

Xinyuan Real Estate Co., Ltd.  
Form 20-F  
April 30, 2018

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, 2017.

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:

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
American Depositary Shares, each representing two common shares, par value US\$0.0001 per share	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 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. 129,578,676 common shares, par value US\$0.0001 per share, as of December 31, 2017.

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

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 the 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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> 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 x 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 used by the CIHAF Valuation Report on Real Estate Investment in PRC Cities published by China Real Estate Business, an authoritative real estate publication in China, YUBO Media and Institute of Finance and Trade Economics of Chinese Academy of Social Sciences.

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. We believe that the sources of this information are appropriate sources for such information. However, we cannot independently verify any of such information.

This annual report includes our audited consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and as of December 31, 2016 and 2017. 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. Since 2012, we have expanded to the U.S. market through our subsidiaries in the United States. 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. See “Item 3. Key Information — A. Selected Financial Data — Exchange Rate Information.”

Our common shares are traded on the New York Stock Exchange (the “NYSE”), in the form of ADS under the symbol “XIN.” Each ADS represents two common shares. The closing price of our ADSs on the NYSE as of April 25, 2018 was US\$5.07 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 and 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 market cities in China and our targeted areas in the United States.

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 statements.

This annual report may also contain third party data relating to the real estate industry in China that includes projections based on a number of assumptions. The real estate industry in China may not grow at the rates projected by market data, or at all. The failure of our markets to grow at projected rates may have a material adverse effect on our business and the market price of our ADSs. Furthermore, 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. You should not place undue reliance on these forward looking statements.

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, 2015, 2016 and 2017, other than earnings per ADS data, and the consolidated balance sheet data as of December 31, 2016 and 2017 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, 2013 and 2014 and our selected consolidated balance sheet data as of December 31, 2013, 2014 and 2015 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,				
	2013 US\$	2014 US\$	2015 US\$	2016 US\$	2017 US\$
<b>Consolidated Statements of Comprehensive Income</b>					
Total revenue	897,738	919,748	1,164,324	1,561,625	1,976,907
Total costs of revenue	(598,740 )	(677,582 )	(891,334 )	(1,203,636 )	(1,517,279 )
Selling and distribution expenses	(20,724 )	(39,494 )	(52,126 )	(58,214 )	(75,724 )
General and administrative expenses	(64,498 )	(105,622 )	(115,329 )	(120,416 )	(136,845 )
Operating income	213,776	97,050	105,535	179,359	247,059
Net income	126,356	48,496	66,481	79,463	80,111
Net loss/(income) attributable to non-controlling interest	–	19	1	(6,485 )	(16,483 )
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders	126,356	48,515	66,482	72,978	63,628
Earnings per share					
-Basic	0.87	0.32	0.47	0.55	0.49
-Diluted	0.85	0.29	0.45	0.53	0.48
Shares used in computation					
-Basic	145,733,028	151,935,765	142,625,427	133,261,510	128,704,610
-Diluted	149,464,556	177,118,235	146,487,949	137,653,029	131,605,868
Earnings per ADS <sup>(1)</sup>					
-Basic	1.74	0.64	0.93	1.10	0.99
-Diluted	1.70	0.58	0.91	1.06	0.97

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

	Years ended December 31,				
	2013 US\$	2014 US\$	2015 US\$	2016 US\$	2017 US\$
Cash dividends declared per ADS	0.20	0.20	0.20	0.30	0.40

	Years ended December 31,				
	2013	2014	2015	2016	2017
<b>Other Operating Data</b>					
Number of projects launched	4	9	6	4	5
Aggregate GFA delivered <sup>(1)</sup> (m <sup>2</sup> )	940,005	374,615	560,232	1,278,492	1,200,222

- (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, 2013, 2014, 2015, 2016 and 2017:

	As of December 31,				
	2013	2014	2015	2016	2017
	US\$	US\$	US\$	US\$	US\$
	(in thousands except share, per share and per ADS data)				
<b>Consolidated Balance Sheet Data<sup>(1)</sup></b>					
Cash and cash equivalents	587,119	140,495	387,528	578,244	894,551
Restricted cash	250,098	368,874	363,137	328,499	566,676
Deposits for land use rights	297,389	299,739	46,199	153,252	103,716
Real estate property under development <sup>(2)</sup>	932,519	1,714,575	1,887,322	1,719,135	1,996,001
Total current assets	2,244,528	3,070,459	3,262,964	3,931,445	5,070,212
Total assets	2,382,100	3,231,526	3,561,387	4,236,445	6,384,434
Total current liabilities	807,373	1,592,633	1,650,883	2,060,609	3,674,819
Long-term bank loans	32,804	52,296	13,860	235,885	11,019
Other long-term debt	536,943	576,204	910,008	974,791	1,404,814
Common shares	15,828	15,831	15,835	16,051	16,314
Total Xinyuan Real Estate Co., Ltd. shareholders' equity	952,636	960,612	935,952	916,152	1,057,013

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. (1) 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,				
	2013	2014	2015	2016	2017
Period-end US\$: RMB exchange rate	6.0969	6.1190	6.4936	6.9370	6.5342
Period average US\$: RMB exchange rate	6.1956	6.1424	6.2272	6.6401	6.7547

As of April 20, 2018, the US\$: RMB exchange rate was 6.2945.

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

#### Exchange Rate Information

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 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. dollars or RMB at any particular rate, including the rate stated below.

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. The PBOC announces the RMB closing price each day and that rate serves as the mid-point of the next day's trading band.

The following table sets forth, for each of the periods indicated, the low, average, high and period-end noon buying rates in New York City for cable transfers, in RMB per U.S. dollar. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of periodic reports or other information to be provided to you.

	<b>Noon Buying Rate<sup>(1)</sup></b>			
	Period End (RMB Per US\$1.00)	<b>Average<sup>(2)</sup></b>	Low	High
<b>Year</b>				
2013	6.0537	6.1412	6.0537	6.2438
2014	6.2046	6.1620	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6400	6.4480	6.9580
2017	6.5063	6.7564	6.4773	6.9575
<b>Month</b>				
September 2017	6.6533	6.5690	6.4773	6.6591
October 2017	6.6328	6.6254	6.5712	6.6533
November 2017	6.6090	6.6200	6.8949	6.6091
December 2017	6.5063	6.5932	6.9113	6.9575
January 2018	6.2841	6.4233	6.2841	6.5263
February 2018	6.3280	6.3183	6.2649	6.3471
March 2018	6.2726	6.3174	6.2685	6.3565
April (through April 20) 2018	6.2945	6.2859	6.2655	6.3045

<sup>(1)</sup> The noon buying rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

Annual averages are calculated by averaging the exchange rates on the last business day of each month or the <sup>(2)</sup>elapsed portion thereof during the relevant year-long period. Monthly averages are calculated using the average of the daily rates during the relevant period.

## **B. Capitalization and Indebtedness**

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

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## **D. Risk Factors**

### Risks Related to Our Business

Our business is sensitive to the current global economic crisis. A severe or prolonged downturn in the global economy could materially and adversely affect our revenues and results of operations.

Continued concerns about the systemic impact of potential long-term and wide-spread recessions, energy costs, geopolitical issues, unstable credit markets and financial conditions, volatile oil prices and the global housing and mortgage markets have led to periods of significant economic instability, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, diminished expectations for the global economy and expectations of slower global economic growth going forward. The United Kingdom held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union (“Brexit”). Negotiations are expected to commence to determine the future terms of the United Kingdom’s relationship with the European Union. In the wake of Brexit, the credit ratings of the United Kingdom were downgraded and global markets experienced enhanced volatilities. The full effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets.

Economic conditions in China are sensitive to global economic conditions, and it is impossible to predict how the Chinese economy will develop in the future. Any slowdown in China’s economic development might 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 some 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. Although the PRC government began to loosen mortgage restrictions the second half of 2017, the demand in the real estate market in China has weakened, particularly in tier III and tier IV cities. We remain optimistic about the Chinese economy, but 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.

With our expansion into the U.S. market in 2012, we will be increasingly sensitive to the general economic conditions in the United States and industry conditions of the U.S. housing market in particular. The United States 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. The U.S. market experienced a significant downturn in recent years. Although certain markets in the United States have begun to recover, including our targeted areas of development in New York, the ultimate speed of the housing market's recovery remains uncertain. 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.

In addition, in 2014, we acquired 100.0% of a Malaysian company that is engaged in land reclamation development for a total area of 170 acres (approximately 687,966 square meters). The market demand for landfill development in Malaysia could be affected by various factors, including the general economic environment of the country and any macro-economic control measures implemented by the local authorities, many of which are beyond our control. Any negative changes affecting the Malaysian market could have a detrimental impact on our financial conditions and results of operations.



On March 21, 2018, we acquired from ED Jersey Limited (“ED Group”), a wholly-owned subsidiary of ED Group Holding Limited, a 50% equity stake in Madison Developments Limited (“MDL”), the developer of the Madison Project at Marsh Wall, London E14 9YT (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 the third quarter of 2020. To date, approximately 40% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold.

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. Therefore, 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. operations continue to grow, we may in the future also depend on dividends from our U.S. 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, 2017, our statutory reserves amounted to US\$105.7 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 the 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, Shenzhen and Xiamen. In addition, a private equity and asset management plan shall 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, or be used to directly or indirectly facilitate any illegal margin loans for down payments.

As of December 31, 2017, our contractual obligations amounted to US\$4,113.7 million, primarily arising from contracted construction costs or other capital commitments for future property developments and debt obligations. Of this amount, US\$2,440.8 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 successfully manage our expansion into other cities in China, we will not be able to execute our business plan.

Historically, our business and operations was concentrated in Zhengzhou. Since 2006, we have expanded our residential property development operations into other high growth cities in China, consisting of Chengdu in Sichuan Province, Hefei in Anhui Province, Jinan and Qingdao in Shandong Province, Suzhou, Kunshan and Xuzhou in Jiangsu Province, Zhengzhou and Xingyang in Henan Province, Sanya in Hainan Province, Changsha in Hunan Province, Xi'an in Shaanxi Province, Zhuhai in Guangdong province and Sanya in Hainan province. We plan to expand into other 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 of these cities has its own 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 the U.S. market and the Malaysian market, markets in which we have limited 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 the United States market and the Malaysian market.

While our primary focus continues to be residential real estate markets in high-growth tier I and tier II cities in China, in 2012 we expanded to the United States market and have opportunistically secured five real estate properties. Two of these projects were acquired for resale and were sold out in early 2015. The other projects include an ongoing residential ground-up development project in the Williamsburg neighborhood of Brooklyn, New York (“New York Oosten Project”), and two newly acquired land parcels in Manhattan, New York and in the Flushing neighborhood of Queens, New York. We are in the early stage of expanding into the United States and there can be no assurance that we will be able to succeed in the United States market. We have limited experience in the United States real estate market and may not be able to develop and implement an effective property development process appropriate for the U.S. market. In addition, given our limited experience in the United States market, it may be difficult for us to accurately forecast our future revenues and expenses related to existing and future projects in the United States. Our ability to locate appropriate future projects in the United States and generate future revenues from such projects may require us to expend significant capital and management resources.

