HEALTHSTREAM INC
Form 4
November 14, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
SHMERLING MICHAEL D

(Last) (First) (Middle)

618 CHURCH STREET, SUITE 200

(Street)

NASHVILLE, TN 37219

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HEALTHSTREAM INC [HSTM]

3. Date of Earliest Transaction (Month/Day/Year)
11/13/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	11/13/2006	11/13/2006	P		592	A	$ 3.39	4,036	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SHMERLING MICHAEL D 618 CHURCH STREET SUITE 200 NASHVILLE, TN 37219	X			

Signatures

Michael D. Shmerling	11/14/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ign: left"> 1,615 Henan Xin Central II - - - 14,832,610 9,007 1,647 Total 300,789,502 226,908 1,326 527,777,720 412,026 1,281 Beijing region Beijing Xindo Park 145,862,389 52,432 2,782 14,908,688 2,881 5,175 Hunan region Changsha Xinyuan Splendid 64,625,618 72,831 887 108,423,470 105,602 1,027 Hainan region Sanya Yazhou Bay No.1 10,831,126 5,380 2,013 8,196,064 5,391 1,520 Shanghai region Shanghai Royal Palace 84,288,117 24,378 3,458 96,201,896 22,000 4,373 Tianjin region Tianjin Spring Royal Palace 19,394,472 14,064 1,379 110,203,567 96,006 1,148 Xi'an region Xi'an Metropolitan - - - 107,380,513 90,439 1,187 U.S. Oosten project - - - 152,007,123 12,180 12,480 Grand Total 1,272,475,003 869,642 1,463 1,761,687,897 1,125,997 1,565

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Total square meters sold increased to 1,125,997 square meters for the year ended December 31, 2016 from 869,642 square meters for the year ended December 31, 2015. The increase was mainly due to the four new projects launched in 2016 and our major development projects Xi'an Metropolitan and Tianjin Spring Royal Palace.

The overall aggregate average selling price per square meter for the year ended December 31, 2016 increased to US$1,565 from US$1,463 for the year ended December 31, 2015 primarily due to stronger pre-sales of higher margin saleable units that occurred in 2016. Total revenues increased significantly by 34.1% to US$1,561.6 million from US$1,164.3 million in 2015, principally due to the delivery of the New York Oosten project in the U.S., of which the revenue was recognized under the full accrual method, the revenue from sales of units in new projects, especially Kunshan Xindo Park, Zhengzhou Fancy City II (South), each of which launched in July 2016 and June 2016, respectively, and higher percentage of completion from Xi'an Metropolitan project, which was consolidated by the Group on February 23, 2016.

Chengdu region. Total square meters in this region sold for the year ended December 31, 2016 increased to 81,660 square meters from 48,507 square meters for the year ended December 31, 2015, primarily due to increased sales of Chengdu Thriving Family which was launched in 2014. The average selling price per square meter for the year ended December 31, 2016 increased to US$999 from US$899 for the year ended December 31, 2015, which is attributable to the positive market momentum in high growth tier 1 and tier 2 cities.

Jiangsu region. Total square meters sold for the year ended December 31, 2016 decreased to 145,565 square meters from 237,325 square meters for the year ended December 31, 2015, mainly due to reductions of saleable units of Suzhou Lake Royal Palace and Kunshan Royal Palace, partially offset by newly launched pre-sales of Kunshan Xindo park. The average selling price per square meter for the year ended December 31, 2015 increased to US$2,494 from US$1,565 for the year ended December 31, 2015, which is attributable to the positive market momentum in high growth tier 1 and tier 2 cities.

Shandong region. Total square meters sold for the year ended December 31, 2016 decreased to 152,247 square meters from 187,817 square meters for the year ended December 31, 2015, mainly due to reductions of saleable units of Jinan Xinyuan Splendid and Jinan Xin Central. The average selling price per square meter for the year ended December 31, 2016 increased slightly to US$1,261 from US$1,234 for the year ended December 31, 2015.

Henan region. Total square meters sold for the year ended December 31, 2016 increased to 412,026 square meters from 226,908 square meters for the year ended December 31, 2015, mainly due to increased sales of Zhengzhou Fancy City, Henan Xin Central and newly launched pre-sales of Zhengzhou Fancy City II (South), Zhengzhou International New City I and Henan Xin Central II, partially offset by the reductions of saleable units of Zhengzhou Xin City, Zhengzhou Thriving Family and Xingyang Splendid I. The average selling price per square meter for the year ended December 31, 2016 decreased to US$1,281 from US$1,326 for the year ended December 31, 2015, resulting from the reduction in high margin units available for sale.

Beijing region. Total square meters sold for the year ended December 31, 2016 decreased to 2,881 square meters from 52,432 square meters for the year ended December 31, 2015, mainly due to reductions of saleable units of Beijing Xindo Park. The average selling price per square meter for the year ended December 31, 2016 increased to US$5,175 from US$2,782 for the year ended December 31, 2015, resulting from the rapidly rising commercial property prices in top-tier cities.

Hunan region. Total square meters sold for the year ended December 31, 2016 increased to 105,602 square meters from 72,831 square meters for the year ended December 31, 2015, mainly due to increased sales of Changsha Xinyuan Splendid which was launched in 2014. The average selling price per square meter for the year ended December 31, 2016 increased to US$1,027 from US$887 for the year ended December 31, 2015, resulting from the positive market momentum in high growth tier 1 and tier 2 cities.

Hainan region. Total square meters sold for the year ended December 31, 2016 increased slightly to 5,391 square meters from 5,380 square meters for the year ended December 31, 2015. The average selling price per square meter for the year ended December 31, 2016 decreased to US$1,520 from US$2,013 for the year ended December 31, 2015, resulting from the reduction in high margin units available for sale.

Shanghai region. Total square meters sold for the year ended December 31, 2016 decreased to 22,000 square meters from 24,378 square meters for the year ended December 31, 2015, mainly due to reductions of saleable units of Shanghai Royal Palace. The average selling price per square meter for the year ended December 31, 2016 increased to US$4,373 from US$3,458 for the year ended December 31, 2015, resulting from the rising residential property prices in top-tier cities.

Tianjin region. Total square meters sold for the year ended December 31, 2016 increased to 96,006 square meters from 14,064 square meters for the year ended December 31, 2015, mainly due to increased sales of Tianjin Spring Royal Palace. The average selling price per square meter for the year ended December 31, 2016 decreased to US$1,148 from US$1,379 for the year ended December 31, 2015, resulting from the reduction in high margin units available for sale.

Xi'an region. In the first quarter of 2016, the Group obtained control over Shaanxi Zhongmao Economy Development Co., Ltd. by acquiring its 65.98% voting interests. Total square meters sold for the year ended December 31, 2016 was 90,439 square meters and the average selling price per square meter for the year ended December 31, 2016 was US$1,187.

U.S. region. In 2016, we commenced sales of our New York Oosten project in the U.S. region. Total square meters sold for the year ended December 31, 2016 was 12,180 square meters and the average selling price per square meter for the year ended December 31, 2016 was US$12,480.

Real estate leasing

Real estate leasing income decreased by US$0.7 million, or 10.6% to US$5.9 million for the year ended December 31, 2016 from US$6.6 million for the year ended December 31, 2015.

Real estate management services income

Real estate management services income increased by US$8.4 million, or 38.9%, to US$30.0 million for the year ended December 31, 2016 from US$21.6 million for the year ended December 31, 2015. The increase primarily resulted from expanded property management service operations.

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Other revenue

Other revenue decreased by US$1.0 million, or 58.8%, to US$0.7 million for the year ended December 31, 2016 from US$1.7 million for the year ended December 31, 2015.

Costs of revenue

Costs of revenue increased by US$312.3 million, or 35.0%, to US$1,203.6 million for the year ended December 31, 2016 from US$891.3 million for the year ended December 31, 2015, generally in line with our revenue increases.

Cost of real estate sales

Cost of real estate sales increased by US$308.4 million, or 35.6%, to US$1,174.6 million for the year ended December 31, 2016 from US$866.2 million for the year ended December 31, 2015. Total land use rights cost increased by US$88.1 million, or 25.9%, from US$340.2 million (38.2% of cost of real estate sales) for the year ended December 31, 2015 to US$428.3 million (35.6% of cost of real estate sales) for the year ended December 31, 2016, primarily due to increased sales of properties. Construction cost, including capitalized interest, increased by US$220.2 million, or 41.9%, to US$746.3 million for the year ended December 31, 2016 from US$526.1 million for the year ended December 31, 2015, primarily due to increased project construction activity.

Cost of real estate leasing

Cost of real estate leasing decreased by US$0.3 million, or 7.5%, to US$3.7 million for the year ended December 31, 2016 from US$4.0 million for the year ended December 31, 2015.

Cost of real estate management services

Cost of real estate management services increased by US$4.9 million, or 25.3%, to US$24.3 million for the year ended December 31, 2016 from US$19.4 million for year ended December 31, 2015 mainly due to expanded property management service operations.

Other costs

Other costs decreased by US$0.6 million, or 35.3%, to US$1.1 million for the year ended December 31, 2016 from US$1.7 million for year ended December 31, 2015.

Gross profit

Gross profit increased by US$85.0 million, or 31.1%, to US$358.0 million for the year ended December 31, 2016 from US$273.0 million for the year ended December 31, 2015. Gross profit margin was 22.9 % for the year ended December 31, 2016 compared to 23.4% for the year ended December 31, 2015.

Selling and distribution expenses

Selling and distribution expenses increased by US$6.1 million, or 11.7%, to US$58.2 million for the year ended December 31, 2016 from US$52.1 million for the year ended December 31, 2015. The increase was primarily due to a US$4.4 million increase in advertising and promotion expenses for new projects launched in 2016 as well as existing projects and a US$1.1 million increase in salary and welfare expenses as the average level of salary and bonus increased and new employees were hired. As a percentage of revenue, selling and distribution expenses was 3.7% for the year ended December 31, 2016 compared to 4.5% for the year ended December 31, 2015. As revenue grows in the future, we expect selling and distribution expenses as a percentage of revenue to be flat or slightly increase.

General and administrative expense

General and administrative expenses increased by US$5.1 million, or 4.4% to US$120.4 million for the year ended December 31, 2016 from US$115.3 million for the year ended December 31, 2015. The increase was primarily due to an increase in salary and welfare expenses of US$2.0 million as the average level of salary and bonus increased and new employees were hired, and increased share-based compensation due to additional awards granted in 2016.

As a percentage of revenue, general and administrative expenses were 7.7% for the year ended December 31, 2016, compared to 9.9% for the year ended December 31, 2015.

Interest income

Interest income was US$20.9 million for the year ended December 31, 2016, compared to US$24.5 million for the year ended December 31, 2015.

Interest expenses

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

For the year ended December 31, 2015, out of total interest costs incurred, US$20.3 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the current year Statement of Comprehensive Income. Total gross interest costs incurred amounted to US$180.2 million for the year of 2015, including US$171.0 million of interest on loans and notes, US$6.6 million of amortization of debt issuance costs and US$2.6 million of amortization of aircraft finance lease related interest.

Income taxes

Income taxes increased by US$33.7 million, or 64.2%, to US$86.2 million for the year ended December 31, 2016 from US$52.5 million for the year ended December 31, 2015 mainly due to the increase in taxable income from PRC and the United States.

Our effective tax rate increased to 52.0% for the year ended December 31, 2016, from 44.1% for the year ended December 31, 2015. The increase was primarily due to the increase in taxable income in the PRC and the United States .

Net income attributable to our shareholders

Net income increased by US$6.5 million to US$73.0 million for the year ended December 31, 2016, from US$66.5 million for the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Revenue increased by US$244.6 million, or 26.6%, to US$1,164.3 million for the year ended December 31, 2015 from US$919.7 million for the year ended December 31, 2014.

Real estate sales

Revenue from real estate sales increased by US$241.7 million, or 27.1%, to US$1,134.5 million for the year ended December 31, 2015 from US$892.8 million for the year ended December 31, 2014, principally due to the higher percentage of completion from two of our major development projects Suzhou Lake Royal Palace and Kunshan Royal Palace, each of which launched in the fourth quarters of 2013 and third quarters of 2014, respectively.

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Revenues related to the projects in the U.S. are recognized under the full accrual method. For the year ended December 31, 2013, revenue was recognized in the amount of US$1.2 million for the resale of several parcels of the Northern Nevada Land Portfolio and US$5.4 million for the sale of 7 of 15 finished condominium units located in Irvine, California. For the year ended December 31, 2014, revenue was recognized in the amount of US$4.9 million for the sale of 7 of 15 finished condominium units located in Irvine, California. For the year ended December 31, 2015, revenue was recognized in the amount of US$0.8 million for the resale of the remaining parcels of the Northern Nevada Land Portfolio and US$0.8 million for the sale of the remaining 1 of 15 finished condominium units located in Irvine, California.

Revenue and profit from the sale of development properties is recognized utilizing the percentage of completion method. The following table sets forth the percentage of completion, the percentage sold and related revenues for our projects recognized under the percentage of completion method in China and our project recognized under the full accrual method in the U.S. for each of the years ended December 31, 2014 and 2015. For information regarding revenue recognition under the percentage of completion and the full accrual methods, see "Critical Accounting Policies,"below.

Project	Total GFA	Percentage Complete as of December 31, (1)		Percentage Sold (2) Accumulated as of December 31,		Revenues Recognized For The Year Ended December 31,			
		2014	2015	2014	2015	2014		2015	
	m²	%	%	%	%	US$	%(3)	US$	%(4)
Chengdu Segment									
Chengdu Xinyuan Splendid I	231,032	100.0	100.0	100.0	100.0	1,288,027	0.1	1,311,214	0.1
Chengdu Xinyuan Splendid II	217,010	100.0	100.0	99.9	99.9	-	-	-	-
Chengdu Thriving Family	211,386	65.4	82.4	3.9	15.8	8,624,227	1.0	35,061,084	3.1
Jiangsu Segment									
Suzhou International City Garden	204,872	100.0	100.0	99.4	99.5	433,584	-	344,516	-
Suzhou Lake Splendid	198,113	100.0	100.0	100.0	99.9	220,015	-	(217,258)	-
Suzhou Colorful Garden	81,506	100.0	100.0	100.0	100.0	-	-	-	-
Kunshan International City Garden	497,938	100.0	100.0	99.6	99.6	8,288,955	0.9	354,879	-
Xuzhou Colorful Garden	101,821	100.0	100.0	98.7	99.1	-	-	-	-

Suzhou Xin City	127,212	89.9	99.8	95.4	99.3	83,784,195	9.4	23,256,900	2.1
Kunshan Royal Palace	279,948	58.7	84.4	25.9	59.5	49,893,344	5.6	164,996,469	14.5
Xuzhou Colorful City	130,170	54.9	75.1	33.3	46.9	18,937,756	2.1	33,762,682	3.0
Suzhou Lake Royal Palace	169,635	76.1	91.9	5.5	48.3	14,402,509	1.6	148,971,755	13.1
Shandong Segment									
Jinan International City Garden	264,335	100.0	100.0	99.4	99.4	-	-	-	-
Jinan Xinyuan Splendid	572,235	92.0	98.9	95.2	98.7	170,834,230	19.1	74,101,999	6.5
Shandong Royal Palace	452,342	48.5	55.9	6.8	21.1	21,603,535	2.4	56,552,926	5.0
Jinan Xin Central	194,652	-	57.3	-	26.4	-	-	55,567,629	4.9
Henan Segment									
Zhengzhou Xinyuan Colorful Garden	191,891	100.0	100.0	100.0	100.0	-	-	-	-
Zhengzhou Finance Square	67,225	100.0	100.0	100.0	100.0	-	-	-	-
Zhengzhou Modern City	231,019	100.0	100.0	99.9	100.0	16,314,477	1.8	2,183,419	0.2
Zhengzhou Royal Palace	135,877	96.7	98.4	99.9	100.0	31,719,440	3.6	3,959,633	0.3
Zhengzhou International City Garden	280,748	100.0	100.0	100.0	100.0	-	-	-	-
Zhengzhou Yipin Xiangshan Phase I	94,249	100.0	100.0	100.0	100.0	-	-	-	-
Zhengzhou Yipin Xiangshan Phase II	199,610	100.0	100.0	100.0	99.8	11,620,510	1.3	(57,451)	-
Zhengzhou Century East A	76,579	98.7	100.0	98.7	99.6	10,251,774	1.1	2,391,144	0.2
Zhengzhou Century East B	166,288	98.5	100.0	99.6	99.7	11,406,412	1.3	6,478,014	0.6
Zhengzhou Xin City	211,075	76.5	93.9	87.7	89.0	147,764,124	16.6	79,758,186	7.0
Henan Thriving Family	131,510	55.0	78.7	82.2	82.3	62,259,649	7.0	37,436,004	3.3
Xingyang Splendid Phase I	118,840	47.2	72.6	43.3	66.6	17,755,365	2.0	23,317,771	2.1
Xingyang Splendid Phase II	136,916	32.4	40.6	2.8	5.6	1,145,122	0.1	1,854,936	0.2
Henan Xin Central	262,820	-	49.2	-	25.0	-	-	43,751,924	3.9
	145,229	-	48.2	-	21.8	-	-	20,249,510	1.8

Zhengzhou Xindo Park									
Zhengzhou Fancy City	166,652	-	43.6	-	30.1	-	-	30,358,098	2.7
Anhui Segment									
Hefei Wangjiang Garden	145,455	100.0	100.0	100.0	100.0	141,377	-	-	-
Beijing Segment									
Beijing Xindo Park	132,869	82.1	97.5	51.8	79.5	188,579,891	21.2	166,775,534	14.6
Changsha Segment									
Changsha Xinyuan Splendid	252,652	49.0	67.1	2.4	20.0	4,109,978	0.5	42,191,276	3.7
Sanya Segment									
Sanya Yazhou Bay No.1	122,033	45.0	62.7	5.1	5.5	6,526,065	0.7	3,534,278	0.3
Shanghai Segment									
Shanghai Royal Palace	57,778	-	88.0	-	28.3	-	-	70,058,447	6.2
Tianjin Segment									
Tianjin Spring Royal Palace	274,264	-	25.3		5.2	-	-	4,631,258	0.4
US Segment									
Northern Nevada Land Portfolio(5)	N/A	N/A	N/A	N/A	N/A	-	-	750,000	0.1
Lennox Project(6)	N/A	N/A	N/A	N/A	N/A	4,921,331	0.6	780,000	0.1
New York Oosten	N/A	N/A	N/A	N/A	N/A	-	-	-	-
Total	7,535,786					892,825,892	100.0	1,134,466,776	100.0

(1) Percentage of completion is calculated by dividing total costs incurred by total estimated costs for the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.

(2) Percentage sold is calculated by dividing contracted sales value from property sales by total estimated sales value of the relevant project, estimated as of the time of preparation of our financial statements as of and for the year indicated.

(3) Percentage of all real estate sales revenues for the financial year, including revenues recognized under the percentage of completion method.

(4) Percentage of all real estate sales revenues for the financial year, including revenues recognized under the percentage of completion method and under the full accrual method.

(5) Northern Nevada Land Portfolio is a land portfolio, comprised of 325 finished lots and 185 acres of undeveloped land, at eight sites, in the northern Nevada region near Reno-Spark metropolitan area. We had an opportunity to promptly resell several parcels and recognized revenue US$1.2 million, US$nil million and US$0.8 million for the year 2013, 2014 and 2015, respectively.

(6) The finished condominium project is located in Irvine, California, United States. We acquired 15 units with a total GFA of 2,865 square meters out of the total 72 units from a major U.S. developer in August 2012. For the year ended December 31, 2013, we resold 7 of 15 finished condominium units and recognized revenue in the amount of US$5.4 million. For the year ended December 31, 2014, we resold 7 of 15 finished condominium units and recognized revenue in the amount of US$4.9 million. For the year ended December 31, 2015, we resold 1 of 15

finished condominium units and recognized revenue in the amount of US$0.8 million.

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The following table sets forth the square meters sold and average selling price per square meter for each project, each reportable segment and on a consolidated basis for each of the years ended December 31, 2014 and 2015.

Project	Year Ended December 31, 2014 Contract Sales	Square Meters Sold	Average Selling Price	2015 Contract Sales	Square Meters Sold	Average Selling Price
	US$	m²	US$/m²	US$	m²	US$/m²
Chengdu region						
Chengdu Xinyuan Splendid I	1,365,501	-	-	1,391,318	-	-
Chengdu Xinyuan Splendid II	-	-	-	42,395	-	-
Chengdu Thriving Family	14,050,989	15,814	889	42,179,974	48,507	870
Total	15,416,490	15,814	975	43,613,687	48,507	899
Jiangsu region						
Suzhou International City Garden	428,021	272	1,574	143,663	102	1,408
Suzhou Lake Splendid	233,061	204	1,142	-	-	-
Suzhou Xin City	66,612,912	41,551	1,603	6,470,062	3,418	1,893
Suzhou Lake Royal Palace	20,044,488	14,156	1,416	168,246,492	100,279	1,678
Kunshan International City Garden	4,650,280	2,771	1,678	150,139	118	1,272
Kunshan Royal Palace	65,022,733	42,867	1,517	168,097,031	114,066	1,474
Xuzhou Colorful Garden	-	-	-	(1,152,860)	(900)	1,281
Xuzhou Colorful City	24,111,221	16,022	1,505	29,341,359	20,242	1,450
Total	181,102,716	117,843	1,537	371,295,886	237,325	1,565
Shandong region						
Jinan International City Garden	-	-	-	39,183	15	2,612
Jinan Xinyuan Splendid	139,449,860	90,167	1,547	26,718,388	19,198	1,392
Shandong Royal Palace	47,224,711	45,190	1,045	102,215,975	101,352	1,009
Jinan Xin Central	-	-	-	102,800,660	67,252	1,529
Total	186,674,571	135,357	1,379	231,774,206	187,817	1,234
Henan region						
Zhengzhou Royal Palace	14,856,458	4,270	3,479	70,004	224	313
Zhengzhou Modern City	16,390,668	4,989	3,285	2,406,590	248	9,704
Zhengzhou Yipin Xiangshan Phase II	999,198	1,583	631	291,068	90	3,234
Zhengzhou Century East A	6,466,565	1,626	3,977	856,426	-	-
Zhengzhou Century East B	8,570,154	317	27,035	3,196,492	(125)	(25,572)
Zhengzhou Xin City	173,404,613	104,984	1,652	39,865,645	15,878	2,511
Zhengzhou Thriving Family	119,959,348	102,036	1,176	15,143,206	12,974	1,167
Xingyang Splendid Phase I	39,850,384	47,824	833	20,693,198	25,216	821
Xingyang Splendid Phase II	3,739,262	1,714	2,182	5,783,511	5,502	1,051
Henan Xin Central	-	-	-	94,181,923	77,420	1,217
Zhengzhou Xindo Park	-	-	-	44,511,220	31,929	1,394
Zhengzhou Fancy City	-	-	-	73,790,219	57,552	1,282
Total	384,236,650	269,343	1,427	300,789,502	226,908	1,326
Anhui region						

Hefei Wangjiang Garden	149,860	-	-	-	-	-
Beijing region						
Beijing Xindo Park	243,256,296	67,037	3,629	145,862,389	52,432	2,782
Hunan region						
Changsha Xinyuan Splendid	8,887,154	10,621	837	64,625,618	72,831	887
Hainan region						
Sanya Yazhou Bay No.1	15,496,749	6,453	2,401	10,831,126	5,380	2,013
Shanghai region						
Shanghai Royal Palace	-	-	-	84,288,117	24,378	3,458
Tianjin region						
Tianjin Spring Royal Palace	-	-	-	19,394,472	14,064	1,379
Grand Total	1,035,220,486	622,468	1,663	1,272,475,003	869,642	1,463

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Total square meters sold increased to 869,642 square meters for the year ended December 31, 2015 from 622,468 square meters for the year ended December 31, 2014. The increase was mainly due to the six new projects launched in 2015 and our major development projects Suzhou Lake Royal Palace and Kunshan Royal Palace.

The overall aggregate average selling price per square meter for the year ended December 31, 2015 decreased to US$1,463 from US$1,663 for the year ended December 31, 2014 primarily due to stronger pre-sales of lower margin saleable units that occurred in 2015. Total revenues increased significantly by 26.6% to US$1,164.3 million from US$919.7 million in 2014, principally due to higher percentage of completion from two of our major development projects Suzhou Lake Royal Palace and Kunshan Royal Palace, each of which launched in the fourth quarters of 2013 and third quarters of 2014, respectively.

Chengdu region. Total square meters in this region sold for the year ended December 31, 2015 increased to 48,507 square meters from 15,814 square meters for the year ended December 31, 2014, primarily due to increased sales of Chengdu Thriving Family which was launched in 2014. The average selling price per square meter for the year ended December 31, 2015 decreased to US$899 from US$975 for the year ended December 31, 2014, which is attributable to the reduction of high margin saleable units.

Jiangsu region. Total square meters sold for the year ended December 31, 2015 increased to 237,325 square meters from 117,843 square meters for the year ended December 31, 2014, mainly due to increased sales of Suzhou Lake Royal Palace and Kunshan Royal Palace, partially offset by the reductions of saleable units of Suzhou Xin City. The average selling price per square meter for the year ended December 31, 2015 increased slightly to US$1,565 from US$1,537 for the year ended December 31, 2014.

Shandong region. Total square meters sold for the year ended December 31, 2015 increased to 187,817 square meters from 135,357 square meters for the year ended December 31, 2014, mainly due to increased sales of Shandong Royal Palace and newly launched pre-sales of Jinan Xin Central, partially offset by the reduction of saleable units of Jinan Xinyuan Splendid. The average selling price per square meter for the year ended December 31, 2015 decreased to US$1,234 from US$1,379 for the year ended December 31, 2014, which is attributable to the reduction of high margin saleable units.

Henan region. Total square meters sold for the year ended December 31, 2015 decreased to 226,908 square meters from 269,343 square meters for the year ended December 31, 2014, mainly due to reductions of saleable units of Zhengzhou Xin City and Zhengzhou Thriving Family, partially offset by newly launched pre-sales of Henan Xin Central, Zhengzhou Xindo Park and Zhengzhou Fancy City. The average selling price per square meter for the year ended December 31, 2015 decreased to US$1,326 from US$1,427 for the year ended December 31, 2014, resulting from the reduction in high margin units available for sale.

Anhui region. The only formerly active project in Anhui region, Hefei Wangjiang Garden was completely sold out by the end of 2009. Revenue in 2014 primarily represents the sale of parking facilities while no sales occurred in 2015.

Beijing region. Total square meters sold for the year ended December 31, 2015 decreased to 52,432 square meters from 67,037 square meters for the year ended December 31, 2014, mainly due to reductions of saleable units of Beijing Xindo Park. The average selling price per square meter for the year ended December 31, 2015 decreased to US$2,782 from US$3,629 for the year ended December 31, 2014, resulting from the reduction in high margin units available for sale.

Hunan region. Total square meters sold for the year ended December 31, 2015 increased to 72,831 square meters from 10,621 square meters for the year ended December 31, 2014, mainly due to increased sales of Changsha Xinyuan Splendid which was launched in 2014. The average selling price per square meter for the year ended December 31, 2015 increased slightly to US$887 from US$837 for the year ended December 31, 2014.

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Hainan region. Total square meters sold for the year ended December 31, 2015 decreased to 5,380 square meters from 6,453 square meters for the year ended December 31, 2014, mainly due to reductions of saleable units of Sanya Yazhou Bay No.1. The average selling price per square meter for the year ended December 31, 2015 decreased to US$2,013 from US$2,401 for the year ended December 31, 2014, resulting from the reduction in high margin units available for sale.

Shanghai region. In the first quarter of 2015, we commenced sales of our first project in the Shanghai region, Shanghai Royal Palace. Total square meters sold for the year ended December 31, 2015 was 24,378 square meters and the average selling price per square meter for the year ended December 31, 2015 was US$3,458.

Tianjin region. In the fourth quarter of 2015, we commenced sales of our first project in the Tianjin region, Tianjin Spring Royal Palace. Total square meters sold for the year ended December 31, 2015 was 14,064 square meters and the average selling price per square meter for the year ended December 31, 2015 was US$1,379.

Real estate leasing

Real estate leasing income increased by US$1.7 million, or 33.2% to US$6.6 million for the year ended December 31, 2015 from US$4.9 million for the year ended December 31, 2014. The increase mainly resulted from the leasing of more ancillary facilities, including parking facilities at most of our PRC properties.

Other revenue

Other revenue increased by US$1.3 million, or 5.9%, to US$23.3 million for the year ended December 31, 2015 from US$22.0 million for the year ended December 31, 2014. The increase primarily resulted from expanded property management service operations.

Costs of revenue

Costs of revenue increased by US$213.7 million, or 31.5%, to US$891.3 million for the year ended December 31, 2015 from US$677.6 million for the year ended December 31, 2014, generally in line with our revenue increases.

Cost of real estate sales

Cost of real estate sales increased by US$215.6 million, or 33.2%, to US$866.2 million for the year ended December 31, 2015 from US$650.6 million for the year ended December 31, 2014. Total land use rights cost increased by US$74.8 million, or 28.2%, from US$265.4 million (39.2% of cost of real estate sales) for the year ended December 31, 2014 to US$340.2 million (38.2% of cost of real estate sales) for the year ended December 31, 2015, primarily due to increased sales of properties. Construction cost, including capitalized interest, increased by US$140.9 million, or 36.6%, to US$526.1 million for the year ended December 31, 2015 from US$385.1 million for the year ended December 31, 2014, primarily due to increased project construction activity.

Cost of real estate leasing

Cost of real estate leasing increased by US$0.8 million, or 24.7%, to US$4.0 million for the year ended December 31, 2015 from US$3.2 million for the year ended December 31, 2014 due to the increase in the leasing costs including depreciation expense related to the increase in the number of leased properties in 2015.

Other costs

Other costs decreased by US$2.7 million, or 11.3%, to US$21.1 million for the year ended December 31, 2015 from US$23.8 million for year ended December 31, 2014 mainly due to less compensation payments to our customers for late delivery of projects due to better delivery management in the current year.

Gross profit

Gross profit increased by US$30.8 million, or 12.7%, to US$273.0 million for the year ended December 31, 2015 from US$242.2 million for the year ended December 31, 2014. Gross profit margin was 23.4 % for the year ended December 31, 2015 compared to 26.3% for the year ended December 31, 2014. The decrease of gross profit margin was primarily due to newly launched lower-margin projects such as Shanghai Royal Palace.

Selling and distribution expenses

Selling and distribution expenses increased by US$12.6 million, or 32.0%, to US$52.1 million for the year ended December 31, 2015 from US$39.5 million for the year ended December 31, 2014. The increase was primarily due to a US$3.2 million increase in advertising and promotion expenses for new projects launched in 2015 as well as existing projects and a US$8.4 million increase in salary and welfare expenses of US$8.4 million as the average level of salary and bonus increased and new employees were hired. As a percentage of revenue, selling and distribution expenses was 4.5% for the year ended December 31, 2015 compared to 4.3% for the year ended December 31, 2014. As revenue grows in the future, we expect selling and distribution expenses as a percentage of revenue to be flat or slightly increase.

General and administrative expense

General and administrative expenses increased by US$9.7 million, or 9.2% to US$115.3 million for the year ended December 31, 2015 from US$105.6 million for the year ended December 31, 2014. The increase was primarily due to an increase in salary and welfare expenses of US$5.0 million as the average level of salary and bonus increased and new employees were hired, increased share-based compensation due to additional awards granted in 2015, and bank charges associated with the notes payable issued in 2015.

As a percentage of revenue, general and administrative expenses were 9.9% for the year ended December 31, 2015, compared to 11.5% for the year ended December 31, 2014.

Interest income

Interest income was US$24.5 million for the year ended December 31, 2015, compared to US$14.6 million for the year ended December 31, 2014. The increase in interest income mainly resulted from the increase in the average cash balance.

Interest expenses

For the year ended December 31, 2015, out of total interest costs incurred, US$20.3 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the current year Statement of Comprehensive Income. Total gross interest costs incurred amounted to US$180.2 million for the year of 2015, including US$171.0 million of interest on loans and notes, US$6.6 million of amortization of debt issuance costs and US$2.6 million of amortization of aircraft finance lease related interest.

For the year ended December 31, 2014, out of total interest costs incurred, US$28.2 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the current year Statement of Comprehensive Income. Total gross interest costs incurred amounted to US$134.7 million for the year of 2014, including US$128.1 million of interest on loans and notes, US$3.7 million of amortization of debt issuance costs and US$2.9 million of amortization of aircraft finance lease related interest.

Income taxes

Income taxes increased by US$21.9 million, or 71.8%, to US$52.5 million for the year ended December 31, 2015 from US$30.6 million for the year ended December 31, 2014 mainly due to the increase of income before tax.

Our effective tax rate increased to 44.1% for the year ended December 31, 2015, from 38.7% for the year ended December 31, 2014. The increase was primarily due to the US$24.6 million one-time reversal of previously accrued liabilities for LAT tax related to of Zhengzhou Modern City and Zhengzhou Yipin Xiangshan Phase II in 2014.

Net income attributable to our shareholders

Net income increased by US$18.0 million to US$66.5 million for the year ended December 31, 2015, from US$48.5 million for the year ended December 31, 2014.

Discussion of Segment Operations

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

	For the Year Ended December 31,		
	2014	2015	2016
	(US$ in thousands, except for percentages)		
Zhengzhou, Henan			
Total revenue	313,339	257,562	373,920
Total costs of revenue	(215,169)	(162,239)	(255,819)
Gross profit	98,170	95,323	118,101
Gross margin	31.3 %	37.0 %	31.6 %
Operating income	39,189	43,440	76,642
Jinan, Shandong			
Total revenue	192,766	186,456	169,880
Total costs of revenue	(148,137)	(150,530)	(143,152)
Gross profit	44,629	35,926	26,728
Gross margin	23.2 %	19.3 %	15.7 %
Operating income	35,738	22,398	18,046
Suzhou, Kunshan and Xuzhou, Jiangsu			

Total revenue	176,018	371,778	349,617
Total costs of revenue	(139,806)	(307,476)	(275,136)
Gross profit	36,212	64,302	74,481
Gross margin	20.6 %	17.3 %	21.3 %
Operating income	23,284	48,475	62,247
Chengdu, Sichuan			
Total revenue	9,942	36,452	76,490
Total costs of revenue	(9,143)	(32,318)	(58,763)
Gross profit	799	4,134	17,727
Gross margin	8.0 %	11.3 %	23.2 %
Operating (loss)/income	(2,430)	462	14,397
Beijing			
Total revenue	188,592	167,094	24,002
Total costs of revenue	(133,884)	(119,704)	(31,148)
Gross profit	54,708	47,390	(7,146)
Gross margin	29.0 %	28.4 %	-29.8 %
Operating income/ (loss)	27,018	15,211	(45,987)
Sanya, Hainan			
Total revenue	6,526	3,542	12,700
Total costs of revenue	(4,137)	(2,338)	(8,545)
Gross profit	2,389	1,204	4,155
Gross margin	36.6 %	34.0 %	32.7 %
Operating (loss)/income	(1,467)	(5,413)	127
Changsha, Hunan			
Total revenue	4,110	42,194	105,495
Total costs of revenue	(3,665)	(30,096)	(75,515)
Gross profit	445	12,098	29,980
Gross margin	10.8 %	28.7 %	28.4 %
Operating (loss)/income	(2,789)	7,007	23,607
Shanghai			
Total revenue	-	70,058	100,004
Total costs of revenue	-	(62,366)	(89,068)
Gross profit	-	7,692	10,936
Gross margin	-	11.0 %	10.9 %
Operating (loss)/income	(2,353)	3,346	7,815
Tianjin			
Total revenue	-	4,633	39,913
Total costs of revenue	-	(3,543)	(22,837)
Gross profit	-	1,090	17,076
Gross margin	-	23.5 %	42.8 %
Operating (loss)/income	-	(8,913)	543
Xi’an, Shaanxi			
Total revenue	-	-	126,834
Total costs of revenue	-	-	(91,500)
Gross profit	-	-	35,334
Gross margin	-	-	27.9 %
Operating income	-	-	25,095
US			
Total revenue	4,921	1,530	152,007
Total costs of revenue	(4,643)	(1,243)	(128,803)
Gross profit	278	287	23,204

Gross margin	5.6	%	18.8	%	15.3	%
Operating (loss)/income	(5,506	)	(4,684	)	12,202	
Others						
Total revenue	23,534		23,024		30,763	
Total costs of revenue	(18,998	)	(19,481	)	(23,351	)
Gross profit	4,536		3,543		7,412	
Gross margin	19.3	%	15.4	%	24.1	%
Operating (loss)	(13,634	)	(15,794	)	(15,374	)

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Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Zhengzhou, Henan. Total revenue increased by US$116.3 million, or 45.1%, from US$257.6 million for the year ended December 31, 2015 to US$373.9 million for the year ended December 31, 2016. The increase was primarily due to the increase of revenue from sales of units in old projects- Henan Xin Central, Zhengzhou Xindo Park, Zhengzhou Fancy City,and the newly launched projects- Zhengzhou International New City I, Zhengzhou Fancy City II (South) , Henan Xin Central II , partially offset by the reduced revenue from sales of units in Henan Xin City , Zhengzhou Thriving Family and Xingyang Splendid I. Gross profit for this region was US$118.1 million, or 31.6% of revenue, in the year ended December 31, 2016, as compared to US$95.3 million, or 37.0% of revenue, in the year ended December 31, 2015. The decrease in gross margin was due to the reduction of high margin saleable units. The operating income was US$76.6 million for the year ended December 31, 2016, representing an increase of US$33.2 million, or 76.5%, from US$43.4 million for the year ended December 31, 2015.

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Jinan, Shandong. Total revenue decreased by US$16.6 million, from US$186.5 million for the year ended December 31, 2015 to US$169.9 million for the year ended December 31, 2016. The slightly decrease was primarily due to a reduction of revenue from sales of units in Jinan Xinyuan Splendid and Jinan Royal Palace, due to the reduced number of units available for sale in these projects, offset by revenue from sales of units in Jinan Xin Central. The gross profit decreased to US$26.7 million, or 15.7% of revenue, for the year ended December 31, 2016 from US$35.9 million, or 19.3% of revenue, for the year ended December 31, 2015. The decrease in gross margin was due to the reduction of high margin saleable units. The operating income was US$18.0 million for the year ended December 31, 2016, representing a decrease of US$4.4 million from US$22.4 million for the year ended December 31, 2015. Such decrease was due to the decrease in gross profit as described above.

Suzhou, Kunshan and Xuzhou, Jiangsu. Total revenue decreased by US$22.2 million, or 6.0%, from US$371.8 million for the year ended December 31, 2015 to US$349.6 million for the year ended December 31, 2016. The decrease was primarily due to a reduction of revenue from sales of units in old projects- Suzhou Xin City, Suzhou Lake Royal Palace, Kunshan Royal Palace and Xuzhou Colorful City, partially offset by the revenue from sales of units in the newly launched project Kunshan Xindo Park. Gross profit for the Jiangsu segment was US$74.5 million for the year ended December 31, 2016, increasing by US$10.2 million from US$64.3 million for the year ended December 31, 2015. The increase in gross profit was due to the increase of high margin saleable units. Operating income was US$62.2 million for the year ended December 31, 2016, representing an increase of US$13.7 million, or 28.2%, from US$48.5 million for the year ended December 31, 2015. Such increase was due to the increase in gross profit as described above.

Chengdu, Sichuan. Total revenue increased by US$40.0 million from US$36.5 million for the year ended December 31, 2015 to US$76.5 million for the year ended December 31, 2016. The increase was primarily due to an increase in revenue from sales of units in Chengdu Thriving Family. Gross profit for the Sichuan segment was US$17.7 million for the year ended December 31, 2016, as compared to US$4.1 million for the year ended December 31, 2015. Operating income was US$14.4 million for the year ended December 31, 2016, representing an increase of US$13.9 million from US$0.5 million for the year ended December 31, 2015. Such increase was due to the increase in revenue as described above.

Beijing. Total revenue decreased by US$143.1 million, or 85.6%, from US$167.1 million for the year ended December 31, 2015 to US$24.0 million for the year ended December 31, 2016. The decrease was primarily due to a reduction of revenue from sales of units in Beijing Xindo Park, due to the reduced number of units available for sale in this project. Gross loss for the Beijing segment was US$7.1 million for the year ended December 31, 2016, decreasing by US$54.5 million from gross profit of US$47.4 million for the year ended December 31, 2015. Operating loss was US$46.0 million for the year ended December 31, 2016, representing a decrease of US$61.2 million, or 402.6%, from operating income of US$15.2 million for the year ended December 31, 2015. Such decrease was due to the decrease in revenue as described above.

Sanya, Hainan. Total revenue increased by US$9.2 million, or 262.9%, from US$3.5 million for the year ended December 31, 2015 to US$12.7 million for the year ended December 31, 2016. The increase was primarily due to the increase of revenue from sales of units in Sanya Yazhou Bay No. 1. Gross profit for the Hainan segment was US$4.2 million for the year ended December 31, 2016, increasing by US$3.0 million from US$1.2 million for the year ended December 31, 2015. Operating income was US$0.1 million for the year ended December 31, 2016, representing an increase of US$5.5 million, or 101.9%, from operating loss of US$5.4 million for the year ended December 31, 2015. Such increase was due to the increase in revenue as described above.

Changsha, Hunan. Total revenue increased by US$63.3 million, or 150.0%, from US$42.2 million for the year ended December 31, 2015 to US$105.5 million for the year ended December 31, 2016. The increase was primarily due to the increase of revenue from sales of units in Changsha Xinyuan Splendid which was launched in 2014. Gross profit for the Hunan segment was US$30.0 million for the year ended December 31, 2016, increasing by US$17.9 million from US$12.1 million for the year ended December 31, 2015. Operating income was US$23.6 million for the year ended December 31, 2016, representing an increase of US$16.6 million from US$7.0 million for the year ended December 31, 2015. Such increase was due to the increase in revenue as described above.

Shanghai. Total revenue increased by US$29.9 million, or 42.7%, from US$70.1 million for the year ended December 31, 2015 to US$100.0 million for the year ended December 31, 2016. The increase was primarily due to the increase of revenue from sales of units in Shanghai Royal Palace which was launched in 2015. Gross profit for the Shanghai segment was US$10.9 million for the year ended December 31, 2016, increasing by US$3.2 million from US$7.7 million for the year ended December 31, 2015. Operating income was US$7.8 million for the year ended December 31, 2016, representing an increase of US$4.5 million from US$3.3 million for the year ended December 31, 2015. Such increase was due to the increase in revenue as described above.

Tianjin. Total revenue increased by US$35.3 million, or 767.4%, from US$4.6 million for the year ended December 31, 2015 to US$39.9 million for the year ended December 31, 2016. The increase was primarily due to the increase of revenue from sales of units in Tianjin Spring Royal Palace which was launched in the fourth quarter of 2015. Gross profit for the Tianjin segment was US$17.1 million for the year ended December 31, 2016, increasing by US$16.0 million from US$1.1 million for the year ended December 31, 2015. Operating income was US$0.5 million for the year ended December 31, 2016, representing an increase from an operating loss of US$8.9 million for the year ended December 31, 2015. Such increase was due to the increase in revenue as described above.

Xi'an, Shaanxi. In the first quarter of 2016, we obtained control over Shaanxi Zhongmao Economy Development Co., Ltd. which was previously accounted under equity method investment. We commenced sales of our first project in the Xi'an region, Xi'an Metropolitan. Total revenue for the year ended December 31, 2016 was US$126.8 million, gross profit was US$35.3 million for the year ended December 31, 2016 and the operating income was US$25.1 million for the year ended December 31, 2016.

The U.S. Total revenue increased by US$150.5 million from US$1.5 million for the year ended December 31, 2015 to US$152.0 million for the year ended December 31, 2016. The increase was due to the delivery of the New York Oosten project in 2016, of which the revenue was recognized under the full accrual method. This region had a gross profit of US$23.2 million and an operating income of US$12.2 million in the year ended December 31, 2016.

Others. Other revenue of US$30.8 million for the year ended December 31, 2016 consisted of real estate-related services, including, among others, property management services, broadband network installation, landscaping services and consulting services. These services generated a gross profit of US$7.4 million in the year ended December 31, 2016, compared to a gross profit of US$3.5 million in the year ended December 31, 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Zhengzhou, Henan. Total revenue decreased by US$55.7 million, or 17.8%, from US$313.3 million for the year ended December 31, 2014 to US$257.6 million for the year ended December 31, 2015. The decrease was primarily due to a reduction of revenue from sales of units in old projects- Zhengzhou Xin City, Zhengzhou Royal Palace, Zhengzhou Century East A and Zhengzhou Century East B, Zhengzhou Thriving Family, Zhengzhou Yipin Xiangshan Phase II and Zhengzhou Modern City, due to the reduced number of units available for sale in those projects, partially offset by the revenue from sales of units in the newly launched project Henan Xin Central, Zhengzhou Xindo Park and Zhengzhou Fancy City. Gross profit for this region was US$95.3 million, or 37.0% of revenue, in the year ended December 31, 2015, as compared to US$98.2 million, or 31.3% of revenue, in the year ended December 31, 2014. The increase in gross margin was due to the reduction of low margin saleable units. The operating income was US$43.4 million for the year ended December 31, 2015, representing an increase of US$4.2 million, or 10.8%, from US$39.2 million for the year ended December 31, 2014.

Jinan, Shandong. Total revenue decreased by US$6.3 million, from US$ 192.8 million for the year ended December 31, 2014 to US$186.5 million for the year ended December 31, 2015. The slightly decrease was primarily due to a reduction of revenue from sales of units in Jinan Xinyuan Splendid, due to the reduced number of units available for sale in this project, offset by revenue from sales of units in Jinan Royal Palace and the newly launched project Jinan Xin Central. The gross profit decreased to US$35.9 million, or 19.3% of revenue, for the year ended December 31, 2015 from US$44.6 million, or 23.2% of revenue, for the year ended December 31, 2014. The decrease in gross margin was due to the newly launched, lower-margin project Jinan Royal Palace and Jinan Xin Central. The operating income was US$22.4 million for the year ended December 31, 2015, representing a decrease of US$13.3 million from US$35.7 million for the year ended December 31, 2014. Such decrease was due to the decrease in gross profit as described above.

