technology Development Co., Ltd.	China
Zhuhai Xinyuan Real Estate Co., Ltd.	China
Xi'an Rongshenghongda Construction Engineering Co., Ltd.	China
Beijing Juzhouyun Technology Development Co., Ltd.	China
Beijing Yuzhouyun Technology Development Center (Limited Partnership)	China
Beijing Zhiqi Internet Technology Development Co., Ltd.	China
Sichuan Yingbo Business Management Co., Ltd.	China
Qingdao Yinghuai Qikela Business Management Co., Ltd.	China
Nanjing Huaiyu Business Management Co., Ltd.	China
Henan Huaizhi Business Management Co., Ltd.	China
Henan Huaisheng Business Management Co., Ltd.	China
Beijing Ruihao Rongtong Real Estate Co., Ltd.	China
China Online Finance Research Institute Limited	Hong Kong
Shenzhen Xinchuang Investment Consulting Co., Ltd.	China

Shenzhen Keye Investment Co., Ltd.	China
Shenzhen Xilefu Internet Financial Service Co., Ltd.	China
Shenzhen Xileju Technology Development Co., Ltd.	China
Henan Yueshenghang Property Service Co., Ltd.	China
Xinyuan Tianjin Technology Development Co., Limited.	China
Hangzhou Xinyansuifeng Investment Partnership Enterprise (Limited partnership)	China
Henan Xinyuan Education Technology, LLC.	China
Shenzhen Ruizhuoxizhi Technology Development Co., Ltd.	China
Xinyuan Co., Ltd	China
Xinyuan Tianjin Investment Management Co., Ltd.	China
Henan Xinyuan Property Service Co., Ltd.	China
Chengdu Guohongteng Industrial Co., Ltd.	China
Chengdu Xinyuan Renju Enterprise Management Co., Ltd.	China
Beijing Zhongtou Xinshoulei Investment Management Center (Limited Partnership)	China
Jinan Renju Construction Material Co., Ltd.**	China
Changsha Xinyuan Qizhi Information Technology Consulting Co., Ltd.**	China
Dalian Xinyi Yaju Real Estate Co., Ltd.**	China
Guangdong Xinchuang Kechuangzhigu Development Co., Ltd.**	China

*The list does not include various new entities created by Xinyuan Real Estate Co., Ltd. that are being held for future ventures.

** Formed in 2019.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lizhou Zhang, certify that:

1. I have reviewed this annual report on Form 20-F of Xinyuan Real Estate Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2019

/s/ Lizhou Zhang

Lizhou Zhang
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Xuefeng Li, certify that:

1. I have reviewed this annual report on Form 20-F of Xinyuan Real Estate Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2019

/s/ Xuefeng Li

Xuefeng Li
Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned officer of Xinyuan Real Estate Co., Ltd. (the "Company"), hereby certifies that to his knowledge the Company's Annual Report on Form 20-F for the year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2019

/s/ Lizhou Zhang
Lizhou Zhang
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Exchange Act and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the undersigned officer of Xinyuan Real Estate Co., Ltd. (the "Company"), hereby certifies that to his knowledge the Company's Annual Report on Form 20-F for the year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2019

/s/ Xuefeng Li
Xuefeng Li
Interim Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Exchange Act and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement and related Prospectus (Form F-3 No. 333-192046) of Xinyuan Real Estate Co., Ltd.,
- (2) Registration Statement (Form S-8 No. 333-152637) pertaining to the Xinyuan Real Estate Co., Ltd. 2007 Equity Incentive Plan and the Xinyuan Real Estate Co., Ltd. 2007 Long Term Incentive Plan of Xinyuan Real Estate Co., Ltd.,
- (3) Registration Statement (Form S-8 No. 333-198525) pertaining to the Xinyuan Real Estate Co., Ltd. 2014 Restricted Stock Unit Plan, and
- (4) Registration Statement (Form S-8 No. 333-205371) pertaining to the Xinyuan Real Estate Co., Ltd. 2015 Stock Option Plan

of our reports dated April 29, 2019, with respect to the consolidated financial statements of Xinyuan Real Estate Co., Ltd. and the effectiveness of internal control over financial reporting of Xinyuan Real Estate Co., Ltd. included in this Annual Report (Form 20-F) for the year ended December 31, 2018.

/s/Ernst & Young Hua Ming LLP
Beijing, People's Republic of China
April 29, 2019