In addition, our ability to develop a successful United States property developments business will depend on a number of factors outside of our control, including the status of the United States 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. Future increase in interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may lead to reduced demand by potential purchasers for any properties we may develop in the United States. Moreover, for the New York Oosten Project and the two new projects, as pre-sale proceeds before the units’ title conveyances cannot be used to finance project construction according to local laws and regulations, 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.

Furthermore, 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. Current U.S. tax laws generally permit certain expenses associated with owning a home, principally mortgage interest expenses (subject to certain limitations), to be deducted for the purposes of calculating an individual’s United States federal and, in some cases, state taxable income. Enactment of recent United States tax legislation could impact the after-tax costs of owning a home in the United States for many potential customers and may have an adverse effect on the homebuilding industry in general, as the loss of or reduction of homeowner tax deductions could decrease the demands for new homes.

In 2014, we acquired 100% share of a Malaysian company, which owns offshore landfill development rights for a total area of 170 acres (approximately 687,966 square meters). While we plan to allocate US\$50 million for land

reclamation costs in total, 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 successfully complete the required landfill reclamation. Moreover, given our lack of prior experience in Malaysia, it also may be difficult for us to develop and implement an effective property development process appropriate for the Malaysian market, to accurately forecast our future revenues and expenses related to projects in Malaysia, and we could be required to expend significant capital and management resources to develop and generate future revenues from such projects. As of the end of 2017, we obtained a Hydraulic Study Approval from the Department of Irrigation and Drainage (Jabatan Pengairan dan Saliran), a Conditional Development Order from the Melaka Historic City Council (Majlis Bandaraya Melaka Bersejarah) and we had gotten Terms of Reference from the Department of Environment.

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 the third quarter of 2020. To date, approximately 40% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold.

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. 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. In addition, we may not successfully obtain desired development sites due to the increasingly intense competition in the bidding processes. To the extent we acquire land use rights through acquisition, we could be exposed to risks generally associated with entity acquisitions and our costs could increase. 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 may not be able to procure land successfully or receive expected return through our new land acquisition model.

Beginning the second half of 2012, we have been using a model to acquire certain land use rights in the PRC through direct negotiation with local governments prior to land auctions in response to local governments' need for funding undeveloped land preparation. Under the direct negotiation model, we enter into a framework cooperation agreement with the local government, pursuant to which we provide land planning advice to the local government with respect to a particular piece of undeveloped land that the government plans to develop. Based on the government's land

development plan, the underlying land may be divided into several tranches to be developed on a tranche by tranche basis. Following the government's land development plan, we provide funding in terms of advances to the government for land preparation of a particular tranche approximately three to six months before the land auction for that tranche. The advance payment usually ranges from 20% to 50% of the estimated opening auction price. The final disposition of the tranche occurs through public auction. Pursuant to the framework cooperation agreement, if we successfully acquire the land through the auction, the advance payment will be applied towards and offset part of the land transfer payment. If we fail to acquire the land, we are refunded the advance payment with an annual interest rate of approximately 10% to 15%. We believe that under these models, we are often in a better position to identify and undertake initial planning with respect to targeted parcels as a result of direct involvement in and interaction with the government regarding the development stage of undeveloped lands. We entered into no framework cooperation agreements with a local government in 2015, none in 2016, and one in 2017, relating to prospective land parcel planning and preparation, pursuant to which we paid advances in the aggregate amount of US\$83.4 million in 2015, US\$255.1 million in 2016, and US\$247.9 million in 2017. These advances have been transferred to land cost where our auction bids were successful, or will be so transferred assuming future auction bids for the relevant parcels are successful.



The land preparation process may be delayed after we have provided an advance payment, placing undue burden on our cash flow. In addition, as the acquisition of land is eventually conducted through the standard auction process, we may not be able to successfully acquire the land for which we have provided advance payment. In that case, we may have lost other opportunities for which we could have deployed the funds used to make the advance payment. If we fail to acquire any land for which we have made an advance payment, we cannot assure you that we will be able to receive the expected return on the advance payment or that there will not be any delay in receiving the refund. Furthermore, we may no longer be able to conduct direct negotiation with the government as the result of any change in government regulations and policies prohibiting or restricting such a business in the future.

We rely on third-party contractors.

Substantially all of our project construction and related work are outsourced to third-party contractors. We are exposed to risks that the performance of our contractors 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. Moreover, the completion of our property developments may be delayed. In addition, we work with multiple contractors on different projects and we 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. For the years ended December 31, 2016 and 2017, no late delivery expenses were incurred. 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 cannot assure you that we will not have similar incidents or uninsured losses in the future, which could have a material adverse effect on our business, financial condition and results of operations.

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. On August 5, 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report,” in which it recommended that the practice of pre-selling uncompleted properties be discontinued because, according to the report, such activity creates significant market risks and generates transactional irregularities. Although this PBOC recommendation was directly adopted by the PRC national government and had no enforceability, the local provinces and cities have been delegated the power to enact and implement local pre-sale rules. A number of cities in which we are operating business have established local rules and conditions for the pre-sale permits application, especially for the custody of pre-sale funds. For example, on August 1, 2016, the Tianjin government implemented a notice requiring that, before any pre-sale permit application is submitted, a real estate developer must open a custody account at a commercial bank, and enter into a tripartite custody agreement with the relevant governing authority and the commercial bank to monitor the use 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. We recognize our real estate revenue based on the full accrual method and the percentage of completion method, both of which require us to estimate total costs and revenue which may be reviewed or revised periodically and may result in changes from period to period. 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.

We recognize our real estate revenue based on the full accrual method and the percentage of completion method depending on the estimated project construction period and timing of collection of sales prices. 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.

Since expanding our operations into the U.S. market in 2012, we became and will continue to be in increasing need of U.S. dollar financings with respect to project developments and future expansions. We currently satisfy our U.S. dollar 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 U.S. 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 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 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 8.125% Senior Notes issued in August 2016 (the "August 2019 Senior Secured Notes"), our 7.75% Senior Notes issued in February 2017 (the "February 2021 Senior Secured Notes") , our 8.875% Senior Notes

issued in November and December 2017 (the “November 2020 Senior Secured Notes”) and our 9.875% Senior Notes issued in March 2018 (the “March 2020 Senior Secured Notes”) contain covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries (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 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 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 (other than the shares of Xinyuan International (HK) Property Co., Limited). If we default under any of the 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 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\$555,969, US\$1,820,324, and US\$788,644 to satisfy

guarantee obligations related to customer defaults for the years ended December 31, 2015, 2016 and 2017.

As of December 31, 2016 and 2017, our outstanding guarantees in respect of our customers' mortgage loans amounted to US\$1,672.9 million and US\$1,569.8 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, 2017, the outstanding balance of our total indebtedness amounted to US\$3,311.8 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 138.95% of the PBOC benchmark rate, which fluctuates from time to time. The PBOC benchmark rate for a one year loan was 4.35% as of October 24, 2015. As of December 31, 2017, the principal amount of our aggregate outstanding variable rate debt was US\$589.0 million. A hypothetical 1% increase in annual interest rates would increase our interest expenses by US\$5.9 million based on our debt level at December 31, 2017. In connection with our U.S. projects, we anticipate entering into U.S. dollar denominated loans in the future, 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 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 or Malaysian 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 2012, we embarked on four new residential development projects in China, including our first development project in the satellite area of Beijing. We also began to manage our first wholly owned retail project, Xinyuan Priority Lifestyle Shopping Center, located in Zhengzhou, Henan Province. In addition, we expanded our operations into the U.S. market, including several development projects in New York, and two resale projects in Reno, Nevada and Irvine, California. In October 2013, we completed our acquisition of Jiangsu Jiajing Real Estate Co., Ltd. (“Jiangsu Jiajing”), for the purpose of acquiring the land and residential real estate construction in progress held by it. As of December 31, 2014, we also completed our acquisition of Sanya Beida Science and Technology Park Industrial Development Co., Ltd. and Shanghai Junxin Real Estate Company, for the purpose of acquiring the land held by such companies in Sanya and Shanghai, respectively. In December 2014, we also 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.). On March 2 and May 15, 2015, we acquired 82% and 18% of the equity interests, respectively, in Shandong Renju Real Estate Co., Ltd. for the purpose of acquiring the land held by it in Jinan. As of December 31, 2016, we also completed our acquisition of Beijing Ruihao Rongtong Real Estate Co., Ltd. and Hunan Erli Real Estate Co., Ltd., for the purpose of acquiring the land held by these companies in Beijing and Changsha, respectively. In January 2016, we acquired a parcel of land in midtown Manhattan, New York with GFA of approximately 10,235 square meters. In August 2016, we acquired another parcel of land in the Flushing neighborhood of Queens, New York with GFA of approximately 30,112 square meters. As of December 31, 2017, we also completed our acquisition of Zhengzhou Hangmei, Hangmei Zhengxing, Hunan Xintian, Xi’an Dingrun, Zhengzhou Kangshengboda, Zhuhai Prince, Henan Renxin and Taicang Pengchi, for the purpose of acquiring the land held by these companies in Zhengzhou, Changsha, Xi’an, Zhuhai and Suzhou, respectively. On March 21, 2018, we acquired from 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 the third quarter of 2020. To date, approximately 40% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold. These newly developed projects, 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. See “Item 4. Information on the Company — B. Business Overview” for information regarding our Online to Offline (O2O) cinema businesses and our blockchain-powered real estate finance technology platform under development. 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.

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 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. To date, we have not encountered serious delays or difficulties in the process of applying for or renewing these approval certificates and permits, but 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 could increase the cost and limit the availability of our project development in the United States and adversely affect our business or financial results.

As we expand our business in the U.S. market, we will continue to be subject to extensive and complex regulations in the United States that affect land development and home construction, including zoning, density restrictions, building design and building standards. 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. 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 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. Any increase in 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, 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 changes in the performance of our properties.

As of December 31, 2017, we had approximately 62,609, 115,374, 12,159 and 9,664 square meters of retail investment properties in Zhengzhou, Xi'an, Changsha and Chengdu, in China, respectively. As of December 31, 2017, we also have two projects under construction at which we plan to develop commercial property for lease with a planned GFA of approximately 15,268 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.