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Suzhou, Kunshan and Xuzhou, Jiangsu. Total revenue increased by US$195.8 million, or 111.2%, from US$176.0 million for the year ended December 31, 2014 to US$371.8 million for the year ended December 31, 2015. The increase was primarily due to the increase of revenue from sales of units in Suzhou Lake Royal Palace, Kunshan Royal Palace and Xuzhou Colorful City, partially offset by a decrease of sales of Suzhou Xin City and Kunshan International City Garden. Gross profit for the Jiangsu segment was US$64.3 million for the year ended December 31, 2015, increasing by US$28.1 million from US$36.2 million for the year ended December 31, 2014. Operating income was US$48.5 million for the year ended December 31, 2015, representing an increase of US$25.2 million, or 108.2%, from US$23.3 million for the year ended December 31, 2014. Such increase was due to the increase in revenue as described above.

Chengdu, Sichuan. Total revenue increased by US$26.6 million from US$9.9 million for the year ended December 31, 2014 to US$36.5 million for the year ended December 31, 2015. The increase was primarily due to an increase in revenue from sales of units in Chengdu Thriving Family. Gross profit for the Sichuan segment was US$4.1 million for the year ended December 31, 2015, as compared to US$0.8 million for the year ended December 31, 2014. Operating income was US$0.5 million for the year ended December 31, 2015, representing an increase of US$2.9 million from the operating loss US$2.4 million for the year ended December 31, 2014. Such increase was due to the increase in revenue as described above.

Beijing. Total revenue decreased by US$21.5 million, or 11.4%, from US$188.6 million for the year ended December 31, 2014 to US$167.1 million for the year ended December 31, 2015. The decrease was primarily due to a reduction of revenue from sales of units in Beijing Xindo Park, due to the reduced number of units available for sale in this project. Gross profit for the Beijing segment was US$47.4 million for the year ended December 31, 2015, decreasing by US$7.3 million from US$54.7 million for the year ended December 31, 2014. Operating income was US$15.2 million for the year ended December 31, 2015, representing a decrease of US$11.8 million, or 43.7%, from US$27.0 million for the year ended December 31, 2014. Such decrease was due to the decrease in revenue as described above.

Sanya, Hainan. Total revenue decreased by US$3.0 million, or 45.7%, from US$6.5 million for the year ended December 31, 2014 to US$3.5 million for the year ended December 31, 2015. The decrease was primarily due to the decrease of revenue from sales of units in Sanya Yazhou Bay No.1. Gross profit for the Hainan segment was US$1.2 million for the year ended December 31, 2015, decreasing by US$1.2 million from US$2.4 million for the year ended December 31, 2014. Operating loss was US$5.4 million for the year ended December 31, 2015, representing an increase of US$3.9 million, or 269.0%, from US$1.5 million for the year ended December 31, 2014. Such increase was due to the decrease in revenue as described above.

Changsha, Hunan. Total revenue increased by US$38.1 million, or 926.6%, from US$4.1 million for the year ended December 31, 2014 to US$42.2 million for the year ended December 31, 2015. The increase was primarily due to the increase of revenue from sales of units in Changsha Xinyuan Splendid which was launched in 2014. Gross profit for the Hunan segment was US$12.1 million for the year ended December 31, 2015, increasing by US$11.7 million from US$0.4 million for the year ended December 31, 2014. Operating income was US$7.0 million for the year ended

December 31, 2015, representing an increase of US$9.8 million from operating loss of US$2.8 million for the year ended December 31, 2014. Such increase was due to the increase in revenue as described above.

Shanghai. In the first quarter of 2015, we commenced sales of our first project in the Shanghai region, Shanghai Royal Palace. Total revenue for the year ended December 31, 2015 was US$70.1 million, gross profit was US$7.7 million for the year ended December 31, 2015 and the operating income was US$3.3 million for the year ended December 31, 2015.

Tianjin. In the fourth quarter of 2015, we commenced sales of our first project in the Tianjin region, Tianjin Spring Royal Palace. Total revenue for the year ended December 31, 2015 was US$4.6 million, gross profit was US$1.1 million for the year ended December 31, 2015 and the operating loss was US$8.9 million for the year ended December 31, 2015.

The U.S. Total revenue decreased by US$3.4 million, or 68.9%, to US$1.5 million for the year ended December 31, 2015 from US$4.9 million for the year ended December 31, 2014. The decrease was primarily due to a reduction in units available for sale. This region had a gross profit of US$0.3 million and an operating loss of US$4.7 million in the year ended December 31, 2015.

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Others. Other revenue of US$23.0 million for the year ended December 31, 2015 consisted of real estate-related services, including, among others, property management services, broadband network installation, landscaping services and consulting services. These services generated a gross profit of US$3.5 million in the year ended December 31, 2015, compared to a gross profit of US$4.5 million in the year ended December 31, 2014.

Status of Projects as of December 31, 2016

The status of each of our projects under construction as of December 31, 2016, which were accounted for using the percentage of completion method and full accrual method, is discussed below.

Xuzhou Colorful City

As of December 31, 2016, the carrying value of this project was US$29.6 million, net of profit recognized and progress billings. As of December 31, 2016, the cumulative cost incurred on the project was US$107.2 million relative to total estimated cost of US$131.9 million. In the year ended December 31, 2016, we had contract sales of US$18.3 million with area sold of 11,000 square meters at an average selling price of US$1,665 per square meter. Sales for this project began in November 2013 and cumulative contract sales through December 31, 2016 were US$110.3 million with total area sold of 78,570 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$194.8 million, or US$188.9 million net of business tax, relative to the total estimated cost of US$131.9 million, generating a gross margin of 30.2%.

Kunshan Royal Palace

As of December 31, 2016, the carrying value of this project was US$39.3 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$249.4 million relative to total estimated cost of US$261.3 million. In the year ended December 31, 2016, we had contract sales of US$143.1 million with area sold of 64,105 square meters at an average selling price of US$2,232 per square meter. Sales for this project began in November 2013 and cumulative contract sales through December 31, 2016 were US$420.2 million with total area sold of 263,553 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$477.4 million, or US$457.9 million net of business tax, relative to the total estimated cost of US$261.3 million, generating a gross margin of 42.9%.

Jinan Royal Palace

As of December 31, 2016, the carrying value of this project was US$169.7 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$381.2 million relative to total estimated cost of US$532.9 million. In the year ended December 31, 2016, we had contract sales of US$115.6 million with area sold of 102,608 square meters at an average selling price of US$1,126 per square meter. Sales for this project began in June 2014 and cumulative contract sales through December 31, 2016 were US$255.1 million with total area sold of 249,150 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$635.8 million, or US$624.2 million net of business tax, relative to the total estimated cost of US$532.9 million, generating a gross margin of 14.6%.

Xingyang Splendid Phase II

As of December 31, 2016, the carrying value of this project was US$39.6 million, net of profit recognized and progress billings. As of December 31, 2016, the cumulative cost incurred on the project was US$50.4 million relative to total estimated cost of US$87.2 million. In the year ended December 31, 2016, we had contract sales of US$39.6 million with area sold of 47,194 square meters at an average selling price of US$840 per square meter. Sales for this project began in December 2014 and cumulative contract sales through December 31, 2016 were US$48.5 million with total area sold of 54,410 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$135.7 million, or US$134.5 million net of business tax, relative to the total estimated cost of US$87.2 million, generating a gross margin of 35.2%.

Chengdu Thriving Family

As of December 31, 2016, the carrying value of this project was US$202.6 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$288.8 million relative to total estimated cost of US$312.1 million. In the year ended December 31, 2016, we had contract sales of US$79.0 million with area sold of 81,660 square meters at an average selling price of US$968 per square meter. Sales for this project began in November 2014 and cumulative contract sales through December 31, 2016 were US$131.7 million with total area sold of 146,081 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$361.0 million, or US$355.8 million net of business tax, relative to the total estimated cost of US$312.1 million, generating a gross margin of 12.3%.

Changsha Xinyuan Splendid

As of December 31, 2016, the carrying value of this project was US$135.6 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$216.6 million relative to total estimated cost of US$242.8 million. In the year ended December 31, 2016, we had contract sales of US$108.4 million with area sold of 105,602 square meters at an average selling price of US$1,027 per square meter. Sales for this project began in November 2014 and cumulative contract sales through December 31, 2016 were US$177.3 million with total area sold of 189,054 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$344.1 million, or US$337.7 million net of business tax, relative to the total estimated cost of US$242.8 million, generating a gross margin of 28.1%.

Sanya Yazhou Bay No.1

As of December 31, 2016, the carrying value of this project was US$137.3 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$157.2 million relative to total estimated cost of US$183.0 million. In the year ended December 31, 2016, we had contract sales of US$8.2 million with area sold of 5,391 square meters at an average selling price of US$1,520 per square meter. Sales for this project began in November 2014 and cumulative contract sales through December 31, 2016 were US$32.7 million with total area sold of 17,162 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$285.0 million, or US$282.4 million net of business tax, relative to the total estimated cost of US$183.0 million, generating a gross margin of 35.2%.

Jinan Xin Central

As of December 31, 2016, the carrying value of this project was US$67.3 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$187.9 million relative to total estimated cost of US$258.8 million. In the year ended December 31, 2016, we had contract sales of US$72.6 million with area sold of 47,307 square meters at an average selling price of US$ 1,535 per square meter. Sales for this project began in May 2015 and cumulative contract sales through December 31, 2016 were US$169.0 million with total area sold of 114,559 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$348.0 million, or US$340.3 million net of business tax, relative to the total estimated cost of US$258.8 million, generating a gross margin of 24.0%.

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Henan Xin Central I

As of December 31, 2016, the carrying value of this project was US$0.5 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$168.6 million relative to total estimated cost of US$249.1 million. In the year ended December 31, 2016, we had contract sales of US$161.6 million with area sold of 127,088 square meters at an average selling price of US$1,271 per square meter. Sales for this project began in July 2015and cumulative contract sales through December 31, 2016 were US$249.9 million with total area sold of 204,508 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$351.1 million, or US$343.7 million net of business tax, relative to the total estimated cost of US$249.1 million, generating a gross margin of 27.5%.

Zhengzhou Xindo Park

As of December 31, 2016, the carrying value of this project was US$75.4 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$100.5 million relative to total estimated cost of US$128.9 million. In the year ended December 31, 2016, we had contract sales of US$38.5 million with area sold of 39,303 square meters at an average selling price of US$979 per square meter. Sales for this project began in April 2015 and cumulative contract sales through December 31, 2016 were US$80.2 million with total area sold of 71,232 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$191.0 million, or US$188.3 million net of business tax, relative to the total estimated cost of US$128.9 million, generating a gross margin of 31.5%.

Zhengzhou Fancy City I

As of December 31, 2016, the carrying value of this project was US$1.1 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$100.0 million relative to total estimated cost of US$160.5 million. In the year ended December 31, 2016, we had contract sales of US$103.2 million with area sold of 76,608 square meters at an average selling price of US$1,347 per square meter. Sales for this project began in October 2015 and cumulative contract sales through December 31, 2016 were US$172.4 million with total area sold of 134,160 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$230.5 million, or US$224.6 million net of business tax, relative to the total estimated cost of US$160.5 million, generating a gross margin of 28.6%.

Tianjin Spring Royal Palace

As of December 31, 2016, the carrying value of this project was US$13.2 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$102.1 million relative to total estimated cost of US$279.9 million. In the year ended December 31, 2016, we had contract sales of US$110.2 million with area sold of 96,006 square meters at an average selling price of US$1,148 per square meter. Sales for this project began in October 2015 and cumulative contract sales through December 31, 2016 were US$128.4 million with total area sold of 110,070 square meters.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$478.8 million, or US$475.1 million net of business tax, relative to the total estimated cost of US$279.9 million, generating a gross margin of 41.0%.

Xi'an Metropolitan

As of December 31, 2016, the carrying value of this project was US$166.3 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$304.7 million relative to total estimated cost of US$323.8 million. In the year ended December 31, 2016, we had contract sales of US$107.4 million with area sold of 90,439 square meters at an average selling price of US$1,187 per square meter. Sales for this project began in December 2014 and cumulative contract sales through December 31, 2016 were US$224.0 million with total area sold of 212,763 square meters.

On October 21, 2013, the Group acquired a 51% equity interest in a joint venture, Shaanxi Zhongmao Economy Development Co., Ltd. ("Shaanxi Zhongmao"), On February 23, 2016, the Group acquired an additional 14.98% equity interest of Shaanxi Zhongmao. Upon completion of this acquisition and amendment of the articles association, the Group obtained control over Shaanxi Zhongmao through its 65.98% voting interests of Shaanxi Zhongmao.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$459.1 million, or US$449.8 million net of business tax, relative to the total estimated cost of US$323.8 million, generating a gross margin of 28.0%.

Zhengzhou Fancy City II (South)

As of December 31, 2016, the carrying value of this project was US$0.2 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$54.9 million relative to total estimated cost of US$96.7 million. Sales for this project began in June 2016. In the year ended December 31, 2016, we had contract sales of US$80.3 million with area sold of 53,165 square meters at an average selling price of US$1,510 per square meter.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$140.1 million, or US$139.3 million net of business tax, relative to the total estimated cost of US$96.7 million, generating a gross margin of 30.6%.

Kunshan Xindo Park

As of December 31, 2016, the carrying value of this project was US$36.1 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$97.2 million relative to total estimated cost of US$153.6 million. Sales for this project began in July 2016.In the year ended December 31, 2016, we had contract sales of US$88.4 million with area sold of 31,504 square meters at an average selling price of US$2,805 per square meter.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$261.7 million, or US$260.4 million net of business tax, relative to the total estimated cost of US$153.6 million, generating a gross margin of 41.0%.

Zhengzhou International New City I (Zhengzhou Shilipu project)

As of December 31, 2016, the carrying value of this project was US$87.4 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$143.2 million relative to total estimated cost of US$448.8 million. Sales for this project began in September 2016. In the year ended December 31, 2016, we had contract sales of US$80.7 million with area sold of 49,945 square meters at an average selling price of US$1,615 per square meter.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$639.1 million, or US$635.2 million net of business tax, relative to the total estimated cost of US$448.8 million, generating a gross margin of 29.4%.

Henan Xin Central II

As of December 31, 2016, the carrying value of this project was US$44.1 million, net of profit recognized and progress billings. As of December 31, 2016 the cumulative cost incurred on the project was US$53.7 million relative to total estimated cost of US$117.8 million. Sales for this project began in October 2016. In the year ended December 31, 2016, we had contract sales of US$14.8 million with area sold of 9,007 square meters at an average selling price of US$1,647 per square meter.

We estimate that over the full life of the project we will achieve aggregate gross sales revenue of US$175.9 million, or US$174.8 million net of business tax, relative to the total estimated cost of US$117.8 million, generating a gross margin of 32.6%.

Critical Accounting Policies

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

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

Revenue recognition

We apply either of two different methods for revenue recognition, full accrual method and percentage-of-completion method, depending on the expected construction period and timing of collection of sales prices.

Full accrual method

Revenue from sales of development properties in the United States where the construction period, the period from the construction permit award date to the unit delivery date is expected to be 12 months or less, or the construction period is expected to be longer than 12 months and sales prices are not certain to be collected is recognized by the full accrual method when the sale is consummated and the unit has been delivered. Revenue from and the sale of properties held for sale is recognized by the full accrual method at the time of the closing of an individual unit sale. This occurs when title to the property is transferred to the buyer. A sale is not considered consummated until (a) the parties are bound by the terms of a contract, (b) all consideration has been exchanged, (c) any permanent financing of which the seller is responsible has been arranged, (d) all conditions precedent to closing have been performed, (e) the seller does not have substantial continuing involvement with the property, and (f) the usual risks and rewards of ownership have been transferred to the buyer. In addition, the buyer's initial and continuing investment must be adequate to demonstrate a commitment to pay for the property, and the buyer's receivable, if any, must not be subject to future subordination. Sales transactions not meeting all the conditions of the full accrual method are accounted for using the deposit method in which all costs are capitalized as incurred, and payments received from the buyer are recorded as a deposit liability. Cost of sales is recognized by determining the ratio of the area of the relevant units completed and sold to the estimated total project area, and applying that ratio to the estimated total project costs.

For the year ended December 31, 2014, revenue was recognized in the amount of US$4.9 million for the sales of 7 of 15 finished condominium units located in Irvine, California. For the year ended December 31, 2015, revenue was recognized in the amount of US$0.8 million for the resale of the remaining parcels of the Northern Nevada Land Portfolio and US$0.8 million for the sales of the remaining 1 finished condominium unit located in Irvine, California. For the year ended December 31, 2016, revenue was recognized in the amount of US$152.0 million for the sales of 106 units of the New York Oosten project.

Percentage-of-completion method

Revenue and profit from the sale of development properties in the PRC is recognized by the percentage-of-completion method on the sale of individual units when the following conditions are met:

- Construction is beyond a preliminary stage.
- The buyer is committed to the extent of being unable to require a refund except for non-delivery of the unit.
- Sufficient units have already been sold to assure that the entire property will not revert to rental property.
- Sales prices are collectible.
- Aggregate sales proceeds and costs can be reasonably estimated.

If any of the above criteria is not met, proceeds are accounted for as customer deposits until the criteria are met.

The Group offered certain homebuyers seller-financing arrangements. All the homebuyers entered into such arrangement were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via the Group’s management reporting procedures. The Group provides longer payment terms to particular home buyers after applying strict credit requirements based on the Group’s credit policy. Under the seller-financed contract arrangements, the buyer pays the purchase price for the residential unit in installment payments over one year. These contracts require a minimum down payment upon the contract execution date, followed by subsequent installment payments and a final payment upon delivery of the unit.

Since 2013, PRC banks have tightened the distributions of mortgage loans to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. The Group took the position that the processing periods of the contracts with underlying mortgage loans exceeding one year cannot be recognized as revenue under the percentage of completion method. As a result, the Group reversed contracted sales amounts of US$10.6 million in aggregate related to sales contracts of 79 apartments when determining revenue to be recognized under the percentage of completion method in 2016.

Under the percentage of completion method, revenues from units sold and related costs are recognized over the course of the construction period, based on the completion progress of a project. In relation to any project, revenue is determined by calculating the ratio of incurred costs, including land use rights costs and construction costs, to total estimated costs and applying that ratio to the contracted sales amounts. Cost of sales is recognized by determining the ratio of contracted sales during the period to total estimated sales value, and applying that ratio to the incurred costs. Current period amounts are calculated based on the difference between the life-to-date project totals and the previously recognized amounts.

The effect of changes to total estimated contract cost or revenues, if any, are recognized in the period in which they are determined. Revenue recognized to date in excess of amounts received from customers is classified as current assets under accounts receivable . Amounts received from customers in excess of revenue recognized to date are classified as current liabilities under customer deposits. As of December 31, 2015 and December 31, 2016, the gross amounts received from customers in excess of revenues recognized were US$280.2 million and US$605.6 million, respectively.

Any losses occurred or forecast to occur on real estate transactions are recognized in the period in which the loss is first anticipated.

Real estate management services income is ratably recognized as services are provided over the term of the property management agreements. Employee salaries, water and electricity charges are recorded as the cost of real estate management services income.

Real estate lease income is generally recognized on a straight-line basis over the terms of the tenancy agreements. Depreciation cost and maintenance cost of the property are recorded as the cost of real estate lease income.

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Other revenue includes services ancillary to the Group's real estate projects, including landscaping and computer network engineering. Landscaping and computer network engineering income is recognized when services are provided.

Income taxes

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

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

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

Please see the more detailed discussion in Note 15 to our consolidated financial statements included elsewhere in this annual report.

Land Appreciation Tax (“LAT”)

In accordance with the relevant taxation laws for real estate companies of the provinces in which the subsidiaries operate in the PRC, the local tax authorities levy LAT based on progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures, including borrowing costs and all property development expenditures. LAT is prepaid based on a fixed percentage (varying by local tax jurisdiction) of customer deposits and is expensed when the related revenue is recognized. Please see the more detailed discussion in Note 15 to our consolidated financial statements included elsewhere in this annual report.

Share-based compensation

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

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

Real estate properties development completed and under development

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

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

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

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

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

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

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

For the years ended December 31, 2014, 2015 and 2016, we did not recognize any impairment for real estate properties completed and under development.

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Real estate properties held for lease, net

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

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

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

For the years ended December 31, 2014, 2015 and 2016, we did not recognize any impairment for real estate properties held for lease.

Effect of change in estimate

Revisions in estimated gross profit margins related to percentage of completion revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2016 real estate development projects (Chengdu Thriving Family, Chengdu Xinyuan Splendid I, Zhengzhou Xin City, Henan Thriving Family, Suzhou Xin City, Suzhou Lake Royal Palace, Jinan Royal Palace, Kunshan Royal Palace, Xi'an Metropolitan, Shanghai Royal Palace, Zhengzhou Xindo Park, Jinan Xin Central, Henan Xin Central I, Zhengzhou Fancy City I, and Tianjin Spring Royal Palace), which recognized gross profits in 2015, had changes in their estimated gross profit margins. As of December 31, 2016, each of these projects has a percentage of completion at 36.5% or more. As the unit sales and selling prices were on an upward trend during the year ended December 31, 2016, the Group revised upwards its prior estimates related to selling prices and total estimated sales values in conjunction with the change in total estimated costs, which led to a decrease of the percentage sold and thus a decrease in the recognized costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share increased by US$61.2 million (2014: US$10.8 million, 2015: US$52.1 million), US$45.9 million (2014: US$8.1 million, 2015: US$39.1 million), US$0.34 per share (2014: US$0.05 per share, 2015: US$0.27 per share), US$0.33 per share (2014: US$0.05 per share, 2015: US$0.27 per share), respectively, for the year ended December 31, 2016.

Recently Issued Accounting Pronouncements

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

B. Liquidity and Capital Resources

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

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In addition to our land acquisitions, we expect to incur material project development costs on the acquired land. Our cash needs can only be partially satisfied by construction loans and future cash flows from real estate projects under development in the upcoming fiscal year. To ensure that we have sufficient funds to secure attractive land parcels and cover material project development costs, which are vital to our growth strategy, we have chosen to maintain a certain level of cash reserves on hand. In addition, we are required to maintain restricted cash deposits by banks that provide loans to us and our customers. The amount of the restricted cash deposits will vary based on the amount of the related loans. As of December 31, 2016, approximately US$328.5 million, or 36.2% of our total cash balance reserve, were restricted cash.

Since our 2007 IPO, we have mainly been acquiring land parcels through public auctions in the PRC. During 2013, we acquired one parcels of land in Suzhou for the total amount of US$159.1 million. In 2014, we purchased parcels in Jinan City, Chengdu City and Changsha City for aggregate land use rights costs of approximately US$460.4 million. Starting from second half of 2012, apart from public auctions, we adopted a negotiated land acquisition model as an additional approach to secure land in China. In 2013, we entered into two framework cooperation agreements with local governments and paid advances in the aggregate amount of US$333.1 million. These advances have been or will be deducted from land cost if we succeed in auction bids for the relevant properties. In 2013, we chose not to participate in the bidding for one parcel of land in Jiangsu Province through this new acquisition model; the advance payment and interest of US$28.6 million were refunded to us. An aggregate of total US$92.3 million of advance payments related to the remaining land parcels that we successfully acquired were transferred to land cost, including payments for three parcels of land in Xingyang for an aggregate price of US$39.7 million and two parcels of land in Zhengzhou for US$52.6 million. In 2014, we entered into one framework cooperation agreement with a local government and paid advances in the aggregate amount of US$209.2 million. These advances have been or will be deducted from land cost if we succeed in auction bids. A total US$131.5 million of advance payments related to land parcels we successfully acquired were transferred to land cost, including payments for three parcels of land in Xingyang for the amount of US$27.1 million and two parcels of land in Xi’an for the amount of US$104.4 million. During 2015, we acquired six parcels in Zhengzhou City and Tianjin City for aggregate land costs of approximately US$232.9 million. In 2013, we started to acquire parcels of land by acquisitions of the equity interests of companies holding land. In 2013, we purchased one parcel of land in Kunshan through acquisition of a local real estate company for an aggregate consideration of approximately US$93.1 million. In 2014, we purchased two parcels of land in Sanya City and Shanghai City through acquisition of local real estate companies for an aggregate consideration of approximately US$58.3 million US$149.4 million, respectively. During 2015, we acquired one parcel in Jinan City through the acquisition of one company for consideration of US$16.2 million. During 2016, we acquired six parcels in Zhengzhou City for aggregate land costs of approximately US$210.0 million, and we acquired three parcels in Beijing, Kunshan and Changsha through the acquisition of three companies for total consideration of US$159.5 million.

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

Cash Flows

	Year Ended December 31,		
	2014	2015	2016
	(US$ in thousands)		
Net cash used in operating activities	(884,314)	(4,535)	(159,881)
Net cash (used in) provided by investing activities	(15,892)	(35,003)	4,468
Net cash provided by financing activities	455,066	306,282	375,230
Net (decrease) increase in cash and cash equivalents	(445,140)	266,744	219,817
Effect of exchange rate changes on cash and cash equivalents	(1,484)	(19,711)	(29,101)
Cash and cash equivalents at beginning of year	587,119	140,495	387,528
Cash and cash equivalents at end of year	140,495	387,528	578,244

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Operating Activities

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

Net cash used in operating activities was US$4.5 million for the year ended December 31, 2015, primarily attributable to an increase in real estate property under development of US$23.2 million, an increase in other deposits and prepayments of US$114.8 million, an increase in amounts paid for deposits for land use rights of US$95.0 million, and a decrease in income tax payable of US$49.2 million, offset by US$66.5 million in net income, an increase in accounts payable of US$144.3 million and a decrease in amounts due from related party of US$62.5 million.

Net cash used in operating activities was US$884.3 million for the year ended December 31, 2014, primarily attributable to an increase in real estate property under development of US$762.2 million, an increase in amounts due from related party of US$124.1 million, an increase in other receivables of US$124.8 million and a decrease in income tax payable of US$58.5 million, partially offset by US$48.5 million in net income and an increase in accounts payable of US$157.3 million.

Proceeds from pre-sales of our properties under development are an important source of cash flow for our operations. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the particular project pre-sold. The amount and timing of cash flows from pre-sales are affected by a number of factors, including restrictions on pre-sales imposed by PRC law, market demand for our properties subject to pre-sales, prices at which we can pre-sell and the number of properties we have available for pre-sale. Any pre-sales payments we receive before we recognize revenue are recorded as current liabilities under customer deposits. At December 31, 2014, 2015 and 2016, we recorded current liabilities consisting of customer deposits of US$107.2 million, US$64.5 million and US$150.5 million, respectively. We actively market pre-sales of our properties in accordance with regulations to accelerate cash in flow to the extent possible.

Investing Activities

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

Net cash used in investing activities was US$35.0 million in the year ended December 31, 2015, and was mainly attributable to the acquisition of a long-term investment and purchase of property and equipment.

Net cash used in investing activities was US$15.9 million in the year ended December 31, 2014, and was mainly attributable to the acquisition of a subsidiary and purchase of property and equipment.

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Financing Activities

Net cash provided by financing activities was US$375.2 million in the year ended December 31, 2016, and was primarily attributable to the proceeds from short-term, long-term bank loans and other debt in the aggregate of US$1,836.9 million, a decrease of restricted cash of US$31.4 million, partially offset by repayments of short-term, long-term bank loans and other debt in the aggregate of US$1,497.2 million, repurchases of ADSs of US$33.7 million and dividend distributions of US$20.5 million.

Net cash provided by financing activities was US$306.3 million in the year ended December 31, 2015, and was primarily attributable to the proceeds from short-term, long-term bank loans and other debt in the aggregate of US$1,086.1 million, a decrease of restricted cash of US$53.9 million, partially offset by repayments of short-term, long-term bank loans and other debt in the aggregate of US$802.2 million, repurchases of ADSs of US$6.6 million and dividend distributions of US$14.8 million.

Net cash provided by financing activities was US$455.1 million in the year ended December 31, 2014, and was primarily attributable to the proceeds from short-term, long-term bank loans and other debt in the aggregate of US$873.9 million, partially offset by repayment of short-term and long-term bank loans and other short-term and other debt in the aggregate of US$186.6 million, an increase in restricted cash and deposit of US$177.0 million, repurchases of ADSs of US$24.7 million and dividend distributions of US$15.3 million.

Bank Borrowings and other debt

Bank borrowings and other debt are an important source of funding for our property developments. Our borrowings as of December 31, 2014, 2015 and 2016, respectively, were as follows.

	As of December 31,		
	2014 (US$)	2015 (US$)	2016 (US$)
Short-term bank loans and other debt	293,449,741	222,226,246	178,576,151
Long-term bank loans	52,296,127	13,859,800	235,885,009
Other debt	576,204,491	910,007,958	974,791,324

Current portion of long-term bank loans and other debt	586,841,245	594,834,196	704,695,082
Total	1,508,791,604	1,740,928,200	2,093,947,566

As of December 31, 2014, 2015 and 2016 the weighted average interest rate on our short-term bank loans was 7.62%, 1.71% and 6.53%, respectively. As of December 31, 2014, US$163.4 million of the short-term bank loans were denominated in Renminbi and are secured by associated land use rights and real estate under development. The remaining US$130.0 million was denominated in U.S. dollars and was secured by the equivalent amount of RMB bank deposit. As of December 31, 2015, all of the short-term bank loans were denominated in U.S. dollars and are secured by the equivalent amount of RMB bank deposit. As of December 31, 2016, US$144.2 million of the short-term bank loans were denominated in Renminbi and are secured by associated land use rights and real estate under development. The remaining US$34.4 million was denominated in U.S. dollars and was secured by the equivalent amount of RMB bank deposit.

As of December 31, 2014, 2015 and 2016, the weighted average interest rate on our long-term bank loans, including their current portion, was 7.43%, 7.23% and 5.07%, respectively. As of December 31, 2014, all of the long-term bank loans were denominated in Renminbi and were secured by associated land use rights, real estate under development and the 100% equity interest of Henan Xinyuan Wanzhuo Real Estate Co., Ltd. and Zhengzhou Jiantou Xinyuan Real Estate Co., Ltd. As of December 31, 2015, all of the long-term bank loans were denominated in Renminbi and were secured by associated land use rights and real estate under development. As of December 31, 2016, US$253.3 million of the long-term bank loans were denominated in Renminbi and are secured by associated land use rights. The remaining US$64.8 million was denominated in U.S. dollars and was secured by the equivalent amount of RMB bank deposit.

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

Debt Securities Issued in 2013, 2016 and 2017

During 2013, we issued approximately US$475.76 million aggregate principal amount of debt securities in three separate transactions. On May 3, 2013, we issued US$200 million aggregate principal amount of May 2018 Senior Secured Notes. On September 19, 2013 we issued the Convertible Note in the aggregate principal amount of approximately US$75.76 million together with 12,000,000 common shares to a single institutional investor. On December 6, 2013, we issued US$200 million aggregate principal amount of June 2019 Senior Secured Notes. On August 30, 2016, we issued US$300 million aggregate principal amount of 8.125% senior notes due 2019.On February 28, 2017, we issued US $300 million aggregate principal amount of 7.75% senior notes due 2021. The terms of each debt security are discussed in more detail below. We redeemed the Convertible Note in 2014. See "Convertible Note," below. We redeemed the May 2018 Senior Secured Notes in 2016. See "May 2018 Senior Secured Notes," below.

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

The Convertible Note and shares were issued without registration under the Securities Act pursuant to an exemption for issuance and subs not involving any public offering.

Senior Secured Notes

Our obligations under the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the indenture governing the June 2019 Senior Secured Notes (the “June 2019 Indenture”), the indenture governing the August 2019 Senior Secured Notes (the “August 2019 Indenture”), and the indenture governing the February 2021 Senior Secured Notes (the “February 2021 Indenture”) have been guaranteed initially by certain of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other of our future subsidiaries in accordance with the terms of the applicable Indenture. Our obligations under the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the June 2019 Indenture, the August 2019 Indenture and the February 2021 Indenture are secured by a pledge of the capital stock of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd. During the period the May 2018 Senior Secured Notes were outstanding, we had similar obligations under the May 2018 Senior Secured Notes and the indenture governing the May 2018 Senior Secured Notes (the “ May 2018 Indenture”).

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In February 2015, pursuant to a consent solicitation to the holders of the May 2018 Senior Secured Notes and the June 2019 Senior Secured Notes, we amended the May 2018 Indenture and the June 2019 Indenture to give us additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indentures include amendments that allow us to: (i) incur additional Indebtedness (as defined in the Indentures) in furtherance of our business plans; (ii) make certain Restricted Payments (as defined in the Indentures) and Permitted Investments (as defined in the Indentures); and (iii) make certain deemed Investments (as defined in the Indentures) without having to satisfy the Fixed Charge Coverage Ratio (as defined in the Indentures) requirement. The amendments also amend (i) the “Limitation on Issuances of Guarantees by Restricted Subsidiaries” covenant in the Indentures to the extent that we believe necessary as a result of the amendments to other covenants and (ii) the “Limitation on Asset Sales” covenant in the Indentures to remove the Fixed Charge Coverage Ratio requirement for Asset Dispositions (as defined in the Indentures). The amendments also amended certain related definitions in the Indentures.

In February 2016, through a consent solicitation to the holders of the May 2018 Senior Secured Notes and the June 2019 Senior Secured Notes, we amended the May 2018 Indenture and the June 2019 Indenture to give us additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indentures include: (i) amend the provisions relating to future Subsidiary Guarantors, JV Subsidiary Guarantors and pledged subsidiary Capital Stock (each, as defined in the Indentures); (ii) amend the “Limitation on Indebtedness and Preferred Stock” covenant; (iii) amend the “Limitation on Transactions with Shareholders and Affiliates” covenant and the provisions relating to “Designation of Restricted Subsidiaries and Unrestricted Subsidiaries”; (iv) amend the definition of “Permitted Investment” and the “Limitation on Restricted Payments” covenant; and (v) remove the “Limitation on the Company’s Business Activities” covenant and amend the related definitions and provisions. The amendments also clarify certain other provisions in the Indentures.

The June 2019 Indenture, the August 2019 Indenture and the February 2021 Indenture continue to contain certain covenants that, among others, restrict our ability and the ability of our restricted subsidiaries (as defined in the applicable Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes or the February 2021 Senior Secured Notes, as applicable, or other assets, to make certain other payments and to engage in transactions with affiliates and holders of more than 10% of our common shares, subject to certain qualifications and exceptions and the satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the applicable Indenture) of 2.75 to 1.0(reduced from 2.75 to 1.0 effective August 2016), 2.50 to 1.0, and 2.0 to 1.0, respectively. Certain of these limitations, including restrictions on the incurrence of certain indebtedness or issuances of preferred stock, the making of certain payment or investments, payments of dividends, and sales of assets will be suspended if the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes or the February 2021 Senior Secured Notes, as applicable, obtain and retain an investment grade rating.

Additional information regarding the May 2018 Senior Secured Notes, the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes and the February 2021 Senior Secured Notes is set forth below.

May 2018 Senior Secured Notes

The May 2018 Senior Secured Notes bore interest at 13.25% per annum payable semi-annually. Interest was payable on May 3 and November 3 of each year, commencing November 3, 2013. The final maturity date of the May 2018 Senior Secured Notes was May 3, 2018.

The Company had the option to redeem the May 2018 Senior Secured Notes, in whole or in part, at a redemption price equal to 106.6250% of principal amount, plus accrued and unpaid interest, if any, to (but excluding) the redemption date, during the 12 month period commencing on May 3, 2016 or at a redemption price equal to 103.3125% of the principal amount, plus accrued and unpaid interest, if any to (but excluding) the redemption date, during the 12 month period commencing on May 3, 2017.

At any time prior to May 3, 2016, the Company could at its option redeem the May 2018 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the May 2018 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" meant with respect to any Senior Note due 2018 at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on May 3, 2016, plus all required remaining scheduled interest payments due on such Note through May 3, 2016 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the May 2018 Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to May 3, 2016, the Company could redeem up to 35% of the aggregate principal amount of the May 2018 Senior Secured Notes with the net cash proceeds of one or more sales of the Company's common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 113.25% the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the Senior Notes issued on May 3, 2013 remained outstanding after each such redemption.

Following any Change of Control Triggering Event, the Company was obligated to make an offer to purchase all outstanding May 2018 Senior Secured Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any to (but not including) the offer to purchase payment date. A "Change of Control Triggering Event" meant the occurrence of both a Change of Control (as defined in the May 2018 Indenture) and specified decline in the ratings of the Senior Notes within six months after the date of public notice of the occurrence of a Change of Control or the intention by the Company or any other person to effect a Change of Control.

On October 18, 2016, we redeemed an aggregate principal amount of US$183,000,000 of all outstanding May 2018 Senior Secured Notes on October 18, 2016 at the redemption price equal to 106.625% of the principal amount thereof, being US$195,123,750, plus accrued and unpaid interest of US$11,113,590 to October 18, 2016. The total redemption price paid by the Company on October 18, 2016 was US$206,237,340. The Company funded the redemption using the proceeds from the offering of its August 2019 Senior Secured Notes.

June 2019 Senior Secured Notes

On December 6, 2013, we issued an aggregate principal amount of US$200,000,000 of the June 2019 Senior Secured Notes. The June 2019 Senior Secured Notes bear interest at 13% per annum payable semi-annually. Interest will be payable on June 6 and December 6 of each year, commencing June 6, 2014. The June 2019 Senior Secured Notes have a five and a half year term maturing on June 6, 2019.

We may redeem the June 2019 Senior Secured Notes, in whole or in part, at a redemption price equal to 106.5% of principal amount, plus accrued and unpaid interest, if any, to (but excluding) the redemption date, during the 12 month period commencing on June 6, 2017 or at a redemption price equal to 103.25% of the principal amount, plus accrued and unpaid interest, if any to (but excluding) the redemption date, during the 12 month period commencing on June 6, 2018.

At any time prior to June 6, 2017, we may at our option redeem the June 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on June 6, 2017, plus all required remaining scheduled interest payments due on such Note through June 6, 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the June 2019 Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to June 6, 2017, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 113% the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the Notes issued on December 6, 2013 remain outstanding after each such redemption.

Following any Change of Control Triggering Event, we must make an offer to purchase all outstanding June 2019 Senior Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date. A “Change of Control Triggering Event” means the occurrence of both a Change of Control (as defined in the June 2019 Indenture) and specified decline in the ratings of the Notes within six month after the date of public notice of the occurrence of a Change of Control or the intention by us or any other person to effect a Change of Control.

August 2019 Senior Secured Notes

On August 30, 2016, we issued an aggregate principal amount of US$300,000,000 of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes bear interest at 8.125% per annum payable semi-annually. Interest will be payable on February 28 and August 30 of each year, commencing February 28, 2017. The August 2019 Senior Secured Notes have a three year term maturing on August 30, 2019.

At any time prior to August 30, 2019, we may at our option redeem the August 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the August 2019 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any August 2019 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such August 2019 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such August 2019 Senior Secured Note, plus all required remaining scheduled interest payments due on such August 2019 Senior Secured Note through the maturity date of the August 2019 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the August 2019 Indenture) plus 100 basis points, over (B) the principal amount of such August 2019 Senior Secured Note on such redemption date.

At any time prior to August 30, 2019, we may redeem up to 35% of the aggregate principal amount of the August 2019 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 108.125% of the principal amount of the August 2019 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the August 2019 Senior Secured Notes issued on August 30, 2016 remain outstanding after each such redemption.

Following any Change of Control Triggering Event, we must make an offer to purchase all outstanding August 2019 Senior Secured Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date. A “Change of Control Triggering Event” means the occurrence of both a Change of Control (as defined in the August 2019 Indenture) and specified decline in the ratings of the August 2019 Senior Secured Notes within six months after the date of public notice of the occurrence of a Change of Control or the intention by us or any other person to effect a Change of Control.

February 2021 Senior Secured Notes

On February 28, 2017, we issued an aggregate principal amount of US$300,000,000 of the February 2021 Senior Secured Notes. The February 2021 Senior Secured Notes bear interest at 7.75% per annum payable semi-annually. Interest will be payable on February 28 and August 28 of each year, commencing August 28, 2017. The February 2021 Senior Secured Notes have a four year term maturing on February 28, 2021.

At any time prior to February 28, 2021, we may at our option redeem the February 2021 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the February 2021 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any February 2021 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such February 2021 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such February 2021 Senior Secured Note, plus all required remaining scheduled interest payments due on such February 2021 Senior Secured Note through the maturity date of the February 2021 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the February 2021 Indenture) plus 100 basis points, over (B) the principal amount of such February 2021 Senior Secured Note on such redemption date.

At any time prior to February 28, 2021, we may redeem up to 35% of the aggregate principal amount of the February 2021 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 107.75% of the principal amount of the February 2021 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the February 2021 Senior Secured Notes issued on February 28, 2017 remain outstanding after each such redemption.

Following any Change of Control Triggering Event, we must make an offer to purchase all outstanding February 2021 Senior Secured Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date. A “Change of Control Triggering Event” means the occurrence of both a Change of Control (as defined in the February 2021 Indenture) and specified decline in the ratings of the February 2021 Senior Secured Notes within six months after the date of public notice of the occurrence of a Change of Control or the intention by us or any other person to effect a Change of Control.

Convertible Note

Pursuant to a Securities Purchase Agreement entered into on August 26, 2013, on September 19, 2013, we issued and sold the Convertible Note in the aggregate principal amount of US$75,761,009 and 12,000,000 common shares to TPG Asia. We received gross proceeds of approximately US$108,600,000 from the issuance of the Convertible Note and the shares. The Convertible Note bore interest at 5.00% per annum payable semi-annually in arrears, commencing March 19, 2014, and was convertible at the option of the holder at any time at an initial conversion price of $3.00 per common share, equivalent to $6.00 per ADS, subject to adjustments for share splits, reverse splits, share dividends and distributions, and certain issuances (or deemed issuances) of common shares or ADSs for consideration less than the conversion price then in effect, and certain Extraordinary Cash Dividends (as defined in the Convertible Note). The maturity date of the Convertible Note was September 19, 2018. Following a "Change of Control" or a "Fundamental Transaction" (as defined in the Convertible Note), we were required to make an offer to purchase all outstanding Convertible Note at a purchase price equal to 150% of the outstanding principal amount thereof plus accrued and unpaid interest to the payment date.

The Convertible Note contained certain financial covenants, including a covenant requiring that we maintain a Fixed Charge Coverage Ratio (as defined in the Convertible Note) of no less than 3.0 to 1.0, as determined on the last day of each fiscal quarter of each fiscal year for the four preceding fiscal quarters for which our consolidated financial statements available, and a limitation on the incurrence by us or our Restricted Subsidiaries (as defined in the Convertible Note) of any indebtedness except under certain limited circumstances. We and the holder of the Convertible Note agreed to waivers of those covenants beginning as of June 30, 2014 and, most recently, in connection with the redemption of the Convertible Note, through December 1, 2014. The Initial Subsidiary Guarantors were also guarantors of the Convertible Note and the shares of the subsidiaries pledged to secure our obligations under the Senior Secured Notes and the obligations of Xinyuan Real Estate Ltd. as guarantor of the Senior Secured Notes were also pledged to secure the Convertible Note.

On November 21, 2014, pursuant to a note redemption agreement entered into with TPG Asia, we redeemed the Convertible Note in full for a total redemption amount of $86,272,849 consisting of the entire outstanding principal balance, interest to the redemption date and debt extinguishment loss equal to the 13% of the outstanding principal amount. In connection with the redemption, we agreed with TPG Asia to waivers of the covenants requiring us to maintain a Fixed Charge Coverage Ratio (as defined in the Convertible Note) of not less than 3.0 to 1.0 and limiting our ability, and the ability of our Restricted Subsidiaries (as defined in the Convertible Note) to incur indebtedness, except under limited circumstances.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan (China) Real Estate, Ltd. issued the first tranche of the onshore corporate bonds with an aggregate principal amount of US$154 million due on December 28, 2020 (the "First Tranche Bonds") at a coupon rate of 7.5% per annum payable annually. Interest is payable on December 28 of each year, commencing December 28, 2015. Given that First Tranche Bonds is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the First Tranche Bonds under the requirements of ASC 815 "Derivatives and Hedging ". The First Tranche Bonds were issued at par.On January 27, 2016, Xinyuan (China) Real Estate, Ltd. issued the second tranche of the onshore corporate bonds with an aggregate principal amount of US$107 million due on January 27, 2021 (the “Second Tranche Bonds”) at a coupon rate of 7.47% per annum payable annually. On March 14, 2016, Xinyuan (China) Real Estate, Ltd. issued the third tranche of the onshore corporate bonds with an aggregate principal amount of US$77 million due on March 14, 2021 (the “Third Tranche Bonds”) at a coupon rate of 7.09% per annum payable annually.

Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan (China) Real Estate, Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the company to repurchase the bonds following the company's announcement of whether it intends to adjust the interest rate.

The bonds contain restrictions on certain business activities of Xinyuan (China) Real Estate Ltd. when in default on payment of interest or principal, including, among others, limitations on distributions of net income, limitations on certain expenditures, or business combination transactions.

On August 15, 2016, Xinyuan (China) Real Estate, Ltd. issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB1.5 billion (US$216 million) due on August 15, 2019 (the “New Tranche”) at a coupon rate of 7.5% per annum payable annually. Interest is payable on August 15 of each year, commencing August 15, 2017. Given that the New Tranche is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the New Tranche under the requirements of ASC 815, *Derivatives and Hedging*. The New Tranche was issued at par. Upon the first anniversary of the issuance of the New Tranche, Xinyuan (China) Real Estate Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company’s announcement of whether it intends to adjust the interest rate. Therefore, the entire amount of the New Tranche has been classified as current liabilities as of December 31, 2016.