In 2014, we completed our acquisition of 100% of the equity interests in Sanya Beida Science and Technology Park Industrial Development Co., Ltd. and Shanghai Junxin Real Estate Company, for the purpose of acquiring the land held by such companies in Sanya and Shanghai, respectively. In December 2014, we also completed the acquisition of 100% of the equity interests in XIN Eco Marine Group Properties Sdn Bhd (formerly named as EMG Group Properties Sdn Bhd), a Malaysian company which, through a subsidiary, holds offshore landfill development rights for a total of 170 acres (approximately 687,966 square meters) of land. On March 2 and May 15, 2015, we acquired 82% and 18% of the equity interests, respectively, in Shandong Renju Real Estate Co., Ltd. for the purpose of acquiring the land held by it in Jinan. As of December 31, 2016, we also completed our acquisition of Beijing Ruihao Rongtong Real Estate Co., Ltd. and Hunan Erli Real Estate Co., Ltd., for the purpose of acquiring the land held by such companies in Beijing and Changsha, respectively. As of December 31, 2017, we also completed our acquisitions of Zhengzhou Hangmei, Hangmei Zhengxing, Hunan Xintian, Xi'an Dingrun, Zhengzhou Kangshengboda, Zhuhai Prince, Henan Renxin and Taicang Pengchi, for the purpose of acquiring the land held by these companies in Zhengzhou, Changsha, Xi'an, Zhuhai and Suzhou, respectively. 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 the third quarter of 2020. To date, approximately 40% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold. 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.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, implemented 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. Among other things, the M&A Rules and regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of the People's Republic of China (the "MOFCOM") be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the *Provisions on Thresholds for Prior Notification of Concentrations of Undertakings*, issued by the PRC State Council on August 3, 2008, are triggered. According to the *Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises* issued by MOFCOM in August 2011, 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. On August 19, 2015, six PRC regulatory agencies, including the Ministry of Housing and Urban-Rural Development (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. According to Circular 122, full payment of the capital contributions of foreign-invested real estate enterprise ("FIREE"), is no longer required when the FIREE applies for domestic loans, overseas loans, and for settlement of foreign exchange loans, and the FIREE may directly apply to banks for the registration of foreign exchange regarding foreign direct investment in accordance with the relevant rules from the foreign exchange administration. This may, to some extent, lower the entry thresholds for foreign investors in the real estate market. However, the requirements and condition for the acquisitions are still untouched. Despite of the issuance of Circular 122, complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions.

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, 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. We and Zhengzhou Jiantou Xinyuan Real Estate Co., Ltd., or Jiantou Xinyuan, during the time we owned only 45% of Jiantou Xinyuan, have made late payments of land premiums for which penalties were imposed. 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. As of the date of this annual report, we have not experienced any delay in commencing construction works on land owned by us. Although such parcels have not been identified as idle land by the relevant PRC government authorities, there can be no assurance that such land would not be treated as idle land.

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, 2017. 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. For instance, a class I developer is not restricted to the scale of real estate projects to be developed and may undertake real estate development projects anywhere in the country, while a class II or below developer may undertake projects with a gross area of less than 250,000 square meters per project and the specific scope of business must be as confirmed by the local construction authority. 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.

We may be required to pay additional corporate income taxes in China.

Based on the levy method applied by the Zhengzhou local tax bureau before 2011, our subsidiaries in Zhengzhou were paying corporate income tax (“CIT”), on a deemed profit basis, where taxable income was deemed to be 15% of cash receipts, regardless of actual income generated in that year. The local tax authorities may challenge our basis as compared to the actual income basis. Accordingly, we may be subject to CIT on our actual taxable income. We have made provision for the full amount of applicable CIT calculated in accordance with the relevant PRC tax laws and regulations, but we paid CIT each year as required by the local tax authorities. We cannot guarantee that we will not be required to pay additional taxes in accordance with the PRC tax laws and regulations or that our accrued deferred tax liabilities will be sufficient to cover any additional CIT payments we will be required to pay in the future with respect to past financial periods.

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, 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.

Under an arrangement between China and Hong Kong, such dividend withholding tax rate is reduced to 5% if the beneficial owner of the dividends is a Hong Kong tax resident enterprise which directly owns at least 25% of the PRC company distributing the dividends and has owned such equity for at least 12 consecutive months before receiving such dividends. According to the *Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties, effective on April 1, 2018* and the *Interpretation of the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties, effective on April 1, 2018*, an applicant for treaty benefits, including benefits under the arrangement between China and Hong Kong on dividend withholding tax, that does not carry out substantial business activities or is an agent or a conduit company may not be deemed as a “beneficial owner” of the PRC subsidiary and therefore, may not enjoy such treaty benefits. According to *Announcement of the State Administration of Taxation on Issues Concerning the Recognition of Beneficial Owners in Entrusted Investments*, effective on June 1, 2014, non-residents may be recognized as “beneficial owners” and enjoy the treaty benefits for the income derived from the PRC from specified investments. However, we cannot assure you that we will be able to obtain the tax resident certificate from the relevant Hong Kong tax authority and enjoy the preferential withholding tax rate of 5%.

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 “ ” 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. Since the PRC *Social Insurance Law* came into effect on July 1, 2011, the legal framework regulating employee social insurance has been further strengthened. Currently, we pay statutory employee benefits based on the contribution ratio stipulated by local governments and also accrue provisions for unpaid employee benefits based on relevant central government regulations. We may be required by the relevant PRC authorities to pay the unpaid employee benefits within a designated period. We cannot be certain that such accrued amounts will be sufficient to meet any additional employee benefit payments that we are required to make in the future.

If we provide seller financing, we face the risk that our homebuyers may default in their obligations, which could result in a delay of revenue recognition and could negatively affect our financial results.

During part of the years 2011 and 2012, due to the restrictions of mortgages to second home buyers, we employed seller-financed contract arrangements under which a homebuyer could pay the purchase price for the residential unit in installment payments. Since the second quarter of 2014, we have also utilized seller-financed contracts 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 and Malaysia, 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 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 — Regulations on Real Estate Financing,” “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Housing Prices and Real Estate Tax,” and “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Housing Supply and Improving the Healthy Development of the Real Estate Market” 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, a Changsha regulation prohibiting illegal funds from entering the property markets and an increase in land bidding deposits in Zhengzhou has raised the land bidding deposit to 100%), (ii) pre-sale management (for example, Jinan sets new application requirements for pre-sale permits), (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 involved 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' 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. 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, which simplified some requirements and lowered the entry thresholds for foreign investors to raise funds by domestic or foreign loans in the real estate market. Despite the influences of Circular 122, 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.

On December 24, 2011, the MOFCOM and the NDRC jointly issued the *Catalogue of Industries for Guiding Foreign Investment (2011 Revision)*, or the Catalogue 2011, which took effect on January 30, 2012. Consistent with the provisions of a prior catalogue, Catalogue 2011 restricts the construction and operation of high-end residential and commercial properties by foreign investment entities. Further, on March 10, 2015, the *Catalogue of Industries for Guiding Foreign Investment (2015 Revision)*, or Catalogue 2015, was issued and supersedes the Catalogue 2011. Compared with its 2011 revision, the development of tracts of land, the construction and operation of 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, with the construction and operation of large-scale scheme parks remaining in the category.

On June 28, 2017, the MOFCOM and the NDRC implemented the *Catalogue of Industries for Guiding Foreign Investment (2017 Revision)*, or the Catalogue 2017, which took effect on July 28, 2017. The Catalogue 2017 re-classifies the encouraged items subject to limitations on ownership of shares, restricted items and prohibited items under the Catalogue 2015 into a special administrative category, the negative list for the access of foreign investments, and applies unified restrictive measures. In addition, 11 items are removed from the Catalogue 2017 as the same restrictions apply to both foreign and domestic investments in these items, including, for example, the construction and operation of large-scale theme parks and the construction of villas and golf courses.

Despite the changes in various sectors in Catalogue 2017, the requirement of obtaining approval or filing for record at the relevant level of the MOFCOM remains. 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 are heavily dependent on the performance of the residential property market in China.*

The residential property industry in the PRC is still in a relatively early stage of development. Although demand for residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC, especially in tier I and tier II cities.

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 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. Since January 26, 2011, for a household purchasing a second residential household property with mortgage financing, the down payment must be at least 60% of the purchase price and the interest rate for the mortgage on such property must be at least 1.1 times the benchmark interest rate. The notice of the General Office of the PRC State Council implemented on February 26, 2013 authorized local counterparts of the PBOC to 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. For instance, on April 7, 2013, Beijing implemented new rules regarding housing fund loans, which increased the minimum down payment to 70% of the purchase price for a household purchasing a second residential household property with housing fund loans.

On September 29, 2014, the PBOC and the China Banking Regulatory Commission (the “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.

In light of the weakening in the property market in China, on March 30, 2015, the PBOC, the MOHURD and 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. Further, 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 on the Housing Provident Fund Loans*, which 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 February 1, 2016, the PBOC and the CBRC jointly issued a notice which provides that in cities where restrictions on purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted down by 5% by local authorities. For existing residential property household owners who have not fully repaid previous loans and are further obtaining personal housing commercial loans to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio must not be no less than 30% which is lower than the previous requirement of no less than 40%.

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 under the percentage of completion method. 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 under the percentage of completion method.

#### 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.

In addition, on August 29, 2008, the SAFE issued the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*, or the Circular 142, a notice with respect to the administration of RMB converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. As restricted by the notice, we may not be able to use RMB converted from foreign exchange capital contributions to fund our PRC subsidiaries.

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 and replaced Circular 142. 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.

According to the *Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance* ("Circular 3"), issued by the SAFE on January 26, 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise's capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to the SAFE's subsequent practice.

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. On February 13, 2015, the SAFE issued the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies*, which became effective on June 1, 2015, or the Circular 13. The Circular 13 together with Circular of the SAFE on *Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment*, or the Circular 59 which issued on November 19, 2012 and took effect on December 17, 2012, simplifies and exempts certain registration procedures relating to special purpose vehicles. For example, Circular 59 provides that PRC residents can set up offshore special purpose vehicles before obtaining SAFE registration. Circular 59 makes registration possible for those round-trip special purpose vehicles that should have but failed to register as required by Circular 75 or Circular 37 but indicates that the SAFE will penalize such offenders; such penalties can be severe, including a fine amounting to a certain percentage of all funds remitted by the onshore subsidiary to the special purpose vehicles after November 1, 2005, and possible criminal prosecution. Circular 13 further provides that SAFE approval for both domestic and overseas direct investment, and registration of in-kind contribution or acquisition of Chinese parties' equities by foreign investors shall no longer be required.

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, Circular 59 and Circular 13 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, which replaced the previous *Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan of Overseas-Listed Company* implemented by the SAFE on March 28, 2007. 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 PRC Ministry of Finance 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 principally 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. On September 19, 2013, we issued 12,000,000 common shares, as well as a convertible note (which was redeemed on November 21, 2014) to TPG Asia VI SF. Pte. Ltd. (“TPG Asia”) (the “Convertible Note”). 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, 2017, we had 129,578,676 common shares outstanding, including 73,848,384 common shares represented by 36,924,192 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 November 2014, TPG Asia holds 12,000,000 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. 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, 2018, Mr. Yong Zhang, Chairman of our board of directors, and Ms. Yuyan Yang, also a board member, beneficially owned 23.9% and 21.8%, respectively of our share capital. As of April 1, 2018, TPG Asia beneficially owned 9.2% of our share capital. Accordingly, they 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. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), adopted rules requiring most public companies to include a management report on such company’s internal controls over financial reporting in its annual report, which contains management’s assessment of the effectiveness of the company’s internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company’s internal controls over financial reporting. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting is effective, our independent registered public accounting firm may still issue a report that is qualified or adverse if it believes that the design or implementation of our internal controls is not effective, or if it interprets the

relevant requirements differently from us.

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 application 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.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. We publish our results on a quarterly basis as press releases, distributed in accordance with the rules and regulations of the NYSE. Press releases relating to financial results and material events are also furnished to the SEC on Form 6-K. However, 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, although the rule is under review. The rule will not apply to foreign private issuers. The SEC also has pending a proposed rule for disclosure of executive officers' compensation compared to the issuer's total shareholder return. As proposed, this rule would 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 bonuses 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, as well as 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 common shares evidenced 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. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will generally recognize and enforce a non-penal monetary judgment of a foreign court of competent jurisdiction that is final and not contrary to natural justice or public policy of the Cayman Islands without reexamination of the merits of the underlying disputes. 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 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 (2018 Revision) and 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 acquisitions 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, 2017.

If we are a PFIC, U.S. Holders of our ordinary shares or ADRs 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 ADRs may be able to mitigate some of the adverse United States federal income tax consequences described above with respect to owning the ordinary shares if we are classified as a PFIC, provided that such United States investor 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. Our Group is a developer of large scale residential real estate projects targeted at middle-income consumers. We were founded by Mr. Yong Zhang, our Chairman, and commenced operations since 1997 in Zhengzhou, the provincial capital of Henan Province. We initially operated principally in tier II and tier III cities, but since 2006, we have expanded into strategically selected high growth cities in China. In 2012, we acquired a parcel of land in Beijing. In 2014, we acquired a parcel of land in Shanghai, representing an opportunistic acquisition in a satellite city or suburb of a tier I city in China. In 2012, we also expanded our business to the United States residential real estate market and acquired three projects in Reno, Nevada, Irvine, California and in the Williamsburg neighborhood of Brooklyn, New York. In 2014, we acquired 100% of the shares of a Malaysian company, which is engaged in land reclamation development for a total area of 170 acres (approximately 687,966 square meters.) In January 2016, we acquired a parcel of land in midtown Manhattan, New York with GFA of approximately 10,235 square meters. In August 2016, we acquired another parcel of land in the Flushing neighborhood of Queens, New York with GFA of approximately 30,112 square meters. On March 21, 2018, we acquired ED Group, a 50.0% 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 the third quarter of 2020. To date, approximately 40.0% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold.

Our company was incorporated in the Cayman Islands on March 26, 2007. 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, Uglan 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 and our fax number is (86) 10 8588-9300.

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.”

Our website is [www.xyre.com](http://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 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 direct negotiations. These acquisition methods allow us to obtain unencumbered land use rights to unoccupied land without the need for additional demolition, re-settlement or protracted legal processes to obtain title. As a result, we are able to commence construction relatively quickly after we acquire a site for development.

We have expanded our business and operations significantly during the past three years. The number of projects we had under construction increased from 17 projects with a total GFA of 3,431,099 square meters as of December 31, 2014, to 19 projects with a total GFA of 3,126,063 square meters as of December 31, 2017. We have 9 additional projects with a total GFA of 2,036,514 square meters under planning as of December 31, 2017. As of December 31, 2017, we have completed 47 projects with a total GFA of approximately 7,105,152 square meters and comprising a total of 82,971 units, more than 96.2% of which have been sold. For the three years ended December 31, 2015, 2016 and 2017, our revenues were US\$1,164.3 million, US\$1,561.6 million and US\$1,976.9 million, respectively. Our net income for the same periods was US\$66.5 million and US\$79.5 million and US\$80.1 million, respectively.

While our primary focus has been in China, we see potential opportunities for residential real estate development in the United States that might be attractive to both Chinese and U.S. buyers. In 2012, we acquired a real estate project portfolio in Reno, Nevada, comprised of 325 finished lots and 185 acres of undeveloped land, for approximately US\$7.4 million. We had sold all parcels of the total portfolio and recognized revenue in the amount of US\$ nil and US\$0.8 million as of December 31, 2014 and 2015. In 2012, we paid US\$10.0 million to acquire 15 finished luxury condominium units in Irvine, California and sold all the 15 units as of December 31, 2015. In 2012, we also 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 plan to build 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. 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. 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.

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).

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. To date, approximately 40% of the private apartments have been pre-sold and 100% of the affordable apartments have been pre-sold. 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 five 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 115,000 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 and Chengdu Xindo Park Shopping Center with a total GFA of approximately 9,000 square meters, located in Chengdu city, Sichuan Province. As of the date of this annual report, we have three projects under construction in which we will retain approximately 25,000 square meters of GFA for development as commercial properties held for lease.

Since 2014, we have also made efforts to diversify our marketing efforts. Since the second half of 2014, we began to leverage our industrial experience to promote Online to Offline (O2O) services to potential buyers of our projects. These services aim to utilize online marketing tools in the real estate industry. For example, we established a WeChat-based public account to sell our units in 2014, and we launched a smartphone app in 2015 to sell units. We also built a social networking platform of communities to which we provide property management services. We are also exploring the application of blockchain technology in the real estate sector. We believe that internet and technology marketing offers the potential for new profit growth opportunities. In March 2018, we signed a strategic cooperation agreement with Shenzhen Tencent Computer Systems Company Limited, with a pilot program of Smart Cloud Sales Platform supported by Big Data.

Additionally, we are exploring other opportunities to develop real estate related products and services that will complement our core real estate development portfolio in China, which include property management services and a joint venture with a cinema company for movie theater development. We believe such initiatives can attract greater interest and support for our projects as well as enhance brand visibility and our overall competitive positioning. We started our construction management service business in the third quarter of 2017. Under this asset-light business model, we would charge a service fee for providing the construction management service, and may also charge an interest spread if we provide financing support.

## Our Markets

We currently operate in 14 markets in China - Beijing, Shanghai, Tianjin, Chengdu in Sichuan Province, Hefei in Anhui Province, Jinan 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 and Zhuhai in Guangdong Province. During 2017, 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, 2017:

	<b>Properties under Construction (m<sup>2</sup>)</b>	<b>Properties under planning (m<sup>2</sup>)</b>	<b>Properties held for sale (m<sup>2</sup>)</b>	<b>Completed projects (m<sup>2</sup>)</b>	<b>Total number of projects</b>	<b>Total GFA (m<sup>2</sup>)</b>
China						
Beijing	–	102,300	–	133,051	2	235,351
Chengdu	–	–	–	660,996	3	660,996
Zhengzhou	1,892,795	1,518,419	–	2,563,654	39	5,974,868
Jinan	451,345	–	–	1,191,866	6	1,643,211
Hefei	–	–	–	145,455	1	145,455
Suzhou	–	89,682	–	781,368	6	871,050
Kunshan	198,323	–	–	778,535	4	976,858
Xuzhou	130,170	–	–	101,821	2	231,991
Sanya	–	–	–	117,584	1	117,584
Shanghai	–	–	–	57,770	1	57,770
Changsha	163,453	–	–	251,639	3	415,092
Xi'an	–	226,000	–	290,555	2	516,555
Zhuhai	–	70,000	–	–	1	70,000
Tianjin	279,742	–	–	–	1	279,742
Sub Total	3,115,828	2,006,401	–	7,074,294	72	12,196,523
United States						
Irvine <sup>(1)</sup>	–	–	2,865	–	1	2,865
Nevada <sup>(2)</sup>	–	–	N/A	–	1	N/A
New York	10,235	30,112	–	30,855	3	71,202
Total	3,126,063	2,036,513	2,865	7,105,149	77	12,270,590



The finished condominium project is located in Irvine, California, United States. We acquired 15 units with a total (1)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.

Northern Nevada Land Portfolio is a project portfolio comprised of 325 finished lots and 185 acres of undeveloped (2)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 2015, 2016 and 2017, 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 six stories or less and normally require nine to 12 months to construct after we obtain the related construction permit;

sub-high-rise apartment buildings, which, in China, are typically seven to eleven 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, 2017:

Project Name	Location	Type of Products <sup>(1)</sup>	Construction Commencement Date	Pre-sale Commencement Date <sup>(2)</sup>	Total Site Area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	Total Number Of Units <sup>(3)</sup>	Number Of Units Sold
Zhengzhou Xindo Park	Zhengzhou	C	01/2015	04/2015	40,218	144,432	2,170	2,097
Xingyang Splendid II	Zhengzhou	MU	12/2014	12/2014	60,556	137,209	1,575	1,121
Jinan Royal Palace	Jinan	H	02/2014	06/2014	140,155	451,345	6,512	4,118
Xuzhou Colorful City	Xuzhou	M/H	06/2013	11/2013	45,046	130,170	1,453	1,174
Henan Xin Central I (Zhengzhou Nangangliu project)	Zhengzhou	H	07/2015	07/2015	86,781	262,209	3,177	2,314
Zhengzhou Fancy City I (Zhengzhou Jiaotong college project)	Zhengzhou	H	09/2015	10/2015	50,656	166,686	1,725	1,386
Zhengzhou Fancy City II (South)	Zhengzhou	H	06/2016	06/2016	27,486	84,064	766	747
Tianjin Spring Royal Palace	Tianjin	M/H	10/2015	10/2015	263,519	279,742	2,142	1,037
Zhengzhou International New City I (Zhengzhou Shilipu project)	Zhengzhou	H	08/2016	09/2016	89,088	360,713	3,135	2,954
Kunshan Xindo Park	Kunshan	H/C	07/2016	07/2016	47,523	89,004	1,077	846
	Zhengzhou	H	09/2016	10/2016	37,126	109,712	1,360	839

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Henan Xin Central II Xinyang Splendid III Changsha	Zhengzhou	H	06/2017	06/2017	47,709	121,125	1,518	759
Mulian Royal Palace Zhengzhou	Changsha	H	05/2017	08/2017	32,158	91,196	694	397
International New City II Zhengzhou	Zhengzhou	H	07/2017	08/2017	41,821	176,037	1,558	1,371
Fancy City II (North) Zhengzhou	Zhengzhou	C	05/2017	10/2017	30,175	108,458	3,070	951
International New City III Hudson Changsha	Zhengzhou	H	11/2017	12/2017	75,333	222,150	2,205	696
Furong Thriving Family Kunshan	New York	S	07/2017	TBD	–	10,235	87	–
Zhongyu Project	Changsha	MU	07/2017	TBD	23,418	72,257	705	–
	Kunshan	MU	12/2017	TBD	18,068	109,319	874	–
Subtotal					1,156,836	3,126,063	35,803	22,807
Beijing Liyuan project	Beijing	H	TBD	TBD	46,769	102,300	TBD	–
Xi'an Aerospace City Project	Xi'an	MU	TBD	TBD	80,673	226,000	TBD	–
Zhengzhou Heizhuzhuang Project	Zhengzhou	H	TBD	TBD	45,067	340,000	TBD	–
Zhengzhou International New City (pending staging)	Zhengzhou	TBD	TBD	TBD	194,644	864,619	TBD	–
Zhuhai Prince Project	Zhuhai	TBD	TBD	TBD	14,107	70,000	TBD	–
Zhengzhou Fancy City III	Zhengzhou	TBD	TBD	TBD	27,599	83,000	TBD	–
Zhengzhou Hangmei Project	Zhengzhou	H/C	TBD	TBD	84,480	230,800	TBD	–
Suzhou Yinhewan	Suzhou	H	TBD	TBD	21,183	89,682	TBD	–

Project									
Flushing	New York	MU	TBD	TBD	–	30,112	TBD	–	
Subtotal					514,522	2,036,513			
Total					1,671,358	5,162,576	35,803	22,807	

(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, 2017.