Capital Expenditures

Our capital expenditures were US$18.7 million, US$39.1 million and US$6.5 million in 2014, 2015 and 2016, respectively. Our capital expenditures in 2014, 2015 and 2016 were mainly used for building improvements, and purchase of aircraft, vehicles, fixtures and furniture and computer network equipment. The source of our capital expenditures is primarily the cash flow generated from operating activities.

As of December 31, 2016, we had outstanding commitments with respect to non-cancelable construction contracts for real estate development in the amount of US$347.1 million.

C. Research and Development, Patent and Licenses, etc.

Not applicable.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2016 to December 31, 2016 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

As is customary in the property industry in China, we provide guarantees to commercial banks in respect of the mortgage loans they extend to our customers prior to the issuance of their property ownership certificates. These guarantees remain outstanding until the completion of the registration of the mortgage with the relevant mortgage registration authorities. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In our experience, the application for and issuance of the individual property ownership certificates typically takes six to twelve months, so the guarantee periods typically last for up to six to twelve months after we deliver the related property.

As of December 31, 2015 and 2016, we guaranteed mortgage loans in the aggregate outstanding amount of US$1,513.7 million and US$1,672.9, respectively.

We generally pre-sell properties prior to the completion of their construction. Sales contracts are executed during the pre-sales period and mortgages are generally executed within 30 days after the buyer signs the sales contract.

The pre-sales period begins upon receipt of a government permit which is issued soon after groundbreaking on a given phase of the project. The period from groundbreaking to delivery consists of building construction, landscaping, municipal government inspections and issuance of a certificate of occupancy. This "delivery period" will generally range from one to two years. The buyers only request the government to record buyer ownership in their official records after the delivery period is completed. Typically, the government will provide certificates of ownership six to twelve months after being requested to record. Therefore, the total elapsed time between our receipt of mortgage proceeds and the buyer's receipt of an ownership certificate can range from one and a half years to three years.

Due to the time lag above, our mortgage guarantees will exceed the real estate balances at any given point in time.

We paid US$1.5 million, US$0.6 million and US$1.8 million to satisfy guarantee obligations related to customer defaults for the years ended December 2013, 2014 and 2016, respectively. The fair value of the guarantees is not significant and we consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in our consolidated financial statements.

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any transactions with unconsolidated entities, derivative contracts that are indexed to our shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. Other than as described above, there are no off-balance sheet arrangements that have or are reasonably likely to have effect on our financial position.

We have no obligation arising out of a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging, or research and development arrangements with us.

F. Tabular Disclosure of Contractual Obligations

As of December 31, 2016, our contractual obligations amounted to US$2,812.6 million, primarily arising from contracted construction costs or other capital commitments for future property developments and debt obligations. The following table sets forth our contractual obligations for the periods indicated.

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	Payments due by period				
	Total	less than 1 year	1-3 years	3-5 years	more than 5 years
	(US$ in thousands)				
Long-term debt obligations:					
long-term bank loans	235,885	-	168,617	67,268	-
interest on long-term bank loans (1)	33,212	11,691	17,016	4,505	-
other long-term debt	974,791		546,066	412,508	16,217
interest on other long-term debt (2)	263,181	84,836	143,572	32,882	1,891
current portion of long-term bank loan and other debt	704,695	704,695			
interest on current portion of long-term bank loan and other debt (1)	49,712	49,712			
Short-term debt obligations					
short-term bank loans	178,576	178,576			
interest on short-term debt obligations (3)	7,338	7,338			
Operating lease obligations	9,241	4,884	4,357		
Non-cancellable construction contract obligations	347,145	317,775	25,782	3,588	-
Capital lease obligations (4)	24,166	5,837	11,148	7,181	
Total	2,827,942	1,365,344	916,558	527,932	18,108

(1) Our long-term bank loans, including current portion, bear variable interest at rates adjustable based on the PBOC benchmark rate. Interest on long-term loans, including current portion, is calculated based on the current interest rate of each loan, ranging from 4.75% to 6.175% per annum, using the PBOC benchmark rate of 4.75% as of December 31, 2016. Interest on the current portion of other debts calculated at rates ranging from 4.99% to11.0% per annum.

(2) Interest on other long-term debt is calculated based on the interest rates for relevant loans, ranging from 5.95% to 13.0% per annum.

(3) Interest on short-term loans is calculated based on the interest rates for relevant loans, ranging from 2.02% to 8.30% per annum.

(4) In 2012, one of our subsidiaries entered into a capital lease agreement to lease an aircraft, and in 2016, another one of our subsidiaries entered into a sale and leaseback agreement for shopping mall equipment, as described further below.

We have projected cash flows for each of our existing projects, considering a number of factors, including the relative stage of each of our projects under construction and our projects under planning and the demand for and the average selling prices of our projects. For any given project, we use cash early in the project life and generate cash later in the project life. Costs for land acquisition, site preparation, foundation, and early above-ground framing are all incurred before we obtain licenses from local governing authorities to enter into pre-sales activity. The construction of many of our projects is carried-out in phases, the timing of which is primarily determined by us based on the pace of the market demand for units in the project. Accordingly, after receiving the pre-sale permits relating to a project, we are in a better position to manage some of our construction activities to coincide with the timing of expected pre-sales..

Starting in 2013, we adopted a negotiated land acquisition model. We entered into two framework cooperation agreements with local governments in 2013, one such agreement in 2014,no such agreements in 2015 and 2016, all with local governments, relating to prospective land parcel planning and preparation, pursuant to which we paid advances in the aggregate amount of US$333.1 million, US$209.2 million, US$83.4 million and US$255.1 million, respectively. These advances have been or will be transfer to land cost through our success in auction bids. In 2013, we chose not to participate in the bidding for one parcel of land in Jiangsu Province through this negotiated land acquisition model; the advance payment and related interest of US$28.6 million were refunded to us, and total US$92.3 million of the advance payments related to the other land parcels successfully acquired were transferred to land cost, including three parcels of land in Xingyang for the amount of US$39.7 million and two parcels of land in Zhengzhou of US$52.6 million. In 2014, a total of US$131.5 million of advance payments related to the land parcels successfully acquired were transferred to land cost, including payments related to three parcels of land in Xingyang for the amount of US$27.1 million and two parcels of land in Xi'an for the amount of US$104.4 million. In 2015, a total of US$232.9 million of advance payments related to the remaining 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 the remaining land parcels successfully acquired were transferred to land cost, which were six parcels of land in Zhengzhou for the amount of US$210.0 million.

In 2013, we started to acquire parcels of land by acquisitions of equity interests in companies holding land. In 2014, we purchased two parcels of land in Sanya City and Shanghai City through acquisition of local real estate companies for an aggregate consideration of approximately US$58.3 million US$149.4 million, respectively. In 2015, we purchased one parcel of land in Jinan City through acquisition of local real estate companies for an aggregate consideration of approximately US$16.2 million. In 2016, we acquired three parcels of land in Beijing, Kunshan and Changsha in the amounts of US$63.1 million, US$66.9 million and US$29.5 million, respectively.

On October 23, 2012, Henan Xinyuan Real Estate Co., Ltd. ("Henan Xinyuan"), one of our subsidiaries, entered into a capital lease agreement with MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd. ("Minsheng") to lease an aircraft. Pursuant to the agreement, Minsheng purchased a Gulf 450 from Gulfstream Aerospace Corporation and leased the aircraft to Henan Xinyuan for a term of 96 months starting from September 12, 2013. We measured a capital lease asset and capital lease obligation at an amount equal to the present value of the minimum lease payments during the lease term, excluding the portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) as well as any profit thereon. As of December 31, 2016, we are contractually committed to pay the amount of US$24.2 million. See Note 22 to the consolidated financial statements contained elsewhere in this annual report on Form 20-F.

During 2013, we issued approximately US$475.76 million aggregate principal amount of debt securities in three separate transactions. On May 3, 2013, we issued US$200 million aggregate principal amount of May 2018 Senior Secured Notes that bore interest at a rate of 13.25% per annum . On September 19, 2013 we issued the Convertible Note in the aggregate principal amount of approximately US$75.76 million together with 12,000,000 common shares for aggregate proceeds to us of approximately US$106 million. The Convertible Note bore interest at a rate of 5% per annum. On December 6, 2013, we issued US$200 million aggregate principal amount of June 2019 Senior Secured Notes that bear interest at a rate of 13% per annum. On November 21, 2014, we redeemed the Convertible Note in full. The total cash redemption amount (including the principal, accrued interest up to and including November 21, 2014 and loss on extinguishment of debt amounted to US$86.27 million. On December 28, 2015, our subsidiary, Xinyuan (China) Real Estate, Ltd. issued US$154 million aggregate principal amount of First Tranche Bonds that bear interest at a rate of 7.5% per annum. On January 27, 2016, Xinyuan (China) Real Estate, Ltd. issued US$107 million aggregate principal amount of Second Tranche Bonds that bear interest at a rate of 7.47% per annum. On March 14, 2016, Xinyuan (China) Real Estate, Ltd. issued US$77 million aggregate principal amount of Third Tranche Bonds that bear interest at a rate of 7.09% per annum. Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan (China) Real Estate, Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the company to repurchase the bonds following the company's announcement of whether it intends to increase the interest rate. On August 15, 2016, Xinyuan (China) Real Estate, Ltd. issued US$216 million (RMB1.5 billion) aggregate principal amount of the New Tranche of Onshore Corporate Bond that bear 7.5% per annum. Upon the first anniversary of the issuance of the New Tranche, Xinyuan (China) Real Estate Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company's announcement of whether it intends to adjust the interest rate. On August 30, 2016, we issued US$300 million aggregate principal amount of August 2019 Senior Secured Notes that bear interest at a rate of 8.125% per annum. On October 18, 2016, we redeemed an aggregate principal amount of US$183,000,000 of all outstanding May 2018 Senior Secured Notes at the redemption price equal to 106.625% of the principal amount thereof, being US$195,123,750, plus accrued and unpaid interest of US$11,113,590 to October 18, 2016. The total redemption price paid by the Company on October 18, 2016 was US$206,237,340. The Company funded the redemption using the proceeds from the offering of its August 2019 Senior Secured Notes. On February 28, 2017, we issued US$300 million aggregate principal amount of February 2021 Senior Secured Notes that bear interest at a rate of 7.75% per annum.

We believe our cash on hand, projected cash flow from operations, available construction loan borrowing capability, and potential access to capital markets, should be sufficient to meet our expected cash requirements, including our non-cancellable construction contract obligations and capital lease obligations that are due on various dates through March 31, 2018, US$200 million principal amount of our June 2019 Senior Secured Notes due in June 2019, US$300 million principal amount of our August 2019 Senior Secured Notes due in August 2019, US$300 million principal amount of our February 2021 Senior Secured Notes due in February 2021 and for Xinyuan (China) Real Estate, Ltd. to satisfy its obligations under the First, Second, Third and the New Tranche Bonds.

Our ability to secure sufficient financing for land use rights acquisition and property development depends on internal cash flows in addition to a number of other factors that are not completely under our control, including lenders' perceptions of our creditworthiness, market conditions in the capital markets, investors' perception of our securities, the PRC economy and the PRC government regulations that affect the availability and cost of financing for real estate companies or property purchasers and the U.S. economy and recovery of the U.S. real estate markets.

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There can be no assurance that our internally generated cash flow and external financing will be sufficient for us to meet our contractual and financing obligations in a timely manner. We may require additional cash due to changing business conditions or other future developments, including any decline in cash flow from operations or any investments or acquisitions we may decide to pursue. In the event that proceeds from the sale of units for a project are insufficient to meet our contractual and financing obligations, we would need to raise the required funds through new borrowings, refinancing of existing borrowings, public or private sales of equity securities, or a combination of one or more of the above. We cannot assure you that we will be able to obtain adequate funding in a timely manner and on reasonable terms, or at all.

G. Safe Harbor

See "FORWARD-LOOKING STATEMENTS" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

Name	**Age**	**Position**
Yong Zhang	54	Director, Chairman of the Board
Lizhou Zhang	46	Executive Director and Chief Executive Officer
Yong Cui	43	Director and President
Yuan (Helen) Zhang	48	Chief Financial Officer
Huai Chen	65	Independent Director
Thomas Gurnee	66	Independent Director and Chairman of the Audit Committee
Yifan (Frank) Li	49	Independent Director
Yumin Liang	54	Director
Steve Sun	47	Investor Director
Wells Tian	46	Executive Director
Yuyan Yang	54	Director

Unless otherwise indicated, the business address of each director and executive officer is 27/F, China Central Place, Tower II, 79 Jianguo Road, Chaoyang District, Beijing, 100025, the People's Republic of China.

A description of the business experience and present position of each director and executive officer is provided below:

Yong Zhang founded our company in 1997 and has been the Chairman of the board of directors since 2007 and, through September 2013, was our Chief Executive Officer. Mr. Zhang has more than 20 years of working experience in the real estate industry. Prior to founding our company, he worked at several construction and property development companies, including Zhengzhou City Construction and Development Inc. and China Antai Real Estate Development Inc. Mr. Zhang is also vice chairman of Henan Real Estate Association, a member of China Democratic National Construction Association and a deputy to the 12th People's Congress of Henan Province in China. He serves as a director of Beijing Ruizhuo Xihe Technology Development Ltd., Beijing Ruizhuo Xitou Technology Development Ltd., Beijing Ruizhuo Xichuang Technology Development Ltd, Beijing XinyuanXin Technology Development Ltd., Beijing Ruizhuo Xirong Technology Development Ltd., Beijing Ruizhuo Xihui Technology Development Ltd., Beijing Ruizhuo Xijia Technology Development Ltd., Beijing Ruizhou Xiyuan Technology Development Ltd., Xin Media Conference (Beijing) Ltd., Xinyuan Holding Ltd., Xinyuan Xin wisdom technology development center (limited partnership) and Xinyuan Xin Fintech development center (limited partnership). Mr. Zhang also serves as a director or officer of a number of subsidiaries of Xinyuan. Mr. Zhang received a Ph.D. in finance from Renmin University of China in 2014, an executive master's degree in business administration from Tsinghua University in 2005 and a bachelor's degree in civil engineering from Henan Zhongzhou University in 1985.

Lizhou Zhang was appointed our Chief Executive Officer effective July 26, 2016 and a director of our company effective July 26, 2016. Mr. Zhang joins Xinyuan in June 2016 after working at Wanda Group, one of China's largest property enterprises, in various positions for nearly seven years. Since January 2014, Mr. Zhang served as General Manager at Wanda One UK Co., Ltd. From 2011 to 2013, Mr.Zhang worked as Assistant to the President of Wanda Group and General Manager of the Northern Project Management Center and Operation Center of Wanda Commercial Management Company. Prior to this role, Mr. Zhang served as General Manager at two different regional subsidiaries of Wanda Group. He serves as a director of Beijing Starry Sky Cinema Co., Ltd. and Wuhan Qiaoxin Real Estate Co., Ltd. Mr. Zhang also serves as a director or officer of a number of subsidiaries of Xinyuan. Mr. Zhang holds a bachelor's degree in construction management from Chongqing University and a master's degree in monetary banking from Dongbei University of Finance and Economics.

Yong Cui has been a director of our company since August 2006 and was appointed our President effective September 2013. With a doctorate degree in finance from Renmin University of China, Mr. Cui has extensive experience in corporate finance. As discussed below in "ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS - B. Related Party Transactions, " prior to his being appointed President, Mr. Cui provided consulting services to us with respect to, among other matters, the development of commercial real estates in China and residential real estate in the U.S. For the past five years, he has worked at Beijing Runzheng Consulting Company as President, and he has served as an executive director of Winsway Enterprises Holdings Limited (formerly known as Winsway Coking Coal Holdings Limited). He resigned his position at Winsway Enterprises Holdings Limited on December 30, 2013. Mr. Cui also serves as a director or officer of a number of subsidiaries of Xinyuan.

Yuan (Helen) Zhang was appointed as our Chief Financial Officer effective September 26, 2016. Prior to that, Ms.Zhang had been working for the Company for nearly eight years in a number of other senior-level roles, including Financial Controller, Interim Chief Financial Officer and Assistant President. She has more than a decade of experience in accounting, finance and investor relations having worked for companies with public listings in mainland China, Hong Kong and the United States. Her career encompasses working at China National Metals & Minerals Import & Export Corp.; China NetcomGroup Company Ltd.; TechFaith Wireless Technology Ltd.; Baidu, Inc. and Sohu.com Inc. Ms. Zhang obtained her bachelor's degree in economics from the University of International Business and Economics in Beijing, China and her master's degree in business administration from Fordham University in 2001.

Huai Chen was appointed as director of our company in December 2007. From 2004-2011, Mr. Chen was director of development of urban and rural construction, Graduate School, Chinese Academy of Social Science. He was former director of the Policy Research Center of the MOHURD and was the deputy director of the Institute of Market Research under the PRC State Council's Development and Research Center." Mr. Chen was a visiting professor of Stanford University and Tokai University, and has a bachelor's degree from Beijing Institute of Economics and a doctorate from Renmin University of China.

Thomas Gurnee was appointed to the board of directors of our company in December 2007 and from February 2009 through October 2013 served as our Chief Financial Officer. In 2015, Mr. Gurnee was appointed Audit Committee chair. Mr. Gurnee is owner and manager of Chalet Development LLC, a U.S.-based real estate company. From 2006-2008, Mr. Gurnee was the Chief Financial Officer of GEM Services Inc., a semiconductor contract manufacturer based in China. Prior to that, Mr. Gurnee served as the president of Globitech Inc., a Texas-based epitaxial semiconductor wafer manufacturer, the Chief Financial Officer of Artest Inc., a California-based semiconductor test subcontractor, and the Chief Financial Officer of Sohu.com (NASDAQ: SOHU), a Beijing-based internet portal. Mr. Gurnee is a director of Planar Semiconductor AG. Mr. Gurnee obtained his bachelors degree from Stanford University and master's degree in business administration from the University of Santa Clara. His business address is 5920 Sky Terrace Court, Reno, NV 89511.

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Yifan "Frank" Li was appointed as a director of our company in February 2017. Mr. Li has been a director and Vice President of Geely Holding Group since September 2014. Prior to joining Geely, he was Vice President and international Chief Financial Officer of Sanpower Group from April in 2014. Prior to joining Sanpower Group, he served as Chief Financial Officer of China Zenix Auto International (NYSE:ZX) from December 2010 - 2014. Prior to joining China Zenix Auto International, Mr. Li was the Chief Financial Officer of Standard Water and Time Share Media from December 2007. Mr. Li is also a director of Shanghai International Port (Group) Co. Ltd. (600018-CN) and ,Heilongjiang Interchina Water Treatment Co., Ltd. (600187-CN) and Zhongan Online Insurance Co., Ltd. Mr. Li received his MBA from the University of Chicago Booth School of Business in 2000, MSc in Accounting from University of Texas at Dallas in 1994, and Bachelor of Economics in World Economy from Fudan University in 1989. He is a Certified Public Accountant in the U.S. and a Chartered Global Management Accountant. His business address is Room 815, 1760 Jiangling Road, Binjiang District, Hangzhou, Zhejiang, PRC, 310051.

Yumin Liang was appointed as a director in January 2014. Mr. Liang was appointed chairman of Henan Xinyuan Real Estate Co., Ltd., one of our subsidiaries, in July 2013. Prior to joining Xinyuan, Mr. Liang was the chairman of Zhengzhou Public Housing Investment Co. Ltd. Prior to that, Mr. Liang held progressive positions at the Zhengzhou Housing Management Bureau for approximately eighteen years. Mr. Liang holds a bachelor's degree in civil engineering from Zhongzhou University. He serves as a director of Beijing Starry Sky Cinema Co., Ltd. Mr. Liang also serves as a director or officer of a number of subsidiaries of Xinyuan.

Steve Sun was appointed a director of our company in September 2013. Mr. Sun is a Partner and Managing Director at TPG and is based in the firm's Hong Kong office. Prior to joining TPG, Mr. Sun was a Managing Director in the Principal Investment Area (PIA) of Goldman Sachs and focused on private equity investment in the Greater China region from 2006 to early 2011. Before joining Goldman Sachs, Mr. Sun was a Vice President at Morgan Stanley in Hong Kong from 2004 to 2006. Prior to that, he worked for General Electric in Connecticut and Citigroup in New York. Mr. Sun earned a bachelor's degree in international finance from Renmin University of China and an MBA with high distinction from University of Michigan. He is also a director of Phoenix Satellite Television Company Limited and of China National Building Materials Group Corporation. His business address is 57/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Mr. Sun was appointed as the TPG Investor director pursuant to the TPG Securities Purchase Agreement.

Wells Tian was appointed as an independent director in October 2015 and became an executive director in September 2016. Mr. Tian was appointed President of Xinyuan (China) Real Estate Co., Ltd in September 2016. Prior to joining Xinyuan, Mr. Tian was a Senior Partner at Korn/Ferry International where he led its talent and leadership consulting business for Chinese companies. Prior to joining Korn/Ferry, Mr. Tian was at Aon Hewitt and held the roles of Vice President of its China division, General Manager of its North China division, and Director of its leadership and senior executive compensation consulting practice in China. Mr. Tian received his bachelor’s degree in Accounting from Qingdao University and holds an MBA in Administrative Engineering from Tsinghua University. Mr. Tian is a member of the Association of Charted Certified Accountants(ACCA) and is certified as a Project Management Professional(PMP).

Yuyan Yang co-founded our company in 1997 with Mr. Yong Zhang. She has been a director since 2007 and previously was a Vice President of our company. Ms. Yang has more than 10 years' working experience in the real estate industry. Ms. Yang received a bachelor's degree in education management from Henan University in 1985. Ms. Yang received her executive master's degree in business administration at the National University of Singapore in May 2008. Ms. Yang also serves as a director of a number of subsidiaries of Xinyuan.

As of the date of this annual report on Form 20-F, there are no familial relationships between any directors and members of senior management.

B. Compensation

For the fiscal year ended December 31, 2016, the aggregate compensation to our executive officers, including all directors was US$11.0 million (which includes amounts paid to persons who are no longer serving as executive officers), and the aggregate compensation to our non-executive directors was US$0.8 million (which includes amounts paid to persons who are no longer serving as directors. As discussed below under "- D. Employees" we made contributions of US$11.0 million to employee benefit plans for the fiscal year ended December 31, 2016.

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2007 Equity Incentive Plan

In August 2006, our shareholders agreed to allocate 6,802,495 common shares for our employee bonus scheme. In August 2007, we adopted our 2007 equity incentive plan to attract, retain and motivate key employees, directors and consultants of our company, our subsidiaries and our equity investee. Our plan provides for the grant of options to purchase our common shares. The maximum aggregate number of common shares which may be issued pursuant to all awards, including options, is 6,802,495 common shares, subject to adjustment to account for changes in the capitalization of our company. Our board of directors believes that our company's expansion plans and its long-term success is dependent upon our ability to attract and retain superior individuals who, by virtue of their ability, experience and qualifications, make important contributions to our business.

Termination. The terms of a participant's award are set forth in the participant's award agreement. Our board of directors, or any committee designated under it, will determine the terms and conditions of an award in the relevant award agreement. The duration of any award may not exceed ten years from the date of grant. If a participant's service with our company terminates for any reason, unless otherwise provided in the award agreement or determined by our board of directors, or any board committee designated by it, any outstanding unvested or vested but unexercised option granted to the participant will expire and be forfeited for no consideration on the date of the participant's termination of service. In the event any award under the plan expires, terminates, or is forfeited, the common shares underlying the award will revert to our company to be available for the purposes of the plan.

Administration. Our 2007 equity incentive plan is administered by our board of directors, or any board committee designated by it. Our board of directors, or any designated committee, is authorized to interpret, establish or amend the plan at any time for any reason. They will determine the terms and conditions of any award, including, but not limited to, the exercise price for any option, restrictions and vesting conditions, including time-based vesting conditions and performance-based vesting conditions, forfeiture provisions and other applicable terms. In addition, they will also specify in the award agreement whether the option constitutes an incentive share option, or ISO, or a non-qualifying stock option. Awards under our 2007 equity incentive plan may also be awarded under certain performance-based criteria based on conditions our board of directors, or any designated committee, deems appropriate.

Option Exercise and Conditions. The consideration paid for our common shares upon exercise of an option or purchase of common shares underlying an award or option may be paid in cash or cash equivalents. Our board of directors may accept any form of legal consideration that satisfies Cayman Islands corporate law requirements regarding adequate consideration for options. Participation in our 2007 equity incentive plan may also be subject to certain terms and conditions, including, but not limited to, withholding tax arrangements and certain restrictions on transfer.

Amendment and Termination. Our board of directors, or any designated committee, is authorized to interpret the plan and to establish, amend, suspend or terminate the plan at any time for any reason. However, any amendment to increase the number of common shares available for issuance under the plan or materially change the class of persons who are eligible for grants under the plan is subject to approval by our shareholders. Our board of directors at any time may amend the terms of any award provided that the amendment does not impair the rights of a participant under an award, in which case, our board of directors would need the participant's consent.

On August 11, 2007, we granted share options awards to 346 directors, management, employees and consultants and employees of the equity investee for an aggregate of 6,802,495 common shares at a weighted average exercise price of US$1.08. These options had various vesting periods ranging from four to 60 months.

As of December 31, 2016, 554,706 options remain issued and outstanding under the 2007 equity incentive plan. The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2007 equity incentive plan that remain outstanding as of December 31, 2016.

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Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US$ per share)	Grant Date	Date of Expiration
Yong Zhang	146,890	2.5	August 11, 2007	August 10, 2017
Other employees and consultants as a group(1)	407,816	2.5	August 11, 2007	August 10, 2017

(1) None of these employees and consultants is a director or executive officer of our company.

2007 Long Term Incentive Plan

In November 2007, we adopted our 2007 long term incentive plan (the “2007 Plan”) which provides for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase our common shares. The maximum aggregate number of common shares which may be issued pursuant to all awards, including options, is 10 million common shares, subject to adjustment to account for changes in the capitalization of our company.

Termination. The terms of a participant’s award are set forth in the participant’s award agreement. Our board of directors, or any board committee designated by it, will determine the terms and conditions of an award in the relevant award agreement. The duration of any award may not exceed ten years from the date of grant. If a participant’s service with our company terminates for any reason, unless otherwise provided in the award agreement or determined by our board of directors, or any designated committee, the unvested portion of any outstanding awards to the participant will be immediately forfeited without consideration, the vested portion of any outstanding restricted stock units or other stock-based awards will be settled upon termination and the participant will have a period of three months to exercise the vested portion of any outstanding options or stock appreciation rights.

Administration. Our 2007 long term incentive plan is administered by our board of directors, or any board committee designated by it. Our board of directors, or any designated committee, is authorized to interpret, establish or amend the plan at any time for any reason. They will determine the terms and conditions of any award, including, but not limited to, the exercise price for any option, restrictions and vesting conditions, including time-based vesting conditions and performance-based vesting conditions, forfeiture provisions and other applicable terms. In addition, they will also specify in the award agreement whether the option constitutes an ISO, or a non-qualifying stock option. Awards under our 2007 long term incentive plan may also be awarded under certain performance-based criteria based on conditions our board of directors, or any designated committee, deems appropriate.

Award Exercise and Conditions. The consideration paid for our common shares upon exercise of an option may be paid in cash or cash equivalents or, subject to prior approval by our board of directors in its discretion, shares, promissory note, irrevocable direction to sell or pledge shares and to deliver proceeds as payment, or any combination of the foregoing methods. The consideration paid for our common shares upon exercise of stock appreciation rights, restricted stock units and other stock-based awards may be paid in cash, shares or any combination thereof. The restricted shares will be awarded for no additional consideration or such additional consideration as our board may determine satisfies Cayman Islands corporate law requirements. Each award of restricted shares will entitle the participant to all voting, dividends and other ownership rights in such shares, subject to any limitation on dividends rights specified in the award agreement. The participant will possess no incidents of ownership with respect to the shares underlying the restricted stock units granted. Participation in our 2007 long term incentive plan may also be subject to certain terms and conditions, including, but not limited to, withholding tax arrangements and certain restrictions on transfer.

Amendment and Termination. Our board of directors, or any designated committee, is authorized to interpret the plan and to establish, amend, suspend or terminate the plan at any time for any reason. However, any amendment to increase the number of common shares available for issuance under the plan, or materially change the class of persons who are eligible for grants under the plan is subject to approval by our shareholders. Our board of directors at any time may amend the terms of any award provided that the amendment does not impair the rights of a participant under an award, in which case, our board of directors would need the participant’s consent.

On June 25, 2014, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 600,000 common shares to one employee, at an exercise price of US$2.045 per share. These options have a weighted average grant date fair value of US$0.52 per option and a total expected compensation cost, net of expected forfeitures, of US$311,098. These options have vesting periods based on length of service of 36 months and will expire no later than June 25, 2024.

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On June 30, 2014, under the 2007 Plan, the Company granted share options to purchase up to 907,000 common shares to six employees, at an exercise price of US$1.21 per share. These options have a weighted average grant date fair value of US$0.81 per option and a total expected compensation cost, net of expected forfeitures, of US$734,181. These options became vested and exercisable immediately upon grant.

On February 26, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.255 per share. These options have a weighted average grant date fair value of US$0.36 per option and a total expected compensation cost, net of expected forfeitures, of US$71,853. These options have vesting periods based on length of service of 36 months and will expire no later than February 26, 2025.

On April 10, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 600,000 common shares to one employee, at an exercise price of US$1.605 per share. These options have a weighted average grant date fair value of US$0.52 per option and a total expected compensation cost, net of expected forfeitures, of US$312,671. These options have vesting periods based on length of service of 36 months and will expire no later than April 10, 2025.

On July 1, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 1,200,000 common shares to two employees, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US$577,836. These options have vesting periods based on length of service of 36 months and will expire no later than July 1, 2025.

On September 30, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.39 per share. These options have a weighted average grant date fair value of US$0.50 per option and a total expected compensation cost, net of expected forfeitures, of US$100,243. These options have vesting periods based on length of service of 36 months and will expire no later than September 30, 2025.

On November 6, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.81 per share. These options have a weighted average grant date fair value of US$0.61 per option and a total expected compensation cost, net of expected forfeitures, of US$122,109. These options have vesting periods based on length of service of 36 months and will expire no later than November 6, 2025.

In 2016, the Company did not grant any share options.

As of December 31, 2016, 3,661,580 options were issued and outstanding under the 2007 plan and 1,401,944 shares remained eligible for future grants under the plan.

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The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2007 Plan outstanding as of March 1, 2017.

Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US$ per share)	Grant Date	Date of Expiration
Yong Zhang	473,493	7.00	November 5, 2007	December 4, 2017
	39,400	1.21	June 30, 2014	June 29, 2024
Yuyan Yang	134,956	7.00	November 5, 2007	December 4, 2017
	400,000	1.21	December 13, 2010	December 12, 2020
	100,000	1.21	June 30, 2014	June 29, 2024
Thomas Gurnee	-	1.87	March 31, 2009	March 31, 2019
	-	1.255	February 26, 2015	February 25, 2025
Yong Cui	120,000	1.21	December 13, 2010	December 12, 2020
	170,000	1.21	June 30, 2014	June 29, 2024
Huai Chen	100,000	1.64	November 12, 2012	November 11, 2022
	100,000	1.21	December 13, 2010	December 12, 2020
Yumin Liang	559,124	2.105	July 1, 2013	June 30, 2023
Wells Tian	134,000	1.81	November 6, 2015	November 5, 2015
Other employees as a group(1)	183,607	7.00	November 5, 2007	December 4, 2017
	180,000	2.975	July 1, 2008	June 30, 2018
	134,000	1.21	December 13, 2010	December 12, 2020
	100,000	1.085	May 24, 2011	May 25, 2021
	100,000	1.64	November 12, 2012	November 11, 2022
	600,000	2.86	September 3, 2013	September 2, 2023
	33,000	1.21	June 30, 2014	June 29, 2024

(1) None of these employees is a director or executive officer of our company.

2014 Restricted Stock Unit Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2014 Restricted Stock Unit Plan, or the RSU Plan, effective May 23, 2014. The RSU Plan provides for discretionary grants of restricted stock units, or RSUs, to or for the benefit of participating employees. The purpose of the RSU Plan is to provide to us and our shareholders the benefits of the additional incentive inherent in the ownership of our common shares by selected employees, including selected employees of our subsidiaries who are important to the success and growth of our business, and to help us and our subsidiaries secure the services of those persons. The maximum number of shares that may be delivered to RSU Plan participants in connection with RSUs granted under the RSU Plan is 10,000,000, subject to adjustment if our outstanding common shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of our company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction. All of our and our subsidiaries' employees and officers who are capable of contributing significantly to our successful performance, in the determination of the Compensation Committee of our board of directors, are eligible to be participants in the RSU Plan. Each eligible employee selected to participate may be granted an award of RSUs at such times and subject to such conditions as determined by the Compensation Committee.

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Incentive Pool; Funding. Under the RSU Plan, we will establish a long-term incentive pool for participants for each fiscal year, a "Grant Year," based on our net income (or other performance goals) for the most recently completed prior fiscal year, a "Base Year." For Grant Year 2014, 2015, and 2016, the target long-term incentive pool is 6.75% of net income for 2013, 2014, and 2015 respectively. The long-term incentive pool will be funded for any Grant Year and RSUs will be granted only if 70% or more of the target net income for applicable Base Year has been achieved in the Grant Year or if 70% or more of the total target net income for the three fiscal years ending with the Base Year has been achieved. If neither of such targets is achieved for a Grant Year, no amount will be credited to the long-term incentive pool for that Grant Year and no RSUs will be awarded for the Grant Year. The pre-condition for Grant Year 2014, 2015, and 2016 were met and the RSUs have been granted accordingly. For Grant Year 2017, the target long-term incentive pool is 6.75% of net income for 2016. We have established a trust and we will deposit or cause to be deposited in the trust amounts of cash not exceeding the amount of the long-term incentive pool for a Grant Year. The trustee will use the funds to acquire in the open market or in private transactions that number of ADSs representing common shares as we direct over a period of time as we and the trustee determine.

Administration. The RSU Plan provides that it will be administered by one or more committees of our board of directors, which has designated the Compensation Committee to administer the RSU Plan. Subject to the provisions of the RSU Plan, the Compensation Committee has the discretionary authority and power to determine and designate those individuals selected to receive awards; determine the terms of awards, including the time at which each award will be granted and the number of common shares subject to each award; establish the terms and conditions upon which awards may be exercised, unlocked or paid (including any requirements that we or the participant satisfy performance criteria or performance objectives); prescribe, amend, or rescind any rules and regulations necessary or appropriate for the administration of the RSU Plan; correct any defect, supply any deficiency, and reconcile any inconsistency in the RSU Plan or in any related award or agreement; and make other determinations and take such other action in connection with the administration of the RSU Plan as it deems necessary or advisable.

Grant, Allocation and Unlocking of RSUs. During the Grant Year, the Compensation Committee will allocate to each participant a percentage of the long-term incentive pool, if any, for that Grant Year based on such factors as the Compensation Committee may determine from time to time in its discretion. A participant will be allocated RSUs based on the aggregate of common shares represented by ADSs purchased by the trustee for a Grant Year multiplied by the percentage of the long-term incentive pool allocated by the Compensation Committee to that participant for the Grant Year. Each RSU represents a right to receive one common share to be delivered or made available at the time or times specified in the award agreement, subject to a risk of cancellation and to the other terms and conditions set forth in the RSU Plan, the award agreement and any additional terms and conditions set by the Compensation Committee. At our election, RSUs may be settled by delivery of common shares or ADSs representing the number of common shares subject to the RSU.

Common shares (either in the form of common shares or ADSs) in respect of RSUs allocated to a participant will not be eligible to be withdrawn by a participant from the trust established pursuant to the RSU Plan for the period of time (the "lock-up period") set forth in the RSU Plan. Common shares or ADSs become "unlocked" and may be withdrawn or transferred from the trust at the election of a participant as follows: one-third after the first anniversary of the grant date, one-third after the second anniversary of the grant date, and one-third after the third anniversary of the Grant

Date. In the event of (i) death, (ii) disability as the result of a work injury, (iii) retirement on or after age 60, in each case prior to termination of service, or (iv) subject to exceptions specified in the RSU Plan, the termination of employment or resignation by a participant, the locked portion of a participant's RSUs will continue to become unlocked on each subsequent anniversary of the Grant Date after such event. In the event of death, a participant's awards will be paid to his personal representative or estate as provided by applicable law. The locked portion of a participant's RSU award may be cancelled for no value for certain events specified in the RSU Plan. The Compensation Committee, in its sole discretion, may (but will not be required to) reallocate all or a portion of RSUs forfeited by a participant to a different participant or participants continuing in employment on such unlocking schedule as the Compensation Committee may determine. If we are party to a "Change of Control," as defined in the RSU Plan, the board of directors may determine to cancel each outstanding award after payment to participants of the fair market value of the common shares subject to the award at the time of the transaction constituting the Change of Control, provide for assumption of the awards or substitution of comparable awards by the surviving or acquiring company in the transaction, or accelerate the unlocking, in whole or in part, of the awards, subject to effectiveness of the transaction.

Amendments. Our board of directors may amend, suspend or terminate the RSU Plan or the Compensation Committee's authority to grant awards under the RSU Plan without the consent of participants; provided, however, that, without the consent of an affected participant, no such board action may materially and adversely affect the rights of the participant under any outstanding award. The Compensation Committee may amend any outstanding award without the consent of the affected participant; provided, however, that, without such consent, no such action may materially and adversely affect the rights of the participant under any outstanding award. Unless earlier terminated by action of the board of directors, the RSU Plan will remain in effect until such time as no common shares remain available for delivery under the RSU Plan and we have no further rights or obligations with respect to outstanding awards under the RSU Plan.

On May 23, 2014, the Company established a trust that is governed by a third party trustee and deposited US$7,042,725 into the trust. The trustee used the funds to acquire 4,234,884 common shares in the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method. The shares held by the third party trustee are legally outstanding as of December 31, 2016.

On April 10, 2015, under the 2014 RSU Plan, the Company deposited $3,259,998 into the trust. The trustee used the funds to acquire 2,076,964 common shares in the open market. 2015 RSU awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method. The shares held by the third party trustee are legally outstanding as of December 31, 2016.

On April 18, 2016, under the 2014 RSU Plan, the Company deposited $4,003,999 into the trust. The trustee used the funds to acquire 1,614,220 common shares in the open market. 2016 RSU awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method. The shares held by the third party trustee are legally outstanding as of December 31, 2016.

2015 Stock Option Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2015 Stock Option Plan, or the Option Plan, effective June 24, 2015. The Option Plan provides for discretionary grants of stock options, or Options, to purchase shares of Company stock to participating employees and directors. The purpose of the Option Plan is to promote the interests of the Company by enabling it to attract, retain and motivate key employees and directors responsible for the success and growth of the Company and its subsidiaries by providing them with appropriate incentives and rewards and enabling them to participate in the growth of the Company. All employees and directors of the Company or any subsidiary who are capable of contributing significantly to the successful performance of the Company, in the determination of the board of directors, are eligible to be participants in the Option Plan. Each eligible employee selected to participate may be granted an award of Options at such times and subject to such conditions as determined by the board of directors.

Stock Subject to Plan. The aggregate number of shares that may be issued under the Option Plan or covered by awards must not exceed 20,000,000 common shares. Shares offered under the Option Plan may be authorized but unissued shares or treasury shares. The number of shares that are subject to awards outstanding at any time under the Option Plan should not exceed the number of shares that then remain available for issuance under the Option Plan. In the event that any outstanding award for any reason expires, is terminated unexercised, or is forfeited or settled or in a manner that results in fewer shares outstanding than were initially awarded, the shares subject to the award, to the extent of such expiration, termination, or forfeiture, again will be available for purposes of the Option Plan. If shares issued under the Option Plan are reacquired by the Company, those shares again will be available for purposes of the Option Plan. If the outstanding shares of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, the board of directors will make appropriate and proportionate adjustments as it deems necessary or appropriate in one or more of (i) the number and class of shares subject to the Option Plan, and (ii) the number of shares or class of shares covered by each outstanding award and (iii) the exercise price or grant price under each outstanding Option.

Administration. The Option Plan provides that it will be administered by the Compensation Committee. Subject to the provisions of the Option Plan, the board of directors has the discretionary authority and power to determine and designate those individuals selected to receive awards; determine the terms of awards, including the time at which each award will be granted and the number of shares subject to each award; establish the terms and conditions upon which awards may be exercised, vested or paid (including any requirements that we or the participant satisfy performance criteria or performance objectives); prescribe, amend, or rescind any rules and regulations necessary or appropriate for the administration of the Option Plan; grant awards in substitution for options or other equity interests held by individuals who become employees of the Company or one of its subsidiaries as a result of the Company's acquiring or merging with the individual's employer (if necessary to conform the awards to the interests for which they are substitutes, the board of directors may grant substitute awards under terms and conditions that vary from those the Option Plan otherwise requires); correct any defect, supply any deficiency, and reconcile any inconsistency in the Option Plan or in any related award or agreement; and make other determinations and take such other action in connection with the administration of the Option Plan as it deems necessary or advisable.

Grant, Exercise and Payment of Options. Each grant of an Option will be evidenced by an award agreement between the participant and the Company. Each award agreement will specify (i) the formula for determining the number of shares that are subject to the Option, (ii) the exercise price, (iii) the term of the Option, and (iv) when all or any installment of the Option becomes exercisable. Options will be exercised by delivering a signed written notice of exercise to the Company which must be received as of a date set by the Company prior to the effective date of the proposed exercise. The exercise price upon exercise of any Option will be payable in the following manner:

- in cash or cash equivalents when the shares are purchased;
- subject to prior approval by the board of directors, by surrendering or attesting to the ownership of shares that are already owned by the participant. These shares will be surrendered to the Company in good form for transfer and will be valued at their Fair Market Value (as defined in the Stock Option Plan) on the date when the Option is exercised;
- subject to prior approval by the board of directors, with a full recourse promissory note. These shares will be pledged as a security for payment of the principal amount of the promissory note and interest on it. The interest rate payable under the terms of the promissory note will not be less than the minimum rate (if any) required to avoid the imputation of additional interest under the Code (as defined below). The board of directors will specify the term, interest rate, amortization requirements (if any) and other provisions of the note;
- subject to prior approval by the board of directors, if the Company's stock is publicly traded, by the delivery of an irrevocable direction to a securities broker approved by the Company to sell the shares and to deliver all or part of the sales proceeds to the Company in payment of all or part of the exercise price and any withholding taxes;
- subject to prior approval by the board of directors, if the Company's stock is publicly traded, by the delivery of an irrevocable direction to pledge the shares to a securities broker or lender approved by the Company, as security for a

loan, and to deliver all or part of the loan proceeds to the Company in payment of all or part of the exercise price and any withholding taxes; or

- any combination of the above methods of payment.

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Termination of Options. Upon termination of a participant's service for any reason other than for death or disability, all unvested portions of any outstanding awards will be immediately forfeited without consideration, and the participant will have a period of three months (twelve months in the case of termination of service due to death or disability (as defined in the Option Plan), commencing with the date the participant's service has terminated, to exercise the vested portion of any outstanding Options, subject to the term of the Option. The participant may exercise all or part of his or her Options at any time before their expiration due to termination of the participant's service, but only to the extent that the Options had become exercisable before the date the participant's service terminated. Those Options that are not exercisable immediately before the date of termination of Service (as defined in the Option Plan) will expire on the date of termination of Service. Notwithstanding the forgoing, if the participant's Service is terminated due to any Cause (as defined in the Option Plan), then such participant's Options shall be terminated, whether or not such Options are vested or unvested, and/or whether or not such Options are exercised or unexercised. If we are party to a Change in Control (as defined in the Option Plan), the board of directors may determine to cancel each outstanding award after payment to participants of the Fair Market Value of the shares subject to the award at the time of the transaction constituting the Change in Control minus, in the case of an Option, the exercise price and grant price of the shares subject to the Option; provide for assumption of the awards or substitution of comparable awards by the surviving or acquiring company in the transaction; accelerate the exercisability or vesting, in whole or in part, of the awards subject to effectiveness of the transaction; or terminate awards if not exercised by the effective time of the Change in Control, and lapse any reacquisition or repurchase rights held by the Company with respect to such awards subject to effectiveness of the transaction.

Performance Awards. The board of directors will have the authority to establish and administer performance-based grant and/or vesting conditions and performance objectives with respect to such awards as it considers appropriate, which performance objectives must be satisfied before the participant receives or retains an award or before the award becomes nonforfeitable.

Performance objectives will be based on one or more of the following performance-based measures determined based on the Company and its subsidiaries on a group-wide basis or on the basis of subsidiary, business platform, or operating unit results: (i) earnings per share (on a fully diluted or other basis), (ii) pretax or after tax net income, (iii) operating income, (iv) gross revenue, (v) profit margin, (vi) stock price targets or stock price maintenance, (vi) working capital, (vii) free cash flow, (viii) cash flow, (ix) return on equity, (x) return on capital or return on invested capital, (xi) earnings before interest, taxes, depreciation, and amortization (EBITDA), (xii) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, or objective goals relating to acquisitions or divestitures, or (xiv) any combination of these measures.

Amendments. Our board of directors may amend the terms of any award; provided, however, that the rights under any award not be impaired without the consent of the participant. The Option Plan will terminate automatically on June 24, 2025. No shares will be issued or sold under the Option Plan after its termination, except on exercise of an Option granted prior to the termination. No amendment, suspension, or termination of the Option Plan will, without the consent of the participant, alter or impair any rights or obligations under any award previously granted under the Option Plan.

On July 1, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 6,574,600 common shares to twenty-two employees, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US$3,165,867. These options have vesting periods based on length of service of 34 months and will expire no later than July 1, 2025.

On July 29, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 81,600 common shares to one employee, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.42 per option and a total expected compensation cost, net of expected forfeitures, of US$34,294. These options have vesting periods based on length of service of 33 months and will expire no later than July 29, 2025.

In 2016, the Company did not grant any share options.

As of December 31, 2016, 4,872,800 options were issued and outstanding under the 2015 plan and 14,498,872 shares remained eligible for future grants under the plan. The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2015 Plan outstanding as of March 1, 2017.

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Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US$ per share)	Grant Date	Date of Expiration
Yong Zhang	2,497,600	1.71	July 1, 2015	June 30, 2025
Yong Cui	999,000	1.71	July 1, 2015	June 30, 2025
Yumin Liang	163,000	1.71	July 1, 2015	June 30, 2025
Yuan (Helen) Zhang	112,200	1.71	July 1, 2015	June 30, 2025
Other employees as a group(1)	108,668	1.71	July 1, 2015	June 30, 2025
	54,400	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	122,200	1.71	July 1, 2015	June 30, 2025
	122,200	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	54,400	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 29, 2015	July 28, 2025

(1) None of these employees is a director or executive officer of our company.

C. Board Practices

Our board of directors currently has ten directors.

Committees of the Board of Directors

We have established four standing committees under the board of directors: the audit committee, the compensation committee, the corporate governance and nominating committee and the investment committee. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Thomas Gurnee (Chairman), Mr. Huai Chen, Mr. Yifan "Frank" Li and Mr. Steve Sun . Mr. Sun is not a voting member of the committee. Under Section 303A of the NYSE Listed Company Manual, as a foreign private issuer, we are required to have an audit committee composed solely of independent directors. However, unlike U.S. listed companies, we are not required to have a minimum number of committee members and our audit committee members may be "independent" only as required by SEC Rule 10A-3 but need not meet the other independence test of NYSE Rule 303A. Our audit committee charter provides that the committee will consist of at least three directors, each of whom must meet applicable independence and financial literacy requirements of the NYSE and Rule 10A-3 under the Exchange Act. Our board of directors has determined that Mr. Gurnee qualifies as an "audit committee financial expert" under applicable SEC rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;

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- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;

- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Exchange Act, regardless of the dollar amount involved in such transactions;

- discussing the annual audited financial statements with management and the independent registered public accounting firm;

- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and

- meeting separately and periodically with management and the independent registered public accounting firm.

Compensation Committee. Our compensation committee consists of Mr. Yong Zhang (Chairman), Mr. Huai Chen, Mr. Steve Sun, and Mr. Wells Tian. Our compensation committee charter provides that the committee will be composed of at least three directors, at least half of whom will be independent as defined by the NYSE and any other applicable laws and regulations. All decisions are subject to simple majority approval. However, the committee may delete all or any portion of its duties and responsibilities to a subcommittee consisting of one or more members.

The compensation committee assists the board in reviewing and approving the design of and administering executive compensation programs. The compensation committee is responsible for, among other things:

- reviewing our overall compensation philosophy at least annually;

- reviewing and approving the corporate goals and objectives relative to our chief executive officer's compensation on an annual basis and determine the level of the chief executive officer's compensation;

- determine, or recommend for the board's determination, the annual base and incentive compensation for our chief financial officer, chief operating officer, chief administrative officer and any other person who performs similar functions for our company;

- make recommendations to the board with respect to equity-based compensation plans;

- determine compensation policies and practices and approval compensation to non-employee directors; and

- review, approve or make recommendations on executive employments agreements or any severance or similar termination payments proposed to be made to any current or former executive officer of the company.

No member of senior management may be present when his or her compensation is being discussed.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Mr. Yong Zhang (Chairman), Mr. Huai Chen, Mr. Steve Sun, and Mr. Wells Tian.

The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

- identifying and recommending qualified candidates to the board for selection of directors, nominees for board of directors, or for appointment to fill any vacancy;

- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- advising the board of directors periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board of directors on all matters of corporate governance and on any remedial action to be taken; and

- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Investment Committee. The investment committee consists of Mr. Yong Zhang (Chairman), Mr. Yong Cui, Mr. Steve Sun and Mr. Lizhou Zhang.The primary purpose of the committee is to oversee the company's real property acquisition and developments and other strategic assets, including the review and approval of individual real property acquisitions. The committee has the power to approve, without further board action, land acquisitions where the consideration is cash, seller financing and/or conventional bank debt. The committee may also approve land acquisitions involving use of the company's shares, options or warrants. In addition, the committee has the authority to approve acquisitions of assets, other than land, including shares in a third party or non-bank financial assets.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess with the care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;

- declaring dividends and distributions;

- appointing officers and determining the term of office of officers;

- exercising the borrowing powers of our company and mortgaging the property of our company; and

- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Terms of Directors and Officers

Under our memorandum and articles of association, a director holds office until he resigns or otherwise vacates his office or is removed by our shareholders or directors. Accordingly, annual elections of directors by our shareholders are not required and we do not put to shareholder vote on an annual or periodic basis election of directors to our company. A director may be removed by special resolution passed by our shareholders before the expiration of such director's term. Officers are elected by and serve at the discretion of the board of directors.

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D. Employees

As of December 31, 2016 we had 1,085 full time employees. The following table sets forth the number of our full time employees categorized by function as of the period indicated:

	As of December 31,		
	2014	2015	2016
Management	25	23	17
Finance	123	112	133
Planning and development	243	243	252
Project construction management	168	173	222
Sales and marketing	117	99	92
Property management	126	143	176
Administrative and human resources	183	172	173
Legal and audit	22	24	20
Total	1,007	989	1,085

During the year ended December 31, 2016, our subsidiary, Xinyuan Science and Technology Service Co., Ltd, also hired approximately 2,499 contract employees and temporary employees, most of whom provided security and housekeeping services relating to property management.

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing funds, pension, medical and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate our businesses from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The total amount of contributions we made to employee benefit plans for the years ended December 31, 2014, 2015 and 2016 was US$7,328,091, US$10,664,576and US$11,023,291, respectively.

We have entered into confidentiality agreements with all of our employees.

We offer training programs for our employees, third-party contractors and outsourced employees. We sponsor senior managers for executive MBA programs and other senior employees for part-time non-degree MBA courses at top universities in China. We also invite industry experts to give lectures to our employees and provide training to our third-party contractors.

We have not been subjected to any strikes or other labor disturbances that have interfered with our operations, and we believe that we have a good relationship with our employees. Our employees are not covered by any collective bargaining agreement.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares as of March 1, 2017, by:

- each of our directors and executive officers;
- each person known to us to own beneficially more than 5% of our common shares; and
- all of our directors and executive officers as a group.

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	Shares Beneficially Owned(1)	
	Number	%
Directors, Executive Officers and Principal Shareholders:		
Huai Chen (2)	200,000	-
Yong Cui (3)	1,380,940	-
Thomas Gurnee	-	-
Yifan Li	-	-
Yumin Liang (4)	774,021	-
Steve Sun (5)	-	-
Wells Tian		-
Yuyan Yang (6)	29,034,956	19.9 %
Yuan (Helen) Zhang(7)	156,283	-
Lizhou Zhang	-	-
Yong Zhang (8)	31,265,788	21.4 %
All directors and executive officers as a group (9)	62,811,989	43.0 %
TPG Group Holdings (SBS) Advisors, Inc. (10)	12,000,000	8.2 %

* Beneficially owns less than 1% of our outstanding common shares.

(1) Beneficial ownership includes voting or investment power with respect to the securities and, (except as indicated below, each person named has sole voting and investment power with respect to the shares shown opposite his or her name. Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act, pursuant to which a person or group of persons is deemed to have “beneficial ownership” of any shares of common stock that such person has the right to acquire within 60 days of March 1, 2017. The percentage of beneficial ownership is based on 141,294,632 common shares outstanding as of March 1, 2017. In addition, for purposes of computing the percentage of outstanding shares of common stock held by each person or group of persons named above, any shares which such person or persons had the right to acquire on or within 60 days of March 1, 2017 are deemed to be outstanding but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(2) Represents 200,000 common shares issuable upon the exercise of options exercisable within 60 days.

(3) Represents 956,000 common shares issuable upon the exercise of options exercisable within 60 days and 424,940 shares subject under RSUs scheduled to vest within 60 days held by Tongyv Ltd, a British Virgin Islands ("BVI") company wholly-owned and controlled by Mr. Cui.

(4) Represents 667,789 common shares issuable upon the exercise of options exercisable within 60 days and 106,232 shares subject to RSUs scheduled to vest within 60 days held by Ruixin Real Estate Development Co., Ltd., a BVI

company wholly-owned and controlled by Mr. Liang.

(5) Mr. Sun was nominated to our board of directors by TPG Asia VI SF Pte. Ltd. in connection with TPG Asia VI SF Pte. Ltd.'s investment in our company in September 2013. The TPG group's beneficial ownership of our common shares is described below in footnote 10.

(6) Includes 634,956 common shares issuable upon the exercise of options exercisable within 60 days that are held by Spectacular Stage Limited, a BVI company indirectly wholly-owned by Ms. Yang.

(7) Includes 71,465 common shares issuable upon the exercise of options exercisable within 60 days and 77,324 shares subject to RSUs scheduled to vest within 60 days.

(8) Includes 2,177,958 common shares issuable upon exercise of options exercisable within 60 days and 424,940 shares subject to RSUs scheduled to vest within 60 days. Also includes options to purchase 146,890 common shares held by Shining Gold Trading Limited, a British Virgin Islands company, of which Mr. Zhang is the sole owner, and 116,000 common shares held by Universal World Development Co. Ltd., a British Virgin Islands Company, of which Mr. Zhang is the sole owner.

(9) Includes 4,855,059 common shares issuable upon exercise of options exercisable within 60 days and 1,033,436 shares subject to RSUs scheduled to vest within 60 days.

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(10) Based on information in a Schedule 13D filed with the SEC on September 30, 2013 and amended on November 10, 2014 and November 24, 2014 by TPG Group Holdings (SBS) Advisors, Inc. ("Group Advisors"), David Bonderman and James G. Coulter (each, a "Reporting Person" and collectively, the "Reporting Persons"). The business address of each Reporting Person is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102. Group Advisors is the general partner of TPG Group Holdings (SBS), L.P., a Delaware limited partnership, which is the sole member of TPG Holdings I-A, LLC, a Delaware limited liability company, which is the general partner of TPG Holdings I, L.P., a Delaware limited partnership, which is the sole shareholder of TPG Asia GenPar VI Advisors, Inc., a Cayman Islands exempted company, which is the general partner of TPG Asia GenPar VI, L.P., a Cayman Islands limited partnership, which is the general partner of TPG Asia VI SF AIV, L.P., a Prince Edward Island limited partnership, which is the sole shareholder of TPG Asia VI SF Pte., Ltd., a company formed under the laws of Singapore ("TPG Asia" or the "TPG Investor"), which directly holds 12,000,000 common shares (the "TPG Shares"). Because of Group Advisors' relationship to TPG Asia, Group Advisors may be deemed to be the beneficial owner of the TPG Shares. Messrs. Bonderman and Coulter are officers and sole stockholders of Group Advisors. Because of the relationship of Messrs. Bonderman and Coulter to Group Advisors, each of Messrs. Bonderman and Coulter may be deemed to beneficially own the TPG Shares. Messrs. Bonderman and Coulter disclaim beneficial ownership of the TPG Shares except to the extent of their pecuniary interest therein.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees-E.Share Ownership" for our major shareholders.

In connection with the 2013 investment by the TPG group, one of our major shareholders, Mr. Yong Zhang, our Chairman, entered into a letter agreement dated as of September 19, 2013 with TPG Asia (the "Chairman's Letter"), pursuant to which Mr. Zhang agreed to certain contractual limitations on the transfer by him of our common shares which would constitute a Change of Control as defined in the Convertible Note and agreed to provide TPG Asia with tag-along rights in sales of common shares by the Chairman in certain limited circumstances. These provisions terminated when we redeemed the Convertible Note. Mr. Zhang also agreed, so long as the TPG Asia and its affiliates own at least 5% of our common shares on an as-converted basis, to use his reasonable best efforts to cause the TPG Investor Director to be elected to and not be removed from the board and to ensure the TPG Investor Director will be a member of our Investment Committee. These additional provisions remain in effect following redemption of the Convertible Note.

Our major shareholders do not have voting rights that are different from other shareholders.

There are three record holders in the U.S., including the depositary for our ADSs, holding, collectively, 59.8% our outstanding common shares, as of March 1, 2017.

B. Related Party Transactions

Shareholders Agreement

We entered into a shareholders agreement, dated as of April 9, 2007, with Blue Ridge China Partners, L.P., ("Blue Ridge China"), EI Fund II China, LLC ("Equity International"), Mr. Yong Zhang, Ms. Yuyan Yang, Xinyuan Real Estate , Ltd., Burnham Securities and Mr. Joel Gardner. The agreement was amended and restated on October 31, 2007. Although the agreement remains in effect, many of its provisions have ceased to be effective as a result of our initial public offering, the passage of time, or the sale by Blue Ridge China and Equity International of all of their shares subject to the agreement. The rights and obligations under the terms of the agreement which are currently or were, during 2016, in effect are summarized below.

If any shareholder party to the agreement, other than Mr. Yong Zhang or Ms. Yuyan Yang, desires to transfer all or any portion of its securities, the selling shareholder must first deliver to us a notice identifying the transferee and containing an offer to sell the shares to us at the same price, upon the terms as set forth in the proposed transfer. This right of first refusal does not apply to sales to the public.

Blue Ridge China and Equity International were entitled to certain registration rights, including demand registration, piggyback registration and Form F-3 registration. Burnham Securities and Mr. Gardner, to the extent that they continue to hold common shares acquired upon the exercise of warrants which were subject to the agreement, continue to have piggyback registration rights.

The rights and obligations of any shareholder under the agreement terminate with respect to any securities transferred in compliance with the agreement upon consummation of such transfer. Accordingly, Blue Ridge China and Equity International's rights and obligations under the agreement terminated prior to the end of 2013. The shareholders agreement will terminate upon the expiration of any period of four consecutive weeks during which the weekly trading volume in each such week of the common shares on the NYSE, Nasdaq or any applicable major international securities exchange exceeds one-half the number of common shares (on a fully diluted basis) held by Blue Ridge China and Equity International immediately after our initial public offering.

Cash Advances

As of December 31, 2016, we recorded balances due from employees in the amount of US$0.62 million as compared to US$0.35 million for 2015, which mainly represented cash advances paid to employees for their traveling expenses.

TPG Investment

As described elsewhere in this annual report on Form 20-F, on September 19, 2013, we issued an aggregate of 12,000,000 of our common shares and the Convertible Note with an aggregate principal amount of $75,761,009, to TPG ASIA upon completion of a private placement pursuant to a securities purchase agreement dated August 26, 2013 among us, TPG Asia and the guarantors named therein (the "TPG Securities Purchase Agreement"). We redeemed the Convertible Note on November 21, 2014. For a description of the terms of the Convertible Note, the other agreements and agreements entered into as part of the transaction, and the terms on which the Convertible Note was redeemed, see “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Debt Securities Issued in 2013 , 2016 and 2017 - Convertible Note” and “Item 10. Additional Information - C. Material Contracts- Investment by TPG” included elsewhere in this annual report on Form 20-F.

Other Transactions

During the year ended December 31, 2016, the Group received full reimbursement of US$3.12 million relating to software technical services from Beijing Aijieli Technology Development Co., Ltd. (“Aijieli”), a company owned by senior management members of the Company. During the year ended December 31, 2016, the Group also made advances to Aijieli for its start-up needs amounting to US$4.35 million, which was repaid in full by Aijieli as of December 31, 2016. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

On June 28, 2016, the Group sold 6% of its equity interest in Xinyuan Service to key management personnel for US$506,696, which was based on an appraised value by an independent valuer. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

On November 10, 2016, the Group sold 21.05% of its equity interest in Shanghai Hexinli, a dormant company with no operations to key management personnel for US$337,344 , calculated by multiplying the percentage sold with Shanghai Hexinli's paid-in capital. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

On August 1, 2016, the Group entered into a sale and leaseback agreement of shopping mall equipment with Shenzhen Zhong An, which is a joint venture of the Group, to sale and leaseback equipment. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

On November 10, 2016, the Group acquired 70% of Xinyan Investment Management Co., Limited ("Xinrock"), a dormant company with no operations from a senior management member at nil consideration. The remaining 30% equity interest in Xinrock is held by key management personnel. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

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Shenzhen Pingjia Investment Management Co., Ltd. (“Shenzhen Pingjia”) is the non-controlling interest shareholder of Zhengzhou Xinnan Real Estate Co., Ltd. ("Zhengzhou Xinnan"), one of the Company’s subsidiaries. As of December 31, 2016, Shenzhen Pingjia advanced US$63,572,149 of working capital funds which is expected to be repaid in one year by Zhengzhou Xinnan. Of the amount advanced, US$24,086,781 was in the form of an unsecured interest bearing loan at an annual rate of 12%, the loan has no fixed payment terms, and bears accrued interest amounting US$2,657,575 as December 31, 2016. The remaining advances were unsecured and bear no interest. See Note 18 to the consolidated financial statements contained elsewhere in this annual report.

Review and Approval of Related Party Transactions

Pursuant to our audit committee charter, all transactions or arrangements with related parties, as such term is defined under Item 404 of Regulation S-K, including directors, executive officers, beneficial owners of 5% or more of our voting securities and their respective affiliates, associates and related parties, will require the prior review and approval of our audit committee, regardless of the dollar amount involved in such transactions or arrangements.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Dividend Policy

Payment of dividends is subject to our board of directors’ discretion and the form, frequency and amount of any dividend will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our common shares, if any, will be paid in U.S. dollars.

For 2014, our board of directors declared quarterly dividends of US$0.025 per common share payable to holders of record on May 30, 2014, September 2, 2014, December 2, 2014 and March 20, 2015. For 2015, we declared quarterly dividends of US$0.025 per common share payable to holders of record on June 25, 2015, August 24, 2015, November 25, 2015 and March 15, 2016. For 2016, we declared quarterly dividends of US$0.025 per common share payable to holders of record on June 8, 2016,we declared quarterly dividends of US$0.05 per common share payable to holders of record on September 8, 2016, December 15, 2016 and March 14, 2017.Any future payment of dividends will be subject to our board of directors' discretion and the form, frequency and amount of any dividend will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Legal Proceedings

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. In December 2016, 421 Kent Development LLC ("421 Kent"), the property company for the Group's Oosten project, terminated its contract with its general contractor. The contractor has construction liens against the Oosten project in an aggregate amount of approximately US$20 million. The contractor has filed a lawsuit against 421 Kent claiming the amount of the construction liens and punitive damages. As of March 21, 2017, 421 Kent had not been served in the litigation. 421 Kent believes the contractor's liens and claims are without merit and intends to contest vigorously such claims. Based on the above, 421 Kent cannot predict the outcome of this lawsuit or a judgment against 421 Kent, whether in whole or in part, may result in a loss, if any. And an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made at this time.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

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Item 9. The Offer and Listing

A. Offer and Listing Details

Not applicable.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing two of our common shares, have been listed on the NYSE since December 12, 2007. Our ADSs trade under the symbol “XIN.” The following table provides the high and low trading prices for our ADSs on the NYSE for the periods indicated.

Year	High	Low
2012	3.95	1.74
2013	7.44	3.60
2014	5.46	2.20
2015	3.74	2.00
2016	7.06	2.85
Quarter		
First Quarter 2015	3.41	2.00
Second Quarter 2015	3.57	2.79
Third Quarter 2015	3.24	2.20
Fourth Quarter 2015	3.74	2.79
First Quarter 2016	4.51	2.85
Second Quarter 2016	5.55	4.34
Third Quarter 2016	7.06	4.72
Fourth Quarter 2016	6.81	4.83
First Quarter 2017 (through March 21, 2017)	5.59	4.49
Month		
September 2016	7.06	5.91
October 2016	6.81	5.20

November 2016	5.78	4.83
December 2016	5.57	4.89
January 2017	5.59	4.93
February 2017	5.59	4.91
March 2017 (through March 21, 2017)	5.07	4.49

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

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Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law (2016 Revision) permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the company is not proposing to act illegally or beyond the scope of its authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such that a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law or that would amount to a "fraud on the minority."

If the arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

When a take-over offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed unless there is evidence of fraud, bad faith or collusion.

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Shareholders' Suits. We are not aware of any reported class action or derivative action having been brought in a Cayman Islands court. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

· a company is acting or proposing to act illegally or ultra vires;

· the act complained of, although not ultra vires, could be effected duly if authorized by more than a simple majority vote which has not been obtained; and

· those who control the company are perpetrating a "fraud on the minority."

Anti-takeover Provisions. Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to redesignate authorized and unissued common shares as other shares or series of shares, to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders. However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties and Powers. As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company-a duty to act bona fide in the best interests of the company, a duty not to make a profit out of his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party. A director of a Cayman Island company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the courts are moving towards an objective standard with regard to the required skill and care.

Under our memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company shall declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his interest. Directors are not required to hold shares; however, a minimum share requirement for directors may be established at a general meeting. Directors may exercise all powers of our company to borrow money, under our memorandum and articles of association, in a variety of ways, including issuing bonds and other securities either outright or as security for any debt liability or obligation of our company or of any third party.

Shareholder Action by Written Resolution. Under Cayman Islands law, a corporation may eliminate the ability of shareholders to approve corporate matters by way of written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matters at a general meeting without a meeting being held. Our memorandum and articles of association allow shareholders to act by written resolutions.

Removal of Directors. Under our memorandum and articles of association, directors may be removed by a special resolution.

Dissolution; Winding Up. Under our memorandum and articles of association, if our company is wound up, the liquidator of our company may distribute the assets only by the vote of holders of a two-thirds majority of our outstanding shares being entitled to vote in person or by proxy at a shareholder meeting or by unanimous written resolution.

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Amendment of Governing Documents. Under Cayman Islands law and our memorandum and articles of association, our governing documents may only be amended with the vote of holders of two-thirds of our shares entitled to vote in person or by proxy at a shareholder meeting or, as permitted by our articles of association, by unanimous written consent.

*Rights of Non-Resident or Foreign Shareholders.*There are no limitations imposed by foreign law or by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

C. Material Contracts

During the two fiscal years immediately preceding this annual report, we have entered into the following material contracts, excluding contracts entered into in the ordinary course of business.

Commercial Arrangements

On October 23, 2012, the Group entered into a capital lease agreement with MinshengHongtai (Tianjin) Aircraft Leasing Co., Ltd. to lease a corporate aircraft with a lease term of 8 years and a quarterly lease payment of US$1.4 million. According to the contract, the company will pay US$6.7 million to repurchase the jet and get the ownership after 8 years lease term ended. The corporate aircraft was delivered on September 12, 2013, and the capital lease commenced on September 15, 2013 (the “Commencement Date”).The Group measured a capital lease asset and capital lease obligation at an amount equal to the present value of the minimum lease payments during the lease term, excluding the portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) as well as any profit thereon. The effective interest rate for the capital lease obligation is 10.47%. As of December 31, 2014, the capital lease obligation was US$16.4 million.

The group's continued expansion of operations both within and outside of the PRC has placed and will continue to place increasing demands on our project management, property acquisition and management personnel, including increasing travel demands. The aircraft will facilitate our land acquisition efforts, including the implementation of our negotiated purchase process, which will require additional travel and time spent at potential acquisition targets and enhance our efficiency in locating or managing development sites in multiple cities and jurisdictions.

Investment by TPG

On September 19, 2013, we issued an aggregate of 12,000,000 of our common shares and Convertible Note with an aggregate principal amount of $75,761,009, to TPG Asia, upon completion of a private placement pursuant to the TPG Securities Purchase Agreement. The Convertible Note and shares were issued without registration under the Securities Act pursuant to an exemption for transactions not involving any public offering. We received approximately US$108,600,000 of gross proceeds from the private placement. We redeemed the Convertible Note on November 21, 2014 for a total redemption amount of $86,272,849. For a description of the terms of the Convertible Note and the terms on which we redeemed the Convertible Note, see “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Debt Securities Issued in 2013, 2016 and 2017 - Convertible Note” included elsewhere in this annual report on Form 20-F.

Pursuant to the TPG Securities Purchase Agreement, subject to certain exceptions, we have agreed that so long as TPG Asia (including any transferee who has become a party to the Registration Rights Agreement discussed below) owns 10% or more of our common shares on an as converted basis, we will not issue any securities to any person unless we have offered TPG Asia the right to purchase up to its pro rata shares of such issuance at for the same per unit consideration and otherwise on the same terms and conditions. This pre-emptive right terminated when we redeemed the Convertible Note.

Also pursuant to the TPG Securities Purchase Agreement, we have agreed that TPG Asia, so as long as it holds at least five percent of our common shares on an as-converted basis, is entitled to appoint one member to our board of directors (the "TPG Investor Director") and to have the TPG Investor Director appointed to each of the board's committees, including our investment committee to the extent permitted by applicable law or regulatory authorities. We also agreed to enter into an indemnification agreement in a form mutually agreed to us and TPG Asia for the benefit of TPG Investor Director concurrently with his or her appointment and entered into such an indemnification agreement with Steve Sun in connection with his appointment to the board.

The TPG Securities Purchase Agreement contains customary representations and warranties and indemnification provisions. The agreement also contains a standstill agreement of TPG Asia.

We and TPG Asia also entered into a registration rights agreement dated as of September 19, 2013 (the "Registration Rights Agreement"). Pursuant to the terms and conditions of the Registration Rights Agreement, we filed with the SEC a registration statement on Form F-3 covering the resale of the common shares issued to TPG Asia at closing and issuable upon conversion of the Convertible Note. The Registration Rights Agreement also provides the holders of the commons shares certain demand and piggy back rights and contains other customary provisions.

In connection with the transaction, Mr. Yong Zhang, our Chairman, entered into the Chairman's Letter, pursuant to which Mr. Zhang agreed to certain contractual limitations on the transfer by him of our common shares which would constitute a Change of Control as defined in the Convertible Note and agreed to provide TPG Asia with tag-along rights in sales of common shares by the Chairman in certain limited circumstances. The Chairman's letter provides that se provisions terminate upon the first date following the closing on which TPG Asia and its affiliates no longer own at least 10% of our common shares on an as-converted basis and, therefore, the provisions terminated when we redeemed the Convertible Note. The Chairman's Letter also provides that, until the earlier of the repayment or conversion in full of the Convertible Note, without the prior written consent of TPG Asia, Mr. Zhang will not enter into any business that is engaged in the purchase, development construction or improvement of real estate in China, subject to certain limited exceptions. These provisions also terminated when we redeemed the Convertible Note. Mr. Zhang also agreed, so long as TPG Asia and its affiliates own at least 5% of our common shares on an as-converted basis, to use his reasonable best efforts to cause the TPG Investor Director to be elected to and not be removed from the board and to ensure the TPG Investor Director will be a member of our Investment Committee.

Bond Offerings

For a description of the June 2019 Senior Secured Notes and the August 2019 Senior Secured Notes Indenture, as amended, the August 2019 Senior Secured Notes and the August 2019 Senior Secured Notes Indenture, and the February 2021 Senior Secured Notes and the February 2021 Senior Secured Notes Indenture, see “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Debt Securities Issued in 2013, 2016 and 2017 - July 2019 Senior Secured Notes”, “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Debt Securities Issued in 2013, 2016 and 2017 - August 2019 Senior Secured Notes”, and “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Debt Securities Issued in 2013, 2016 and 2017 - February 2021 Senior Secured Notes”, respectively, included elsewhere in this annual report on Form 20-F.

For a description of the onshore corporate bonds, see “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS - B. Liquidity and Capital Resources - Onshore Corporate Bonds” included elsewhere in this annual report on Form 20-F.

D. Exchange Controls

Under current PRC foreign exchange rules, after complying with certain procedural requirements and producing commercial documents evidencing relevant transactions, RMB is convertible into other currencies without prior approval from the SAFE only for current account items, such as trade related payments, interest and dividends, etc. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC under capital account items, such as direct equity investments, loans and repatriation of investment, requires prior approval from the SAFE or its local office. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by the SAFE or its local office. Under the SAFE regulations, PRC companies and individuals may repatriate foreign currency revenues received from abroad back to China or they may retain the foreign currency revenues abroad. The term and conditions for both alternatives are subject to provisions further provided by the SAFE in accordance with international receipts and payments and the needs of foreign exchange administration. These restrictions could affect our ability to obtain foreign currency through debt or equity financing, or for capital expenditures.

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E. Taxation

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to payments made to and by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

The PRC Corporate Income Tax Law, or the CIT Law, and the Implementation for the CIT Law issued by the PRC State Council, became effective as of January 1, 2008. The CIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income (including dividend income received from subsidiaries). Under the Implementation for the CIT Law, a "de facto management body" is defined as a body that has material and overall management and control of the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. On April 22, 2009, the SAT issued the Circular 82, which was retroactively effective as of January 1, 2008. Under this notice, an overseas incorporated domestically controlled enterprise will be recognized as a PRC resident enterprise if it satisfies all of the following conditions: (i) the senior management responsible for daily production/ business operations are primarily located in the PRC, and the location(s) where such senior management execute their responsibilities are primarily in the PRC; (ii) strategic financial and personnel decisions are made or approved by organizations or personnel located in the PRC; (iii) major properties, accounting ledgers, company seals and minutes of board meetings and shareholder meetings, etc., are maintained in the PRC; and (iv) 50% or more of the board members with voting rights or senior management habitually reside in the PRC. Further, the SAT issued Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarified certain issues relating to the determination of PRC tax resident enterprise status, post-determination administration and the authorities responsible for determining offshore-incorporated PRC tax resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the in-charge tax authorities from an offshore-incorporated PRC tax resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the offshore incorporated PRC tax resident enterprise. However, as Circular 82 and Bulletin 45 only apply to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents or non-PRC enterprises such as our company. It is not clear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise.

Under the CIT Law and the Implementation for the CIT Law, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of our ADSs by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. For non-PRC individual investors, under PRC Individual Income Law, there could be a PRC income tax at a rate of 20% for such dividends or gains. If we are considered a PRC "resident enterprise," it is unclear whether dividends we pay with respect to our ADSs, or the gain you may realize from the transfer of our ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax as stated above. If we are not considered a PRC "resident enterprise", the holders of our ADSs that are non-PRC "resident enterprises" could be subject to PRC income tax for gains from transferring or otherwise disposing their ADSs, since such activities might be recognized as "transferring the equity interests of a PRC resident enterprise indirectly by disposing of the equity interests of an overseas holding company" under Circular 698 or Circular 7 or GATA. However, since Circular 7 specifies that it does not apply if a non-PRC resident enterprise purchases and sells equity of the same listed foreign enterprise in the open market and obtains the proceeds from indirect transfer of Chinese taxable property, for most our investors, who either are not enterprises, or are non-resident enterprises but only trade equity in the open market and gain proceeds, they will not be required to pay tax under Circular 7. It is also unclear whether, if we are considered a PRC "resident enterprise", holders of our ADSs might be able to claim the benefit of income tax treaties entered into between China and other countries.

U.S. Federal Income Taxation

Introduction

The following is a general discussion of certain U.S. federal income tax consequences of the ownership and disposition of the common shares or ADSs (evidenced by ADRs) by U.S. Holders (as defined below). This discussion applies only to U.S. Holders that hold the common shares or ADSs as capital assets.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation.

This discussion does not address all of the tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law (such as banks, other financial institutions, insurance companies, tax-exempt entities, retirement plans, regulated investment companies, real estate investment trusts, grantor trusts, partnerships, dealers or traders in securities, brokers, U.S. expatriates and certain former long-term U.S. residents, persons subject to the alternative minimum tax, persons who have acquired the shares or ADSs as part of a straddle, hedge, conversion transaction or other integrated investment, persons who generally mark their securities to market for U.S. federal income tax purposes, persons that have a "functional currency" other than the U.S. dollar, persons who are residents in the PRC for PRC tax purposes or persons that own directly, indirectly, or constructively 10% or more of the voting power of our stock). If a partnership holds common shares or ADSs, the consequences to a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding common shares or ADSs should consult its own tax adviser regarding the U.S. tax consequences of its investment in the common shares or ADSs through the partnership. This discussion does not address any U.S. state or local or non-U.S. tax considerations, any U.S. federal estate, gift or alternative minimum tax considerations or the U.S. federal unearned Medicare contribution tax.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of the common shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, created or organized in or under the laws of the United States or of any state or political subdivision thereof or therein, including the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source thereof, or (iv) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

In general, for U.S. federal income tax purposes, a U.S. Holder of an ADS will be treated as the owner of the common shares represented by the ADSs and exchanges of common shares for ADSs, and ADSs for common shares, will not be subject to U.S. federal income tax.

Investors should consult their tax advisors as to the particular tax considerations applicable to them relating to the ownership and disposition of the common shares or ADSs, including the applicability of U.S. federal, state and local tax laws or non-U.S. tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

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Dividends

Subject to the discussion below under “-Passive Foreign Investment Company,” the gross amount of any distribution (without reduction for any PRC tax withheld) made by us on the common shares or ADSs generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, when received by the U.S. Holder, in the case of common shares, or when received by the Depositary, in the case of ADSs. To the extent the amount of such distribution exceeds our current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s adjusted tax basis in such common shares or ADSs and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such common shares or ADSs. We, however, may not calculate earnings and profits in accordance with U.S. tax principles. In this case, all distributions by us to U.S. Holders will generally be treated as dividends. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Certain dividends received by non-corporate U.S. Holders in taxable years beginning after December 31, 2012, generally will be subject to a maximum income tax rate of 20%. These reduced income tax rates are applicable to dividends paid by “qualified foreign corporations” and only with respect to common shares or ADSs held for a minimum holding period of at least 61 days during a specified 121-day period, and if certain other conditions are met. We are considered a qualified foreign corporation with respect to the ADSs because our ADSs are listed on the NYSE. Accordingly, subject to the discussion below under “-Passive Foreign Investment Company,” dividends paid by us with respect to the ADSs generally should be eligible for the reduced income tax rates.

The U.S. Treasury Department has announced its intention to promulgate rules pursuant to which U.S. Holders of the common shares or ADSs and intermediaries through whom such common shares or ADSs are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends eligible for the reduced rates, described above. Because such rules have not yet been issued, it is not clear whether we will be in a position to comply with them. Investors should consult their tax advisors regarding the availability of the lower rates for dividends paid with respect to our ADSs or common shares.

Dividends paid by us will constitute income from sources outside the United States for U.S. foreign tax credit limitation purposes and will be categorized as “passive category income” or, in the case of certain U.S. Holders, as “general category income” for U.S. foreign tax credit purposes.

In the event that we are deemed to be a PRC resident enterprise under the CIT Law (see discussion under “ITEM 10. ADDITIONAL INFORMATION - E. Taxation - People’s Republic of China Taxation”), you may be subject to PRC withholding taxes on dividends paid to you with respect to the common shares or ADSs. Subject to generally applicable limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. However, such foreign tax credit may be disallowed, if the U.S. Holder has held such shares for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss, or is obligated to make payments related to the dividends. The rules relating to the U.S. foreign tax credit are complex and U.S. Holders may be subject to various limitations on the amount of foreign tax credits that are available. In addition, if the dividends are taxed as qualified dividends (as discussed above), the amount of the dividend taken into account for purposes of calculating a U.S. Holder's foreign tax credit limitation will generally be limited to the gross amount of the taxable dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. U.S. Holders should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

A distribution of additional common shares or ADSs to U.S. Holders with respect to their common shares or ADSs that is made as part of a pro rata distribution to all shareholders generally may not be subject to U.S. federal income tax.

Sale or Other Disposition of Ordinary common shares or ADSs

Subject to the discussion below under “-Passive Foreign Investment Company,” a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of the common shares or ADSs in an amount equal to the difference between the amount realized from such sale or disposition and the U.S. Holder’s adjusted tax basis in such common shares or ADSs. Such gain or loss generally will be a capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders) or loss if, on the date of sale or disposition, such common shares or ADSs were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Any gain or loss on the sale or disposition will generally be treated as U.S. source income or loss for U.S. foreign tax credit limitation purposes.

In the event that we are deemed to be a PRC "resident enterprise" under the PRC tax law, you may be eligible for the benefits of the income tax treaty between the United States and the PRC. Under that treaty, if any PRC tax was to be imposed on any gain from the disposition of common shares or ADSs, the gain may be treated as PRC-source income. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the common shares or ADSs, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company

Based on the composition of our assets and income, although not free from doubt, we do not believe we were a PFIC in 2016 and do not expect to be a PFIC for U.S. federal income tax purposes with respect to our current taxable year or the foreseeable future. The determination of PFIC status is dependent upon the composition of all income and assets and such determination must be made at the close of each taxable year. Changes in the nature of our income, assets or activities, or a decrease in the share price of the common shares or ADSs, may cause us to be considered a PFIC in the current or any subsequent year. Accordingly, we cannot assure you that we were not a PFIC for the year ended December 31, 2016 or will not be a PFIC for the current taxable year ending December 31, 2017 or any future taxable years.

In general, a non-U.S. corporation will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is "passive income" or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions. Passive income does not include certain rents and royalties derived from the active conduct of a trade or business. If we own at least 25% (by value) of the stock of another corporation, we will be treated for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

If we are a PFIC in any year during which a U.S. Holder owns the common shares or ADSs, such U.S. Holder may experience certain adverse tax consequences. Such U.S. Holder could be liable for additional taxes and interest charges upon (i) distributions received by the U.S. Holder on our common shares or ADSs during the year, but only to the extent that the aggregate of the distributions for the taxable year exceeds 125% of the average amount of distributions received by the U.S. Holder in the preceding three years, or (ii) upon a sale or other disposition of the common shares or ADSs at a gain (each an "excess distribution"). The tax will be determined by allocating the excess distribution ratably to each day of the U.S. Holder's holding period. The amount allocated to the current taxable year and any taxable year with respect to which we were not a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for such taxable years and, in addition, an interest charge will be imposed on the amount of such taxes.

If we are a PFIC for any year during which a U.S. Holder holds the common shares or ADSs, the U.S. Holder generally will be subject to the rules described in the above paragraph for that year and for all succeeding years during which the U.S. Holder holds such shares or ADSs. These adverse tax consequences may be mitigated if the U.S. Holder is eligible to and does elect to annually mark-to-market the common shares or ADSs. If a U.S. Holder makes a mark-to-market election, such holder will generally include as ordinary income the excess, if any, of the fair market value of the ADSs or common shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the ADSs or common shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Any gain recognized on the sale or other disposition of the ADSs or common shares will be treated as ordinary income. The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable Treasury regulations. The ADSs are listed on the NYSE, and we expect, although no assurance can be given, that they will be regularly traded on the NYSE. The stock of any of our subsidiaries that are PFICs, however would not be eligible for the mark-to-market election.

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A U.S. Holder's adjusted tax basis in the common shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares or ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

In general, if a non-U.S. corporation is a PFIC, a holder of shares in that corporation may avoid taxation under the rules described by making a "qualified electing fund" election to include its share of the corporation's income on a current basis (or, in certain cases by making a "deemed sale" election once the corporation no longer qualifies as a PFIC). However, a U.S. Holder may make a qualified electing fund election with respect to the common shares or ADSs only if we agree to furnish the U.S. Holder annually with certain tax information, and we do not intend to prepare or provide such information.

The reduced tax rate for dividend income, as discussed above under "-Dividends," is not applicable to any dividends paid by a PFIC or amounts included in income under the mark-to-market election. If we are regarded as a PFIC, a U.S. Holder of common shares or ADSs must make an annual return on IRS Form 8621, reporting distributions received and gains realized with respect to these interests. In addition, each U.S. Holder who is a shareholder of a PFIC is required to file an annual report containing such information as the IRS may require. This requirement is in addition to other reporting requirements applicable to ownership in a PFIC.

Investors should consult their own tax advisors regarding the U.S. federal income tax consequences of an investment in a PFIC.

Backup Withholding Tax and Information Reporting and Disclosure Requirements

Dividend payments made to U.S. Holders and proceeds paid from the sale or other disposition of their common shares or ADSs may be subject to information reporting to the Internal Revenue Service and possible U.S. federal backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service in a timely manner and furnishing any required information.

Investors should consult their own tax advisors as to their qualification for an exemption from backup withholding and the procedure for obtaining this exemption.

Certain U.S. Holders may be required to report information with respect to such holder's interest in "specified foreign financial assets" (as defined in Section 6038D of the Code), including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," if the aggregate value of all such assets exceeds certain thresholds. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties. U.S. Holders are urged to consult their own tax advisors regarding the foreign financial asset reporting obligations and their possible application to the holding of the common shares or ADSs

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

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H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In accordance with Section 203.01 of the NYSE Listed Company Manual, we will post this annual report on our website at www.xyre.com.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. We have not in the past used derivatives to manage our exposure to market interest rate risk or foreign exchange risk. The following discussion and analysis, which involves “forward-looking statements” that involve risk and uncertainties, summarizes our exposure to different market risks.

Foreign Exchange Risk

We and our subsidiaries are principally engaged in real estate development and the provision of property management services in the PRC. We started U.S. business operations, which is mainly residential real estate development, as well as resale, in 2012. The functional currency of our PRC subsidiaries is the Renminbi, while that of our subsidiaries in the U.S. is U.S. dollars. Our reporting currency is the U.S. dollar. We translate the PRC operating results using the average exchange rate for the year and we translate the PRC financial position at the year-end exchange rate. The PRC subsidiaries’ significant net asset position as of December 31, 2015 coupled with the fact that the RMB strengthened against the US$ during the year ended December 31, 2015, resulted in foreign exchange translation losses. The foreign currency translation losses recognized in our other comprehensive income amounted to $65.6 million for the year ended December 31, 2016.

A significant portion of our revenues is denominated in RMB. However, we have substantial U.S. dollar denominated obligations, including the obligation to pay interest and principal on our secured debt and capital commitments to support our U.S. business operations. Accordingly, any significant fluctuation between the RMB and the U.S. dollar could expose us to foreign exchange risk. We do not currently hedge our exchange rate exposure. We evaluate such risk from time to time and may consider engaging in hedging activities in the future to the extent we deem appropriate. Such hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

The RMB is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 1, 2005, the PRC government changed its previous policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Since July 21, 2005, this change in policy has resulted in an approximately 16.2% appreciation of the RMB against the U.S. dollar through December 31, 2016. There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies would make any new RMB-denominated investments or expenditures more costly to us, to the extent that we need to convert foreign currencies into RMB for such purposes. On August 11, 2015, the PBOC allowed the RMB to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last. However, any significant depreciation in the exchange rates of the RMB against the U.S. dollar could adversely affect the value of any dividends paid by us to our shareholders, which would be funded by RMB but paid in U.S. dollars. There can be no assurance that any future movements in the exchange rate of the RMB against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition (including our ability to pay dividends). A significant depreciation in the RMB against major foreign currencies may have a material adverse impact on our results of operations, financial condition and share price because our reporting currency is the U.S. dollar and our ADSs are expected to be quoted in U.S. dollars, whereas our revenues, costs and expenses are largely denominated in RMB.

Interest Rate Risk

The cost of financing is sensitive to fluctuations in interest rates. Our bank borrowings bear interest at variable rates, and an increase in interest rates would increase our costs there under. Our net income is affected by changes in interest rates as a result of the impact such changes have on interest income from, and interest expense on, short-term deposits and other interest-bearing financial assets and liabilities. In addition, our sales are also sensitive to fluctuations in interest rates. An increase in interest rates would adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand. Higher interest rates, therefore, may adversely affect our revenues, gross profits and net income, and our ability to raise and service debt and to finance our developments.

Our indebtedness consists primarily of short-term and long-term bank borrowings, secured debt and onshore corporate bonds. As of December 31, 2016, we had US$178.6 million of short-term borrowings, with US$34.4 million denominated in USD and US$144.2 million denominated in RMB, which bear interest rates ranging from 2.02% per annum to 8.30% per annum, with a weighted average interest rate at such date of 6.53%. US$252.2 million of long-term bank loans, including current portions of long-term bank loans, bear floating interest rates, which are based on 110% to 130% of PBOC benchmark rates in the following years. US$75.1 million of long-term debt, including current portions of long-term debt bear floating interest rates, which are based on Libor benchmark rates in the following years. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. The PBOC-published benchmark one-year lending rate in China, which directly affects the property mortgage rates offered by commercial banks in China, as at December 31, 2014, 2015 and 2016 was 5.60% , 4.35% and 4.35%, respectively.

As of December 31, 2016, the principal amount of our aggregate outstanding variable rate debt, including long-term bank loans, was US$405.0 million. A hypothetical 1% increase in annual interest rates would increase our interest cost by approximately US$4.1 million per year based on our debt level at December 31, 2016. The senior secured notes and other debt, except the above-mentioned US$75.1 million of floating rate debt, bear fixed interest rates and therefore, interest rate risk is low.

Credit Risk

We provide guarantees to mortgage lending banks in respect of the mortgage loans provided to the purchasers of our properties in the PRC up until completion of the registration of the mortgage with the relevant authorities, which generally occurs within six to 12 months after the purchaser takes possession of the relevant properties. If a purchaser defaults under the loan while our guarantee is in effect and we repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank must assign its rights under the loan and the mortgage to us and, after the registration of the mortgage, we will have full recourse to the property. In line with what we believe is industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2016, we had outstanding guarantees of mortgages in the principal amount of US$1,672.9 million. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the mortgage lending bank may require us to repay the outstanding amount under the loan plus any accrued interest. In this event, although we are able to retain the customer’s deposit and sell the property to recover any amounts paid by us to the bank, there can be no assurance that we would be able to sell the property at a price equal to or greater than the amount we paid on the defaulting purchaser’s outstanding loan amount and any accrued interest thereon. We paid US$1.8 million to satisfy guarantee obligations related to customer defaults for the year ended December 31, 2016.