Properties under Construction

Zhengzhou, Henan Province

*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 144,432 square meters, of which 110,077 square meters are for office buildings and 34,355 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, 2017, we had sold 2,097 units with a total GFA of 126,732 square meters.

*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 137,209 square meters, of which 119,596 square meters are for high-rise buildings and 17,613 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, 2017, we had sold 1,121 units with a total GFA of 81,409 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 121,125 square meters, of which 117,515 square meters are for high-rise buildings and 3,610 square meters are for retail stores. We acquired the site in September 2013 and 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, 2017, we had sold 759 units with a total GFA of 81,825 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 262,209 square meters, of which 211,294 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 and 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, 2017, we had sold 2,314 units with a total GFA of 246,408 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 109,712 square meters, of which 92,686 square meters are for high-rise buildings, 4,233 square meters are for retail stores, 1,652 square meters are for basements and 11,141 square meters are for public rental housing. We acquired the site in December 2014 and 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, 2017, we had sold 839 units with a total GFA of 89,612 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 and 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, 2017, we had sold 1,386 units with a total GFA of 158,286 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 84,064 square meters, of which 78,235 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 and 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, 2017, we had sold 747 units with a total GFA of 78,064 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 108,458 square meters, of which 99,577 square meters are for multi-layer building and 8,881 square meters are for retail stores. We acquired the site in April 2016 and 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, 2017, we had sold 951 units with a total GFA of 31,258 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 360,713 square meters, of which 292,330 square meters are for high-rise buildings, 21,896 square meters are for retail stores, 36,788 for public rental housing and 9,699 square meters are for basements. We acquired the site in February 2016 and 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, 2017, we had sold 2,954 units with a total GFA of 327,513 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 176,037 square meters, of which 159,563 square meters are for high-rise buildings, 12,708 square meters are for retail stores and 3,766 square meters are for basements. We acquired the site in July 2016 and 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, 2017, we had sold 1,371 units with a total GFA of 145,737 square meters.

*Zhengzhou International New City III*. The land is located within the south 3rd Ring Road in Zhengzhou. This project covers a site area of 75,333 square meters and is expected to have a total GFA of 222,150 square meters, of which 221,636 square meters are for high-rise buildings and 514 square meters are for retail stores. We acquired the site in May 2017 and commenced construction in November 2017, and expect to deliver units in 2020. This project, when completed, will consist of 2,205 units. We started pre-sale in December 2017, and as of December 31, 2017, we had sold 696 units with a total GFA of 73,550 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 451,345 square meters, of which 398,684 square meters are for high-rise buildings, 28,677 square meters are for retail stores and 23,984 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, 2017, we had sold 4,118 units with a total GFA of 349,945



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 130,170 square meters, of which 17,630 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 12,002 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, 2017, we had sold 1,174 units with a total GFA of 115,070 square meters.

Kunshan, Jiangsu Province

*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 89,004 square meters, of which 72,751 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, 2017, we had sold 846 units with a total GFA of 70,804 square meters.

*Kunshan Zhongyu Project.* 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 109,319 square meters. We acquired the site in July 2017 and commenced construction of this project in December 2017.

#### 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 91,196 square meters, of which 57,042 square meters are for high-rise buildings, 32,452 square meters are for multi-layer building and 1,702 square meters are for retail stores. We acquired the site in October 2016 and commenced construction in May 2017, and expect to deliver units in August 2019. This project, when completed, will consist of 694 units. We started pre-sales in August 2017, and as of December 31, 2017, we had sold 397 units with a total GFA of 54,296 square meters.

*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. We acquired the site in January 2017 and commenced construction of the project in July 2017.

#### Tianjin

*Tianjin Spring Royal Palace.* The land is located in Sicundian Town in the Wuqing District of Tianjin. This project covers a site area of 263,519 square meters and is expected to have a total GFA of 279,742 square meters, of which 144,290 square meters are for high-rise buildings, 6,193 square meters are for retail stores, 129,259 square meters are for multi-layer building. 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 2,142 units. Pre-sales started in October 2015, and as of December 31, 2017, we had sold 1,037 units with a total GFA of 129,642 square meters.

#### U.S.

*Hudson 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, commenced construction in July 2017. This project, when completed, will consist of 87 units.

Properties under Planning

*Beijing Liyuan project.* 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.

*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.

*Xi'an Aerospace City Project.* 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 Heizhuzhuang Project.* The land is located Heizhuzhuang of Jinshui District in Zhengzhou, and is currently under planning. It will cover a site area of 45,067 square meters and is expected to have a total GFA of 340,000 square meters. We acquired the site in June 2017.

*Zhengzhou International New City (pending staging).* The land is located within the south 3rd Ring Road in Zhengzhou. This project consists three lots. The first lot will cover a site area of 27,175 square meters and is expected to have a total GFA of 79,701 square meters. We acquired the site in March 2017. The second lot will cover a site area of 15,122 square meters and is expected to have a total GFA of 45,218 square meters. We acquired the site in June 2017. The third lot will cover a site area of 152,347 square meters and is expected to have a total GFA of 739,700 square meters. We acquired the site in November 2017.

*Zhengzhou Fancy City III.* The land is located west of Songshan Road within the 4th Ring Road in Zhengzhou. It will cover a site area of 27,599 square meters and is expected to have a total GFA of 83,000 square meters. We acquired the site in December 2017.

*Zhengzhou Hangmei Project.* The land is located in Xinzheng District in Zhengzhou. It will cover a site area of 84,480 square meters and is expected to have a total GFA of 230,800 square meters. We acquired the site in December 2017.

*Suzhou Yinhewan Project.* 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 89,682 square meters. We acquired the site in December 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.

## Completed Projects

The following table sets forth each of our completed projects as of December 31, 2017.

Project Name	Location	Type of Products	Completion Date	Total Site Area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	Total Number of Units	Number of Units Sold	GFA Sold (m <sup>2</sup> )
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 Haojinge	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	M	12/2006	21,380	39,226	720	720	39,226

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Zhengzhou City Family 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	262,683
Zhengzhou Xinyuan Colorful Garden	Zhengzhou	M/H	01/2010	74,462	191,891	2,233	2,233	191,891
Xuzhou Colorful Garden	Xuzhou	M/H	01/2012	46,777	101,821	858	857	101,721
Suzhou International City Garden	Suzhou	H	12/2011	119,089	204,872	2,436	2,435	204,172
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	231,904	2,934	2,934	231,904
Kunshan International City Garden	Kunshan	M/H	12/2012	200,008	497,938	5,133	5,130	497,238
Zhengzhou Yipin Xiangshan Phase II	Zhengzhou	M/S	01/2013	81,345	199,876	2,209	2,209	199,876
Zhengzhou Century East A	Zhengzhou	M/H	12/2013	22,418	76,579	765	764	76,400
Zhengzhou Century East B	Zhengzhou	H	08/2013	51,372	166,288	1,709	1,706	165,900
Kunshan Royal Palace	Kunshan	M/S/H	11/2017	145,776	280,597	2,658	2,602	278,597
	Zhengzhou	M/H	06/2014	45,716	135,877	2,061	2,061	135,877

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Zhengzhou Royal Palace									
Chengdu Thriving Family	Chengdu	H	08/2017	75,008	212,955	2,588	2,361	182,755	
Sanya Yazhou Bay No.1	Sanya	MU	10/2017	78,765	117,584	1,605	764	55,884	
Changsha Xinyuan Splendid	Changsha	H/C	12/2017	89,460	251,639	2,952	2,806	238,639	
Xi'an Metropolitan	Xi'an	MU	11/2017	85,118	290,555	2,629	2,349	253,756	
Jinan Xin Central	Jinan	MU	11/2017	51,352	194,410	2,715	2,370	155,710	
Suzhou Xin City	Suzhou	H	09/2015	51,246	127,212	1,334	1,334	127,212	
Jinan Xinyuan Splendid	Jinan	M/H	10/2015	200,180	572,234	7,387	7,375	563,934	
Beijing Xindo Park	Beijing	MU	11/2015	57,862	133,051	1,446	1,386	122,651	
Zhengzhou Xin City	Zhengzhou	H	03/2016	61,078	211,076	2,639	2,506	205,877	
Xingyang Splendid I	Zhengzhou	H	03/2016	40,782	117,352	1,427	925	89,252	
Zhengzhou Thriving Family	Zhengzhou	H	04/2016	44,169	131,508	1,913	1,504	115,809	
Suzhou Lake Royal Palace	Suzhou	M/H	06/2016	114,624	169,665	1,569	1,567	169,265	
Shanghai Royal Palace	Shanghai	H	07/2016	28,600	57,770	622	538	46,270	
New York Oosten	New York	S	12/2016	8,094	30,855	216	172	20,814	
Total				2,820,536	7,105,149	82,971	79,788	6,829,956	

*Zhengzhou Central Garden (East and West).* The land is located on Jinshui Road in the District of Zhengzhou, near the central business district of Zhengzhou. The projects cover an aggregate area of 140,313 square meters and have an aggregate GFA of 355,590 square meters, of which 97,627 square meters are for multi layer buildings, 62,570 square meters are for sub-high-rise buildings, 181,789 square meters are for high-rise buildings and 13,604 square meters are for retail stores. The size of the units ranges from studios of approximately 39 square meters to luxury duplex units of approximately 175 square meters. We acquired the site in March 2005, commenced construction of Zhengzhou Central Garden (East) in November 2005, started pre-sales in December 2005 and delivered it in September 2007. We commenced construction of Zhengzhou Central Garden (West) in October 2005, started pre-sales in January 2006 and delivered it in September 2007. All of the 3,420 saleable units of the projects have been sold.

*Jinan City Family.* The land is located on Zhangzhuang Road in the Huaiyin District in Jinan. Jinan City Family covers a site area of 47,411 square meters and has a total GFA of 61,065 square meters, of which 60,256 square meters are for multi-layer buildings and 809 square meters are for retail stores. We acquired the site in August 2006, commenced construction of this project in October 2006 and delivered it in November 2007. All of the 785 saleable units have been sold.

*Suzhou Lake Splendid.* The land is located on Tongda Road in the Wuzhong District in Suzhou. Suzhou Lake Splendid covers a site area of 130,945 square meters and has a total GFA of 198,113 square meters, of which 98,704 square meters are for multi-layer buildings, 58,449 square meters are for sub-high-rise buildings, 35,800 square meters are for high-rise buildings and 5,160 square meters are for retail stores. We acquired the site in January 2007, commenced construction of this project in March 2007, and delivered it in January 2009. All of the 2,326 saleable units have been sold.

*Hefei Wangjiang Garden.* The land is located on Wangjiang Road in the Baohe District in Hefei. Hefei Wangjiang Garden covers a site area of 51,939 square meters and has a total GFA of 145,455 square meters, of which 9,436 square meters are for multi-layer buildings, 135,157 square meters are for high-rise buildings and 862 square meters are for retail stores. We acquired the site in February 2007, commenced construction of this project in May 2007 and delivered it in April 2009. All of the 1,649 saleable units have been sold.