During parts of 2011 and 2012 we offered certain homebuyers seller-financing arrangements. All the homebuyers entered into such arrangement were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via our management reporting procedures. We provided longer payment terms, ranging between six months to two years to particular home buyers after applying strict credit requirements based on our credit policy. In the second half of 2012, execution of seller-financed contracts dropped significantly. From the fourth quarter of 2012, we stopped offering seller-financed contracts to second home buyers. Commencing in the second quarter of 2014, the Group again offer seller-financed contracts. As of December 31, 2015 and 2016, there is no concentration of credit risk with respect to receivables and we do not have a significant exposure to any individual debtor. Since 2013, PRC banks have tightened the distributions of mortgage loans to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. We took the position that the processing periods of the contracts with underlying mortgage loans exceeding one year cannot be recognized as revenue under the percentage of completion method.

As of December 31, 2016 our cash and cash equivalents totaled US$578.2 million and restricted cash totaled US$328.5 million, predominately deposited in accounts maintained with state-owned bank within the PRC. We have not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

Inflation

Inflation has not had a significant effect on our business during the past three years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.0%, 1.4% and 2.0% in 2014, 2015 and 2016, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. As of the date of this annual report, we have not been materially affected by any inflation or deflation.

Item 12. Description of Securities other than Equity Securities

Our common shares, in the form of ADSs, each representing two common shares, are listed on the NYSE. JPMorgan Chase Bank, N.A. serves as the depositary for the ADSs. JPMorgan Chase Bank, N.A.'s principal executive office is located at Four New York Plaza, New York, New York 10004.

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the deposit agreement, US$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. ADSs are represented and evidenced by American depositary receipts, or ADRs.

The depositary may charge the following the additional amounts to ADR holders:

- a fee of US$0.02 or less per ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;
- a fee of US$0.05 per ADS (or portion thereof) per calendar year for services performed by the depositary in administering our ADR program;
- any other charge payable by any of the depositary, any of the depositary’s agents, including, without limitation, the custodian, or the agents of the depositary’s agents in connection with the servicing of our shares or other deposited securities;

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- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;

- stock transfer or other taxes and other governmental charges;

- cable, telex and facsimile transmission and delivery charges incurred upon request of an ADR holder;

- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;

- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and

- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

The fees described above may be amended from time to time.

The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities (except under limited circumstances mandated by securities regulations). If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

The depositary may remit to us all or a portion of the depositary fees charged for the reimbursement of certain of the expenses we incur in respect of the ADS program established pursuant to the deposit agreement upon such terms and conditions as we may agree from time to time. In the year ended December 31, 2016, the depositary reimbursed us nil with respect to certain fees and expenses.

The table below sets forth the types of expenses that the depositary has agreed to reimburse and the amounts reimbursed in 2016.

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Category of Expenses	**Amount Reimbursed in the Year Ended December 31, 2016 (US$)**
Investor relations marketing	-
Legal	-
Total	-

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures within the meaning of Rule 13a-15(e) of the Exchange Act as of the end of the period covered by this report. Based on such evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by our company in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time period specified in the SEC rules and forms, and (ii) accumulated and communicated to our management, including our chief executive officer and interim chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13(a)-15(f) and 15(d)-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management, under the supervision and with the participation of our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control-Integrated Framework (2013 Framework), our management concluded that, as of December 31, 2016, our internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young Hua Ming LLP, an independent registered public accounting firm, as stated in their attestation report thereon which appears herein.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2016, there were no changes in our internal control over financial reporting that occurred during the period covered by the report for the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Xinyuan Real Estate Co., Ltd.

We have audited Xinyuan Real Estate Co., Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—*Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)* (the “COSO criteria”). Xinyuan Real Estate Co., Ltd. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Xinyuan Real Estate Co, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Xinyuan Real Estate Co., Ltd and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2016 of Xinyuan Real Estate Co., Ltd. and subsidiaries and our report dated March 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP

Beijing, People's Republic of China
March 27, 2017

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PART III

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Thomas Gurnee, the chairman of our audit committee, qualifies as an audit committee financial expert under applicable SEC rules.

Item 16B. Code of Ethics

Our board of directors has adopted a code of business conduct and ethics that pertains to our directors, officers and employees with certain provisions that specifically apply to our chief executive officer, chief financial officer, vice presidents and any other persons who perform similar functions for us. Our code of business conduct and ethics is available at our website at ir.xyre.com.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our independent registered public accounting firm, for the periods indicated.

	For the Year Ended December 31,		
	2014	2015	2016
	US$	US$	US$
Audit fees (1)	1,284,512	1,332,859	1,295,156
Audit-related fees (2)	170,617	172,308	293,669
Tax fees (3)	-	-	-
All other fees (4)	-	-	-

(1) "Audit fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements and the quarterly procedures performed for our comparative interim financial statements.

(2)

"Audit related fees" represents aggregate fees billed for professional services rendered by our independent registered public accounting firm for assurance and related services. In 2014, such services consisted principally of a SAS 100 review of the Company's June 30, 2014 financial statements incorporated by reference into the F-3 registration statement and the issuance of their consent in the Form S-8 filing in September 2014. In 2015, such services consisted principally of a SAS 100 review of the Company's June 30, 2015 financial statements incorporated by reference into the F-3 registration statement and the issuance of their consent in the Form S-8 filing in June 2015. In 2016, such services consisted principally of a SAS 100 review of the Company's June 30, 2016 financial statements incorporated by reference into the F-3 registration statement and the issuances of our August 2019 Senior Secured Notes in August 2016.

(3) There were no tax fees billed in 2014, 2015 and 2016.

(4) There were no other fees billed in 2014, 2015 and 2016.

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee. Our audit committee has adopted a project-by-project approach in pre-approving proposed services. All requests or applications for services to be provided by our independent auditors require a detailed description of the services to be rendered and will be presented to our audit committee for pre-approval.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

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Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Effective July 12, 2013, our board of directors approved a US$60 million share repurchase program (the “2013 authorization”). The 2013 authorization permitted us to purchase shares from time to time in the open market through July 2015.

Effective December 28, 2015, our board of directors approved a new US$40 million share repurchase program through December 2017 (the "2015 Authorization"). This program will be funded from available working capital. Repurchases under the 2015 program will be made from time to time through a combination of open market and privately negotiated transactions. The per share price cap will be determined from time to time in the discretion of management.

Effective March 21, 2017, our board of directors approved a new US$40 million share repurchase program through December 2019 (the "2017 Authorization") to be effective upon the earlier of completion or expiration of the 2015 Authorization. This program will be funded from available working capital. Repurchases under the 2017 program will be made from time to time through a combination of open market and privately negotiated transactions. The per share price cap will be determined from time to time in the discretion of management.

The following table sets forth a summary of our repurchase of our ADSs made from January 1, 2016 to December 31, 2016.

Period	Total Number of ADSs Purchased(1)(2)	Average Price Paid Per ADS (US$)	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate U.S. Dollar Value of ADSs that May Yet Be Purchased Under the Programs
January 1 through January 31	751,559	3.52	842,511	37,024,123
February 1 through February 29	1,044,208	3.61	1,886,719	33,253,908
March 1 through March 31	1,838,473	4.22	3,725,192	25,497,177
April 1 through April 30	1,387,008	5.08	5,112,200	18,451,155
November 1 through November 30	496,666	5.28	5,608,866	15,827,322

December 1 through December 31	1,081,205	5.41	6,690,071	9,979,322
Total	6,599,119	4.50	6,690,071	9,979,322

(1) In 2016, we repurchased 6,599,119 ADSs under the 2015 Authorization.
(2) Our ADS to common share ratio is one ADS for two common shares.

Item 16F. Change in Registrant’s Certifying Accountant

None.

Item 16G. Corporate Governance

Our ADSs are listed on the NYSE and we are therefore subject to corporate governance requirements of the NYSE. We are incorporated in the Cayman Islands and thus our corporate governance practices are also governed by applicable Cayman Islands law. Under Section 303A of the NYSE Listed Company Manual, NYSE-listed non-U.S. companies may, in general, follow their home country corporate governance practices in lieu of some of the NYSE corporate governance requirements.

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The NYSE Listed Company Manual requires that the board of directors of a listed company consist of a majority of independent directors, as defined by the NYSE from time to time. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of directors of a corporation to be independent. As of the date of this annual report, the majority of our directors are not independent directors as defined by the NYSE. Our board is currently composed of ten directors, four of whom are current officers of the Company or one of its subsidiaries, five of whom are current directors of one of the Company's subsidiaries and two of whom are former executive officers of our company. Under NYSE rules, all non-management directors are required to meet periodically in executive session, without any members of management present. The corporate governance practice in our home country does not require such meetings and, accordingly, our non-management directors do not meet in executive session.

The NYSE Listed Company Manual requires each issuer to have a nominating and corporate governance committee and a compensation committee composed entirely of independent directors. In addition, each of those committees must have a written charter setting out, at a minimum, certain prescribed duties. The corporate governance practice in our home country, the Cayman Islands, does not require the implementation of a compensation committee, nor a nominating and corporate governance committee, nor does it require any such committees to be comprised solely of independent directors. We have established a separate compensation committee and a nominating and corporate governance committee. However, neither of the committees consists solely of independent directors. Each committee has a written charter which is available on our corporate website. However, the committees have not adopted and implemented all of the duties prescribed for such committee by the NYSE.

The NYSE Listed Company Manual requires listed companies to have an audit committee that satisfies the requirements of Section 10A of the Exchange Act. As a foreign private issuer, we are not required to comply with certain other NYSE rules related to audit committees, including the requirements to have a minimum of three members and that the members satisfy the additional "independence" standards of Section 303A.02 of the New York Stock Exchange Listed Company Manual. Our audit committee has, as of the date of this annual report, three members (including one with observer rights but no voting rights), each of whom satisfies the “independence” requirements of Rule 10A-3 under the Exchange Act, and one such member qualifies as an “audit committee financial expert” under applicable SEC rules.

In addition to the board governance rules described above, the NYSE Listed Company Manual requires shareholder action in connection with certain share issuances by a listed company. Specifically, shareholder approval is required in connection with an issuance of an amount of equity securities equal to or greater than 20% of the outstanding voting power or equity interest of the company, subject to limited exceptions. Shareholder approval is also required for the adoption of or material revision to an equity compensation plan, which is defined as a plan or other arrangement that provide for the delivery of equity securities of the company to any employee, director or other service provider as compensation for services. Our home country corporate governance does not require shareholder action in either situation and, accordingly, such actions may be and are taken on behalf of our company with just board or board committee action.

Item 16H. MINE Safety

Not applicable.

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Xinyuan Real Estate Co., Ltd. are included at the end of this annual report.

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of Xinyuan Real Estate Co., Ltd. (incorporated by reference to Exhibit 3.1 to the registrant’s F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
1.2	Amendment to Amended and Restated Articles of Association of Xinyuan Real Estate Co., Ltd. (incorporated by reference to Exhibit 99.5 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on December 10, 2009)
2.1	Deposit Agreement, dated as of December 11, 2007, among Xinyuan Real Estate Co., Ltd., JPMorgan Chase Bank, N.A., as depositary, and holders of American Depositary Shares (incorporated by reference to Exhibit 2.5 to Amendment No. 1. to the registrant’s annual report (File No. 001-33863), as amended, initially filed with the SEC on September 29, 2009)
2.2	Indenture, dated as of December 6, 2013, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule 1 thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agreement (incorporated by reference to Exhibit 99.1 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on December 9, 2013)
2.3	Indenture Supplement No. 1dated as of February 13, 2015, among Citicorp International Limited as Trustee, Citicorp International Limited as Shared Security Agent, Xinyuan Real Estate Co., Ltd. and the entities listed in Schedules I thereto as the Subsidiary Guarantors to the Indenture, dated as of May 3, 2013 with respect to the registrant’s 13% June 2019 Senior Secured Notes (incorporated by reference to Exhibit 99.2 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on February 13, 2015)
2.4	Indenture Supplement No. 2, dated as of February 3, 2016, among Citicorp International Limited as Trustee, Citicorp International Limited as Shared Security Agent, Xinyuan Real Estate Co., Ltd. and the entities listed in Schedule I as the Subsidiary Guarantors, to the Indenture, dated as of December 6, 2013, with respect to the registrant's 13% June 2019 Senior Secured Notes (incorporated by reference to Exhibit 99.3 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on February 3, 2016)
2.5	Global note representing the 13% June 2019 Senior Secured Notes (US$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on December 9, 2013)
2.6	Indenture, dated as of August 30, 2016, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on August 30, 2016)
2.7	Global note representing the 8.125% August 2019 Senior Secured Notes (US$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on August 30, 2016)
2.8	Indenture, dated as of February 28, 2017, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on February 28, 2017)
2.9	Global note representing the 7.75% February 2021 Senior Secured Notes (US$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant’s Form 6-K (File No. 001-33863) filed with the SEC on February 28, 2017)
4.1	

	2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant’s F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
4.2	2007 Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant’s F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
4.3	2014 Restricted Stock Unit Plan (incorporated by reference to Exhibit 4.3 to the registrant's Annual Report on Form 20-F (File No. 001-33863), filed with the SEC on April 27, 2015)
4.4	2015 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the registrant's Form S-8 (File No. 333-205371) filed with the SEC on June 30, 2015)

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4.5	Amended and Restated shareholders agreement, dated as of October 31, 2007, among Blue Ridge China Partners, L.P., EI Fund II China, LLC, Yong Zhang, Yuyan Yang, Xinyuan Real Estate, Ltd., Xinyuan Real Estate Co., Ltd. and, to the extent set forth herein, Burnham Securities Inc. and Joel B. Gardner (incorporated by reference to Exhibit 10.10 to the registrant's F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
4.6	English Summary of the Capital Lease Agreement dated as of October 23, 2012, by and among MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd., and Henan Xinyuan Real Estate Co., Ltd. (Original Language: Chinese) (incorporated by reference to Exhibit 4.7 to the registrant's Annual Report on Form 20-F (File No. 001-33863), filed with the SEC on April 15, 2013)
4.7	English Summary of the Guarantee Agreement dated as of October 23, 2012, by and among MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd., Xinyuan (China) Real Estate , Ltd. and Henan Xinyuan Real Estate Co., Ltd. (Original Language: Chinese) (incorporated by reference to Exhibit 4.8 to the registrant's Annual Report on Form 20-F for the year ended December 31, 2012 (File No. 001-33863), filed with the SEC on April 15, 2013)
4.8	Securities Purchase Agreement, dated as of August 26, 2013, among Xinyuan Real Estate Co., Ltd , the guarantors named therein and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
4.9	Registration Rights Agreement, dated as of September 19, 2013, between Xinyuan Real Estate Co., Ltd. and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.5 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
4.10	Letter Agreement, dated September 19, 2013, between Yong Zhang and TPG ASIA VI SF PTE. LTD. (incorporated by reference to Exhibit 99.6 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 19, 2013)
8.1*	Subsidiaries of Xinyuan Real Estate Co., Ltd.
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 to the registrant's F-1 registration statement (File No. 333-147477), as amended, initially filed with the SEC on November 16, 2007)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
23.1*	Consent of Ernst & Young Hua Ming LLP
101*	The following materials from Xinyuan Real Estate Co., Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statement of Operations, (ii) the Condensed Consolidated Balance Sheet, (iii) the Condensed Consolidated Statement of Stockholders' Equity, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.

* Filed with this Annual Report on Form 20-F

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Xinyuan Real Estate Co., Ltd.

By:	/s/ Lizhou Zhang
Name:	Lizhou Zhang
Title:	Chief Executive Officer

Date: March 27, 2017

Xinyuan Real Estate Co., Ltd. and Subsidiaries

As of December 31, 2015 and 2016

For the years ended December 31, 2014, 2015 and 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Xinyuan Real Estate Co., Ltd.

We have audited the accompanying consolidated balance sheets of Xinyuan Real Estate Co., Ltd. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, cash flows and changes in shareholders’ equity for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Xinyuan Real Estate Co., Ltd. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

As discussed in *Note 2. Summary of Significant Accounting Policies* to the consolidated financial statements, the Company changed its presentation of debt issuance costs as a result of the adoption of FASB Accounting Standard Update No. 2015-03, effective January 1, 2016.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Xinyuan Real Estate Co., Ltd. and subsidiaries’ internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming LLP

Beijing, People's Republic of China

March 27, 2017

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of December 31, 2015 and 2016
(All amounts stated in US$, except for number of shares data)

	Notes	December 31, 2015 US$	December 31, 2016 US$
ASSETS			
Current assets			
Cash and cash equivalents		387,528,092	578,244,378
Restricted cash		363,137,210	328,499,059
Short-term investments	3	1,244,646	39,310,595
Accounts receivable		42,040,320	32,703,517
Other receivables		147,651,234	31,822,187
Deposits for land use rights		46,199,335	153,252,126
Other deposits and prepayments		254,048,288	525,263,384
Advances to suppliers		50,534,250	27,457,335
Real estate properties development completed	4	24,076,559	477,179,252
Real estate properties under development (including real estate properties under development of the consolidated variable interest entities (“Consolidated VIEs”) to be used only to settle obligations of the Consolidated VIEs of US$321,477,961 and US$105,056,385 as of December 31, 2015 and December 31, 2016, respectively)	4	1,887,321,801	1,719,135,164
Amounts due from related parties	18	58,630,172	17,731,875
Amounts due from employees	18	350,919	620,462
Other current assets		200,891	225,785
Total current assets		3,262,963,717	3,931,445,119
Real estate properties held for lease, net	5	71,132,582	159,873,934
Deposits for land use rights		107,798,448	28,830,907
Property and equipment, net	6	39,323,322	34,090,096
Other long-term investment	7	31,107,552	241,648
Investment in joint ventures	8	6,124,827	7,555,911
Deferred tax assets	15	15,488,557	49,689,528
Other assets		14,944,179	24,718,147
TOTAL ASSETS		3,548,883,184	4,236,445,290

LIABILITIES AND SHAREHOLDERS’ EQUITY

Current liabilities		
Accounts payable and notes payable (including accounts payable and notes payable of the Consolidated VIEs without recourse to the primary beneficiary of US$51,564,352 and US$2,321,966 as of December 31, 2015 and December 31, 2016, respectively)	471,175,849	524,663,366

	Notes	December 31, 2015 US$	**December 31, 2016 US$**
Short-term bank loans and other debt	10	222,226,246	178,576,151
Customer deposits (including customer deposits of the Consolidated VIEs without recourse to the primary beneficiary of US$11,510,875 and nil as of December 31, 2015 and December 31, 2016, respectively)	14	64,451,511	150,545,253
Income tax payable (including income tax payable of the Consolidated VIEs without recourse to the primary beneficiary of US$9,011,064 and nil as of December 31, 2015 and December 31, 2016, respectively)		106,034,490	120,573,148
Deferred tax liabilities	15	57,692,275	79,606,467
Other payables and accrued liabilities (including other payables and accrued liabilities of the Consolidated VIEs without recourse to the primary beneficiary of US$9,884,086 and US$1,583,399 as of December 31, 2015 and December 31, 2016, respectively)	17	106,126,369	199,661,165
Payroll and welfare payable (including payroll and welfare payable of the Consolidated VIEs without recourse to the primary beneficiary of US$2,017,480 and nil as of December 31, 2015 and December 31, 2016, respectively)		22,966,053	19,521,772
Current portion of long-term bank loans and other debt (including current portion of long-term bank loans and other debt of the Consolidated VIEs without recourse to the primary beneficiary of US$122,890,230 and nil as of December 31, 2015 and December 31, 2016, respectively)	11, 12	594,834,196	704,695,082
Current maturities of capital lease obligations	13	3,065,612	3,923,394
Mandatorily redeemable non-controlling interests	2(a)	2,309,967	12,613,522
Amounts due to related parties	18	-	66,229,724
Total current liabilities		1,650,882,568	2,060,609,044
Long-term bank loans	11	13,859,800	235,885,009
Deferred tax liabilities	15	13,500,239	13,500,239
Unrecognized tax benefits	15	17,842,283	20,491,988
Other long-term debt (including other long-term debt of the Consolidated VIEs without recourse to the primary beneficiary of US$65,603,055 and nil as of December 31, 2015 and December 31, 2016, respectively)	12	897,503,703	974,791,324
Capital lease obligations, net of current maturities	13	18,111,007	15,015,508
Mandatorily redeemable non-controlling interests (including mandatorily redeemable non-controlling interests of the Consolidated VIEs without recourse to the primary beneficiary of US$615,991 and nil as of December 31, 2015 and December 31, 2016, respectively)	2(a)	1,231,982	-
Total liabilities		2,612,931,582	3,320,293,112

	Notes	December 31, 2015 **US$**	**December 31, 2016** **US$**
Commitments and contingencies	22	-	-
Shareholders' equity			
Common shares, US$0.0001 par value:			
Authorized-500,000,000 shares; shares issued and outstanding-131,426,741 shares as of December 31, 2016 (December 31, 2015: 142,802,936 shares)	19	15,835	16,051
Treasury shares	19	(24,045,440)	(53,734,088)
Additional paid-in capital		531,233,336	538,414,246
Statutory reserves		80,049,764	95,973,296
Retained earnings		317,765,089	354,273,848
Accumulated other comprehensive income	24	30,951,837	(34,682,888)
Total Xinyuan Real Estate Co., Ltd. shareholders' equity		935,970,421	900,260,465
Non-controlling interest	25	(18,819)	15,891,713
Total equity		935,951,602	916,152,178
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,548,883,184	4,236,445,290

The accompanying notes are an integral part of these consolidated financial statements.

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2014, 2015 and 2016
(All amounts stated in US$, except for number of shares data)

	Notes	Year ended December 31		
		2014	2015	2016
		US$	US$	US$
Revenue:				
Real estate sales, net of sales taxes of US$53,185,957 in 2014, US$67,023,202 in 2015 and US$30,105,069 in 2016		892,825,892	1,134,466,776	1,524,968,403
Real estate management services income		21,563,570	21,611,201	30,022,747
Real estate lease income		4,936,186	6,573,263	5,946,051
Other revenue		422,025	1,672,758	687,492
Total revenue		919,747,673	1,164,323,998	1,561,624,693
Costs of revenue:				
Cost of real estate sales		(650,573,170)	(866,242,863)	(1,174,571,926)
Cost of real estate management services		(20,439,545)	(19,442,859)	(24,281,442)
Cost of real estate lease income		(3,173,215)	(3,956,322)	(3,682,645)
Other costs		(3,396,187)	(1,691,848)	(1,100,367)
Total costs of revenue		(677,582,117)	(891,333,892)	(1,203,636,380)
Gross profit		242,165,556	272,990,106	357,988,313
Selling and distribution expenses		(39,493,575)	(52,126,074)	(58,213,716)
General and administrative expenses		(105,622,486)	(115,329,011)	(120,415,631)
Operating income		97,049,495	105,535,021	179,358,966
Interest income		14,577,322	24,503,736	20,916,567
Interest expense		(28,200,767)	(20,281,416)	(29,856,832)
Loss on extinguishment of debt	12	(9,848,931)	-	(12,123,750)
Net realized gain on short-term investments	3	3,128,014	603,078	2,505,696
Unrealized gain on short-term investments	3	122,033	49,443	235,334
Exchange gains		706,108	403,286	458,959
Other income		3,212,606	5,945,120	4,540,227
Share of (loss)/gain of equity investees	8	(1,691,897)	2,234,635	(324,612)
Income from operations before income taxes		79,053,983	118,992,903	165,710,555
Income taxes	15	(30,557,618)	(52,511,318)	(86,247,875)

Net income		48,496,365	66,481,585	79,462,680
Net loss/(income) attributable to non-controlling interest	25	19,365	522	(6,485,132)
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders		48,515,730	66,482,107	72,977,548

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	Notes	Year ended December 31 2014	2015	2016
		US$	US$	US$
Earnings per share:				
Basic	20	0.32	0.47	0.55
Diluted	20	0.29	0.45	0.53
Shares used in computation:				
Basic	20	151,935,765	142,625,427	133,261,510
Diluted	20	177,118,235	146,487,949	137,653,029
Other comprehensive loss, net of tax of nil				
Foreign currency translation adjustments		(3,354,027)	(73,604,028)	(66,273,588)
Comprehensive income/(loss)		45,142,338	(7,122,443)	13,189,092
Comprehensive loss/(income) attributable to non-controlling interest		19,440	(621)	(5,846,269)
Comprehensive income/(loss) attributable to Xinyuan Real Estate Co., Ltd. shareholders		45,161,778	(7,123,064)	7,342,823

The accompanying notes are an integral part of these consolidated financial statements.

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014, 2015 and 2016
(All amounts stated in US$, except for number of shares data)

	Year ended December 31		
	2014	2015	2016
	US$	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	48,496,365	66,481,585	79,462,680
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,998,122	8,751,664	8,688,384
Stock-based compensation expenses	2,736,313	3,774,826	7,828,255
Deferred tax expense/(benefit)	9,437,344	(25,580,665)	(17,244,658)
Amortization of deferred charges	1,620,695	2,378,767	7,732,038
Share of loss/(income) of equity investees	1,691,897	(2,234,635)	324,612
Exchange gains	(706,108)	(403,286)	(458,959)
Changes in unrecognized tax benefit	(2,228,532)	4,150,919	2,718,631
Loss on extinguishment of debt (Note 12)	9,848,931	-	12,123,750
Net realized gain on short-term investments	(3,128,014)	(603,078)	(2,505,696)
Unrealized gain on short-term investments	(122,033)	(49,443)	(235,334)
Proceeds from disposal of trading securities	76,528,665	26,524,907	61,064,916
Purchase of trading securities	(79,264,198)	(21,363,193)	(97,389,871)
Bargain purchase gain (Note 9)	-	-	(2,004,507)
Effect of remeasurement of equity interest in joint venture (Note 9)	-	-	(2,100,563)
Others	166,750	(38,195)	(289,020)
Changes in operating assets and liabilities:			
Accounts receivable	(6,932,612)	(28,650,522)	6,948,740
Real estate properties held for sale	4,338,824	1,185,217	-
Real estate properties development completed	8,932,570	(9,357,412)	(429,429,125)
Real estate properties under development	(762,186,342)	(23,151,082)	346,724,458
Real estate properties held for lease	(11,052,625)	(9,197,390)	(100,388,128)
Advances to suppliers	(14,484,990)	(24,573,309)	24,935,560
Other receivables	(124,825,380)	(21,400,932)	114,240,396
Deposits for land use rights	(3,411,626)	(94,952,534)	(129,517,140)
Other deposits and prepayments	(48,556,579)	(114,766,016)	(258,358,536)
Other current assets	(138,513)	656,158	326,254
Amounts due from related parties	(124,099,452)	62,518,780	(45,409,421)
Amounts due from employees	8,921	(316,946)	(292,592)
Other assets	(4,427,986)	(4,328,591)	(10,525,572)

Accounts payable	157,267,231	144,250,668	39,976,328
Customer deposits	32,027,383	(38,092,541)	101,932,472
Income tax payable	(58,549,759)	49,189,884	21,938,554
Other payables and accrued liabilities	842,663	38,869,980	101,375,219
Payroll and welfare payable	(1,142,361)	5,791,340	(2,073,425)
Net cash used in operating activities	(884,314,436)	(4,535,075)	(159,881,300)

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	Year ended December 31		
	2014	2015	2016
	US$	US$	US$
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of properties held for lease and property and equipment	39,011	8,992	559,030
Purchase of property and equipment	(5,932,847)	(2,477,039)	(2,739,578)
Proceeds from disposal of available-for-sale securities	-	6,284,380	-
Purchase of available-for-sale securities	-	(6,137,451)	-
Acquisition of subsidiaries, net of cash acquired (Note 9)	(9,997,800)	-	15,055,431
Acquisition of other long-term investment	-	(32,681,875)	-
Acquisition of other equity method investments	-	-	(8,407,244)
Net cash (used in)/provided by investing activities	(15,891,636)	(35,002,993)	4,467,639
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of stock options	1,080,530	48,400	1,454,020
Purchase of shares under Restricted Stock Unit (“RSU”) plan	(7,042,725)	(3,259,998)	(4,003,999)
Purchase of treasury shares (Note 19)	(17,610,787)	(3,349,172)	(29,688,648)
Dividends to shareholders	(15,288,919)	(14,751,703)	(20,545,257)
Capital injection from non-controlling interests	-	-	4,505,328
(Increase)/decrease in restricted cash	(177,026,061)	53,913,283	31,406,042
Amounts due to related parties	-	-	66,414,412
Repayments of short-term bank loans and current portion of long-term bank loans	(63,657,978)	(576,757,761)	(444,479,915)
Proceeds from short-term bank loans and current portion of long-term bank loans	483,446,420	584,233,410	203,622,120
Repayment of long-term bank loans	-	(38,540,493)	(13,553,962)
Proceeds from long-term bank loans	52,096,830	8,029,269	201,936,395
Repayment of other short-term debt	-	(169,096,413)	(669,849,132)
Proceeds from other short-term debt	162,802,592	8,511,026	819,039,966
Repayment of other long-term debt	(122,973,761)	(17,854,351)	(369,338,675)
Proceeds from other long-term debt	175,592,700	485,351,457	612,307,593
Deferred charges	(10,649,965)	(3,104,812)	(10,725,482)
Capital lease payments	(2,765,286)	(3,966,658)	(3,721,954)
Proceeds from sale and leaseback (Note 13,18)	-	-	2,861,392
Repayment of mandatorily redeemable non-controlling interests	-	(4,408,069)	(3,463,790)
Proceeds from mandatorily redeemable non-controlling interests	6,910,970	1,284,683	13,177,463
Loss on extinguishment of debt (Note 12)	(9,848,931)	-	(12,123,750)
Net cash provided by financing activities	455,065,629	306,282,098	375,230,167
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(445,140,443)	266,744,030	219,816,506
Effect of exchange rate changes on cash and cash equivalents	(1,483,929)	(19,710,692)	(29,100,220)
Cash and cash equivalents, at beginning of year	587,119,126	140,494,754	387,528,092

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	Year ended December 31		
	2014	2015	2016
	US$	US$	US$
CASH AND CASH EQUIVALENTS, AT END OF YEAR	140,494,754	387,528,092	578,244,378
SUPPLEMENTARY INFORMATION ON CASH FLOWS			
Incomes taxes paid	94,316,553	55,564,648	122,347,190
Interest paid	141,052,901	187,209,963	181,857,136
NON-CASH ACTIVITIES			
Non-controlling interest arising from business combination (Note 9, Note 25)	-	-	5,724,339

The accompanying notes are an integral part of these consolidated financial statements.

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2014, 2015 and 2016
(All amounts stated in US$, except for number of shares data)

	Number of Shares	Common Shares	Treasury Shares	Additional Paid-in Capital	Statutory Reserves	Retained Earnings	Accumulated Other Comprehensive Income / (Loss) (Note 24)	Total Xinyuan Real Estate Co Ltd. sharehold equity
		US$	US$	US$	US$	US$	US$	US$
BALANCE AT DECEMBER 31, 2013	156,012,492	15,828	(3,085,481)	534,936,597	68,547,200	244,310,439	107,910,960	952,635
Exercise of share options	33,000	3	-	39,927	-	-	-	39,930
Treasury share repurchases (Note 19)	(9,025,690)	-	(17,610,787)	-	-	-	-	(17,610,
Shares repurchased under RSU plan	-	-	-	(7,042,725)	-	-	-	(7,042,7
Other comprehensive loss	-	-	-	-	-	-	(3,353,952)	(3,353,9
Stock-based compensation expenses	-	-	-	2,736,313	-	-	-	2,736,31
Net income	-	-	-	-	-	48,515,730	-	48,515,7
Appropriation to statutory reserves	-	-	-	-	4,282,287	(4,282,287)	-	-
Dividends to shareholders	-	-	-	-	-	(15,288,919)	-	(15,288,
	147,019,802	15,831	(20,696,268)	530,670,112	72,829,487	273,254,963	104,557,008	960,631

BALANCE AT DECEMBER 31, 2014								
Exercise of share options	40,000	4	-	48,396	-	-	-	48,400
Treasury share repurchases (Note 19)	(2,179,902)	-	(3,349,172)	-	-	-	-	(3,349,1
Shares repurchased under RSU plan	(2,076,964)	-	-	(3,259,998)	-	-	-	(3,259,9
Other comprehensive loss	-	-	-	-	-	-	(73,605,171)	(73,605,
Stock-based compensation expenses	-	-	-	3,774,826	-	-	-	3,774,82
Net income	-	-	-	-	-	66,482,107	-	66,482,1
Appropriation to statutory reserves	-	-	-	-	7,220,277	(7,220,277)	-	-
Dividends to shareholders	-	-	-	-	-	(14,751,704)	-	(14,751,
BALANCE AT DECEMBER 31, 2015	142,802,936	15,835	(24,045,440)	531,233,336	80,049,764	317,765,089	30,951,837	935,970
Capital injection from non-controlling interests	-	-	-	-	-		-	-
Exercise of share options	2,160,884	216	-	3,356,654	-		-	3,356,87
Treasury share repurchases (Note 19)	(13,198,238)	-	(29,688,648)	-	-		-	(29,688,
Shares repurchased under RSU plan	(1,614,220)	-	-	(4,003,999)	-		-	(4,003,9
Other comprehensive loss	-	-	-	-	-		(65,634,725)	(65,634,
Stock-based compensation expenses	1,275,379	-	-	7,828,255	-		-	7,828,25

Net income	-	-	-	-	-	72,977,548	-	72,977,5
Appropriation to statutory reserves	-	-	-	-	15,923,532	(15,923,532)	-	-
Dividends to shareholders	-	-	-	-	-	(20,545,257)	-	(20,545,
BALANCE AT DECEMBER 31, 2016	131,426,741	16,051	(53,734,088)	538,414,246	95,973,296	354,273,848	(34,682,888)	900,260

The accompanying notes are an integral part of these consolidated financial statements.

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US$, except for number of shares data)

1. Background information of business and organization

Xinyuan Real Estate Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in residential real estate development and the provision of property management services. The Group’s operations are conducted mainly in the People’s Republic of China (“PRC”). In 2012, the Group expanded its business into the U.S. residential real estate market.

As of December 31, 2016, subsidiaries of the Company and its consolidated variable interest entities included the following entities:

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
Xinyuan International Property Investment Co., Ltd.	Cayman Islands October 6, 2011	US$ 500,000	100	%	Investment holding company
Xinyuan International (HK) Property Investment Co., Limited	Hong Kong October 26, 2011	HK$3,000,000	100	%	Investment holding company
XIN Development Group International Inc.	United States November 10, 2011	US$ 0	100	%	Investment holding company
Xinyuan Real Estate, Ltd.	Cayman Islands January 27, 2006	US$ 50,000,000	100	%	Investment holding company
South Glory International Ltd.	Hong Kong January 17, 2001	HK$10,000	100	%	Investment holding company
Victory Good Development Ltd.		HK$10,000	100	%	

	Hong Kong January 17, 2001				Investment holding company
Elite Quest Holdings Ltd.	Hong Kong November 19, 2001	HK$10,000	100	%	Investment holding company
XIN Irvine, LLC	United States July 12, 2012	US$ 50,000	100	%	Real estate development
Vista Sierra, LLC	United States May 1, 2012	US$ 0	100	%	Real estate development
XIN Development Management East, LLC	United States August 28, 2012	US$ 1,000	100	%	Property management services
XIN NY Holding, LLC	United States August 29, 2012	US$ 1,000	100	%	Investment holding company
421 Kent Development, LLC	United States August 29, 2012	US$ 1,000	100	%	Real estate development
Xinyuan Sailing Co., Ltd.	Hong Kong June 21, 2013	HK$3,000,000	100	%	Investment holding company
AWAN Plasma Sdn Bhd	Malaysia April 16, 2007	MYR33,577,000	100	%	Real estate development

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
XIN Eco Marine Group Properties Sdn Bhd	Malaysia July 9, 2014	MYR 33,217,000	100	%	Investment holding company
Xinyuan Internet Finance Co., Ltd.	Cayman Islands July 7, 2015	US$50,000	100	%	Investment holding company
New Dawn International Ltd.	Cayman Islands July 7, 2015	US$50,000	100	%	Investment holding company
New Legend International Ltd.	Cayman Islands July 7, 2015	US$50,000	100	%	Investment holding company
New Point International Ltd.	Cayman Islands July 7, 2015	US$50,000	100	%	Investment holding company
New Grace International Ltd.	Cayman Islands July 7, 2015	US$50,000	100	%	Investment holding company
China Online Finance Research Institute Limited	Hong Kong July 17, 2015	US$1,000,000	100	%	Dormant
Genesis Ocean Investments Ltd.	Hong Kong August 19, 2015	HK$100	100	%	Investment holding company
Honest View Development Ltd.	Hong Kong August 19, 2015	HK$100	100	%	Investment holding company
Honour Triumph Enterprises Ltd.	Hong Kong August 19, 2015	HK$100	100	%	Investment holding company
Well Poly Holdings Ltd.	Hong Kong August 19, 2015	HK$100	100	%	Investment holding company

Zhengzhou Yasheng Construction Material Co., Ltd.	PRC October 22, 2013	US$50,000,000	100	%	Sales of construction materials
Zhengzhou Jiasheng Real Estate Co., Ltd.	PRC December 2, 2013	US$60,000,000	100	%	Real estate development
Zhengzhou Yusheng Landscape Design Co., Ltd.	PRC December 25, 2013	US$70,000,000	100	%	Landscaping engineering and management
Xinyuan (China) Real Estate, Ltd.	PRC April 10, 2006	US$307,000,000	100	%	Investment holding company
Henan Xinyuan Real Estate Co., Ltd. ("Henan Xinyuan")	PRC May 19, 1997	RMB200,000,000	100	%	Real estate development
Qingdao Xinyuan Xiangrui Real Estate Co., Ltd.	PRC February 9, 2006	RMB10,000,000	100	%	Real estate development

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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(All amounts stated in US$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
Shandong Xinyuan Real Estate Co., Ltd.	PRC June 2, 2006	RMB300,000,000	100	%	Real estate development
Xinyuan Technology Service Co., Ltd. (“Xinyuan Service”)	PRC December 28, 1998	RMB50,000,000	94	%	Property management services
Zhengzhou Mingyuan Landscape Engineering Co., Ltd.	PRC February 17, 2004	RMB2,000,000	100	%	Landscaping engineering and management
Zhengzhou Xinyuan Computer Network Engineering Co., Ltd*	PRC May 26, 2004	RMB2,000,000	100	%	Installation of intercom systems
Henan Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC December 29, 2011	RMB20,000,000	100	%	Real estate development
Suzhou Xinyuan Real Estate Development Co., Ltd. (“Suzhou Xinyuan”)	PRC November 24, 2006	RMB200,000,000	100	%	Real estate development
Anhui Xinyuan Real Estate Co., Ltd.	PRC December 7, 2006	RMB50,000,000	100	%	Real estate development
Kunshan Xinyuan Real Estate Co., Ltd.	PRC January 31, 2008	RMB200,000,000	100	%	Real estate development
Xinyuan Real Estate (Chengdu) Co., Ltd.	PRC June 12, 2007	RMB220,000,000	100	%	Real estate development
Xuzhou Xinyuan Real Estate Co., Ltd.	PRC November 9,	RMB200,000,000	100	%	Real estate development

	2009				
Henan Xinyuan Jiye Real Estate Co., Ltd.	PRC November 15, 2009	RMB	50,000,000	100 %	Real estate development
Beijing Xinyuan Wanzhong Real Estate Co., Ltd. (“Beijing Wanzhong”)	PRC March 4, 2008	RMB	900,000,000	100 %	Real estate development
Beijing Heju Management Consulting Service Co., Ltd.	PRC January 16, 2009	RMB	30,000,000	100 %	Real estate development
Xinyuan Renju (Beijing) Asset Management Co., Ltd.	PRC January 16, 2009	RMB	30,000,000	100 %	Real estate development
Zhengzhou Jiantou Xinyuan Real Estate Co., Ltd. (“Jiantou Xinyuan”)	PRC June 13, 2005	RMB	10,000,000	100 %	Real estate development

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Company Name	Registered Place and Date of Incorporation	Registered Capital		Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:						
Beijing Xinyuan Priority Real Estate Consulting Co., Ltd.	PRC March 8, 2012	RMB	30,000,000	100	%	Real estate consulting services
Henan Xinyuan Priority Commercial Management Co., Ltd.	PRC August 10, 2012	RMB	2,000,000	100	%	Leasing management services
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC September 20, 2012	RMB	200,000,000	100	%	Real estate development
Jiangsu Jiajing Real Estate Co., Ltd.	PRC March 28, 2005	RMB	150,000,000	100	%	Real estate development
Beijing XIN Media Co., Ltd.	PRC July 10, 2013	RMB	10,000,000	100	%	Culture and media services
Xingyang Xinyuan Real Estate Co., Ltd.	PRC July 25, 2013	RMB	200,000,000	100	%	Real estate development
APEC Construction Investment (Beijing) Co., Ltd.	PRC August 1, 2013	RMB	100,000,000	100	%	Dormant
Beijing Xinxiang Huicheng Decoration Co., Ltd.	PRC October 18, 2013	RMB	10,000,000	100	%	Property decoration services
Jinan Xinyuan Wanzhuo Real Estate Co., Ltd. (“Jinan Wanzhuo”)	PRC December 4, 2013	RMB	300,000,000	100	%	Real estate development
Xinrongji (Beijing) Investment Co., Ltd.	PRC December 25, 2013	RMB	100,000,000	100	%	Dormant

Sanya Beida Science and Technology Park Industrial Development Co., Ltd.	PRC January 10, 2014	RMB	200,000,000	100	%	Real estate development
Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC February 21, 2014	RMB	50,000,000	100	%	Real estate development
Zhengzhou Hengsheng Real Estate Co., Ltd.	PRC June 19, 2014	RMB	20,000,000	100	%	Real estate development
Beijing Xinyuan Xindo Park E-commerce Co., Ltd.	PRC August 12, 2014	RMB	202,000,000	100	%	Electronic commerce
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	PRC September 15, 2014	RMB	20,000,000	90	%	Real estate development

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
Tianjin Xinyuan Real Estate Co., Ltd.	PRC September 17, 2014	RMB100,000,000	100	%	Real estate development
Xi'an Xinyuan Metropolitan Business Management Co., Ltd.	PRC November 25, 2014	RMB3,000,000	100	%	Property management services
Beijing Xinleju Technology Development Co., Ltd.	PRC December 24, 2014	RMB10,000,000	100	%	Technical service
Changsha Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC April 3, 2014	RMB100,000,000	100	%	Real estate development
Shanghai Junxin Real Estate Co., Ltd.	PRC January 16, 2014	RMB5,000,000	100	%	Real estate development
Beijing Yue-Mart Commerce and Trade Co., Ltd.	PRC January 5, 2015	RMB30,000,000	100	%	Retail store
Beijing Xinhe Investment Development Co., Ltd.	PRC May 5, 2015	RMB5,000,000	100	%	Investment holding company
Jinan Yue-Mart Commerce and Trade Co., Ltd.	PRC December 4, 2015	RMB3,000,000	100	%	Retail store
Henan Yue-Mart Commerce and Trade Co., Ltd.	PRC March 23, 2015	RMB10,000,000	100	%	Retail store
Henan Xinyuan Guangsheng Real Estate Co., Ltd.	PRC July 27, 2015	RMB40,000,000	100	%	Real estate development

Shanghai Hexinli Property Management Center (Limited partnership) ("Shanghai Hexinli")	PRC July 28, 2015	RMB100,000	78.95	%	Property management services
Shenzhen Xilefu Internet Financial Service Co., Ltd.	PRC June 12, 2015	RMB5,000,000	100	%	Dormant
Shenzhen Xileju Technology Development Co., Ltd.	PRC June 4, 2015	RMB5,000,000	100	%	Intelligent information system development
Henan Xinyuan Real Estate Marketing Co., Ltd.	PRC July 30, 2015	RMB1,000,000	100	%	Real estate marketing

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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(All amounts stated in US$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
Shandong Xinyuan Renju Real Estate Co., Ltd.	PRC November 19, 2011	RMB50,000,000	100	%	Real estate development
Shaanxi Zhongmao Economy Development Co., Ltd. ("Shaanxi Zhongmao") (Note 9)	PRC June 22, 1998	RMB22,500,000	65.98	%	Real estate development
421 Kent Holding Co, Ltd.	United States May 2, 2014	US$ 1,000	100	%	Investment holding company
Hudson 888 Owner LLC	United States October 22, 2015	US$ 1,000	100	%	Real estate development
XIN Manhattan Holding LLC	United States December 9, 2015	US$ 1,000	100	%	Investment holding company
Hudson 888 Holding LLC	United States December 9, 2015	US$ 1,000	100	%	Investment holding company
Shenzhen Xinchuang Investment Consulting Co., Ltd.	PRC January 20, 2016	RMB500,000	100	%	Dormant
Shenzhen Keye Investment Co., Ltd.	PRC February 26, 2016	RMB5,000,000	100	%	Dormant
Henan Yueshenghang Property Service Co., Ltd.	PRC April 15, 2016	RMB5,000,000	100	%	Property management services
Henan Xinyuan Quansheng Real Estate Co., Ltd. ("Henan Quansheng")	PRC January 14, 2015	RMB40,000,000	100	%	Real estate development

Zhengzhou Shengdao Real Estate Co., Ltd. (“Zhengzhou Shengdao”)	PRC October 14, 2013	RMB	20,000,000	100 %	Real estate development
Henan Xinyuan Shunsheng Real Estate Co., Ltd. (“Henan Shunsheng”)	PRC January 13, 2016	RMB	30,000,000	100 %	Real estate development
Hunan Erli Real Estate Co., Ltd. (“Hunan Erli”)**	PRC January 4, 2008	RMB	50,000,000	100 %	Real estate development
Ningbo Meishan Bonded Port Xinshoulei Investment Management Co., Limited	PRC July 13, 2016	RMB	5,000,000	100 %	Dormant

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US$, except for number of shares data)

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Directly Attributable to the Group		Principal Activities
Subsidiary companies:					
XinYuan (China) Technology Research Institute Limited	Hong Kong July 8, 2016	HK$10,000	100	%	Dormant
XIN Queens Holding LLC	United States July 6, 2016	US$1,000	100	%	Investment holding company
Queens Theatre Holdco LLC	United States July 6, 2016	US$1,000	100	%	Investment holding company
Queens Theatre Owner LLC	United States July 6, 2016	US$1,000	100	%	Real estate development
Xinyuan Future Science & Technology Research (Beijing) Co., Limited	PRC July 8, 2016	RMB1,000,000	100	%	Dormant
Zhengzhou Xinnan Real Estate Co., Ltd. (“Zhengzhou Xinnan”)	PRC January 21, 2016	RMB50,000,000	51	%	Real estate development
Xinyan Investment Management Co., Limited(“Xinrock”)	PRC April 8, 2016	RMB100,000,000	70	%	Investment
Hangzhou Investment Consulting Co., Limited	PRC May 25, 2016	RMB10,000,000	70	%	Dormant
Hunan Yue-Mart Commerce and Trade Co., Ltd.	PRC October 11, 2016	RMB10,000,000	100	%	Retail store
Xinyuan Tianjin Technology Development Co., Limited	PRC December 8, 2016	RMB20,000,000	100	%	Dormant
Henan Xinyuan Industrial Co., Limited	The PRC December 22,	RMB20,000,000	100	%	Dormant

	2016				
Chengdu Xinyuan Commercial Management Co., Limited	The PRC December 12, 2016	RMB 10,000,000	100	%	Dormant
VIE:					
Beijing Ruihao Rongtong Real Estate Co., Ltd. ("Ruihao Rongtong") (Note 7)	PRC June 15, 2006	RMB 250,000,000	65	%	Real estate development

*Liquidated on December 20, 2016.

**Acquired on August 1, 2016.

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Equity holdings remained unchanged throughout the year ended December 31, 2016 except for Zhengzhou Shengdao, Henan Quansheng, Henan Shunsheng, Jinan Wanzhuo, Shaanxi Zhongmao, Xinyuan Service, Hunan Erli, Shanghai Hexinli and Ruihao Rongtong.

2. Summary of significant accounting policies.

(a) The Company and basis of presentation and consolidation

The Group is principally engaged in residential real estate development and the provision of property management services. The Group's operations are conducted mainly in the PRC. In 2012, the Group expanded its business into the U.S. residential real estate market. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control.

Jinan Wanzhuo, with registered capital of US$48.8 million (RMB300.0 million), was established by the Company on December 4, 2013, for the purpose of undertaking a residential property development project in Jinan, Shandong province. On June 24, 2014 ("transaction date"), an unrelated asset management company purchased 5% of the equity interest in Jinan Wanzhuo and lent US$111.7 million (RMB685.0 million) to Jinan Wanzhuo. The loan was for a two-year term and bore interest at an annual rate of 11.24% until its maturity date of and repayment on June 21, 2016. As of December 31, 2015, Jinan Wanzhuo had one project under construction. Pursuant to the share purchase agreement, the 5% of non-controlling equity interest of Jinan Wanzhuo was to be repurchased by the Company in cash at the earlier of the second anniversary of the transaction date, or the date the Company elected to repurchase the 5% equity interest of Jinan Wanzhuo. The Company could exercise its right of redemption starting from the first anniversary of the transaction date. Therefore, the non-controlling interest is mandatorily redeemable and has been accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. On June 21, 2016, the Company repurchased the 5% equity interest of Jinan Wanzhuo from the unrelated asset management company and Jinan Wanzhuo ceased to be variable interest entity ("VIE").

Zhengzhou Shengdao, with registered capital of US$3.3 million (RMB20.0 million), was established by the Company on October 14, 2013, for the purpose of undertaking a residential property development project in Zhengzhou, Henan province. On March 5, 2015 ("transaction date"), an unrelated asset management company purchased 20% of the equity interest in Zhengzhou Shengdao and lent US$86.0million (RMB526.0 million) to Zhengzhou Shengdao. The loan is for a two-year term and bears interest at an annual rate of 10.984%. As of December 31, 2016, Zhengzhou Shengdao had two projects under construction. Pursuant to the share purchase agreement, the 20% of non-controlling equity interest of Zhengzhou Shengdao was to be repurchased by the Company in cash at the earlier of the second anniversary of the transaction date, or the date the Company elected to repurchase the 20% equity interest of Zhengzhou Shengdao. The Company could exercise its right of redemption starting from the first anniversary of the transaction date. Therefore, the non-controlling interest is mandatorily redeemable and has been accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. On September 13, 2016, the Company repurchased the 20% equity interest of Zhengzhou Shengdao from the unrelated asset management company and Zhengzhou Shengdao ceased to be VIE.

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Henan Quansheng, with registered capital of US$6.5 million (RMB40.0 million), was established by the Company on January 14, 2015, for the purpose of undertaking a residential property development project in Zhengzhou, Henan province. On March 23, 2015 ("transaction date"), an unrelated asset management company purchased 10% of the equity interest in Henan Quansheng and lent US$38.1 million (RMB233.0 million) to Henan Quansheng. The loan is for a two-year term and bears interest at an annual rate of 11%. As of December 31, 2016, Henan Quansheng had one project under construction. Pursuant to the share purchase agreement, the 10% of non-controlling equity interest of Henan Quansheng was to be repurchased by the Company in cash at the earlier of the second anniversary of the transaction date, or the date the Company elected to repurchase the 10% equity interest of Henan Quansheng. The Company could exercise its right of redemption starting from the first anniversary of the transaction date. Therefore, the non-controlling interest is mandatorily redeemable and has been accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. On August 8, 2016, the Company repurchased the 10% equity interest of Henan Quansheng from the unrelated asset management company and Henan Quansheng ceased to be VIE.

Henan Shunsheng, with registered capital of US$4.5 million (RMB30.0 million), was established by the Company on January 13, 2016, for the purpose of undertaking a residential property development project in Zhengzhou, Henan province. On March 31, 2016 ("transaction date"), an unrelated trustee company purchased 10% of the equity interest in Henan Shunsheng and lent US$43.3 million (RMB287.0 million) to Henan Shunsheng. The loan is for a two-year term and bears interest at an annual rate of 9%. As of December 31, 2016, Henan Shunsheng had one project under construction. Pursuant to the share purchase agreement, the 10% of non-controlling equity interest of Henan Shunsheng was to be repurchased by the Company in cash at the earlier of the second anniversary date, or the date the Company elected to repurchase the 10% equity interest of Henan Shunsheng. Therefore, the non-controlling interest is mandatorily redeemable and has been accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. On August 26, 2016, the Company repurchased the 10% equity interest of Henan Shunsheng from the unrelated asset management company and Henan Shunsheng ceased to be VIE.

Ruihao Rongtong, with registered capital of US$37.6 million (RMB250.0 million), was invested in by the Company on May 6, 2015 (see Note 7), for the purpose of undertaking a residential property development project in Beijing. On March 1, 2016 ("transaction date"), June 28, 2016 and September 18, 2016, an unrelated trustee company, Ping'an trust Co., Ltd. ("Ping'an trust") purchased 20%, 5% and 10% of the Company's equity interest in Ruihao Rongtong, respectively, and loaned US$124.3 million (RMB862.5 million) in aggregate to the Group (see Note 11). As of December 31, 2016, Ruihao Rongtong had one project under construction. Pursuant to the share purchase agreement, the 35% of non-controlling equity interest of Ruihao Rongtong will be repurchased by the Company in cash at the earlier of the second anniversary date, or the date the Company elects to repurchase the 35% equity interest of Ruihao Rongtong. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*. In addition, since the Company planned to repurchase the 35% equity interest of Ruihao Rongtong within the next 12 months, the liability is classified as current liability as of December 31, 2016.

In accordance with ASC 810, *Consolidation*, Ruihao Rongtong as of December 31, 2016, and Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao as of December 31, 2015 are variable interest entities as they were not established with sufficient equity at risk to finance their activities without additional subordinated financial support. As of December 31, 2015, the Company was considered the primary beneficiary of Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao, as it has the power to direct the activities of Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao that most significantly impact their economic performance and has the obligation to absorb the losses and the right to receive benefits from Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao through its voting interest underlying the 95%, the 90% and the 80% equity interests, respectively, in accordance with PRC Law and the articles of association of Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao, respectively. Based on the above, Jinan Wanzhuo, Henan Quansheng and Zhengzhou Shengdao are consolidated by the Company. As of December 31, 2016, the Company is considered as the primary beneficiary of Ruihao Rongtong, as it has the power to direct the activities of Ruihao Rongtong that most significantly impact their economic performance and has the obligation to absorb the losses and the right to receive benefits from Ruihao Rongtong through its voting interest underlying its 65% equity interest in accordance with PRC Law and the articles of association of Ruihao Rongtong. Based on the above, Ruihao Rongtong is consolidated by the Company.

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The carrying amounts and classifications of the assets and liabilities of the VIEs are as follows:

	December 31, 2015 US$	December 31, 2016 US$
Current assets	412,763,119	143,994,102
Non-current assets	7,469,208	10,184
Total assets	420,232,327	144,004,286
Current liabilities	262,759,976	109,607,206
Non-current liabilities	66,219,046	-
Total liabilities	328,979,022	109,607,206

The financial performance and cash flows of the VIEs are as follows:

	Year ended December 31, 2015 US$	Year ended December 31, 2016 US$
Revenue	168,108,983	-
Cost of revenue	(125,707,809)	-
Net profit/(loss)	9,944,795	(1,256,925)
Net cash used in operating activities	(4,601,835)	(111,519,380)
Net cash used in investing activities	(6,098,628)	(8,552)
Net cash provided by financing activities	35,532,406	136,924,739

As of December 31, 2016, the current liabilities of the VIEs included amounts due to subsidiaries of the Group amounting to US$105,701,841 (2015: US$55,881,889), which was eliminated upon consolidation by the Company.

As of December 31, 2016, the land use rights included in real estate properties under development of the VIEs of US$76,002,595 (2015: US$289,057,933) were pledged as collateral for bank loans and other debt. Creditors of the VIEs have no recourse to the general credit of the primary beneficiary.

The VIEs contributed nil (2015: 14.4%) of the Company’s consolidated revenues for the year ended December 31, 2016.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates are used for, but not limited to, the selection of the useful lives of property and equipment and capital lease, allowance for doubtful debt associated with accounts receivable, other receivables, deposit for land use rights, other deposits and prepayments and advances to suppliers, fair values of the purchase price allocation with respect to business combinations, revenue recognition for percentage of completion method, accounting for the share-based compensation, classification of financial instruments, accounting for mandatorily redeemable non-controlling interests, accounting for deferred income taxes, impairment of real estate properties under development, real estate properties held for lease and long-term investments, and provision necessary for contingent liabilities. Management analyzed the forecasted cash flows for the twelve months from March 27, 2017, which indicates that the Group will have sufficient liquidity from cash flows generated by operations and existing credit facilities and therefore, there will be sufficient financial resources to settle borrowings and payables that will be due through March 31, 2018. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

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(c) Fair value of financial instruments

Financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related party, other receivables, investment in joint ventures and other long-term investment, accounts payable, customer deposits, other payables and accrued liabilities, and borrowings. The carrying amounts of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related parties, other receivables, accounts payable, customer deposits, other payables and accrued liabilities, and short-term bank borrowings approximate their fair value due to the short term maturities of these instruments. The Group is exposed to credit risk for financial assets and its maximum amount of loss in the event of non-performance by the counterparty is the recorded amount. The Group's financial asset and liability arrangements generally do not require collateral, except as disclosed in Note 10, Note 11 and Note 12. Trading securities were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in profit and loss. Available-for-sale securities were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in accumulated comprehensive income.

Investment in joint ventures and other long-term investments have no quoted market prices and it is not practicable to estimate their fair value without incurring excessive costs. The Group reviews the investments for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

The carrying amounts of the long-term borrowings approximate their fair values because the stated interest rates approximate rates currently offered by financial institutions for similar debt instruments of comparable credit risk and maturities.

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1-Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2-Includes other inputs that are directly or indirectly observable in the market place

Level 3-Unobservable inputs which are supported by little or no market activity

The carrying values of the Company's financial instruments approximate their fair values except for the short-term investments.

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ASC 820 describes three main approaches for measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the investment in debt and equity securities, real estate investment trusts ("REITs") and money market instrument classified as trading security is within Level 1 as the Company measures the fair value using quoted trading prices that are published on a regular basis.

(d) Foreign currency translation

The Group's financial information is presented in U.S. dollars. The functional currency of the Company is U.S. dollars. The functional currency of the Company's subsidiaries in the PRC is Renminbi ("RMB"), the currency of the PRC. The functional currency of the Company's subsidiaries in Malaysia is Malaysian Ringgit ("MYR"), the currency of Malaysia. The functional currency of the Company's subsidiaries other than those in the PRC and Malaysia is U.S. dollars. Transactions by the Company's subsidiaries in the PRC which are denominated in currencies other than RMB are remeasured into RMB at the exchange rate quoted by the People's Bank of China ("PBOC") prevailing at the dates of the transactions. Exchange gains and losses resulting from transactions denominated in a currency other than RMB are included in the consolidated statements of comprehensive income as exchange gains. The consolidated financial statements of the Company's subsidiaries have been translated into U.S. dollars in accordance with ASC 830, *Foreign Currency Matters*. The PRC subsidiaries' financial information is first prepared in RMB and then is translated into U.S. dollars at period-end exchange rates as to assets and liabilities and average exchange rates as to revenue and expenses. Capital accounts are translated at their historical exchange rates when the capital transactions occurred.

The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

	December 31, 2014	December 31, 2015	December 31, 2016

Year end RMB: US$ exchange rate	6.1190	6.4936	6.9370
Period average RMB: US$ exchange rate	6.1424	6.2272	6.6401

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

(e) Cash and cash equivalents

The Group considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Group maintains bank accounts mainly in the PRC, Hong Kong and United States. The vast majority of the PRC bank balances are denominated in RMB. Hong Kong and United States bank balances are denominated in U.S. dollars.

Cash includes cash on hand and demand deposits in accounts maintained with various state-owned and private banks within the PRC, Hong Kong and United States. Total cash in banks at December 31, 2016 amounted to US$578,244,378 (December 31, 2015: US$387,528,092), of which the vast majority of deposits are not covered by insurance. The Group has not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

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(f) Restricted cash

The Group is required to maintain certain deposits with banks that provide mortgage loans to the Group's customers in order to purchase residential units from the Group. These balances are subject to withdrawal restrictions and totaled US$48,081,446 as of December 31, 2016 (December 31, 2015: US$47,351,169). As of December 31, 2016, the Group held US$153,548,292 (December 31, 2015: US$53,515,247) in its restricted cash accounts, representing funds received from sales proceeds that are subject to withdrawal restrictions. The Group is also required to maintain certain deposits with banks and financial institutions that provide loans to the Group. As of December 31, 2016, the Group also held US$36,471,097 (December 31, 2015: US$232,351,854) in its restricted cash accounts as security for its short-term loans (see Note 10), held US$65,787,805 (December 31, 2015: nil) in its restricted cash accounts as security for its long-term loans and current portion of long-term loans (see Note 11), and held US$24,610,419 (December 31, 2015: US$29,918,940) in its restricted cash accounts as security for its other debts (see Note 12). These restricted cash deposits are not covered by insurance. The Group has not experienced any losses in such accounts and management believes it is not exposed to any risks on its cash in bank accounts.

(g) Real estate properties development completed and under development

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

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

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

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

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

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

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

For the years ended December 31, 2014, 2015 and 2016, the Group did not recognize any impairment for real estate properties completed and under development.

(h) Revenue recognition

Real estate sales are reported in accordance with the provisions of ASC 360, *Property, Plant and Equipment* and ASC 976, *Real Estate-Retail Land*.

Percentage-of-completion method

Revenue and profit from the sale of development properties in the PRC is recognized by the percentage-of-completion method on the sale of individual units when the following conditions are met:

- Construction is beyond a preliminary stage.
- The buyer is committed to the extent of being unable to require a refund except for non-delivery of the unit.
- Sufficient units have already been sold to assure that the entire property will not revert to rental property.
- Sales prices are collectible.

· Aggregate sales proceeds and costs can be reasonably estimated.

If any of the above criteria is not met, proceeds are accounted for as customer deposits until the criteria are met.

The Group has, in the past, offered certain homebuyers seller-financing arrangements. All the homebuyers that entered into such arrangements were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via the Group’s management reporting procedures. The Group provides longer payment terms to particular home buyers after applying strict credit requirements based on the Group’s credit policy. Under the seller-financed contract arrangements, the buyer pays the purchase price for the residential unit in installment payments over one year. These contracts require a minimum down payment upon the contract execution date, followed by subsequent installment payments and a final payment upon delivery of the unit.

Since 2013, PRC banks have tightened the distributions of mortgage loans to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. The Group took the position that the processing periods of the contracts with underlying mortgage loans exceeding one year cannot be recognized as revenue under the percentage of completion method. As a result, the Group reversed contracted sales amounts of US$10.6 million in aggregate related to sales contracts of 79 apartments when determining revenue to be recognized under the percentage of completion method in 2016.

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Under the percentage of completion method, revenues from units sold and related costs are recognized over the course of the construction period, based on the completion progress of a project. In relation to any project, revenue is determined by calculating the ratio of incurred costs, including land use rights costs and construction costs, to total estimated costs and applying that ratio to the contracted sales amounts. Cost of sales is recognized by determining the ratio of contracted sales during the period to total estimated sales value, and applying that ratio to the incurred costs. Current period amounts are calculated based on the difference between the life-to-date project totals and the previously recognized amounts.

The effect of changes to total estimated contract cost or revenues, if any, are recognized in the period in which they are determined. Revenue recognized to date in excess of amounts received from customers is classified as current assets under accounts receivable. Amounts received from customers in excess of revenue recognized to date are classified as current liabilities under customer deposits. As of December 31, 2015 and December 31, 2016, the gross amounts received from customers in excess of revenues recognized were US$280.2 million and US$605.6 million, respectively.

Any losses occurred or forecast to occur on real estate transactions are recognized in the period in which the loss is first anticipated.

Full accrual method

Revenue from sales of development properties in the United States where the construction period, the period from the construction permit award date to the unit delivery date is expected to be 12 months or less, or the construction period is expected to be longer than 12 months and sales prices are not certain to be collected is recognized by the full accrual method when the sale is consummated and the unit has been delivered. Revenue from the sale of properties held for sale is recognized by the full accrual method at the time of the closing of an individual unit sale. This occurs when title to the property is transferred to the buyer. A sale is not considered consummated until (a) the parties are bound by the terms of a contract, (b) all consideration has been exchanged, (c) any permanent financing of which the seller is responsible has been arranged, (d) all conditions precedent to closing have been performed, (e) the seller does not have substantial continuing involvement with the property, and (f) the usual risks and rewards of ownership have been transferred to the buyer. In addition, the buyer’s initial and continuing investment must be adequate to demonstrate a commitment to pay for the property, and the buyer’s receivable, if any, must not be subject to future subordination. Sales transactions not meeting all the conditions of the full accrual method are accounted for using the deposit method in which all costs are capitalized as incurred, and payments received from the buyer are recorded as a deposit liability.

Cost of sales is recognized by determining the ratio of the area of the relevant units completed and sold to the estimated total project area, and applying that ratio to the estimated total project costs.

For the year ended December 31, 2014, revenue under the full accrual method was recognized in the amount of US$4.9 million for the sales of 7 of 15 finished condominium units located in Irvine, California. For the year ended December 31, 2015, revenue was recognized in the amount of US$0.8 million for the resale of the remaining parcels of the Northern Nevada Land Portfolio and US$0.8 million for the sales of the remaining 1 finished condominium unit located in Irvine, California. For the year ended December 31, 2016, revenue was recognized in the amount of US$152.0 million for the sales of 106 units of Oosten project, located in New York.

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Real estate management services income is recognized ratably as services are provided over the term of the property management agreements. Employee salaries, and maintenance charges are recorded as the cost of real estate management services income.

Real estate lease income is generally recognized on a straight-line basis over the terms of the tenancy agreements. Depreciation cost and maintenance cost of the property are recorded as the cost of real estate lease income.

Other revenue includes services ancillary to the Group’s real estate projects, including landscaping and computer network engineering. Landscaping and computer network engineering income is recognized when services are provided.

(i) Accounts receivable

Accounts receivable consists of balances due from customers for the sale of residential units in the PRC and United States. These balances are unsecured, bear no interest and are due within a year from the date of the sale.

Accounts receivable are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. As of December 31, 2015 and 2016, there was no allowance for doubtful debts.

(j) Other receivables

Other receivables consist of various cash advances to unrelated companies and individuals with which the Group has business relationships.

Other receivables are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances becomes doubtful. As of December 31, 2015 and 2016, there was no allowance for doubtful debts.

(k) Deposits for land use rights

Deposits for land use rights consist of upfront cash payments made to local land bureaus to secure land use rights under executed short-term or long-term land framework cooperation agreements or land use rights agreements.

Deposits for land use rights are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. There were no impairment losses for any periods presented.

(l) Other deposits and prepayments

Other deposits and prepayments mainly consist of upfront cash payments made to third parties related to the direct negotiation model in acquiring land parcels.

Other deposits and prepayments are reviewed periodically as to whether their carrying value has become impaired. The Group considers the assets to be impaired if the collectability of the balances become doubtful. There were no impairment losses for any periods presented.

(m) Advances to suppliers

Advances to suppliers consist of balances paid to contractors and vendors for services and materials that have not been provided or received and generally relate to the development and construction of residential units in the PRC. Advances to suppliers are reviewed periodically to determine whether their carrying value has become impaired. The Group considers the assets to be impaired if it is doubtful that the services and materials can be provided. As of December 31, 2015 and 2016, there was no allowance provided.

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(n) Customer deposits

Customer deposits consist of sales proceeds received from customers from the sale of residential units in the PRC. In the PRC, customers will generally obtain financing for the purchase of their residential unit prior to the completion of the project. The lending institution will provide the funding to the Group upon the completion of the financing rather than the completion of the project. The Group receives these funds and recognizes them as a customer deposit current liability until the revenue can be recognized.

(o) Notes payable and other payables

Notes payable represents short-term bank acceptance notes issued by financial institutions that entitle the holder to receive the stated amount from the financial institutions at the maturity date of the notes. The Group has utilized notes payable to settle amounts owed to suppliers and contractors. The notes payable is non-interest bearing and is normally settled within six months. Notes payable was US$46,986,399 and US$ 38,652,794 as of December 31, 2015 and 2016, respectively.

Other payables consist of balances for non-construction costs with unrelated companies and individuals with which the Group has business relationships.

(p) Real estate properties held for lease, net

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

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

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

For the years ended December 31, 2014, 2015 and 2016, the Group did not recognize any impairment for real estate properties held for lease.

(q) Property and equipment, net

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the assets are as follows:

Corporate aircraft	15 years
Vehicles	5 years
Furniture and fixtures	5 years

Maintenance, repairs and minor renewals are charged directly to expense as incurred unless such expenditures extend the useful life or represent a betterment, in which case they are capitalized.

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(r) Long-term investments

The Group accounts for long-term investments as equity method investment and cost method investments as follows:

Where the Group has significant influence over the investee, the Group applies the equity method of accounting in accordance with ASC subtopic 323-10-20, *Investments-Equity Method and Joint Ventures* (“ASC 323-10-20”). The reporting dates and accounting policies of the equity investee are the same as the Group. The investment in the equity investee is stated at cost, including the Group’s share of the equity investee’s net gain or loss, less any impairment in value. The Group recognizes in its consolidated statement of comprehensive income its share of the net income of the equity investees.

In accordance with ASC subtopic 325-20, *Investments-Other: Cost Method Investments* (“ASC 325-20”), for investments in an investee over which the Company does not have significant influence and which do not have readily determinable fair value, the Company carries the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Company’s share of earnings since its investment. Management regularly evaluates the impairment of the cost method investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Cost method accounting is also applied to investments that are not considered as “in-substance” common stock investments, and do not have readily determinable fair values.

As of December 31, 2015 and 2016, the Group has a 1.85% investment in Zhengzhou Lianhe Real Estate Co., Ltd. The Group does not exercise significant influence over Zhengzhou Lianhe Real Estate Co., Ltd. and therefore, the Group accounts for the investment under the cost method. Investment income is recognized by the Group when the investee declares a dividend and the Group believes it is collectible.

There was nil dividend received for the years ended December 31, 2014, 2015 and 2016.

No impairment provision was provided for the Company's long-term investments for any of the periods presented.

(s) Capitalized interest

The Group capitalizes interest as a component of building construction costs in accordance with ASC 835, *Interest* ("ASC 835").

As a result of the total interest costs capitalized during the period, the interest expense for the years ended December 31, 2014, 2015 and 2016, was as follows:

	2014 US$	2015 US$	2016 US$
Amortization of issuance cost related to other long term debt	3,744,695	6,554,767	9,371,957
Interest expense related to capital leases	2,896,977	2,617,000	2,055,995
Interest on borrowings	128,014,504	171,035,655	196,243,562
Total interest costs	134,656,176	180,207,422	207,671,514
Total interest costs capitalized	(106,455,409)	(159,926,006)	(177,814,682)
Interest expense, net	28,200,767	20,281,416	29,856,832

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(t) Retirement benefits

Regulations in the PRC require the Group to contribute to a defined contribution retirement plan for all permanent employees. Pursuant to the mandatory requirement from the local authority in the PRC, the retirement pension insurance, unemployment insurance, health insurance and housing fund were established for the employees during the term they are employed. For the years ended December 31, 2014, 2015 and 2016, the level of contribution to these funds for each employee was determined at 43% of their average salary determined by the Social Welfare Bureau. For the year ended December 31, 2016, the Group recorded expense in the amount of US$11,023,291 (2014: US$7,328,091; 2015: US$10,664,576). Employee benefits for the remaining wholly owned subsidiaries were immaterial.

(u) Distribution of earnings and reserve fund

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions from its subsidiaries. The earnings reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's subsidiaries. In accordance with the PRC Company Law, the PRC subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the subsidiaries. Subject to certain restrictions set out in the PRC Company Law, the SSR may be distributed to stockholders in the form of share bonus issues to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

(v) Income taxes

The Group accounts for income tax using the balance sheet method. Deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as unutilized net operating losses. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before the Group is able to realize their benefits, or that future utilization is uncertain. The Group assesses its need for valuation allowances by tax reporting unit by jurisdiction.

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

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

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(w) Land Appreciation Tax ("LAT")

In accordance with the relevant taxation laws for real estate companies of the provinces in which the subsidiaries operate in the PRC, the local tax authorities levy LAT based on progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures, including borrowing costs and all property development expenditures. LAT is prepaid based on a fixed percentage (varying by local tax jurisdiction) of customer deposits and is expensed when the related revenue is recognized, as explained in Note 2(h).

(x) Comprehensive income

Comprehensive income is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive income includes net income and foreign currency translation adjustments and is presented in the consolidated statement of comprehensive income.

(y) Advertising and promotion expenses

Advertising and promotion costs are expensed as incurred, or the first time the activity takes place, in accordance with ASC 720-35, *Advertising Costs*. For the year ended December 31, 2016, the Group recorded advertising and promotion expenses of US$39,718,114 (2014: US$32,137,186; 2015: US$35,350,419).

(z) Leases

In accordance with ASC 840, *Leases*, leases are classified at the inception date as either a capital lease or an operating lease. For the lessee, a lease is a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease.

Capital leases are measured at the commencement of the lease at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term excluding that portion of the payments representing executory costs (such as insurance, maintenance, and taxes to be paid by the lessor) including any profit thereon. During the lease term, each minimum lease payment is allocated between a reduction of the obligation and interest expense to produce a constant periodic rate of interest on the remaining balance of the obligation (the interest method). A leased asset is amortized in a manner consistent with the Group's normal depreciation policy for owned assets (see Note 6).

All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. Certain lease arrangements contain escalation clauses.

For the year ended December 31, 2016, the Group recorded operating lease expenses of US$6,626,414 (2014: US$6,031,670; 2015: US$7,613,448).

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(aa) Property warranty

The Company and its subsidiaries provide customers with warranties which cover major defects of building structure and certain fittings and facilities of properties sold as stipulated in the relevant sales contracts. The warranty period varies from two months to three years, depending on different property components the warranty covers.

The Group regularly estimates potential costs for materials and labor with regards to warranty-type claims expected to be incurred subsequent to the delivery of a property. Reserves are determined based on historical data and trends with respect to similar property types and geographical areas. The Group regularly monitors the warranty reserve and makes adjustments to its pre-existing warranties, if any, in order to reflect changes in trends and historical data as information becomes available. The Group may seek recourse against its contractors or any related third parties if it can be demonstrated they are at fault. In addition, the Group withholds up to 5% of the contract cost from sub-contractors for periods of 2 to 5 years. These amounts are included in current liabilities, and are only paid to the extent that there has been no warranty claim against the Group relating to the work performed or materials supplied by the subcontractors. For the years ended December 31, 2014, 2015 and 2016, the Group had not recognized any warranty liability or incurred any warranty costs in excess of the amount retained from subcontractors.

(ab) Earnings per share

Earnings per share are calculated in accordance with ASC 260, *Earnings per Share*. Basic earnings per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common shares issuable upon the conversion of the convertible note, were included in diluted earnings per common share computation for the period during which they were outstanding using the if-converted method. Common share equivalents consists of common shares issuable upon the exercise of the share options and vesting of restricted shares units using treasury stock method. Common equivalents shares are excluded from the computation of diluted earnings per share if their effects would be anti-dilutive. The non-vested options granted with performance conditions are excluded in the computation of diluted EPS unless the options are dilutive and unless their conditions (a) have been satisfied at the reporting date or (b) would have been satisfied if the reporting date was the end of the contingency period.

(ac) Treasury Shares

The Company accounted for shares repurchased as treasury shares at cost in accordance to ASC Subtopic 505-30, *Treasury Shares*. When the Company decides to retire the treasury shares, the difference between the original issuance price and the repurchase price may be allocated between additional paid-in capital and retained earnings.

On July 12, 2013, the Board of Directors unanimously authorized management to repurchase up to US$60 million of the Company's shares from the approval date to July 5, 2015. On December 28, 2015, the Board of Directors unanimously authorized management to repurchase up to US$40 million of the Company's shares from the approval date to the end of 2017. The Board of Directors also agreed to review the Company's share repurchase program periodically and to adjust the amount authorized for repurchase as necessary. As of December 31, 2016, the Company had a balance of 26,668,726 (2015: 13,470,488) treasury shares amounting to US$53,734,088 (2015: US$24,045,440).

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(ad) Senior Secured Notes

On May 3, 2013, the Company issued notes with an aggregate principal amount of US$200,000,000 due on May 3, 2018 (the "May 2018 Senior Secured Notes") at a coupon rate of 13.25% per annum payable semi-annually. Interest is payable on May 3 and November 3 of each year, commencing November 3, 2013. Given that the May 2018 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the May 2018 Senior Secured Notes under the requirements of ASC 815, *Derivatives and Hedging* ("ASC 815"). The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the May 2018 Senior Secured Notes. The May 2018 Senior Secured Notes were issued at par.

On December 6, 2013, the Company issued notes with an aggregate principal amount of US$200,000,000 due on June 6, 2019 (the "June 2019 Senior Secured Notes") at a coupon rate of 13% per annum payable semi-annually. Interest is payable on June 6 and December 6 of each year, commencing June 6, 2014. Given that the June 2019 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the June 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the June 2019 Senior Secured Notes. The June 2019 Senior Secured Notes were issued at par.

On February 13, 2015, through a consent solicitation to the holders of the May 2018 Senior Secured Notes and the June 2019 Senior Secured Notes, the Company amended the indentures governing the May 2018 Senior Secured Notes and the June 2019 Senior Secured Notes (the "May 2018 Indenture", and the "June 2019 Indenture", respectively, and each, an "Indenture") to provide it with additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indentures include changes to: (i) incur additional Indebtedness (as defined in the Indentures) in furtherance of the Company's business plans; (ii) make certain Restricted Payments (as defined in the Indentures) and Permitted Investments (as defined in the Indentures); and (iii) make certain deemed Investments (as defined in the Indentures) without having to satisfy the Fixed Charge Coverage Ratio (as defined in the Indentures) requirement. The amendments also amend (i) the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant in the Indentures to the extent that the Company believes necessary as a result of the amendments to other covenants and (ii) the "Limitation on Asset Sales" covenant in the Indentures to remove the Fixed Charge Coverage Ratio requirement for Asset Dispositions (as defined in the Indentures). The amendments also amended certain related definitions in the Indentures. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, Debt – Modifications and Exchanges ("ASC 470-50").

On February 3, 2016, through a consent solicitation to the holders of the May 2018 Senior Secured Notes and the June 2019 Secured Notes, the Company amended the Indentures to provide it with additional flexibility in pursuing new business opportunities and new sources of capital. The amendments to the Indentures include: (i) amending the provisions relating to future Subsidiary Guarantors, JV Subsidiary Guarantors and pledged subsidiary Capital Stock (each, as defined in the Indentures); (ii) amending the "Limitation on Indebtedness and Preferred Stock" covenant; (iii) amending the "Limitation on Transactions with Shareholders and Affiliates" covenant and the provisions relating to "Designation of Restricted Subsidiaries and Unrestricted Subsidiaries"; (iv) amending the definition of "Permitted Investment" and the "Limitation on Restricted Payments" covenant; and (v) removing the "Limitation on the Company's Business Activities" covenant and amend the related definitions and provisions. The amendments also clarify certain other provisions in the Indentures. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, Debt – Modifications and Exchanges.

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On August 30, 2016, the Company issued notes with an aggregate principal amount of US$300,000,000 due on August 30, 2019 (the "August 2019 Senior Secured Notes") at a coupon rate of 8.125% per annum payable semi-annually. Interest is payable on February 28 and August 30 of each year, commencing February 28, 2017. The August 2019 Senior Secured Notes have a three year term maturing on August 30, 2019. Given that the August 2019 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the August 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes were issued at par.

Onshore corporate bonds

In 2015 and 2016, Xinyuan (China) Real Estate, Ltd. issued series of onshore corporate bonds. See Note 12 for a discussion of the onshore corporate bonds. Given that each onshore corporate bond (see Note 12 for information regarding our onshore corporate bonds) individually is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from these onshore corporate bonds under the requirements of ASC 815 "Derivatives and Hedging". The onshore corporate bonds were issued at par.

(ae) Change of accounting policy

On January 1, 2016, the Company adopted Accounting Standards Update ("ASU") No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs using the required full retrospective method and, as a result, the Company reclassified deferred debt issuance costs amounting to US$12,504,255 previously reported within deferred charges into other long-term debt to reduce the carrying amount of debt liability as of December 31, 2015.

(af) Short-term investments

All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. Investments that are expected to be realized in cash during the next 12 months are also included in short-term investments. The Company accounts for its investments in debt and equity securities in accordance with ASC 320-10, *Investments-Debt and Equity Securities: Overall* (“ASC 320-10”). The Company classifies the investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320-10. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which such gains or losses are realized.

The securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. For individual securities classified as held-to-maturity securities, the Company evaluates whether a decline in fair value below the amortized cost basis is other-than-temporary in accordance with the Company’s policy and ASC 320-10. When the Company intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. In these instances, the other-than-temporary impairment loss is recognized in earnings equal to the entire excess of the debt security’s amortized cost basis over its fair value at the balance sheet date of the reporting period for which the assessment is made. When the Company does not intend to sell an impaired debt security and it is more-likely-than-not that it will not be required to sell prior to recovery of its amortized cost basis, the Company must determine whether or not it will recover its amortized cost basis. If the Company concludes that it will not, an other-than-temporary impairment exists and that portion of the credit loss is recognized in earnings, while the portion of loss related to all other factors is recognized in other comprehensive income.

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The securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Realized gains and losses, and unrealized gains and losses for trading securities are included in earnings.

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. An impairment loss on available-for-sale securities would be recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary.

(ag) Assets acquisition and business combinations

Pursuant to ASC 805, *Business Combinations* ("ASC 805"), the Company determines whether a transaction or other event is a business combination by applying the definition below, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an assets acquisition. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business. The three elements of a business are defined as follows:

a. Input. Any economic resource that creates, or has the ability to create, outputs when one or more processes are applied to it.

b. Process. Any system, standard, protocol, convention, or rule that when applied to an input or inputs, creates or has the ability to create outputs.

c. Output. The result of inputs and processes applied to those inputs that provide or have the ability to provide a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants.

The Company accounted for its acquisitions of Shandong Renju, Hunan Erli and Ruihao Rongtong on March 2, 2015, August 1, 2016 and August 4, 2016 as assets acquisition, respectively, since the acquired entities had no processes in place to apply to inputs to have the ability to create outputs.

(ah) Effect of change in estimate

Revisions in estimated gross profit margins related to percentage of completion revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2016 real estate development projects (Chengdu Thriving Family, Chengdu Xinyuan Splendid I, Zhengzhou Xin City, Henan Thriving Family, Suzhou Xin City, Suzhou Lake Royal Palace, Jinan Royal Palace, Kunshan Royal Palace, Xi'an Metropolitan, Shanghai Royal Palace, Zhengzhou Xindo Park, Jinan Xin Central, Henan Xin Central I, Zhengzhou Fancy City I, Tianjin Spring Royal Palace), which recognized gross profits in 2015, had changes in their estimated gross profit margins. As of December 31, 2016, each of these projects has a percentage of completion at 36.5% or more. As the unit sales and selling prices were on an upward trend during the year ended December 31, 2016, the Group revised upwards its prior estimates related to selling prices and total estimated sales values in conjunction with the change in total estimated costs, which led to a decrease of the percentage sold and thus a decrease in the recognized costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share increased by US$61.2 million (2014: US$10.8 million, 2015: US$52.1 million), US$45.9 million (2014: US$8.1 million, 2015: US$39.1 million), US$0.34 per share (2014: US$0.05 per share, 2015: US$0.27 per share), US$0.33 per share (2014: US$0.05 per share, 2015: US$0.27 per share), respectively, for the year ended December 31, 2016.

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(ai) Share-based compensation

The Group has adopted ASC 718, *Compensation-Stock Compensation*, which requires that share-based payment transactions with employees, such as restricted shares or stock options, be measured based on the grant-date fair value of the equity instrument issued and the Company has elected to recognize compensation expense using the straight-line method for all restricted shares and stock options granted with service conditions that have a graded vesting schedule. The Company has a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the RSUs granted under the Company’s 2014 Restricted Stock Unit plan.

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

(aj) Segment Reporting

In accordance with ASC 280, *Segment Reporting*, segment reporting is determined based on how the Group’s chief operating decision maker reviews operating results to make decisions about allocating resources and assessing performance for the Group. According to the management approach, the Group operates in geographical segments. Therefore, each of its individual property developments is a discrete operating segment. The Group has aggregated its segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offering, customers and market and regulatory environment (see Note 21).

(ak) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, Revenue from Contracts with Customers, (“ASU 2014-09”). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. In July 2015, the FASB deferred the effective date by one year and permitted early adoption of the standard, but not before the original effective date; therefore, ASU 2014-09 will be effective for the Company's fiscal year beginning December 1, 2018 and subsequent interim periods. The Company has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this ASU recognized at the date of initial application.

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Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, and ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs will have the same effective date and transition requirements as ASU 2014-09. The Company is currently assessing how the adoption of ASU 2014-09 and these ASUs will impact the consolidated financial statements and plan to adopt the guidance using the full retrospective approach for the fiscal year beginning January 1, 2018. Interpretations are on-going and upon initial evaluation, the Company believes the most significant effect relates to the timing of the recognition of real estate sales under the percentage-of-completion method.

In November 2015, FASB issued ASU No. 2015-17, Income Taxes-Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). The amendments in this update simplify the presentation of deferred income taxes. ASU 2015-17 requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 are effective for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The adoption of the guidance on January 1, 2017 is not expected to have significant impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 modifies existing guidance for off-balance sheet treatment of a lessees' operating leases by requiring lessees to recognize lease assets and lease liabilities. Under ASU 2016-02, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating this guidance and the impact to the Company, as both lessor and lessee, on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"). ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. ASU 2016-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU 2016-07 on January 1, 2017 is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting (“ASU 2016-09”) to simplify the accounting for share-based payment transactions, including the income tax consequences, an option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 is effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of ASU 2016-09 on January 1, 2017 is not expected to have a material effect on the Company’s consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, Statement of Cash Flows, (“ASC 230”) including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash (“ASU 2016-18”). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. These ASUs will be effective for the Company’s fiscal year beginning December 1, 2018 and subsequent interim periods. Early adoption is permitted. The adoption of ASU 2016-15 and ASU 2016-18 will modify the Company's current disclosures and classifications within the consolidated statement of cash flows but they are not expected to have a material effect on the Company’s consolidated financial statements.

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In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. Under the new standard, the selling (transferring) entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing (receiving) entity is required to recognize a deferred tax asset or liability, as well as the related deferred tax benefit or expense, upon purchase or receipt of the asset. This pronouncement is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is still evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying Definition of a Business ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements. The Company does not believe this standard will have a material impact on the results of operations or financial condition.

3. Short-term investments

The short-term investments represent investments in REITs publicly traded on the Hong Kong Stock Exchange, money market instruments and publicly traded debt and equity securities, which are expected to be realized in cash during the next 12 months. The Company accounts for the short-term investments in accordance with ASC subtopic 320-10, *Investments-Debt and Equity Securities: Overall*. The Company classified the REITs, investment in debt and equity securities, and money market instruments as trading securities which are bought and held principally for the purpose of selling them in the near term. The Company uses quoted prices in active markets for identical assets (consistent with the Level 1 definition in the fair value hierarchy) to measure the fair value of its investments on a recurring basis pursuant to ASC 820, *Fair Value Measurement*.

The realized gains, and unrealized losses presented in the accompanying statements of comprehensive income are related to trading securities held as of December 31, 2016.

The following summarizes the short-term investments measured at fair value at December 31, 2015 and 2016:

	December 31, 2015		
	US$		
	Aggregate fair value	Cost	Unrealized gain in profit and loss
Trading securities:			
REITs	1,167,647	1,124,293	43,354
Money market instruments	76,999	70,910	6,089
Total	1,244,646	1,195,203	49,443

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	December 31, 2016		
		US$	
	Aggregate fair value	Cost	Unrealized gain in profit and loss
Trading securities:			
Debt securities	20,601,816	20,599,683	2,133
REITs	15,612,864	15,266,447	346,417
Money market instruments	866,630	864,927	1,703
Equity securities	2,229,285	2,344,204	(114,919)
Total	39,310,595	39,075,261	235,334

During the year ended December 31, 2016, US$2,505,696 (2015: US$456,149) net realized gain and US$235,334 (2015: US$49,443) unrealized gain for trading securities are included in earnings.

4. Real estate properties development completed and under development

The following summarizes the components of real estate properties development completed and under development at December 31, 2015 and 2016:

	December 31, 2015	**December 31, 2016**
	US$	US$
Development completed:		
Zhengzhou Century East A	4,775,131	2,277,168
Suzhou International City Garden	2,018,240	89,490
Suzhou Xin City	16,736,651	16,624,117
Kunshan International City Garden	546,537	867,612
Jinan Xinyuan Splendid	-	2,309,387
Zhengzhou Xin City	-	15,762,256
Beijing Xindo Park	-	52,671,437
Suzhou Lake Royal Palace	-	76,426,976
Xingyang Splendid Phase I	-	11,344,548

Zhengzhou Xindo Park (residential)	-	9,985,798
Shanghai Yipin Royal Palace	-	91,307,299
New York Oosten	-	197,513,164
Real estate properties development completed	24,076,559	477,179,252
Under development:		
Current:		
Jinan Xinyuan Splendid	40,847,827	-
Xuzhou Colorful City	54,157,809	39,910,908
Zhengzhou Xin City	46,165,101	-
Beijing Xindo Park	176,553,742	-
Kunshan Royal Palace	215,917,469	106,317,899
Suzhou Lake Royal Palace	267,569,547	-
Xingyang Splendid Phase I	32,010,140	-
Xingyang Splendid Phase II	43,311,674	65,914,086
Xingyang Splendid Phase III	23,896,026	25,059,220
Xingyang Splendid Phase IV	6,762,190	7,355,332
Zhengzhou Xindo Park (residential)	29,098,191	-
Zhengzhou Xindo Park (commercial)	73,294,372	97,287,900
Jinan Royal Palace	261,268,961	267,899,017
Sanya Yazhou Bay No. 1	109,896,103	142,950,465
Shanghai Yipin Royal Palace	215,117,468	-
Changsha Xinyuan Splendid	194,444,916	213,231,900
Chengdu Thriving Family	258,173,028	265,695,975
Jinan Xin Central	163,174,394	120,430,389
Zhengzhou Fancy City	71,896,698	67,957,047
Tianjin Spring Royal Palace	65,583,961	90,412,297
Henan Xin Central I	127,696,203	112,073,981
Henan Xin Central II	39,117,259	51,633,387
Zhengzhou Fancy City II(South)	-	52,819,852
Zhengzhou Fancy City II(North)	-	36,768,148
Xi’an Metropolitan	-	228,453,322
Kunshan Xindo Park	-	94,591,527
Zhengzhou International New City I	-	140,971,898
Zhengzhou International New City II	-	58,441,356
Beijing Liyuan project	-	149,726,569
Changsha New project	-	53,014,425
XIN Eco Marine Group Properties Sdn Bhd	8,165,745	9,961,455
New York Oosten	226,208,448	-
Hudson Garden project	-	64,926,299
Flushing	-	68,572,237
	2,750,327,272	2,632,376,891
Profit recognized	347,083,874	332,294,461
Less: progress billings (see Note 14)	(1,210,089,345)	(1,245,536,188)
Total real estate properties under development	1,887,321,801	1,719,135,164
Total real estate properties development completed and under development	1,911,398,360	2,196,314,416

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As of December 31, 2016, land use rights included in the real estate properties under development totaled US$1,231,794,738 (December 31, 2015: US$1,130,109,973).

As of December 31, 2016, land use rights with an aggregate net book value of US$379,078,976 (December 31, 2015: US$1,018,987,851) was pledged as collateral for certain bank loans and other debts.