*Suzhou Colorful Garden.* The land is located on Xihuan Road in the Jinchang District in Suzhou. This project covers a site area of 41,365 square meters and has a total GFA of 81,506 square meters, which consists of 33,231 square meters of multi-layer buildings, 45,801 square meters of high-rise buildings and 2,474 square meters of retail stores. We acquired the site in January 2007, commenced construction of this project in June 2007 and delivered it in April 2009. All of the 970 saleable units have been sold.

*Jinan Elegant Scenery.* The land is located on Autoplant Road East of the Tianqiao District in Jinan. Jinan Elegant Scenery covers a site area of 61,502 square meters and has a total GFA of 100,386 square meters, of which 78,862



square meters are for sub-high-rise buildings, 15,763 square meters are for high-rise buildings, 5,120 square meters are for retail stores and 641 square meters are for basements. We acquired the site in December 2006, commenced construction of this project in December 2006 and delivered it in June 2009. All of the 1,127 saleable units have been sold.

*Zhengzhou Finance Square.* The land is located on Jingsan Road of the Jinshui District in Zhengzhou. Zhengzhou Finance Square covers a site area of 8,410 square meters and has a total GFA of 67,225 square meters. This project consists of two high-rise buildings. One building with a total GFA of 27,516 square meters is purely for residential use. The other with a total GFA of 39,709 square meters is for both residential and commercial use. We acquired this site in 2004, commenced construction of this project in November 2006 and delivered it in June 2009. All of the 917 saleable units have been sold.

*Jinan International City Garden.* The land is located on South Industrial Road in the Hitech Industry Park in Jinan. Jinan International City Garden covers a site area of 93,928 square meters and has a total GFA of 263,771 square meters, of which 178,772 square meters are for high-rise buildings, 65,521 square meters are for sub-high-rise buildings, 9,142 square meters are for retail stores and 10,336 square meters are for basements. We acquired the site in August 2007, commenced construction of this project in September 2007, and delivered it in January 2010. As of December 31, 2017, we had sold 4,639 units out of 4,672 saleable units with a total GFA of 262,683 square meters.

*Zhengzhou Xinyuan Colorful Garden.* The land is located on Hezuo Road in the Erqi District in Zhengzhou. It covers a site area of 74,462 square meters and has a total GFA of 191,891 square meters, of which 48,780 square meters are for multi-layer buildings, 139,564 square meters are for high-rise buildings and 3,547 square meters are for retail stores. We acquired this site in February 2008, commenced construction of this project in March 2008 and delivered it in January 2010. All of the 2,233 saleable units have been sold.

*Zhengzhou Yipin Xiangshan Phase I.* The land is located on Yingcai Street in the Huiji District in Zhengzhou. This project covers a site area of 57,289 square meters, and has a total GFA of 94,249 square meters, of which 26,713 square meters are for multi-layer buildings, 62,492 square meters are for sub-high-rise buildings and 5,044 square meters are for retail stores. Jiantou Xinyuan acquired the site in December 2007, commenced construction of this project in April 2008, and delivered it in December 2009. All of the 979 saleable units have been sold.

*Zhengzhou Yipin Xiangshan Phase II.* The land is located on Yingcai Street in the Huiji District in Zhengzhou. This project covers a site area of 81,345 square meters, and has a total GFA of 199,876 square meters, of which 57,178 square meters are for multi-layer buildings, 135,535 square meters are for sub-high-rise buildings, 5,479 square meters are for retail stores and 1,684 square meters are for basements. Jiantou Xinyuan acquired the site in April 2008, commenced construction in December 2010, started pre-sales in March 2011 and delivered it in 2013. All of the 2,209 saleable units have been sold.

*Suzhou International City Garden.* The land is located on Mayun Road in the Hitech District in Suzhou. It covers a site area of 119,089 square meters, and is expected to have a total GFA of 204,872 square meters, 203,882 square meters of which are for high-rise buildings and 990 square meters are for retail stores. We acquired the site in September 2007, commenced construction of this project in February 2008, and delivered it in December 2011. This project consisted of 2,436 units. As of December 31, 2017, we had sold 2,435 units with a total GFA of 204,172 square meters.

*Chengdu Xinyuan Splendid I.* The land is located on Donghong Road in the Jinjiang District in Chengdu. This project covers a site area of 34,007 square meters, and has a total GFA of 231,032 square meters, consisting of nine high-rise buildings. We acquired the site in June 2007, commenced construction of this project in November 2007, and delivered it in June 2011. This project consisted of 4,081 units. We started pre-sales activities in September 2008, and all of the 4,081 saleable units have been sold.

*Chengdu Xinyuan Splendid II.* The land is located on Donghong Road in the Jinjiang District of Chengdu. This project covers a site area of 30,497 square meters, and has a total GFA of 217,009 square meters, consisting of eight high-rise buildings. We acquired the site in June 2007, commenced construction of this project in February 2010, and delivered it in 2012. This project consisted of 2,782 units. We started pre-sales activities in April 2010, and all of the 2,782 saleable units have been sold.

*Zhengzhou Modern City.* The land is located on Longhai Road in the Erqi District in Zhengzhou. This project covers a site area of 60,556 square meters and has a total GFA of 231,904 square meters, of which 214,502 square meters are for multi-layer buildings, 12,023 square meters are for retail stores and 5,379 square meters are for basements. We acquired the site in September 2004, commenced construction in January 2010, and started delivery in 2012. We acquired the site directly from a private owner rather than by our usual arm's length auction process, and it took us over five years to commence construction on this project due to commercial and title issues with the previous private owner, relocation of previous residents, structure demolition and site preparation, and negotiation with the local government on recovery of relocation costs. This project consisted of 2,934 units. We started pre-sales in May 2010, and all of the 2,934 units have been sold.

*Xuzhou Colorful Garden.* The land is located north of the Quanshan District in Xuzhou. This project covers a site area of 46,777 square meters and has a total GFA of 101,821 square meters, of which 47,983 square meters are for multi-layer buildings, 53,023 square meters are for high-rise buildings and 815 square meters are for retail stores. We acquired the site in October 2009, commenced construction of this project in May 2010. This project consisted of 858 units. We started pre-sales in August 2010 and delivered it in January 2012, and as of December 31, 2017, we had sold 857 units with a total GFA of 101,721 square meters.

*Kunshan International City Garden.* The land is located on Lucheng Road in Kunshan of the Jiangsu Province. This project covers a site area of 200,008 square meters and has a total GFA of 497,938 square meters, of which 5,989 square meters are for multi-layer buildings, 482,094 square meters are for high-rise buildings and 9,855 square meters are for retail stores. We acquired the site in December 2007, commenced construction of this project in July 2008. This project consisted of 5,133 units. We started pre-sales in September 2008 and delivered it in December 2012, and, as of December 31, 2017, we had sold 5,130 units with a total GFA of 497,238 square meters.

*Zhengzhou Century East A.* The land is located south of Yongping Road and west of Kangping Road in the New-East-Zheng District in Zhengzhou. This project covers a site area of 22,418 square meters and has a total GFA of 76,579 square meters, of which 71,214 square meters are for high-rise buildings and 5,365 square meters are for retail stores. We acquired the site in September 2009, commenced construction in April 2011, started pre-sales in November 2012 and delivered it in December 2013. This project consists of 765 units. As of December 31, 2017, 764 units had been sold with a total GFA of 76,400 square meters.

*Zhengzhou Century East B.* The land is located west of Dongfeng Road and north of Anping Road in the New-East-Zheng District in Zhengzhou. This project covers a site area of 51,372 square meters and has a total GFA of 166,288 square meters, of which 159,419 square meters are for high-rise buildings and 6,869 square meters are for retail stores. We acquired the site in October 2009, commenced construction of this project in February 2011, and delivered units in August 2013. This project consists of 1,709 units. We started pre-sales in June 2011, and as of December 31, 2017, we had sold 1,706 units with a total GFA of 165,900 square meters.

*Zhengzhou Royal Palace.* The land is located south of Nongke Road and east of Wenbo Road in Zhengzhou. This project covers a site area of 45,716 square meters and has a total GFA of 135,877 square meters, of which 41,340 square meters are for multi-layer buildings, 88,371 square meters are for high-rise buildings, 2,553 square meters are for retail stores and 3,613 square meters are for basements. We acquired the site in December 2009, commenced construction of this project in June 2011, and delivered units in 2014. We started pre-sales in September 2011, and all of the 2,061 saleable units have been sold.

*Suzhou Xin City.* The land is located south of Nantiancheng Road in the Xiangcheng District of Suzhou. This project covers a site area of 51,246 square meters and is expected to have a total GFA of 127,212 square meters, of which 123,394 square meters are for high-rise buildings and 3,818 square meters are for retail stores. We acquired the site in September 2012, commenced construction in April 2013, and delivered units in 2015. We started pre-sales in September 2013, and all of the 1,334 saleable units have been sold.

*Jinan Xinyuan Splendid.* The land is located west of Lishan Road and south of Xiaoqinghe Road in Jinan. This project covers a site area of 200,180 square meters, and is expected to have a total GFA of 572,234 square meters, of which 385,664 square meters are for high-rise buildings, 87,215 square meters are for multi-layer buildings, 14,622 square

meters are for office buildings, 8,704 square meters are for retail stores, 31,166 square meters are for basements, and 44,863 square meters are for public rental housing. We acquired the site in October 2009, commenced construction of this project in March 2011, and began to deliver units from 2013. This project consists of 7,387 units. We started pre-sales in May 2011, and as of December 31, 2017, we had sold 7,375 units with a total GFA of 563,934 square meters.

*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 211,076 square meters, of which 174,287 square meters are for high-rise buildings, 10,467 square meters are for retail stores, 4,705 square meters are for basements and 21,617 square meters are for public rental housing. 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, 2017, we had sold 2,506 units with a total GFA of 205,877 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 131,508 square meters, of which 113,752 square meters are for high-rise buildings, 1,135 square meters are for retail stores, 3,159 square meters are for basements and 13,462 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, 2017, we had sold 1,504 units with a total GFA of 115,809 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 117,352 square meters, of which 90,338 square meters are for high-rise buildings and 27,014 square meters are for public rental housing. 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, 2017, we had sold 925 units with a total GFA of 89,252 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 169,665 square meters, of which 117,517 square meters are for high-rise buildings, 50,747 square meters are for multi-layer buildings and 1,401 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, 2017 we had sold 1,567 units with a total GFA of 169,265 square meters.