5. Real estate properties held for lease, net

	December 31, 2015 US$	December 31, 2016 US$
Elementary schools	3,284,593	3,074,648
Basement parking	10,181,887	9,531,080
Kindergartens	7,576,396	8,269,659
Parking facilities	18,128,308	16,969,627
Clubhouses	6,418,720	6,008,447
Shopping mall	38,499,378	130,952,922
Total costs	84,089,282	174,806,383
Accumulated depreciation	(12,956,700)	(14,932,449)
Real estate properties held for lease, net	71,132,582	159,873,934

Depreciation expense for real estate properties held for lease for the year ended December 31, 2016 amounted to US$2,929,277 (2014: US$2,032,019; 2015: US$2,303,340).

As of December 31, 2016, US$23,696,316 of real estate properties held for lease were pledged as collateral for other debts (2015: US$36,550,198).

As of December 31, 2016, minimum future rental income on non-cancellable leases (none of which contain any contingent rental clauses), in the aggregate and for each of the five succeeding fiscal years and thereafter, is as follows:

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Year	Amount US$
2017	8,486,637
2018	9,066,109
2019	9,068,282
2020	8,556,525
2021 and thereafter	69,119,979
Total	104,297,532

6. Property and equipment, net

Property and equipment consisted of the following:

	December 31, 2015 US$	December 31, 2016 US$
Corporate aircraft (Note 13)	40,693,020	37,095,612
Vehicles	4,636,135	4,748,877
Furniture and fixtures	7,044,387	8,996,395
Total	52,373,542	50,840,884
Accumulated depreciation	(13,050,220)	(16,750,788)
Property and equipment, net	39,323,322	34,090,096

Depreciation expense for property and equipment for the year ended December 31, 2016 amounted to US$5,093,038 (2014: US$4,543,419; 2015: US$4,947,575) which includes amortization expense related to the corporate aircraft capital lease (Note 13) amounting to US$2,461,283 (2014: US$2,868,205; 2015: US$2,713,085).

Accumulated depreciation expense for property and equipment as of December 31, 2016 amounted to US$16,750,788 (2014: US$8,543,148; 2015: US$13,050,220) which includes accumulated amortization expense related to the corporate aircraft capital lease (Note 13) amounting to US$8,175,540 (2014: US$3,585,257; 2015: US$6,104,441).

7. Other long-term investment

As of December 31, 2015 and 2016, the other long-term investment accounted for at cost consisted of the following:

Cost method investee	Initial Cost	Ownership		December 31, 2015
	US$			US$
Ruihao Rongtong	30,865,904	80	%	30,865,904
Zhengzhou Lianhe Real Estate Co., Ltd.	241,648	1.85	%	241,648
				31,107,552

	Initial Cost	Ownership		December 31, 2016
	US$			US$
Zhengzhou Lianhe Real Estate Co., Ltd.	241,648	1.85	%	241,648

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On May 6, 2015, the Company acquired 80% equity interest of Ruihao Rongtong at a consideration of US$30,865,904. The remaining 20% equity interest was held by the founder of Ruihao Rongtong (“Founder”). In accordance with ASC 325-20, *Cost Method Investments*, cost method accounting was applied as the investment did not qualify as in-substance common stock and did not have a readily determinable fair value. Pursuant to the Share Transfer Agreements which were unanimously approved by both the Company and the Founder, the Company transferred 20% and 5% of its equity interest in Ruihao Rongtong to Ping’an trust on March 1, 2016 and June 28, 2016, respectively (see Note 2a). On August 4, 2016, the Company purchased the Founder’s 20% equity interest in Ruihao Rongtong and obtained control over Ruihao Rongtong through the amendment of the articles of association. The Ruihao Rongtong acquisition was accounted for as an assets acquisition. On September 18, 2016, the Company transferred an additional 10% equity interest of Ruihao Rongtong to Ping’an trust (see Note 2a). As of December 31, 2016, the Company’s holds a 65% equity interest in Ruihao Rongtong.

For the years ended December 31, 2014, 2015 and 2016, the Group recognized no investment profit or loss. As of December 31, 2015 and 2016, management noted no indicators of impairment related to these investments.

8. Investment in joint ventures

On October 21, 2013, the Group acquired a 51% equity interest in Shaanxi Zhongmao. The Group and the other remaining shareholder exercises joint control over Shaanxi Zhongmao. The purpose of the joint venture is to undertake residential property development projects in Xi’an, Shaanxi Province. On February 23, 2016, upon the amendment of the articles of association, the Company obtained control over Shaanxi Zhongmao, which was previously accounted under equity method investment (see Note 9).

On March 19, 2014, the Group together with four other independent shareholders established a joint venture called Huayi Xincheng (Beijing) Intelligent City Construction Co., Ltd. (“Huayi Xincheng”), in which the Group holds a 40% equity interest. The purpose of the joint venture is to undertake residential property development projects in Beijing. As at December 31, 2016, the joint venture has no active residential projects.

On May 27, 2015, the Group together with an unrelated company, Nanjing Starry Sky Studios Management Co., Ltd. established a joint venture called Beijing Starry Sky Cinema Co., Ltd. (“Beijing Starry Sky Cinema”), in which the Group holds a 51% equity interest. The purpose of the joint venture is to operate movie theatres. The articles of association does not allow for the Company to exercise control over relevant activities of the investee.

On January 11, 2016, the Group together with two other entities established a joint venture called Shenzhen Zhong An Financial Lease Co., Ltd. (“Shenzhen Zhong An”), in which the Group holds a 25% equity interest. The purpose of the joint venture is to undertake financial lease businesses.

On November 3, 2016, the Group together with two other entities established a joint venture called Zhengzhou Xinci Health Service Co., Ltd. (“Zhengzhou Xinci”), in which the Group holds a 60% equity interest. The purpose of the joint venture is to provide health service in Zhengzhou. The articles of association does not allow for the Company to exercise control over relevant activities of the investee.

On December 26, 2016, the Group together with one other entity established a joint venture called Wuhan Qiaoxin Real Estate Co., Ltd. (“Wuhan Qiaoxin”), in which the Group holds a 49% equity interest. The purpose of the joint venture is to undertake residential property development projects in Wuhan. As at December 31, 2016, the joint venture has no active residential projects.

As of December 31, 2016, the Group’s investment in the investees in the aggregate exceeded its proportionate share of the net assets of the equity method investee by nil (December 31, 2015: $3,982,603). This difference represents equity method goodwill and therefore, is not amortized. Selected financial information of the equity method investees have not been presented as the effects were not material.

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9. Acquisition of subsidiaries

Acquisition of Shaanxi Zhongmao Economy Development Co., Ltd.

On February 23, 2016, the Group acquired an additional 14.98% equity interest of Shaanxi Zhongmao Economy Development Co., Ltd. ("Shaanxi Zhongmao") for a consideration of US$516,086 and the articles of association of Shaanxi Zhongmao were amended to require simple majority of voting interests for approval of significant financial and operating decisions. Upon completion of this acquisition, the Group obtained control over Shaanxi Zhongmao through its 65.98% voting interests of Shaanxi Zhongmao.

The purchase was accounted for under the acquisition method of accounting. Accordingly, the impact related to this transaction is included in the Group's financial statements only since the effective date of acquisition. The purchased assets and assumed liabilities were recorded at their respective acquisition date fair values. A gain is recorded equal to the amount by which the fair value of net identifiable assets exceeded the consideration paid. As such, the Group recognized a bargain purchase gain of US$2,004,507 in relation to acquisition. The seller was willing to accept a lower price due to cash need in a very short timeframe at the time of negotiation, the terms negotiated included a purchase price is lower than Shaanxi Zhongmao's equity value as a result.

This gain is shown as a component of other income on the Group's consolidated statement of comprehensive income.

The results of Shaanxi Zhongmao have been included in the Group's consolidated financial statements since February 23, 2016.

An analysis of the cash flows in respect of the acquisition of Shaanxi Zhongmao is as follows:

	US$
Cash consideration paid	-

Cash and cash equivalents acquired	15,055,431
Net inflow of cash and cash equivalents	15,055,431

The purchase price allocation for the acquisition is primarily based on a valuation determined by the Group with the assistance of an independent third party valuation firm. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition on February 23, 2016.

	US$
Purchase consideration	516,086
Fair value of non-controlling interest	5,724,339
Fair value of previously held equity interests (i)	8,581,461
Bargain purchase gain recognized in other income	2,004,507
	16,826,393
Fair value of net identifiable assets acquired:	
Cash and cash equivalents	15,055,431
Restricted cash	16,560,251
Real estate properties under development	180,647,050
Property and equipment, net	329,582
Current assets	54,780,760
Current liabilities	(250,546,681)
Net assets acquired	16,826,393

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(i) A measurement gain of US$2,100,563 was recognized and recorded in other income in relation to the revaluation of the Group's previously held equity interest of Shaanxi Zhongmao in the consolidated statement of comprehensive income for the year ended December 31, 2016. As Shaanxi Zhongmao is a private company, the fair value of the Group's previously held equity interest is estimated based on asset-based approach using significant unobservable inputs that market participants would consider, which mainly include estimated revenue and estimated cost for the construction project.

This acquisition was consistent with the Group's strategy to develop residential real estate markets in high growth tier two cities in China.

The actual results of operation after the acquisition date and pro forma results of operations for the acquisition have not been presented because the effects were not material.

10. Short-term bank loans and other debt

Short-term bank loans represent amounts due to various banks and are due on the dates indicated below. Short-term bank loans at December 31, 2015 and 2016 consisted of the following:

	December 31, 2015 US$	December 31, 2016 US$
Loan from The Bank of East Asia		
Due June 2, 2016, at 2.00% plus 3 month LIBOR(1)	9,675,655	-
Due August 16, 2016, at 1.40% plus 3 month LIBOR(1)	20,000,000	-
Due August 31, 2016, at 1.40% plus 3 month LIBOR(1)	9,700,000	-
Due September 20, 2016, at 1.40% plus 3 month LIBOR(1)	2,220,000	-
Due October 27, 2016, at 1.40% plus 3 month LIBOR(2)	13,250,000	-
Due November 18, 2016, at 1.25% plus 3 month LIBOR(2)	14,958,974	-
Due November 23, 2016, at 1.25% plus 3 month LIBOR(3)	34,421,617	-
Due June 2, 2017, at 1.1% plus 3 month LIBOR(3)	-	34,421,617
	104,226,246	34,421,617

Loan from Bank of China Tokyo Branch		
Due July 21, 2016, at 1.2% per annum(2)	30,000,000	-
Due September 26, 2016, at 1.55% per annum(2)	13,000,000	-
Due October 11, 2016, at 1.55% per annum(2)	20,000,000	-
	63,000,000	-
Loan from Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”)		
Due May 18, 2016, at 2% plus 3 month LIBOR(2)	10,000,000	-
Due October 5, 2016, at 1.6% plus 3 month LIBOR(2)	20,000,000	-
	30,000,000	-
Loan from Industrial and Commercial Bank of China (Thai) Public Company Limited (“ICBC (Thai)”)		
Due September 21, 2016, at 1.7% plus 3 month LIBOR(2)	25,000,000	-
Loan from Ping’an Real estate Co., Ltd.		
Due April 20, 2017, at 6.00% per annum(4)	-	43,246,360
Loan from Huarong International Trust Co., Ltd.		
Due September 30, 2017, at 8.30% per annum(5)	-	100,908,174
Total short-term bank loans and other debt	222,226,246	178,576,151

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(1) Pursuant to the new due dates of these loans after amendment, these four loans are classified as long term loans on the consolidated balance sheets as of December 31, 2016. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt – Modifications and Exchanges*. These loans were secured by restricted cash of US$43,276,457 as of December 31, 2015.

(2) These loans were paid in full during 2016.

(3) The loan contract with the Bank of East Asia was amended to extend the maturity date of the loan. The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt – Modifications and Exchanges*. Pursuant to the amended loan contract, this loan is denominated in US$ and is secured by restricted cash of US$36,471,097 (December 31, 2015: US$35,878,403).

(4) Pursuant to the agreements with Ping’an Real Estate Co., Ltd., this other short-term debt is secured by the Group’s 51% equity interest of Zhengzhou Xinnan.

(5) Pursuant to the agreements with Huarong International Trust Co., Ltd, this other short-term debt is secured by the Group’s 65.98% equity interest of Shaanxi Zhongmao and the Group’s land use rights with net book value of US$24,975,886 (December 31, 2015: nil) and Group’s real estate properties under development with net book value of US$27,560,029 (December 31, 2015: nil).

As of December 31, 2016, except when otherwise indicated the Group’s short-term bank loans were denominated in RMB and were mainly secured by the Group’s real estate properties under development with net book value of US$27,560,029 (December 31, 2015: nil), land use rights with net book value of US$24,975,886 (December 31, 2015: nil).

The weighted average interest rate on short-term bank loans and other debt as of December 31, 2016 was 6.53% (December 31, 2015: 1.71%).

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11. Long-term bank loans

Long-term bank loans as of December 31, 2015 and 2016 consisted of the following:

	December 31, 2015 US$	December 31, 2016 US$
Loan from ICBC		
Due July 20, 2016 at 5.25% per annum(2)	10,779,845	-
Due December 26, 2021, at 6.175% per annum(1)	-	144,154,534
	10,779,845	144,154,534
Loan from Agricultural Bank of China		
Due May 18, 2016, at 5.78% per annum(2)	6,159,911	-
Loan from China Guangfa Bank		
Due May 29, 2016, at 8.00% per annum(2)	3,233,953	-
Due December 23, 2017, at 8.4% per annum(2)	6,159,911	-
Due February 17, 2018, at 8.4% per annum(2)	30,799,556	-
Due December 15, 2018, at 4.75% per annum(1)	-	4,612,945
	40,193,420	4,612,945
Loan from Bank of China		
Due March 27, 2018, at 5.230% per annum(1)	-	43,246,360
Loan from China Construction Bank		
Due January 23, 2017, at 5.70% per annum(2)	76,998,891	-
Loan from Bank of Shanghai		
Due April 30, 2017, at 9.10% per annum(2)	35,419,490	-
Loan from The Bank of East Asia		
Due April 27, 2018, at 6.18% per annum(2)	47,428,237	-
Loan from Ping An Bank		
Due March 20, 2018, at 9.25% per annum(2)	43,119,380	-
Loan from Bank of Bohai		

Due March 14, 2019 at 5.415% per annum(1)	-	42,525,587
Loan from Bank of Beijing		
Due October 31, 2019 at 6.175% per annum(1)	-	18,740,089
Loan from The Bank of East Asia		
Due April 26, 2018, at 1.25% plus 3 month LIBOR(3)	-	13,250,000
Due June 1, 2018, at 1.25% plus 3 month LIBOR(3)	-	9,675,655
Due June 5, 2018, at 1.25% plus 3 month LIBOR(3)	-	10,000,000
Due August 15, 2018, at 1.25% plus 3 month LIBOR(3)	-	20,000,000
Due August 30, 2018, at 1.1% plus 3 month LIBOR(3)	-	9,700,000
Due September 19, 2018, at 1.1% plus 3 month LIBOR(3)	-	2,220,000
	-	64,845,655
Total	260,099,174	318,125,170
Less: current portion of long-term bank loans	246,239,374	82,240,161
Total long-term bank loans	13,859,800	235,885,009

As of December 31, 2016, the contractual maturities of these loans are as follows:

Year	Amount US$
2017	-
2018	112,704,960
2019	61,265,676
2020	-
2021 and thereafter	144,154,534
Less: current portion of long-term bank loans	82,240,161
Total: long-term bank loans	235,885,009

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(1) Pursuant to the loan contracts, if the Group achieves an agreed upon sales target from the sales of the underlying real estate properties under development, the Group has an obligation to repay the loan before the maturity date. Therefore, the respective current portions of these loans have been classified as current liabilities as of December 31, 2016.

(2) These loans were paid in full during 2016.

(3) Pursuant to the loan contract with The Bank of East Asia, these six loans from The Bank of East Asia, amounting to US$13.3 million, US$9.7 million, US$10.0 million, US$20.0 million, US$9.7 million and US$2.2 million respectively, are denominated in US$ and are secured by restricted cash of US$13,168,517 (December 31, 2015: nil), US$9,802,508 (December 31, 2015: nil), US$10,090,817 (December 31, 2015: nil), US$20,498,775 (December 31, 2015: nil), US$9,949,546 (December 31, 2015: nil), and US$2,277,642 (December 31, 2015: nil) respectively.

As of December 31, 2016, except when otherwise indicated, the Group’s long term bank loans were all denominated in RMB and were mainly secured by the Group’s real estate properties under development with net book value of nil (December 31, 2015: US$93,755,346), land use rights with net book value of US$103,643,167 (December 31, 2015: US$424,058,251) and restricted cash with net book value of US$65,787,805 (December 31, 2015: nil).

The interest rates of these bank loans are adjustable based on the range of 100% to 130% of the PBOC prime rate. The weighted average interest rate on long-term bank loans as of December 31, 2016 was 5.07% (December 31, 2015: 7.23%).

12. Other long-term debt

As of December 31, 2015 and 2016, other long-term debt consisted of the following:

	December 31, 2015 US$	December 31, 2016 US$
May 2018 Senior Secured Notes due on May 3, 2018 at 13.25%	190,519,754	-

June 2019 Senior Secured Notes due on June 6, 2019 at 13%	200,000,000	187,314,242
August 2019 Senior Notes due on August 30, 2019 at 8.125%	-	294,819,248
Corporate bonds due on December 28, 2020 at 7.5%	152,962,917	143,484,912
Corporate bonds due on January 27, 2021 at 7.47%	-	100,618,930
Corporate bonds due on March 14, 2021 at 7.09%	-	71,860,897
Corporate bonds due on August 15, 2019 at 7.50%	-	215,084,667
Collateralized loan due on April 3, 2016 at 11%(1)	38,453,246	-
Collateralized loan due on December 23, 2017 at 11%(1)	61,221,818	-
Collateralized loan due on July 9, 2017 at 9%(1)	54,484,415	-
Collateralized loan due on December 31, 2016 at 12.5%(1)	69,129,605	-
Collateralized loan due on June 30, 2017 at 12.5%(1)	3,079,956	-
Collateralized loan due on March 31, 2017 at 11%(1)	38,499,446	-
Collateralized loan due on November 20, 2016 at 12.5%(1)	46,199,335	-
Collateralized loan due on June 30, 2017 at 11.8%(1)	17,709,745	-
Collateralized loan due on July 15, 2017 at 11.8%(1)	14,583,590	-
Collateralized loan due on June 25, 2017 at 8.5%(2)	69,299,002	43,246,360
Collateralized loan due on September 17, 2017 at 9%(1)	10,779,844	-
Collateralized loan due on March 31, 2018 at 11%	-	21,623,180
Collateralized loan due on November 6, 2018 at 8.2%	-	23,064,725
Collateralized loan due on May 10, 2018 at 9.4%	-	26,668,589
Collateralized loan due on May 30, 2018 at 9.0%(3)	-	64,869,540
Collateralized loan due on June 19, 2018 at 9.5%	-	50,454,087
Collateralized loan due on July 31, 2021 at 8.0%	-	46,129,451
Collateralized loan due on August 2, 2021 at 8.0%	-	5,333,718
Collateralized loan due on November 23, 2024 at 6.9%	-	43,246,360
Non-controlling shareholder’s loan due on June 30, 2016 at 11.24%(4)	28,489,590	-
Non-controlling shareholder’s loan due on March 13, 2017 at 10.98%(5)	81,002,834	-
Non-controlling shareholder’s loan due on May 13, 2017 at 11%(6)	35,881,483	-
Non-controlling shareholder’s loan due on February 28, 2018 at 10.5%(7)	-	20,614,098
Non-controlling shareholder’s loan due on February 28, 2018 at 8.5%(7)	-	103,719,187
Fortress Credit Co. LLC loan due on June 9, 2017 at 7.25% plus LIBOR(8)	96,306,200	48,457,937
Kent EB-5 LLC loan due on January 23, 2020 at 5.95%(9)	10,000,000	10,000,000
Kent EB-5 LLC loan due on April 30, 2020 at 5.95%(9)	5,000,000	5,000,000
Kent EB-5 LLC loan due on June 25, 2020 at 5.95%(9)	5,000,000	5,000,000
Kent EB-5 LLC loan due on August 4, 2020 at 5.95%(9)	5,000,000	5,000,000
Kent EB-5 LLC loan due on August 20, 2020 at 5.95%(9)	5,000,000	5,000,000
Kent EB-5 LLC loan due on October 1, 2020 at 5.95%(9)	10,000,000	10,000,000
Kent EB-5 LLC loan due on November 23, 2020 at 5.95%(9)	10,000,000	10,000,000
Kent EB-5 LLC loan due on March 15, 2021 at 5.95%(9)	-	9,500,000
Kent EB-5 LLC loan due on September 12, 2021 at 5.95%(9)	-	500,000
Ozarks loan due on July 13, 2017 at 4.50% plus 1 month LIBOR(10)	-	26,636,117
Total principal of other long-term debt	1,258,602,780	1,597,246,245
Total	1,258,602,780	1,597,246,245
Less: current portion of other long-term debt	348,594,822	622,454,921
Total other long-term debt	910,007,958	974,791,324

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The May 2018 Senior Secured Notes, the June 2019 Senior Secured Notes and the August 2019 Senior Secured Notes are senior secured pari passu obligations of the Company.

As of December 31, 2016, the contractual maturities of these debts are as follows:

Year	Amount US$
2017	118,340,414
2018	311,013,406
2019	697,218,157
2020	193,484,912
2021 and thereafter	277,189,356
Less: current portion of other long term debt	622,454,921
Total: Other long-term debt	974,791,324

(1) These loans were paid in full in 2016.

(2) Pursuant to the agreements with Ping An Trust Co., Ltd., this other long-term debt is secured by the Group’s 100% equity interest of Shandong Renju. This other long term debt was partially paid down in 2016.

(3) Pursuant to the agreements with Ping An Trust Co., Ltd., this other long-term debt is secured by the Group’s 100% equity interest of Changsha Wanzhuo.

(4) Pursuant to the agreements with Shenzhen Ping’an Dahua Huitong Wealth Management Co., Ltd. entered into on June 24, 2014, which was the non-controlling shareholder of Jinan Wanzhuo, this other long-term debt was secured by the Group’s 95% equity interest in Jinan Wanzhuo and the Group’s land use rights. This other long-term debt was paid in full in 2016.

(5) Pursuant to the agreements with Shenzhen Ping’an Dahua Huitong Wealth Management Co., Ltd. entered into on March 10, 2015, which was the non-controlling shareholder of Zhengzhou Shengdao, this other long-term debt was secured by the Group’s 80% equity interest in Zhengzhou Shengdao and the Group’s land use rights. This other

long-term debt was paid in full in 2016.

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(6) Pursuant to the agreements with Wanxiang Trustee Co., Ltd. entered into on May 9, 2015, which was the non-controlling shareholder of Henan Quansheng, this other debt was secured by the Group’s 90% equity interest in Henan Quansheng and the Group’s land use rights and Group’s real estate properties under development. This other long-term debt was paid in full in 2016.

(7) Pursuant to the agreements with Ping An Trust Co., Ltd., which is the non-controlling shareholder of Ruihao Rongtong, this other long-term debt is secured by the Group’s 65% equity interest in Ruihao Rongtong and the Group’s land use rights with net book value of US$76,002,595 (December 31, 2015: nil).

(8) Pursuant to the agreements with Fortress Credit Co. LLC entered into on June 9, 2014, this other long-term debt amounting to US$165 million in total with US$48.5 million utilized, is denominated in US$ and is secured by restricted cash of US$24,610,419 (December 31, 2015: US$29,918,940). This other long term debt was partially paid down in 2016.

(9) Pursuant to the agreements with Kent EB-5 LLC, this other long-term debt amounting to US$60 million in total, is denominated in US$ with maturity dates that vary from January 23, 2020 to September 12, 2021.

(10) Pursuant to the agreements with Bank of Ozarks ("Ozarks"), Hudson 888 Owner LLC has agreed to provide security in the form of mortgages and assignment of leases and rents. In addition, XIN Development Group International Inc., agreed to, jointly and severally, provide a number of guarantees, including carve out guaranty, completion guaranty, repayment guaranty and carry guaranty to Ozarks and its successors in relation to the mortgaged property, liabilities of and/or payments to Ozarks.

As of December 31, 2016, except when otherwise indicated, the Group’s other long-term debt was all denominated in RMB and mainly secured by the Group’s real estate properties under development with net book value of US$91,648,575 (December 31, 2015: US$128,389,745), land use rights with net book value of US$250,459,922 (December 31, 2015: US$731,783,438), real estate properties held for lease with net book value of US$23,696,316 (December 31, 2015: US$36,550,198) and real estate properties held for sale with net book value of US$13,437,413 (December 31, 2015: nil).

May 2018 Senior Secured Notes

On May 3, 2013, the Company issued the May 2018 Senior Secured Notes with an aggregate principal amount of US$200,000,000 due May 3, 2018. Until redemption in October 2016, the May 2018 Senior Secured Notes bore interest at 13.25% per annum payable semi-annually. Interest is payable on May 3 and November 3 of each year, commencing November 3, 2013.

The effective interest rate of the May 2018 Senior Secured Notes is 14.44%.

The May 2018 Senior Secured Notes were issued pursuant to the May 2018 Indenture, dated May 3, 2013, between, the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent. The Company's obligations under the May 2018 Indenture and the May 2018 Senior Secured Notes were guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and would have been guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the May 2018 Indenture. The Company's obligations under the May 2018 Indenture and the May 2018 Senior Secured Notes were secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd. , Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd.

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The Company could redeem the May 2018 Senior Secured Notes, in whole or in part, at 106.6250% and 103.3125% of principal amount, plus accrued and unpaid interest, if any, to (but excluding) the redemption date during the 12 month period commencing on May 3, 2016 and May 3, 2017, respectively.

At any time prior to May 3, 2016, the Company could redeem up to 35% of the aggregate principal amount of the May 2018 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the May 2018 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” meant with respect to any Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on May 3, 2016, plus all required remaining scheduled interest payments due on such Note through May 3, 2016 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the May 2018 Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to May 3, 2016, the Company could redeem up to 35% of the aggregate principal amount of the May 2018 Senior Secured Notes with the net cash proceeds of one or more sales of the Company’s common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 113.25% of the principal amount of the May 2018 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the May 2018 Senior Secured Notes remained outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the May 2018 Senior Secured Notes under the requirements of ASC 815, *Derivatives and Hedging*. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the May 2018 Senior Secured Notes.

The May 2018 Indenture, as amended, contained certain covenants that, among others, restricted the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the May 2018 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the May 2018 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company’s common shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge

Coverage Ratio (as defined in the May 2018 Indenture) of 2.75 to 1.0 (reduced from 3.0 to 1.0 effective February 2016). For a further discussion of the amendments to the May 2018 Indenture, see Note 2 (ad) above.

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

June 2019 Senior Secured Notes

On December 6, 2013, the Company issued senior notes with an aggregate principal amount of US$200,000,000 due June 6, 2019 at a coupon rate of 13% per annum payable semi-annually. Interest is payable on June 6 and December 6 of each year, commencing June 6, 2014.

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The effective interest rate of June 2019 Senior Secured Notes is 14.05%.

The June 2019 Senior Secured Notes were issued pursuant to the June 2019 Indenture, dated December 6, 2013, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent. The Company's obligations under the June 2019 Indenture and the June 2019 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the June 2019 Indenture. The Company's obligations under the June 2019 Indenture and the June 2019 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd.

The Company may redeem the June 2019 Senior Secured Notes, in whole or in part, at 106.5% and 103.25% of principal amount, plus accrued and unpaid interest, if any, to (but excluding) the redemption date during the 12 month period commencing on June 6, 2017 and June 6, 2018, respectively.

At any time prior to June 6, 2017, the Company may at its option redeem the June 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the June 2019 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. "Applicable Premium" means with respect to any Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on June 6, 2017, plus all required remaining scheduled interest payments due on such Note through June 6, 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the June 2019 Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to June 6, 2017, the Company may redeem up to 35% of the aggregate principal amount of the June 2019 Senior Secured Notes with the net cash proceeds of one or more sales of the Company's common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 113% the principal amount of the June 2019 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the June 2019 Senior Secured Notes issued on December 6, 2013 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the June 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the June 2019 Secured Senior Notes.

The June 2019 Indenture, as amended, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the June 2019 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the June 2019 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the June 2019 Indenture) of 2.75 to 1.0 (reduced from 3.0 to 1.0 effective February 2016). The Company accounted for the amendments, which did not result in a debt extinguishment pursuant to ASC 470-50, *Debt – Modifications and Exchanges*. For a further discussion of the amendments to the June 2019 Indenture, see Note 2 (ad) above.

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August 2019 Senior Secured Notes

On August 30, 2016, the Company issued an aggregate principal amount of US$300,000,000 of the August 2019 Senior Secured Notes. The August 2019 Senior Secured Notes bear interest at 8.125% per annum payable semi-annually. Interest will be payable on February 28 and August 30 of each year, commencing February 28, 2017.

The effective interest rate of August 2019 Senior Secured Notes is 9.06%.

The August 2019 Senior Secured Notes were issued pursuant to an indenture, dated August 30, 2016, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent (the “August 2019 Indenture”). The Company’s obligations under the August 2019 Indenture and the August 2019 Senior Secured Notes have been guaranteed by certain of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the August 2019 Indenture. The Company’s obligations under the August 2019 Indenture and the August 2019 Senior Secured Notes are secured by a pledge of the capital stock of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd..

At any time prior to August 30, 2019, the Company may at its option redeem the August 2019 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the August 2019 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any August 2019 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such August 2019 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such August 2019 Senior Secured Note, plus all required remaining scheduled interest payments due on such August 2019 Senior Secured Note through the maturity date of the August 2019 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the August 2019 Indenture) plus 100 basis points, over (B) the principal amount of such August 2019 Senior Secured Note on such redemption date.

At any time prior to August 30, 2019, the Company may redeem up to 35% of the aggregate principal amount of the August 2019 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 108.125% of the principal amount of the August 2019 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the August 2019 Senior Secured Notes issued on August 30, 2016 remain outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the August 2019 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the August 2019 Secured Senior Notes.

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The August 2019 Indenture, contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the August 2019 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the August 2019 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the August 2019 Indenture) of 2.50 to 1.0.

Convertible Note

On September 19, 2013, the Company issued and sold a senior secured Convertible Note in the aggregate principal amount of US$75,761,009 at par. Until redemption in November 2014, the Convertible Note bore interest at 5.00% per annum payable semi-annually. Interest was payable on March 19 and September 19 of each year, commencing March 19, 2014. The final maturity date of the Convertible Note was September 19, 2018.

The Convertible Note was convertible at the option of the holder at any time in integral multiples of $100,000 to 25,253,670 ordinary shares (12,626,835 ADS) at an initial conversion price of $3.00 per Common Share ($6.00 per ADS). The initial conversion price was subject to adjustments for share splits, reverse splits, share dividends and distributions, certain issuances (or deemed issuances) of Common Shares for consideration less than the conversion price then in effect, and certain Extraordinary Cash Dividends (as defined in the Convertible Note).

The Company's obligations under the Convertible Note were guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (each, a "CN Subsidiary Guarantor" and collectively, the "CN Subsidiary Guarantors") and was to be guaranteed by such other future subsidiaries of the Company as was set forth in and in accordance with the terms of the Convertible Note. The Company's obligations under the Convertible Note were secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd. and Xinyuan International Property Investment Co., Ltd., and the obligations of Xinyuan Real Estate, Ltd. as a CN Subsidiary Guarantor were secured by a pledge of the capital stock of its wholly-owned subsidiaries, Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Limited. The CN Subsidiary Guarantors are the same "Subsidiary Guarantors" of the Company's May 2018 Senior Secured Notes and June 2019

Senior Secured Notes (collectively, the “Senior Secured Notes”), and the shares of the subsidiaries pledged to secure the obligations of the Company and of Xinyuan Real Estate, Ltd. as a CN Subsidiary Guarantor have also been pledged as collateral with respect to the Company’s Senior Secured Notes. In connection with the issuance of the Convertible Note, the Company entered into an Intercreditor Agreement with Citicorp International Limited, as trustee under the indenture for the Senior Secured Notes, the purchaser of the Convertible Note and Xinyuan Real Estate, Ltd., pursuant to which Citicorp International Limited acted as Shared Security Agent for the holders of the Senior Secured Notes and the Convertible Note.

The Convertible Note was not redeemable in whole or in part at the option of the Company. However, upon an event of default, the holders could require the Company to redeem the Convertible Note at a redemption price equal to the greater of (i) 150% of the outstanding principal amount, plus accrued and unpaid interest to the redemption date and (ii) an amount equal to (A) the outstanding principal divided by two, multiplied by the conversion price then in effect, times (B) the closing price of the Common Shares, plus accrued and unpaid interest to the redemption date.

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Following a Change of Control or a Fundamental Transaction, the Company was required to make an offer to purchase all outstanding Convertible Note at a purchase price equal to 150% of the principal amount thereof plus accrued and unpaid interest to the payment date. A “Change of Control” was defined in the Convertible Note to include certain mergers, consolidations or asset sales with persons who are not or are not controlled by Permitted Holders, certain share acquisitions by persons or groups other than Permitted Holders, a majority of the Company’s directors ceasing to be persons who are not, or who were not approved by, the current directors, and the adoption of a plan relating to the liquidation or dissolution of the Company. “Permitted Holders” were Mr. Zhang Yong, Chairman of the Company, Ms. Yang Yuyan, and entities in which one or both of them owns 90% of the capital stock. A “Fundamental Transaction” was defined in the Convertible Note to include a consolidation or merger of the Company with or into, or a sale, lease, license or other transfer or of the Company’ assets to, another person, a business combination in which another person acquires more than 50% of the Company’s voting stock, and a reorganization or recapitalization of the Company or reclassification of the Common Shares.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the Convertible Note under the requirements of ASC 815. The Company evaluated and determined that the embedded conversion option, redemption options and anti-dilution feature do not require bifurcation from the Convertible Note under the requirements of ASC 815-10 because they are clearly and closely related to the debt host instrument. Beneficial conversion features (“BCF”) exist when the conversion price of the Convertible Note is lower than the fair value of the ordinary share at the commitment date. Since the Convertible Note was convertible from inception but contain conversion terms that change upon the occurrence of a future event, the contingent beneficial conversion feature was measured at the commitment date but not recognized until the contingency is resolved. No BCF was recognized because the conversion price is greater than the fair value of the Company’s ordinary shares at the commitment date.

The Convertible Note contained certain covenants that, among others, restricted the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the Convertible Note) and, in certain cases, all of its subsidiaries, to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase of redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the Convertible Note or other assets, to make certain other payments or to engage in transactions with affiliates, subject to certain qualifications and exceptions and satisfaction, in certain circumstances, of specified conditions, such as a Consolidated Fixed Charge Coverage Ratio (as defined in the Convertible Note) of 3.0 to 1.0 (which was also to be maintained as of the end of each fiscal quarter of the Company while the Convertible Note is outstanding).

On November 21, 2014, pursuant to a note redemption agreement entered into with TPG Asia, the Company redeemed the Convertible Note in full for a total redemption amount of $86,272,849 consisting of the entire outstanding principal balance, interest to the redemption date and debt extinguishment loss amounting to US$9,848,931, equal to 13% of the outstanding principal amount. In connection with the redemption, the Company agreed with TPG Asia to waivers of the covenants requiring the Company to maintain a Fixed Charge Coverage Ratio of not less than 3.0 to 1.0 and limiting the ability of the Company and its Restricted Subsidiaries to incur indebtedness, except under limited circumstances.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan (China) Real Estate, Ltd. issued the first tranche of the onshore corporate bonds with an aggregate principal amount of RMB1 billion (US$154 million) due on December 28, 2020 (the "First Tranche Bonds") at a coupon rate of 7.5% per annum payable annually. Interest is payable on December 28 of each year, commencing December 28, 2016.

On January 27, 2016, Xinyuan (China) Real Estate, Ltd. issued the second tranche of the onshore corporate bonds with an aggregate principal amount of RMB0.7 billion (US$107 million) due on January 27, 2021 (the "Second Tranche Bonds") at a coupon rate of 7.47% per annum payable annually. Interest is payable on January 27 of each year, commencing January 27, 2017.

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On March 14, 2016, Xinyuan (China) Real Estate, Ltd. issued the third tranche of the onshore corporate bonds with an aggregate principal amount of RMB0.5 billion (US$77 million) due on March 14, 2021 (the “Third Tranche Bonds”) at a coupon rate of 7.09% per annum payable annually. Interest is payable on March 14 of each year, commencing March 14, 2017.

Given that above three tranches of onshore corporate bonds is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from these three tranches of onshore corporate bonds under the requirements of ASC 815 “Derivatives and Hedging”. These three tranches of onshore corporate bonds were issued at par. Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan (China) Real Estate Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company’s announcement of whether it intends to adjust the interest rate.

On August 15, 2016, Xinyuan (China) Real Estate, Ltd. issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB1.5 billion (US$216 million) due on August 15, 2019 (the “New Tranche”) at a coupon rate of 7.5% per annum payable annually. Interest is payable on August 15 of each year, commencing August 15, 2017. Given that the New Tranche is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the New Tranche under the requirements of ASC 815, Derivatives and Hedging. The New Tranche was issued at par. Upon the first anniversary of the issuance of the New Tranche, Xinyuan (China) Real Estate Ltd may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company’s announcement of whether it intends to adjust the interest rate. Therefore, the entire amount of the New Tranche has been classified as current liabilities as of December 31, 2016.

13. Capital lease obligations

On October 23, 2012, the Group entered into an agreement with Minsheng Hongtai (Tianjin) Aircraft Leasing Co., Ltd. (“Minsheng”) to lease a corporate aircraft. The lease meets the transfer-of-ownership to the lessee criterion and is therefore, classified as a capital lease. The corporate aircraft was delivered on September 12, 2013, and the capital lease commenced on September 15, 2013 (the “Commencement Date”). The lease has an eight year term and expires on September 15, 2021. The Group has to make 32 quarterly lease payments of US$1,426,435 starting from the Commencement Date. In 2012, Henan Xinyuan paid a deposit in the amount of US$6.7 million to Minsheng. Upon the expiration of the lease agreement, the deposit in the amount of US$6.7 million may be used as full and final payment to Minsheng to purchase the corporate aircraft. The effective interest rate for the capital lease obligation is 10.47%.

On August 1, 2016, the Group entered into a sale and leaseback agreement with Shenzhen Zhong An for shopping mall equipment. Upon expiration of the lease period and settlement of all the lease payments, the Group is entitled to purchase the leased assets at a nominal amount. The lease meets the transfer-of-ownership to the lessee criterion and is therefore, classified as a capital lease. The capital lease commenced on August 1, 2016 (the "Commencement Date"). The lease has a three year term and expires on July 31, 2019. The Group has to make 12 quarterly lease payments of US$260,143 starting from the Commencement Date. The effective interest rate for the capital lease obligation is 5.58%.

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Capital lease obligations are summarized as follows:

	December 31, 2015 US$	December 31, 2016 US$
Capital lease obligations, net of current maturities		
Due to Minsheng	18,111,007	13,518,898
Due to related party - Shenzhen Zhong An	-	1,496,610
	18,111,007	15,015,508
Current maturities of capital lease obligations		
Due to Minsheng	3,065,612	2,869,663
Due to related party - Shenzhen Zhong An	-	1,053,731
	3,065,612	3,923,394
Total capital lease obligations	21,176,619	18,938,902

14. Customer deposits

Advances for real estate properties comprise of sales proceeds received from customers for the pre-sale of residential units in the PRC. Advances for real estate properties are typically funded up to 40% - 80% by mortgage loans made by banks to the customers. The Group holds certain cash balances in restricted cash accounts at the relevant banks (see Note 2 (f)). The Group, in turn, has a right to withhold transfer of title to the customer until outstanding amounts are fully settled.

	December 31, 2015 US$	December 31, 2016 US$
Advances for real estate properties	1,255,600,108	1,412,304,143
Add: increase/(decrease) in revenue recognized in excess of amounts received from customers	18,940,748	(16,222,702)
Less: recognized as progress billings (see Note 4)	1,210,089,345	1,245,536,188
Customer deposits (Note 2h,2n)	64,451,511	150,545,253

15. Income taxes

(a) Corporate income tax ("CIT")

Under the current law of the Cayman Islands, the Company is not subject to income tax.

The Company's PRC subsidiaries are subject to income tax at the statutory rate of 25% in accordance to the PRC corporate income tax laws and regulations. Further, under the same tax guidance, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain jurisdictions.

The Company's HK subsidiaries are subject to income tax at the statutory rate of 16.5% in accordance to the HK Corporate Income Tax Laws and regulations. For the years ended December 31, 2014, 2015 and 2016, the Company did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earned in Hong Kong for any of the periods presented. Under the Hong Kong tax law, the Company's HK subsidiaries are exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

The Company's US subsidiaries are subject to income tax at the effective rate of approximately 48% in accordance with US corporate income tax laws and regulations.

The Company's Malaysian subsidiaries are subject to income tax at the statutory rate of 25% in accordance with Malaysia corporate income tax laws and regulations.

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There is no provision for income taxes for the Company’s Malaysian subsidiaries because these subsidiaries were in a cumulative loss positions for all the periods presented.

Income before income tax expenses consists of:

	Year ended December 31,		
	2014	2015	2016
	US$	US$	US$
PRC	112,781,760	154,833,605	211,620,233
Non PRC	(33,727,777)	(35,840,702)	(45,909,678)
Total	79,053,983	118,992,903	165,710,555

Income tax expenses for the years ended December 31, 2014, 2015 and 2016 are summarized as follows:

	Year ended December 31,		
	2014	2015	2016
	US$	US$	US$
Current:			
CIT tax expense	20,791,855	48,523,618	70,285,607
Land Appreciation Tax (“LAT”) expense	(3,771,248)	23,223,407	33,254,340
Deferred tax expense/(benefit)	13,537,011	(19,235,707)	(17,292,072)
Income tax expense	30,557,618	52,511,318	86,247,875

The Group’s income tax expense differs from the tax expense computed by applying the statutory CIT rate of 25% for the years ended December 31, 2014, 2015 and 2016, are as follows:

	Year ended December 31,		
	2014	2015	2016
	US$	US$	US$

CIT at rate of 25%	19,763,496	29,748,226	41,427,639
Tax effect of non-deductible expenses	6,535,308	2,028,153	7,425,406
Unrecognized tax benefits	(8,628,537)	(6,354,200)	(1,949,726)
LAT expense	(3,771,248)	23,223,407	33,254,340
CIT benefit of LAT	942,812	(5,805,852)	(8,313,585)
Changes in valuation allowance	-	4,274,501	(1,161,335)
International rate difference	10,681,232	6,075,360	17,814,114
Income tax on undistributed earnings of PRC subsidiaries	440,464	3,675,156	-
Adjustment of estimated income tax accruals	3,953,417	(4,412,050)	(1,979,380)
Others	640,674	58,617	(269,598)
Actual income tax expense	30,557,618	52,511,318	86,247,875

Income tax on undistributed earnings of PRC subsidiaries represents accrued withholding tax related to the portion of the Group’s retained earnings that were not considered permanently reinvested.

(b) Unrecognized tax benefit

The following table summarizes the activities related to the Group’s unrecognized tax benefits:

	2014 US$	2015 US$	2016 US$
Balance at January 1	16,313,513	14,005,004	17,842,283
Additions for tax positions of current year	6,400,006	11,592,738	5,549,004
Movement in current year due to foreign exchange rate fluctuation	(79,978)	(313,640)	(68,926)
Reductions for tax positions of prior years	(4,125,703)	(3,669,272)	(880,647)
Lapse of statute of limitations	(4,502,834)	(3,772,547)	(1,949,726)
Balance at December 31	14,005,004	17,842,283	20,491,988

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The movement in the liability for unrecognized tax benefits of US$6,400,006 in 2014 was partly due to Henan Xinyuan with the application of the deemed profit method by the local tax authority of Zhengzhou city related to the Zhengzhou Modern City project upon completion of the development project. The Group believes that the possibility exists for reinterpretation of the application of the tax regulations by higher tax authorities in the PRC, potentially overturning the decision made by the local tax authority to apply the deemed profit method. Because of the uncertainty surrounding whether the application of the deemed profit method for Zhengzhou Modern City project will be re-evaluated and the taxes adjusted, the difference between the taxes due based on taxable income calculated according to statutory taxable income method and the taxes due based on the deemed profit method has been recorded as an additional receivable or payable and has been included in unrecognized tax benefits. The remaining balance of the current year movement in the liability for unrecognized tax benefits were mainly due to deemed interest income from subsidiaries of the Company during the year. The movement in the liability for unrecognized tax benefits of US$79,978 was due to the fluctuation of US$/RMB exchange rate, and therefore was recorded as other comprehensive income arising from the foreign currency translation. The remaining change of US$4,502,834 was recognized as a reduction of unrecognized tax benefits due to the expiration of the statute of limitations period, and the amount of US$4,125,703 was recognized due to the receipt of the official tax invoice in 2014.

The movement in the liability for unrecognized tax benefits of US$11,592,738 in 2015 was due to deemed interest income from subsidiaries of the Company during the year. The movement in the liability for unrecognized tax benefits of US$313,640 was due to the fluctuation of US$/RMB exchange rate, and therefore was recorded as other comprehensive income arising from the foreign currency translation. The remaining change of US$3,772,547 was recognized as a reduction of unrecognized tax benefits mainly due to the expiration of the statute of limitations period, and the amount of US$3,669,272 was recognized due to the availability for taxation deductions in 2015.

The current year movement in the liability for unrecognized tax benefits of US$5,549,004 in 2016 was due to deemed interest income from subsidiaries of the Company during the year. The movement in the liability for unrecognized tax benefits of US$68,926 was due to the fluctuation of US$/RMB exchange rate, and therefore was recorded as other comprehensive income arising from the foreign currency translation. The remaining change of US$1,949,726 was recognized as a reduction of unrecognized tax benefits mainly due to the expiration of the statute of limitations period, and the amount of US$880,647 was recognized due to the availability for taxation deductions in 2016.