*Beijing Xindo Park.* The land is located west of Xinyuan Road in the Daxing District of Beijing. This project covers a site area of 57,862 square meters and is expected to have a total GFA of 133,051 square meters, of which 73,864 square meters are for high-rise buildings, 28,451 square meters are for retail stores, 10,080 square meters are for office buildings, 8,269 square meters are for a postal facility, 10,600 square meters are for public rental housing and 1,787 square meters are for basements. The postal facility and public rental housing were sold to the government in 2015 in accordance with land grant contracts. We acquired the site in October 2012, commenced construction of this project in November 2013, and began to deliver units in 2015. This project consists of 1,446 units. We started pre-sales in February 2014, and as of December 31, 2017, we had sold 1,386 units with a total GFA of 122,651 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, 2017, we have sold 538 units with a total GFA of 46,270 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 280,597 square meters, of which 65,180 square meters are for multi-layer buildings, 205,447 square meters are for high-rise buildings, 640 square meters are for basements and 9,330 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 from 2015. This project, when completed, will consist of 2,658 units. We started pre-sales in November 2013, and as of December 31, 2017, we had sold 2,602 units with a total GFA of 278,597 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 117,584 square meters, of which 105,569 square meters are for high-rise buildings, 9,807 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, 2017, we had sold 764 units with a total GFA of 55,884 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 251,639 square meters, of which 229,364 square meters are for high-rise buildings and 22,275 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, 2017, we had sold 2,806 units with a total GFA of 238,639 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 212,955 square meters, of which 176,477 square meters are for high-rise buildings and 36,478 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 2,588 units. We started pre-sales in September 2014, and as of December 31, 2017, we had sold 2,361 units with a total GFA of 182,755 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 290,555 square meters, of which 207,080 square meters are for high-rise buildings, 16,119 square meters are for retail stores, and 67,356 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 2,629 units. Pre-sales started in December 2014, and as of December 31, 2017, we had sold 2,349 units with a total GFA of 253,756 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, 51,023 square meters are for office buildings, 6,231 square meters are for public rental housing and 5,501 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, 2017, we had sold 2,370 units with a total GFA of 155,710 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, 2017, 172 units with a total GFA of 20,814 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, 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 Xin 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 115,374 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, film 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 supermarket, food and beverage, jewelry and clothing, leisure and entertainment, family activities, film theater and other ancillary services, appealing to customers within a radius of three to five kilometers. The shopping center is managed by Henan Xin 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, supermarket, food and beverage, 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 9,359 square meters. The Chengdu Xindo Park Shopping Center is still under planning and will provide retail services including supermarket and clothing, food and beverage, leisure and entertainment, children's education, film 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.

#### *Properties Held for Sale*

*Northern Nevada Land Portfolio.* The land portfolio is located in the northern Nevada region of the United States near the Reno-Spark metropolitan area and is comprised of 325 finished lots for single family home communities and custom homes, and 185 acres of semi-developed and undeveloped lands for residential use. We acquired this land portfolio in 2012 and resold all of the finished lots and 185 acres of undeveloped land as of December 31, 2015.

*Lennox Project.* 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 U.S. developer in August 2012. We had sold all of the 15 finished condominium units as of December 31, 2015.

## 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**

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

## 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.

Once a city has been identified as meeting our selection criteria, we research for upcoming land auctions in the identified city and conduct preliminary analysis on whether a given auction opportunity will meet our project development plans, land acquisition requirements and pre-set investment return criteria. We also conduct in-depth demographic and market research regarding the specific region in which the land site is located.

Since the second half of 2012, we have developed a new model to acquire land through direct negotiation with local governments prior to land auctions in response to local governments' need for funding undeveloped land preparation. Under the direct negotiation model, we enter into a framework cooperation agreement with the local government, pursuant to which we provide land planning advice to the local government with respect to a particular piece of undeveloped land that the government plans to develop. Based on the government's land development plan, the underlying land may be divided into several tranches to be developed on a tranche by tranche basis. Following the government's development plan, we will provide funding in terms of advance payments to the government for land preparation of a particular tranche of land approximately three to six months before the land auction for that tranche. The advance payment usually ranges from 20% to 50% of the estimated opening auction price. The final disposition of the tranche occurs through public auction. Under the terms of the framework cooperation agreement, if we successfully acquire the land through the auction, the advance payment will become part of the land transfer payment. If we fail to acquire the land, we will be refunded the advance payment with an annual interest rate of approximately 10% to 15%. We believe that under the direct negotiation model, we are often in better position to identify and undertake initial planning with respect to targeted parcels as a result of direct involvement in and interaction with the government regarding the development stage of undeveloped lands. We entered into one framework cooperation agreement with a local government in 2014, all relating to prospective land parcel planning and preparation, pursuant to which we paid advances in the aggregate amount of US\$83.4 million in 2015, US\$255.1 million in 2016, and US\$247.9 million in 2017, respectively. These advances have been transferred to land cost where our auction bids were successful, or will be so transferred assuming future auction bids for the relevant parcels are successful. In 2013, we chose not to participate in the bidding for one parcel of land in Jiangsu Province through this negotiated land acquisition model and the advance payments for this parcel were refunded to us, with interest. In 2014, a total of US\$131.5 million of the advance payments related to land parcels successfully acquired were transferred to land cost, including three parcels of land in Xingyang for the amount of US\$27.1 million and two parcels of land in Xi'an for US\$104.4 million. In 2015, a total of US\$232.9 million of advance payments related to land parcels successfully acquired were transferred to land cost, including four parcels of land in Zhengzhou for the amount of US\$180.7 million and two parcels of land in Tianjin for US\$52.2 million. In 2016, a total of US\$210.0 million of advance payments related to six land parcels in Zhengzhou successfully acquired were transferred to land cost. In 2017, a total of US\$262.7 million of advance payments related to the remaining land parcels successfully acquired were transferred to land cost, which were ten parcels of land in Zhengzhou for the amount of US\$262.7 million.

### Initial Planning and Budgeting

Once an upcoming land auction 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.

The flow of initial planning includes, among other things, strategic planning, market investigation and analysis, feasibility study, preliminary design, cost and profit projection and investment approval. In particular, our initial planning includes the engagement of external local design firms to draw up preliminary designs for our proposed projects. In addition, before making any decision to bid for land, we project the financial and cost control metrics for the proposed projects based on studies of market statistics and other relevant information, and select only those projects that satisfy pre-determined benchmarks.

## 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.

As of December 31, 2017, we had a total GFA of 3,113,383 square meters for property projects under construction and a total GFA of 1,246,072 square meters for property projects under planning. We continually seek attractive opportunities to acquire development sites which meet our selection criteria.

## 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. We use our enterprise resource planning systems to conduct preliminary planning and scheduling for each stage of the development project, including planning our outsourcing requirements for the project construction stage.

We seek to create a comfortable and convenient middle-class lifestyle concept in our projects by incorporating certain design features, such as landscaped environments. In determining the architectural designs of our projects, we consider the proposed type of products to be developed as well as the surrounding environment and neighborhood.

In selecting external design firms, we consider, among other things, their reputation for reliability and quality, their track record with us, the design proposed and the price quoted. Design firms can participate in the tender process by our invitation only. Our planning and design team monitors the progress and quality of the design firms to ensure that they meet our requirements.

## 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 take into account the construction companies’ professional qualifications, reputation, track record, past cooperation with our project companies and financial condition and resources when inviting candidates to bid. We also review the qualifications and performance of our construction contractors on an annual basis. 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.

Our construction contracts typically provide for fixed or capped payments, subject to adjustments for some types of excess, such as design changes during construction or changes in government-suggested steel and cement prices, as well as labor costs. The contractors are typically responsible for procuring the necessary raw materials, as well as providing engineering and construction services. We procure certain ancillary fixtures for installation, such as elevators, windows and entrance doors. For our purchases of such fixtures, we use a centralized procurement process to help increase our negotiating power and lower our unit costs. Our major suppliers are suppliers of power distribution boxes, elevators, plastic-steel windows, doors and heat sinks. We maintain good relationships with our suppliers and have not encountered any significant supply shortages or disruptions in the past.



## 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. We monitor our customers' 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 under the percentage of completion method. As a result, we reversed contracted sales of the amounts related to apartments for which mortgage loans had processing periods exceeding one year when recognizing revenue under the percentage of completion method.

As is customary in the property industry in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our properties up until completion of the final registration (also called post-delivery registration) of the mortgage with the relevant mortgage registration authorities. Guarantees for mortgages on residential properties are typically discharged when the individual property ownership certificates are issued. In our experience, the issuance of the individual property ownership certificates typically takes six to twelve months, so our mortgage guarantees typically remain outstanding for up to twelve months after we deliver the underlying property.

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, the mortgagee bank must assign its rights under the loan to us. We are entitled to full recourse to the property after the registration of the mortgage. 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, 2015, 2016 and 2017, we guaranteed mortgage loans in the aggregate outstanding amounts of US\$1,513.7 million, US\$1,672.9 million and US\$1,569.8 million, respectively.

#### 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, 2017, 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 11,094,308 million square meters, comprising more than 97,953 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, 2017, we have a team of about ten 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, 2017, we delivered 172 of 216 units with a total GFA of 20,814 square meters for a total of US\$250.5 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. 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 expect foundation work to be completed in the second quarter of 2018 for our Hudson Garden project in Manhattan, New York. After optimizing the internal layout of the building, we now expect 87 units to be available for sale, an increase from the original 82.

We continue to progress the planning, governmental approvals and pre-development activities of our ground-up development project in Flushing, New York. During the fourth quarter of 2017 and the beginning of 2018, the Landmark Protection Committee approved our landmark protection plan and awarded us a Certificate of Appropriateness. We expect to begin transferring and protecting crucial parts of the landmark RKO theater in the second quarter of 2018. We continue to follow the required governmental procedures for the future construction needs of this project.

#### 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 and five shopping malls. The rental income of our lease operations represented approximately 0.6%, 0.4% and 0.4%, respectively, of our revenues for the years ended December 31, 2015, 2016 and 2017.

We provide property management services through Xinyuan Science and Technology Service Co., Ltd. For the years ended December 31, 2015, 2016 and 2017, revenues from our real estate related services represented 2.0% and 2.0% and 2.1% 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. Despite the "turnkey" nature of the construction contracts, we closely monitor the construction work for quality, timing and cost control reasons. 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. For example, China Vanke Co., Ltd., the largest real estate development company in China, has also entered the United States residential market.

## 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 “ ” 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](http://www.xyre.com)” and other related domain names.

We own trademarks for “ ” 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 — 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, the Ministry of Land and Resources of the People's Republic of China ("MLR"), the MOFCOM, the NDRC, the SAIC, and 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.

On September 17, 2015, the MOF and the MLR jointly issued *Notice on Further Strengthening the Administration of the Costs and Revenues Associated with Land Grant*, which provides that in circumstances where premiums are not fully paid according to the terms under the land use rights grant contract, the MLR shall not issue the relevant land use right certificate for the land as a whole nor issue separate certificates for any portions of the land for which the premiums have been paid.

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.

On February 22, 2016, the Supreme People's Court issued the *Interpretations on the Issues Concerning the Implementation of the Property Law of the PRC (I)*, which became effective on March 1, 2016. However, there is no material influence on land use rights.

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.

#### Local Regulations on Land

The *Measures for Implementation of Land Administration Law of Henan Province*, implemented on September 18, 1987 and amended on August 21, 1991, on September 24, 1999, on November 26, 2004 and on November 27, 2009, provide that the entities obtaining state-owned land use rights by means of grant and other means of valuable consideration may use the land only after paying the required consideration, such as the grant premium, and other relevant fees.

The *Land Administration Regulations of Jiangsu Province*, implemented on October 17, 2000 and amended on April 16, 2004, provide that the grant premium of state-owned land use rights must not be less than the lowest price fixed by the provincial government. The specific procedures and measures concerning the grant, bid invitation, auction and grant of state-owned land use rights are subject to the regulations of the provincial people's government.

The *Measures for Implementation of Guofa No. 28 Intensifying Reform and Strengthening Land Administration of Shandong Province*, implemented on December 27, 2004, provide that the grant premium of state-owned land use rights must not be less than the lowest price fixed by the provincial government.

The *Notice on implementing the Decision of Intensifying Reform and Strengthening Land Administration by State Council of Shaanxi Province*, implemented on December 30, 2004, provides that the grant premium of state-owned land use rights shall strictly follow the legal procedure and must not be less than the lowest price fixed by the provincial government.

The *Measures on the Grant of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale of Jiangsu Province*, implemented on May 19, 2003 and effective as of July 1, 2003, amended on March 20, 2008, provide that the land price for grant of state-owned land use rights by means of competitive bidding, auction and listing-for-sale will be fixed by the local land authority after an institution qualified for land valuation has carried out the valuation according to the technical guidelines issued by the central and provincial governments.

The *Measures of Anhui Province for Implementation of the Land Administration Law*, implemented on December 20, 1987 and amended on June 26, 2004 and on March 27, 2015, provide that the grant, capital contribution, transfer and mortgage of state-owned land use rights involving land price valuation will be evaluated by an institution qualified for land valuation and report to the relevant land administration for filing.

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.

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, Henan Xinyuan Real Estate Co., Ltd., Suzhou Xinyuan Real Estate Development Co., Ltd., Shandong Xinyuan Real Estate Co., Ltd., Zhengzhou Jiantou 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., Xingyang 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 Xi'an Jinbian Shunsheng 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.

#### Local Regulations on Establishment of a Real Estate Development Enterprise

Under the *Regulations on Administration of Development of Urban Real Estate of Henan Province* implemented on May 31, 2002 by the Standing Committee of Henan People's Congress and amended on January 14, 2005, and July 30, 2010, a real estate development enterprise must satisfy the following requirements:

has a registered capital of not less than RMB2 million; and

has five or more full time professional real estate/construction technicians and two or more full time accounting officers, each of whom must hold the required qualifications.

Under the *Regulations on Administration of Development and Operation of Urban Real Estate of Shandong Province*, implemented on October 12, 1995 by the Standing Committee of Shandong People's Congress, and amended on November 25, 2004, a specialized real estate development enterprise must satisfy the following requirements:

has a registered capital of no less than RMB10 million; and

has more than eight full time professional real estate/construction technicians and more than two full time accounting officers, each of whom must hold the required qualifications.

Under the *Measures on Administration of Development and Operation of Urban Real Estate of Anhui Province*, implemented on November 10, 2000 by Anhui Provincial People's Government, and amended on March 12, 2002 and August 10, 2004, a real estate development enterprise established in a city with districts must have a registered capital of no less than RMB5 million.

## Regulations on Foreign-Invested Real Estate Enterprise

### *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 as foreign investments and domestic investments in these items are subject to the same restrictions. 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.

Xinyuan China is a wholly foreign-owned enterprise and targets the development of ordinary residential properties in which foreign investment is permitted.

Zhengzhou Yasheng Construction Material Co., Ltd. is a wholly foreign-owned enterprise and targets the sale of construction materials, landscape design and decoration in which foreign investment is permitted.

Zhengzhou Jiasheng Real Estate Co., Ltd. is a wholly foreign-owned enterprise and targets the development of commercial residential properties in which foreign investment is permitted.

Zhengzhou Yusheng Landscape Design Co., Ltd. is a wholly-foreign owned enterprise and targets the landscaping engineering and management in which foreign investment is permitted.

### 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.

The ratio of registered capital and total investment of Xinyuan China and Zhengzhou Yasheng Construction Material Co., Ltd. meet such requirement.

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 No 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 SAFE 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 No. 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.

#### Local Regulations on Qualifications of Developer

The *Regulations on Administration of Development of Urban Real Estate of Henan Province* provide the following:

a class I developer is not restricted as to the scale of the real estate development projects it may undertake and may undertake real estate development projects anywhere in the PRC;

a class II developer may undertake projects with a gross area of no more than 250,000 square meters;

a class III developer may undertake projects with a gross area of no more than 100,000 square meters;

a class IV developer may undertake projects with a gross area of no more than 30,000 square meters; and

a developer with temporary qualification may undertake relevant projects in accordance with its certificate.

The *Regulations on the Implementation of Qualification Managements of Real Estate Developers of Shandong Province* implemented on February 4, 2017 provide the following:

a class I developer is not restricted as to the scale of the real estate development projects it may undertake and may undertake real estate development projects anywhere in the PRC;

a class II developer may undertake projects with a gross area of less than 250,000 square meters anywhere in the province;

a class III developer may undertake projects with a gross area of less than 150,000 square meters anywhere in the province;

a class IV developer may undertake projects with a gross area of less than 100,000 square meters in the city where it is located; and

a developer with temporary qualification may undertake relevant projects complying with its actual conditions such as registered capital and personnel in the city where it is located.

The *Measures on Administration of Development and Operation of Urban Real Estate of Anhui Province* provide the following:

a class I developer may undertake any real estate development projects;

a class II developer may undertake projects with a gross area of less than 300,000 square meters and a building with no more than 29 floors;

a class III developer may undertake projects with a gross area of less than 150,000 square meters and a building with no more than 15 floors;

a class IV developer may undertake projects with a gross area of less than 50,000 square meters and a building with no more than 7 floors.

*The Notice on Amending and Issuing the Implementation Rules on Administration of Qualifications of Real Estate Enterprises of Hunan Province*, implemented on March 22, 2012, provides the following:

a class I developer may undertake any real estate development projects;

a class II developer may undertake projects with a gross area of less than 250,000 square meters;

a class III developer may undertake projects with a gross area of less than 150,000 square meters;

a class IV developer and a developer with temporary qualification may undertake projects with a gross area of less than 50,000 square meters.

*The Notice on Implementation of Rules on the Administration of Qualifications of Real Estate Developers of Beijing*, implemented on September 4, 2000, provides that developers are classified into 4 classes and shall satisfy the following requirements:

a class I developer may undertake any real estate development projects;

a class II developer may undertake projects with a gross area of less than 250,000 square meters;

a class III developer may undertake projects with a gross area of less than 200,000 square meters;

a class IV developer and a developer with temporary qualification may undertake projects with a gross area of less than 100,000 square meters.

Shandong Xinyuan Real Estate Co., Ltd. is classified as a class I developer. Each of Henan Xinyuan Real Estate Co., Ltd., Zhengzhou Shengdao Real Estate Co., Ltd., Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd., and Jiangsu Jiajing Real Estate Co., Ltd. is classified as a class II developer. Each of Changsha Xinyuan Wanzhou Real Estate Co., Ltd. and Chengdu Xinyuan Real Estate Co., Ltd. is classified as a class III developer. Each of Tianjin Xinyuan Real Estate Co., Ltd., Beijing Xinyuan Wanzhong Real Estate Co., Ltd., Beijing Ruihaorongtong Real Estate Co., Ltd., Shaanxi Zhongmao Economy Development Co., Ltd., Hunan Erli Real Estate Co., Ltd. and Hunan Xintian Real Estate Co., Ltd. is classified as a class IV developer. Each of Henan Xinyuan Jiye Real Estate Co., Ltd., , Zhengzhou Jiasheng Real Estate Co., Ltd., Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd., Kunshan Xinyuan Real Estate Co., Ltd., Xuzhou Xinyuan Real Estate Co., Ltd. Xingyang Xinyuan Real Estate Co., Ltd., Sanya Beida Science and Technology Park Industrial Development Co., Ltd., Henan Xinyuan Guangsheng Real Estate Co., Ltd., Henan Xinyuan Quansheng Real Estate Co., Ltd., Henan Xinyuan Shunsheng Real Estate Co., Ltd., Zhengzhou Xinnan Real Estate Co., Ltd., , Suzhou Xinyuan Real Estate Development Co., Ltd., Zhengzhou Hangmeizhengxing Technology Co., Ltd., Zhengzhou Kangshengboda Real Estate Co., Ltd., Jinan Xinyuan Wanzhuo Real Estate Co., Ltd., Xi'an Dingrun Real Estate Co., Ltd., Shandong Xinyuan Renju Real Estate Co., Ltd. and Taicang Pengchi Real Estate Co. and Henan Reixin 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.

Under the *Provisions on Selling Real Estate at Expressly Marked Prices*, implemented by the NDRC on March 16, 2011 and took effect on May 1, 2011, developers are required to make public the price of each unit of the commodity properties for sale or pre-sale and the number of units available for sale or pre-sale within a certain time period. Developers are also required to state factors that would affect prices and related charges for the sales of commodity properties, such as commission fee and property management fee. No additional charge beyond what is stated in the price tag announced by the developers is permitted.

The *Regulations on Administration of Development of Urban Real Estate of Henan Province* also provide that commodity properties may only be sold before completion if half or more of the project has been completed and the construction schedule and delivery date has been specified in addition to compliance with the requirements under the Pre-completion Sale Measures.

The *Regulations on Administration of Transaction of Urban Real Estate of Jiangsu Province* implemented on February 7, 2002 and amended on August 20, 2004 also provide that commodity properties may only be sold before completion in accordance with the requirements under the Pre-completion Sale Measures.

The *Regulations on Administration on Urban Real Estate Transaction of Anhui Province*, implemented on May 29, 2000 and effective as of December 1, 2000, provide that the development enterprises which have obtained a permit for pre-completion sale of commodity properties must file with the real estate administrative authority of the relevant city or county pre-sale contracts entered into with customers.

The *Regulations on Administration on Urban Estate Transactions of Beijing City*, effective as of December 1, 2003 and amended in December 6, 2008, provide that the development enterprises shall obtain a permit for pre-completion sale of commodity properties before the pre-sale of commodity properties.

The *Regulations on Urban Real Estate Development and Operation of Hunan Province*, effective as of June 1, 2006, stipulate that sale in advance of commodity housing by a real estate development enterprise shall meet the conditions that one-third or more of the high-rise building projects and half or more of other projects has been completed and the construction schedule and delivery date has been specified in addition to compliance with the requirements under the Pre-completion Sale Measures.

#### *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 equipments, 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 fore-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 Ma 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.

The *Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting the Business Tax Policy on Individual House Transfer*, implemented by the Ministry of Finance and the SAT on January 27, 2011, or Circular 12, provides that:

if a person sells housing purchased less than five years ago, business tax will be levied in the full amount; if a person sells non-ordinary housing purchased not less than five years ago, business tax will be levied based on the balance of the sales price and the purchase price of the house; and

if a person sells ordinary housing purchased not less than five years ago, business tax will be exempted.

However, On March 30, 2015, the Ministry of Finance 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, and the Circular 12 is abolished.

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;