As of December 31, 2015 and 2016, unrecognized tax benefits of US$1,993,721 and nil, respectively, if ultimately recognized, will impact the effective tax rate. The Group anticipates new unrecognized tax benefits, related to tax positions similar to those giving rise to its existing unrecognized tax benefits, to originate after December 31, 2016. It is possible that the amount of uncertain tax positions will change in the next twelve months, however, an estimate of the range of the possible outcomes cannot be made at this time.

The PRC income tax returns for fiscal year 2012 through fiscal year 2016 remain open to potential examination. In addition, local tax authorities may exercise broad discretion in applying the tax law, thus potentially exposing the PRC subsidiaries to audits of tax years outside the general statute of limitations.

It is the Group's continuing practice to recognize interest and penalties related to uncertain tax positions in interest expenses and other expenses, respectively. For the years ended December 31, 2014, 2015 and 2016, no interests and penalties have been recognized under ASC 740-10 as management believes that there will be no interest and penalties charged relating to a re-evaluation of a tax levy method.

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(c) LAT

Since January 1, 1994, LAT has been applicable at progressive tax rates ranging from 30% to 60% on the appreciation of land values, with an exemption provided for the sales of ordinary residential properties if the appreciation values do not exceed certain thresholds specified in the relevant tax laws. However, prior to September 2004, the local tax authority in Zhengzhou city did not impose the regulation on real estate companies in its area of administration. Since September 2004, the local tax authority has levied the LAT at the rate of 0.8% or 1.0% against total cash receipts from sales of real estate properties, rather than according to the progressive rates. In early 2007, the national PRC tax authorities clarified the regulations to require the full payment of LAT in accordance with the progressive rates.

For the years ended December 31, 2014, 2015 and 2016, the Group has made provision for LAT with respect to properties sold up to December 31, 2016 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

(d) Deferred tax

The tax effects of temporary differences that give rise to the Group’s net current deferred tax assets and liabilities as of December 31, 2015 and 2016 are as follows:

	December 31, 2015 US$	December 31, 2016 US$
Current deferred tax assets:		
Tax loss carried forward	9,858,503	4,098,537
Accruals and provisions	6,269,775	15,756,338
Deemed interest income	14,868,874	-
Unrealized profit at consolidation	2,946,297	4,667,343
Allowance for deferred tax assets	(4,274,501)	(2,913,798)
Total current deferred tax assets	29,668,948	21,608,420
Current deferred tax liabilities:		
Revenue recognized based on percentage of completion	(38,623,934)	(57,670,568)

Real estate properties accelerated cost deduction	(1,282,034)	(794,822)
Taxable temporary differences arising from business combinations and assets acquisition	(47,409,723)	(42,703,964)
Others	(45,532)	(45,533)
Total current deferred tax liabilities	(87,361,223)	(101,214,887)
Net current deferred tax liabilities	(57,692,275)	(79,606,467)

The tax effects of temporary differences that give rise to the Group's net long-term deferred tax assets and liabilities as of December 31, 2015 and 2016 are as follows:

	December 31, 2015 US$	December 31, 2016 US$
Long-term deferred tax assets:		
Tax loss carried forward	5,553,093	20,064,937
Revenue recognition of real estate lease income on a straight-line basis	8,955,776	9,132,603
Deemed interest income	-	20,417,879
Others	979,688	74,109
Total long-term deferred tax assets	15,488,557	49,689,528
Long-term deferred tax liabilities:		
Income tax on undistributed earnings of PRC subsidiaries	(13,500,239)	(13,500,239)
Total long-term deferred tax liabilities	(13,500,239)	(13,500,239)
Net long-term deferred tax assets	1,988,318	36,189,289

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Certain of the Company’s PRC subsidiaries have PRC tax net operating loss carry forwards of US$96.6 million (2015: US$39.4 million) which will expire in one to five years, if unutilized. Losses incurred in the U.S. amounting to US$1.8 million (2015: US$9.0 million) can be carried forward for 20 years.

During 2015 and 2016, the Company has considered its operational funding needs, future development initiatives and its dividend distribution plan and is permanently reinvesting all but US$332.9 million and US$482.6 million (including US$393.9 million that may be remitted on a tax-free basis that is within the parent company’s control and presently available) of its PRC subsidiaries earnings as at December 31, 2015 and 2016, respectively. Accordingly, the Company accrued deferred income tax liabilities of US$13.5 million and US$13.5 million for the withholding tax liability associated with the distribution of retained earnings that are not permanently reinvested as at December 31, 2015 and 2016, respectively. As of December 2015 and 2016, the total amount of undistributed earnings from the Company’s PRC subsidiaries that are considered to be permanently reinvested were US$509.1 million and US$407.7 million, and the related unrecognized deferred tax liabilities were approximately US$50.9 million and US$40.8 million, respectively. The Company’s remaining subsidiaries do not have retained earnings for all the periods presented.

For each subsidiary, deferred tax assets have been netted against deferred tax liabilities by current classification, as the reversal of the underlying temporary differences is expected to occur in the same future periods.

In assessing the ability to realize the deferred tax assets, the Group has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Accordingly, the Group recorded valuation allowance amounting US$4,274,501 and US$2,913,798 as of December 31, 2015 and 2016, respectively.

16. Share-based compensation

As of December 31, 2016, the Company has four share-based compensation plans under which awards may be granted to both employees and non-employees, namely, the 2007 Equity Incentive Plan (the “Plan”), 2007 Long Term Incentive Plan (the “2007 Plan”), 2015 Long Term Incentive Plan (the “2015 Plan”), and 2014 Restricted Stock Unit Plan (the “2014 RSU Plan”). Compensation cost of US$7,828,255 (2014: US$3,232,940, 2015: US$4,904,626) was recorded in general and administrative expenses for those plans with a corresponding credit to additional paid-in capital in the year ended

December 31, 2016. The compensation cost is regarded as a permanent difference for income tax purposes as the options were granted by the Company, which is registered in the Cayman Islands, a tax free jurisdiction. Hence, no tax benefit was recognized upon the recognition of compensation cost. The Company has a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the RSUs granted under the 2014 RSU Plan.

Plan

On August 11, 2007, the Company granted share options to purchase up to 6,125,374 common shares to its directors and employees, at exercise prices ranging from US$0.0001 to US$2.50 per share. These options have a weighted average grant date fair value of US$2.67 per option, and a total expected compensation cost, net of expected forfeitures, of US$15,564,801. These options have vesting periods based on length of service ranging from 10 to 60 months and will expire no later than August 10, 2017. These options are performance-based and did not begin vesting until the Company's IPO was in effect. However, upon the effectiveness of the IPO, these awards had an immediate vesting of all shares that would have vested between the grant date and the effectiveness of the IPO.

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2007 Plan

In November 2007, the Company adopted the 2007 Plan which provides for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase its common shares. The maximum aggregate number of common shares which may be issued pursuant to all awards, including options, is 10 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

On June 25, 2014, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 600,000 common shares to one employee, at an exercise price of US$2.045 per share. These options have a weighted average grant date fair value of US$0.52 per option and a total expected compensation cost, net of expected forfeitures, of US$311,098. These options have vesting periods based on length of service of 36 months and will expire no later than June 25, 2024.

On June 30, 2014, under the 2007 Plan, the Company granted share options to purchase up to 907,000 common shares to six employees, at an exercise price of US$1.21 per share. These options have a weighted average grant date fair value of US$0.81 per option and a total expected compensation cost, net of expected forfeitures, of US$734,181. These options became vested and exercisable immediately.

On February 26, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.255 per share. These options have a weighted average grant date fair value of US$0.36 per option and a total expected compensation cost, net of expected forfeitures, of US$71,853. These options have vesting periods based on length of service of 36 months and will expire no later than February 26, 2025.

On April 10, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 600,000 common shares to one employee, at an exercise price of US$1.605 per share. These options have a weighted average grant date fair value of US$0.52 per option and a total expected compensation cost, net of expected forfeitures, of US$312,671. These options have vesting periods based on length of service of 36 months and will expire no later than April 10, 2025.

On July 1, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 1,200,000 common shares to two employees, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US$577,836. These options have vesting periods based on length of service of 36 months and will expire no later than July 1, 2025.

On September 30, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.39 per share. These options have a weighted average grant date fair value of US$0.50 per option and a total expected compensation cost, net of expected forfeitures, of US$100,243. These options have vesting periods based on length of service of 36 months and will expire no later than September 30, 2025.

On November 6, 2015, under the 2007 Plan, the Company granted share options with service conditions to purchase up to 200,000 common shares to one employee, at an exercise price of US$1.81 per share. These options have a weighted average grant date fair value of US$0.61 per option and a total expected compensation cost, net of expected forfeitures, of US$122,109. These options have vesting periods based on length of service of 36 months and will expire no later than November 6, 2025.

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2015 Plan

In June 2015, the Company approved the 2015 Plan to provide grant of options to purchase shares of company stock with maximum aggregate number of 20 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

On July 1, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 6,574,600 common shares to twenty-two employees, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.48 per option and a total expected compensation cost, net of expected forfeitures, of US$3,165,867. These options have vesting periods based on length of service of 34 months and will expire no later than July 1, 2025.

On July 29, 2015, under the 2015 Plan, the Company granted share options with service conditions to purchase up to 81,600 common shares to one employee, at an exercise price of US$1.71 per share. These options have a weighted average grant date fair value of US$0.42 per option and a total expected compensation cost, net of expected forfeitures, of US$34,294. These options have vesting periods based on length of service of 33 months and will expire no later than July 29, 2025.

Assumptions

The Company assumed the forfeiture ratios of 0% for non-executive employees and executives in arriving at the total compensation expense. All outstanding unvested stock options as of December 31, 2016 under the Plan, the 2007 Plan and the 2015 Plan were related to executives and therefore, are expected to vest in full. No options were granted during the year ended December 31, 2016.

The fair value of each option is estimated on the date of grant using the Dividend Adjusted Black-Scholes option-pricing model that uses the assumptions noted below.

	Options Granted in 2014 Under the 2007 Plan		Options Granted in 2015 Under the 2007 Plan		Options Granted in 2015 Under the 2015 Plan	
Average risk-free rate of return	2.5	%	1.82-1.92	%	1.57-1.92	%
Expected term	5-6 Years		6 Years		6 Years	
Volatility rate	40.5-41.4	%	46.3-55.2	%	55.0-55.9	%
Dividend yield	5	%	5	%	5	%

The risk-free rate for periods within the expected life of the option is based on the implied yield rates of U.S treasury yield curve in effect at the time of grant. The expected life of options represents the period of time the granted options are expected to be outstanding. The Company had limited historical exercise data. Therefore, the expected life was estimated as the average of the contractual term and the vesting period. The dividend yield was based on the Company's dividend distribution plan. The expected volatility was based on the historical daily stock price of the Company, annualized.

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Share Option Activity

The following table is a summary of the Company’s share option activity under the Plan (in US$, except options):

Options under the Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2016				
2.50 (exercise price)	557,396	2.5	1.58	-
Granted	-	-	-	-
Exercised				
2.50 (exercise price)	1,746	2.5	-	262
Forfeited				
2.50 (exercise price)	944	2.5	-	-
Outstanding, December 31, 2016				
2.50 (exercise price)	554,706	2.5	0.58	-
Exercisable as at December 31, 2016				
2.50 (exercise price)	554,706	2.5	0.58	

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company’s closing stock price of US$2.48 per common share as of December 31, 2016 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2016. All the options were fully vested as of December 31, 2012.

As of December 31, 2016, there was no unrecognized compensation cost related to unvested share-based compensation arrangements granted to employees and non-employees under the Plan.

The following table is a summary of the Company's share option activity under the 2007 Plan (in US$, except options):

Options Under the 2007 Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2016				
7.0 (exercise price)	792,056	7.00	1.83	-
2.975 (exercise price)	180,000	2.975	2.50	-
1.87 (exercise price)	93,334	1.87	3.25	-
1.21 (exercise price)	754,000	1.21	4.95	478,790
1.085 (exercise price)	100,000	1.085	5.50	76,000
1.64 (exercise price)	200,000	1.64	6.87	41,000
2.105 (exercise price)	600,000	2.105	7.50	-
2.86 (exercise price)	600,000	2.86	7.67	-
1.21 (exercise price)	873,000	1.21	8.50	554,355
1.255(exercise price)	200,000	1.255	9.16	118,000
1.605(exercise price)	600,000	1.605	9.27	144,000
1.71(exercise price)	1,200,000	1.71	9.50	162,000
1.39(exercise price)	200,000	1.39	9.75	91,000
1.81(exercise price)	200,000	1.81	9.85	7,000
Granted	-	-	-	-
Exercised				
1.21 (exercise price)	530,600	1.21	-	467,357
2.105 (exercise price)	40,876	2.105	-	17,176
1.87 (exercise price)	93,334	1.87	-	72,263
1.255 (exercise price)	200,000	1.255	-	270,374
1.605 (exercise price)	200,000	1.605	-	207,269
1.71 (exercise price)	400,000	1.71	-	382,836
1.81 (exercise price)	66,000	1.81	-	48,858

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Options Under the 2007 Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Forfeited				
1.605 (exercise price)	400,000	1.605	-	-
1.71 (exercise price)	800,000	1.71	-	-
1.39 (exercise price)	200,000	1.39	-	-
Outstanding, December 31, 2016				
7.0 (exercise price)	792,056	7.00	0.83	-
2.975 (exercise price)	180,000	2.975	1.50	-
1.21 (exercise price)	754,000	1.21	3.95	957,580
1.085 (exercise price)	100,000	1.085	4.50	139,500
1.64 (exercise price)	200,000	1.64	5.87	168,000
2.105 (exercise price)	559,124	2.105	6.50	209,672
2.86 (exercise price)	600,000	2.86	6.67	-
1.21 (exercise price)	342,400	1.21	7.50	434,848
1.81(exercise price)	134,000	1.81	8.85	89,780
Exercisable as at December 31, 2016				
7.0 (exercise price)	792,056	7.00	0.83	-
2.975 (exercise price)	180,000	2.975	1.50	-
1.21 (exercise price)	754,000	1.21	3.95	957,580
1.085 (exercise price)	100,000	1.085	4.50	139,500
1.64 (exercise price)	200,000	1.64	5.87	168,000
2.105 (exercise price)	559,124	2.105	6.50	209,672
2.86 (exercise price)	600,000	2.86	6.67	-
1.21 (exercise price)	342,400	1.21	7.50	434,848

The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company's closing stock price of US$2.48 per common share as of December 31, 2016 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2016. As of December 31, 2016, there was US$74,622 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2007 Plan. The cost is expected to be recognized using a straight-line method over a weighted-average period of 1.85 years. Total fair value of options vested during the year ended December 31, 2014, 2015 and 2016 was US$1,206,372, and US$633,113, and US$362,487, respectively.

The following table is a summary of the Company’s share option activity under the 2015 Plan (in US$, except options):

Options Under the 2015 Plan	Number of Options	Weighted Average Exercise Price	Weighted Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2016				
1.71(exercise price)	81,600	1.71	9.58	11,016
1.71(exercise price)	6,574,600	1.71	9.50	887,571
Granted	-	-	-	-
Exercised				
1.71(exercise price)	628,328	1.71	-	544,274
Forfeited				
1.71 (exercise price)	1,155,072	1.71	-	-
Outstanding, December 31, 2016				
1.71(exercise price)	81,600	1.71	8.58	62,832
1.71(exercise price)	4,791,200	1.71	8.50	3,689,224
Exercisable as at December 31, 2016				
1.71(exercise price)	27,200	1.71	8.58	20,944
1.71(exercise price)	1,563,192	1.71	8.50	1,203,658

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The aggregate intrinsic value in the table above represents the total intrinsic value (the aggregate difference between the Company's closing stock price of US$2.48 per common share as of December 31, 2016 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2016. As of December 31, 2016, there was US$1,051,494 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2015 Plan. The cost is expected to be recognized using a straight-line method over a weighted-average period of 1.5 years. Total fair value of options vested during the year ended December 31, 2015 and 2016 was US$639,524 and US$952,941, respectively.

2014 RSU Plan

On May 23, 2014, the Board of Directors approved the 2014 RSU Plan, which is administered by the Compensation Committee of the Board of Directors. The 2014 RSU Plan provides for discretionary grants of restricted stock units, or RSUs, to or for the benefit of participating employees. The maximum number of common shares that may be delivered to 2014 RSU Plan participants in connection with RSUs granted under the 2014 RSU Plan is 10,000,000, subject to adjustment if the Company's outstanding common shares are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction.

On May 23, 2014, the Company established a trust that is governed by a third party trustee and deposited US$7,042,725 into the trust. The trustee used the funds to acquire 4,234,884 common shares in the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On April 10, 2015, under the 2014 RSU Plan, the Company deposited US$3,259,998 into the trust. The trustee used the funds to acquire 2,076,964 common shares from the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On April 18, 2016, under the 2014 RSU Plan, the Company deposited US$4,003,999 into the trust. The trustee used the funds to acquire 1,614,220 common shares from the open market. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

The weighted average grant-date fair value of restricted shares granted during the years ended December 31, 2014, 2015 and 2016 was US$2.01, US$1.605 and US$2.75, respectively, which was derived from the fair value of the underlying ordinary shares.

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Other awards

On December 29, 2014, Xinyuan International (Hong Kong) Property Investment Inc. (“XYHK”) signed an agreement to acquire a 100% equity interest in XIN Eco Marine Group Properties Sdn Bhd (formerly named as EMG Group Properties Sdn Bhd) (“EMG”) for purpose of acquiring a land reclamation development located in Pekan Klebang, Section II, District of Melaka Tengah, Malaysia.

On the acquisition date, EMG signed an agreement (“Service Agreement”) with one of the selling shareholders, Mr. Alex Teh Chee Teong (“Mr.Teh”),appointing Mr. Teh as a project manager to assist XYHK in supervising and completing the land reclamation development within twenty four months from the reclamation works commencement date. Under the same Service Agreement, EMG granted Mr. Teh an option to purchase 25% of EMG’s equity interest (“Share Option”) in exchange for post-acquisition services subject to the fulfillment of certain performance conditions. The Company with the assistance of an independent valuator determined that the fair value of the Share Option at the acquisition date is US$3,167,000. However, no compensation expense was recorded as of December 31, 2014, 2015 and 2016 since such performance conditions were not met.

17. Other payables and accrued liabilities

The components of other payables and accrued liabilities are as follows:

	December 31, 2015 US$	December 31, 2016 US$
Contract deposit	31,740,289	81,095,384
Accrued expense	22,170,906	22,325,547
Deed tax and maintenance fund withheld for customers	13,318,504	10,566,064
Bidding deposit	1,881,217	1,959,950
Welfare payable	1,590,932	1,489,242
Other tax payable	14,178,760	7,908,792
Accrued aircraft operating expense	701,721	1,251,952
Accrued interest expense	8,445,279	42,371,395
Others	12,098,761	30,692,839

Total	106,126,369	199,661,165

18. Related party and employee transactions

(a) Amounts due from related parties

	December 31, 2015 US$	December 31, 2016 US$
Shaanxi Zhongmao	45,072,727	-
Ruihao Rongtong	10,816,284	-
Beijing Starry Sky Cinema Co., Ltd.	2,741,161	17,731,875
	58,630,172	17,731,875

As of December 31, 2015, the balance due from Shaanxi Zhongmao, Ruihao Rongtong and Beijing Starry Sky Cinema are related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

As of December 31, 2016, the balance due from Beijing Starry Sky Cinema is related to advances for operational needs without any fixed payments terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

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During the year ended December 31, 2016, the Group received full reimbursement of US$3.12 million relating to software technical services from Beijing Aijieli Technology Development Co., Ltd. ("Aijieli"), a company owned by senior management members of the Company. During the year ended December 31, 2016, the Group also made advances to Aijieli for its start-up needs amounting to US$4.35 million, which was repaid in full by Aijieli as of December 31, 2016.

On June 28, 2016, the Group sold 6% of its equity interest in Xinyuan Service to key management personnel (see Note 25) for US$506,696, which was based on an appraised value by an independent valuer.

On November 10, 2016, the Group sold 21.05% of its equity interest in Shanghai Hexinli (see Note 25), a dormant company with no operations to key management personnel for US$337,344, calculated by multiplying the percentage sold with Shanghai Hexinli's paid-in capital.

(b) Amounts due to related party

	December 31, 2015 US$	December 31, 2016 US$
Shenzhen Pingjia Investment Management Co., Ltd.	-	66,229,724

Shenzhen Pingjia Investment Management Co., Ltd. ("Shenzhen Pingjia") is the non-controlling interest shareholder of Zhengzhou Xinnan, one of the Company's subsidiaries (see Note 25). As of December 31, 2016, Shenzhen Pingjia advanced US$63,572,149 of working capital funds to Zhengzhou Xinnan that is expected to be repaid in one year. Of the amount advanced, US$24,086,781 was in the form of an unsecured interest bearing loan at an annual rate of 12%, which has no fixed payment terms, and bears accrued interest amounting US$2,657,575 as of December 31, 2016. The remaining advances were unsecured and bore no interest.

On August 1, 2016, the Group entered into a sale and leaseback of shopping mall equipment agreement with Shenzhen Zhong An, which is a joint venture of the Group (see Note 13).

On November 10, 2016, the Group acquired 70% of Xinrock, a dormant company with no operations from a senior management member at nil consideration. The remaining 30% equity interest in Xinrock is held by key management personnel (see Note 25).

(c) Amounts due from employees

	December 31, 2015 US$	December 31, 2016 US$
Advances to employees	350,919	620,462

The balance represents cash advances to employees for traveling expenses and other expenses. The balances are unsecured, bear no interest and have no fixed payment terms.

(d) Others

For the year ended December 31, 2016, total directors' remuneration amounted to US$10,295,641 (2014: US$8,145,311; 2015: US$8,549,672).

All other related party transactions have been disclosed in Notes 2a and 12.

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19. Equity

(i) As at December 31, 2016, the Company's authorized share capital was 500 million common shares, par value US$0.0001 per share (December 31, 2015: 500 million common shares).

(ii) During the year ended December 31, 2014, 33,000 options were exercised at US$1.21 per share under the 2007 Plan.

(iii) During the year ended December 31, 2014, 9,025,690 common shares were repurchased at a total cost of US$17,610,787.

(iv) During the year ended December 31, 2014, 4,234,884 common shares were repurchased at a total cost of US$7,042,725 under the 2014 RSU Plan, which were granted to employees and directors.

(v) During the year ended December 31, 2014, the Company distributed quarterly dividends of US$0.025 per common share to common shareholders amounting to a total of US$15,288,919.

(vi) During the year ended December 31, 2015, 40,000 options were exercised at US$1.21 per share under the 2007 Plan.

(vii) During the year ended December 31, 2015, 2,179,902 common shares were repurchased at a total cost of US$3,349,172.

(viii) During the year ended December 31, 2015, 2,076,964 common shares were repurchased at a total cost of US$3,259,998 under the 2014 RSU Plan, which were granted to employees and directors.

(ix) During the year ended December 31, 2015, the Company distributed quarterly dividends of US$0.025 per common share to common shareholders amounting to a total of US$14,751,704.

(x) During the year ended December 31, 2016, 1,746 options were exercised at US$2.50 per share under the Plan.

(xi) During the year ended December 31, 2016, 530,600 options were exercised at US$1.21 per share under the 2007 Plan.

(xii) During the year ended December 31, 2016, 40,876 options were exercised at US$2.105 per share under the 2007 Plan.

(xiii) During the year ended December 31, 2016, 93,334 options were exercised at US$1.87 per share under the 2007 Plan.

(xiv) During the year ended December 31, 2016, 200,000 options were exercised at US$1.255 per share under the 2007 Plan.

(xv) During the year ended December 31, 2016, 200,000 options were exercised at US$1.605 per share under the 2007 Plan.

(xvi) During the year ended December 31, 2016, 400,000 options were exercised at US$1.71 per share under the 2007 Plan.

(xvii) During the year ended December 31, 2016, 66,000 options were exercised at US$1.81 per share under the 2007 Plan.

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(xviii) During the year ended December 31, 2016, 628,328 options were exercised at US$1.71 per share under the 2015 Plan.

(xix) During the year ended December 31, 2016, 13,198,238 common shares were repurchased at a total cost of US$29,688,648.

(xx) During the year ended December 31, 2016, 1,614,220 common shares were repurchased at a total cost of US$ 4,003,999 under the 2014 RSU Plan, which were granted to employees and directors.

(xxi) In the first half of 2016, the Company distributed quarterly dividends of US$0.025 per common share to common shareholders amounting to a total of US$7,015,794. In the second half of 2016, the Company distributed quarterly dividends of US$0.05 per common share to common shareholders amounting to a total of US$13,529,463.

20. Earnings per share

Basic and diluted net earnings per share for each period presented are calculated as follows:

	December 31,		
	2014	2015	2016
	US$	US$	US$
Numerator:			
Net income attributable to Xinyuan Real Estate Co., Ltd. Shareholders – basic	48,515,730	66,482,107	72,977,548
Interest expense associated with the Convertible Note	2,690,572	-	-
Net income attributable to Xinyuan Real Estate Co., Ltd. shareholders – diluted	51,206,302	66,482,107	72,977,548
Denominator:			
Weighted average number of shares outstanding, basic*	151,935,765	142,625,427	133,261,510
Convertible Note (Note 12)	24,561,789	-	-
Stock options	620,681	348,603	1,271,209
Restricted stock units	-	3,513,919	3,120,310
Weighted average number of shares outstanding-diluted	177,118,235	146,487,949	137,653,029

Basic earnings per share	0.32	0.47	0.55
Diluted earnings per share	0.29	0.45	0.53

* The restricted shares repurchased by the trustee that are unvested are excluded from the number of shares outstanding for purposes of computing basic earnings per share in accordance with ASC 260. However, these unvested restricted shares are factored into the computation of diluted earnings per share using the treasury stock method.

During the year ended December 31, 2016, 2,260,762 (2014: 4,086,084; 2015: 11,878,986) stock options were excluded from the calculation of earnings per share because their effect would be anti-dilutive.

21. Segment reporting

The Group’s long-lived assets and revenue are mainly located in and derived from the PRC. Starting in 2012, a relatively smaller portion of the Group’s long-lived assets and revenue are located in and derived from the United States. The Group considers that each of its individual property developments is a discrete operating segment. The Group has aggregated its segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offered, customers and market and regulatory environment. The Group’s reportable operating segments are comprised of Henan Province, Shandong Province, Jiangsu Province, Sichuan Province, Beijing, Hainan Province, Hunan Province, Shaanxi Province, Shanghai, and Tianjin in the PRC; and the United States.

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Each geographic operating segment is principally engaged in the construction and development of residential real estate units. The “other” category relates to investment holdings, property management services, installation of intercom systems, landscaping, engineering and management, real estate sale, purchase and lease activities. The accounting policies of the various segments are the same as those described in Note 2, “Summary of Significant Accounting Policies”.

The Group’s chief operating decision maker relies upon net sales, gross profit and net income when making decisions about allocating resources and assessing performance of the Group. Net sales for geographic segments are generally based on the location of the project development. Net income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Capital expenditures for each segment includes cost for acquisition of subsidiaries, vehicles, fixtures and furniture and computer network equipment and accumulation of properties held for lease related to newly completed projects.

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No single customer accounted for more than 10% of net sales for the years ended December 31, 2014, 2015 and 2016.

Summary information by operating segment is as follows:

December 31, 2014	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan
	US$	US$	US$	US$	US$	US$	US$
Net real estate sales	310,236,873	192,437,765	175,960,358	9,912,254	188,579,891	6,526,065	4,109,978
Real estate lease income	2,991,909	218,320	651	-	-	-	-
Real estate management services income	-	-	-	-	-	-	-
Other revenue	110,500	110,166	57,357	29,585	11,717	391	244
Total revenue	313,339,282	192,766,251	176,018,366	9,941,839	188,591,608	6,526,456	4,110,222
Cost of real estate sales	(210,789,926)	(146,862,778)	(138,838,903)	(9,125,435)	(133,519,235)	(4,137,467)	(3,632,997)
Cost of real estate lease income	(2,574,534)	29,388	(575,529)	-	-	-	-
Cost of real estate management services	(557,509)	-	-	-	-	-	-
Other costs	(1,247,446)	(1,303,518)	(391,538)	(16,975)	(364,326)	(17)	(32,560)
Total cost of revenue	(215,169,415)	(148,136,908)	(139,805,970)	(9,142,410)	(133,883,561)	(4,137,484)	(3,665,557)
Gross profit	98,169,867	44,629,343	36,212,396	799,429	54,708,047	2,388,972	444,665
Operating expenses	(58,981,130)	(8,891,116)	(12,928,183)	(3,229,614)	(27,689,927)	(3,855,809)	(3,234,163)
Operating income/(loss)	39,188,737	35,738,227	23,284,213	(2,430,185)	27,018,120	(1,466,837)	(2,789,498)
Interest income	10,797,806	903,353	471,254	8,312	375,674	4,974	16,913

Interest expense	(471,635)	-	-	-	-	-	-
Net realized gain on short-term investments	3,128,014	-	-	-	-	-	-
Share of income (loss) in an equity investee	(1,691,897)	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-
Exchange gains	706,108	-		-	-	-	-
Unrealized income on short-term investments	120,146	-	-	-	1,887	-	-
Other income	-	3,212,606	-	-	-	-	-
Income/(loss) before income taxes	51,777,279	39,854,186	23,755,467	(2,421,873)	27,395,681	(1,461,863)	(2,772,585)
Income tax benefit /(expense)	1,897,892	(9,997,111)	(3,452,056)	681,784	(18,646,689)	(737,457)	(543,422)
Net income/(loss)	53,675,171	29,857,075	20,303,411	(1,740,089)	8,748,992	(2,199,320)	(3,316,007)
Depreciation and amortization	5,056,099	255,701	684,087	38,685	446,531	95,456	24,944
Capital expenditure	6,317,246	187,745	175,551	296,976	57,767	698,842	242,276
Real estate properties development for sale	-	-	-	-	-	-	-
Real estate properties development completed	10,174,728	778,376	1,069,768	-	-	-	-
Real estate properties under development	122,442,706	230,512,631	476,026,887	213,243,863	124,555,677	80,188,420	145,738,966
Real estate properties held for lease	45,892,107	5,053,480	17,464,831	-	-	-	-
	91,997,422	7,323,161	23,139,244	10,904,402	3,896,449	690,086	528,484

Total long-lived assets							
Total assets	868,110,770	501,351,668	642,378,579	125,561,644	427,431,672	52,944,306	99,029,288

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December 31, 2015	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan
	US$	US$	US$	US$	US$	US$	US$
Net real estate sales	251,681,188	186,222,554	371,469,943	36,372,298	166,775,534	3,534,278	42,191,276
Real estate lease income	4,484,591	202,892	-	-	-	-	-
Real estate management services income	-	-	-	-	-	-	-
Other revenue	1,396,463	30,659	308,026	80,142	318,271	8,157	2,332
Total revenue	257,562,242	186,456,105	371,777,969	36,452,440	167,093,805	3,542,435	42,193,608
Cost of real estate sales	(160,197,316)	(149,867,847)	(305,417,991)	(32,313,894)	(118,868,527)	(2,337,677)	(30,095,959
Cost of real estate lease income	(2,202,367)	(285,974)	(1,416,157)	-	-	-	-
Cost of real estate management services	(18,161)	-	-	-	-	-	-
Other costs	178,610	(376,070)	(641,646)	(3,615)	(835,555)	(324)	-
Total cost of revenue	(162,239,234)	(150,529,891)	(307,475,794)	(32,317,509)	(119,704,082)	(2,338,001)	(30,095,959
Gross profit	95,323,008	35,926,214	64,302,175	4,134,931	47,389,723	1,204,434	12,097,649
Operating expenses	(51,882,922)	(13,528,548)	(15,826,805)	(3,672,935)	(32,178,776)	(6,617,557)	(5,090,601
Operating income/(loss)	43,440,086	22,397,666	48,475,370	461,996	15,210,947	(5,413,123)	7,007,048
Interest income	23,284,854	237,687	442,560	18,752	331,042	3,968	45,592
Interest expense	21,612,239	-	-	-	-	-	-
Net realized gain on short-term investments	-	-	-	-	-	-	-
Share of income in an	2,234,635	-	-	-	-	-	-

equity investee							
Loss on extinguishment of debt	-	-	-	-	-	-	-
Exchange gains	403,286	-		-	-	-	-
Unrealized income on short-term investments	-	-	-	-	-	-	-
Other income	-	-	-	-	-	4,677,244	-
Income/(loss) before income taxes	90,975,100	22,635,353	48,917,930	480,748	15,541,989	(731,911)	7,052,640
Income tax benefit /(expense)	(16,234,099)	(9,901,175)	(32,061)	(1,344,687)	(13,479,368)	163,491	(5,634,909
Net income/(loss)	74,741,001	12,734,178	48,885,869	(863,939)	2,062,621	(568,420)	1,417,731
Depreciation and amortization	5,569,343	400,733	1,542,209	64,082	515,150	208,486	76,304
Capital expenditure	4,249,718	172,853	31,524	-	33,952,563	127,550	146,074
Real estate properties development for sale	-	-	-	-	-	-	-
Real estate properties development completed	4,775,131	-	19,301,428	-	-	-	-
Real estate properties under development	313,105,983	275,709,393	307,172,930	223,653,822	62,561,492	101,059,710	157,166,855
Real estate properties held for lease	42,511,937	4,487,714	23,416,217	-	-	-	-
Total long-lived assets	221,202,024	6,683,031	27,947,425	9,036,881	6,958,865	553,186	468,620
Total assets	1,064,084,941	457,041,948	655,880,819	206,485,216	346,527,256	135,047,439	110,988,357

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December 31, 2016	Henan	Shandong	Jiangsu	Sichuan	Beijing	Hainan	Hunan
	US$	US$	US$	US$	US$	US$	US$
Net real estate sales	368,866,778	169,605,220	349,616,790	76,489,749	23,722,289	12,699,957	105,494,573
Real estate lease income	3,588,434	172,198	-	-	-	-	-
Real estate management services income	1,161,150	-	-	-	-	-	-
Other revenue	303,521	102,415	471	-	280,007	-	-
Total revenue	373,919,883	169,879,833	349,617,261	76,489,749	24,002,296	12,699,957	105,494,573
Cost of real estate sales	(252,522,117)	(142,763,272)	(273,738,274)	(58,762,806)	(30,743,520)	(8,544,624)	(75,514,694
Cost of real estate lease income	(1,792,349)	(287,832)	(1,328,100)	-	-	-	-
Cost of real estate management services	(979,218)	-	-	-	-	-	-
Other costs	(525,052)	(100,695)	(69,971)	-	(404,649)	-	-
Total cost of revenue	(255,818,736)	(143,151,799)	(275,136,345)	(58,762,806)	(31,148,169)	(8,544,624)	(75,514,694
Gross profit	118,101,147	26,728,034	74,480,916	17,726,943	(7,145,873)	4,155,333	29,979,879
Operating expenses	(41,459,159)	(8,682,365)	(12,234,106)	(3,329,524)	(38,841,455)	(4,028,044)	(6,372,468
Operating income/(loss)	76,641,988	18,045,669	62,246,810	14,397,419	(45,987,328)	127,289	23,607,411
Interest income	18,611,346	974,322	262,675	71,673	246,892	18,809	91,757
Interest expense	(6,312,134)	-	-	-	-	-	-
Net realized gain on short-term investments	1,316,577	-	-	-	(1,742)	-	-
Share of income in an	(688,363)	-	-	-	-	-	-

equity investee							
Loss on extinguishment of debt	-	-	-	-	-	-	-
Exchange gains	461,627	-	-	-	(130,591)	-	-
Unrealized income on short-term investments	7,862	-	-	-		-	-
Other income	4,534,357	-	-	-		-	-
Income/(loss) before income taxes	94,573,260	19,019,991	62,509,485	14,469,092	(45,872,769)	146,098	23,699,168
Income tax expense	(13,089,933)	(11,666,859)	(28,647,951)	(5,223,645)	15,322,784	(556,388)	(13,925,672
Net income/(loss)	81,483,327	7,353,132	33,861,534	9,245,447	(30,549,985)	(410,290)	9,773,496
Depreciation and amortization	5,477,178	411,694	1,442,768	61,572	454,728	208,161	82,330
Capital expenditure	5,257,710	57,511	19,302	11,035	744,844	28,005	13,599
Real estate properties development for sale	-	-	-	-	-	-	-
Real estate properties development completed	39,369,770	2,309,387	94,008,195	-	52,671,437	-	-
Real estate properties under development	376,001,881	236,984,737	104,989,367	202,565,917	149,726,569	137,338,481	188,578,773
Real estate properties held for lease	38,584,030	5,604,196	20,648,238	-	-	-	-
Total long-lived assets	104,319,601	11,597,849	23,848,516	6,708,295	3,241,238	408,197	728,371
Total assets	1,376,946,330	372,574,301	355,881,279	228,454,473	284,898,971	207,361,083	276,634,140

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22. Commitments and contingencies

Operating lease commitments

The Group leases certain of its office properties under non-cancellable operating lease arrangements. The terms of the leases do not contain rent escalation, or contingent rent, renewal, or purchase options. There are no restrictions placed upon the Group by entering into these leases.

As of December 31, 2016, the Group had the following operating lease obligations falling due in:

	Amount US$
2017	4,883,794
2018	3,963,404
2019	393,308
2020 and thereafter	-
Total	9,240,506

Capital lease commitments

The Group leases corporate aircraft and equipment under non-cancellable capital lease arrangements. The terms of the lease do not contain contingent rent clauses.

As of December 31, 2016, the Group had the following minimum lease payments (excluding the portion of the payments representing executory costs, including any profit thereon) falling due in:

	Amount US$
2017	5,836,659
2018	5,836,659
2019	5,311,944
2020	4,787,230
2021 and thereafter	2,393,615
Total minimum lease payments	24,166,107
Less interest	(5,227,205)
Capital lease obligations	18,938,902
Less current maturities of capital lease obligations	(3,923,394)
Long-term capital lease obligations	15,015,508

Other commitments

As of December 31, 2016, the Group had outstanding commitments with respect to non-cancellable construction contracts for real estate development and land use rights purchases as follows:

	Amount US$
2017	317,776,075
2018	18,536,275
2019	7,245,297
2020	3,587,830
2021 and thereafter	-
Total	347,145,477

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Contingencies

As at December 31, 2016, the Group provided guarantees of US$1,672,868,791 (2015: US$1,513,664,015), in favor of its customers in respect of mortgage loans granted by banks to such customers for their purchases of the Group's properties where the underlying real estate ownership certificates can only be provided to the banks on a time delay manner due to administrative procedures in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the bank and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends upon issuance of real estate ownership certificate which will generally be available within six to twelve months after the purchaser takes possession of the relevant property. The Group paid US$1,478,386, US$555,969, and US$1,820,324 to satisfy guarantee obligations related to customer defaults for the years ended December 2014, 2015 and 2016, respectively.

The fair value of the guarantees is not significantly different than the net realizable value of the properties and management considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made for the guarantees.

On May 30, 2014, the Zhengzhou Modern City project developed by Henan Xinyuan, completed the LAT final settlement with the local tax bureau. The Company received a tax clearance certificate, which confirmed that the Company's accrual under the deemed profit method was adequate and there was no additional tax adjustments assessed by the local tax bureau as of May 30, 2014. Based on the above, management performed a reassessment and concluded that the likelihood of the deemed profit method being overturned is only reasonably possible, and accordingly reversed the LAT liability accrued for the project amounting to US$16.2 million as of December 31, 2014. The Group's estimate for the reasonably possible contingency related to the Zhengzhou Modern City project amounted to US$16.2 million and 16.2 million as of December 31, 2015 and December 31, 2016.

In December 2016, 421 Kent Development LLC ("421 Kent"), the property company for the Group's Oosten project, terminated its contract with its general contractor. The contractor has construction liens against the Oosten project in an aggregate amount of approximately US$20 million. The contractor has filed a lawsuit against 421 Kent claiming the amount of the construction liens and punitive damages. As of March 21, 2017, 421 Kent had not been served in the litigation. 421 Kent believes the contractor's liens and claims are without merit and intends to contest vigorously such claims. Based on the above, 421 Kent cannot predict the outcome of this lawsuit or a judgment against 421 Kent, whether in whole or in part, may result in a loss, if any. And an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made at this time.

23. Concentration of risk

The Group's operations are conducted mainly in the PRC. Starting in 2012, a relatively smaller portion of the Group's operations is conducted in the United States. Accordingly, the Group's business, financial condition and results of operations is primarily influenced by the political, economic and legal environments in the PRC and by the general state of the PRC economy.

The Group's operations in the PRC are subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Group's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Group transacts most of its business in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the US$. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a 16.2% appreciation of the RMB against the US$ from July 21, 2005 to December 31, 2016.

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To the extent that the Company needs to convert US$ into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against US$ would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into US$ for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of US$ against RMB would have a negative effect on the US$ amount available to the Company. In addition, a significant depreciation of the RMB against the US$ may significantly reduce the US$ equivalent of the Company's earnings or losses.

The Group offers certain homebuyers seller-financing arrangements. All the homebuyers that entered into such arrangements were subject to credit verification procedures. In addition, accounts receivable balances are unsecured, but monitored on an ongoing basis via the Group's management reporting procedures. The Group provides longer payment terms to particular home buyers after applying strict credit requirements based on the Group's credit policy. As of December 31, 2015 and 2016, there is no concentration of credit risk with respect to receivables and the Group does not have a significant exposure to any individual debtor.

In 2013, PRC banks tightened the conditions on which mortgage loans are extended to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. The Group monitors its homebuyers' outstanding mortgage loans on an ongoing basis via the Group's management reporting procedures and took the position that contracts with underlying mortgage loans with processing periods exceeding one year cannot be recognized as revenue under the percentage of completion method (see Note 2(h) for further detail). As a result, the Group reversed contracted sales amounts of US$10.6 million in aggregate related to sales contracts of 79 apartments when determining revenue to be recognized under the percentage of completion method in 2016.

In addition, no single customer or supplier accounted for more than 10% of revenue or project expenditures for the years ended December 31, 2014, 2015 and 2016.

24. Accumulated other comprehensive income/(loss)

During the years ended December 31, 2014, 2015 and 2016, the other comprehensive income/(loss) attributable to non-controlling interest was related to foreign currency translation adjustments amounting to US$75 (loss), US$1,143 (income) and US$638,863 (loss), respectively.

The movement of accumulated other comprehensive income attributable to Xinyuan Real Estate Co., Ltd. is as follows:

	Foreign currency translation adjustments US$
Balance as of January 1, 2013	82,000,020
Other comprehensive income	25,910,940
Balance as of December 31, 2013	107,910,960
Other comprehensive loss	(3,353,952)
Balance as of December 31, 2014	104,557,008
Other comprehensive loss	(73,605,171)
Balance as of December 31, 2015	30,951,837
Other comprehensive loss	(65,634,725)
Balance as of December 31, 2016	(34,682,888)

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During the years ended December 31, 2014, 2015, and 2016, the entire unrealized gain associated with the available for sale securities amounting to nil, US$146,929, and nil, respectively, was reclassified from accumulated other comprehensive income to net income as a result of the disposal of available-for-sale securities.

25. Non-controlling interests

As of December 31, 2015, the non-controlling interests consisted of the following:

	Ownership		December 31, 2015 US$
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	10	%	18,819

As of December 31, 2016, the non-controlling interests consisted of the following:

	Ownership		December 31, 2016 US$	
Beijing Economy Cooperation Ruifeng Investment Co., Ltd.	10	%	18,081	
Shaanxi Zhongmao	34.02	%	(11,271,378	)
Zhengzhou Xinnan	49	%	(3,802,744	)
Xinyuan Service	6	%	(579,986	)
Xinrock	30	%	67,160	
Shanghai Hexinli	21.05	%	(322,846	)
Total			(15,891,713	)

26. Subsequent events

On January 20, 2017, Henan Xinyuan Guangsheng Real Estate Co., Ltd. acquired three parcels of land in Zhengzhou, Henan Province for a purchase price of RMB696.5 million, equivalent to US$100.4 million.

On January 25, 2017, Changsha Xinyuan Real Estate, Ltd. acquired a parcel of land in Changsha, Hunan Province for a purchase price of RMB236.0 million, equivalent to US$35.3 million.

On February 28, 2017, the Company issued senior notes with an aggregate principal amount of US$300,000,000 due February 28, 2021 (the "February 2021 Senior Secured Notes"). The February 2021 Senior Secured Notes bear interest at 7.75% per annum payable semi-annually. Interest will be payable on February 28 and August 28 of each year, commencing August 28, 2017. The February 2021 Senior Secured Notes have a four year term maturing on February 28, 2021.

As of March 21, 2017 approximately US$30 million of real estate properties development completed under one U.S. project is subject to liens.

27. Condensed financial information of the Company

The condensed financial statements of Xinyuan Real Estate Co., Ltd. have been prepared in accordance with U.S. GAAP. Under the PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer certain of their net assets to the Company in the form of dividend payments, loans or advances. The amounts restricted include paid-in capital and statutory reserves, as determined pursuant to PRC generally accepted accounting principles, totaling US$582,973,296 as of December 31, 2016 (2015: US$387,450,518).

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Condensed Balance Sheets

	Year ended December 31	
	2015	2016
	US$	US$
ASSETS		
Current assets		
Cash and cash equivalents	1,295,835	36,497,233
Other deposits and prepayments	2,389,045	-
Other current assets	28	1,900,557
Due from subsidiaries	592,565,997	394,050,421
Total current assets	596,250,905	432,448,211
Investments in subsidiaries	962,901,445	1,068,115,589
TOTAL ASSETS	1,559,152,350	1,500,563,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loan	222,226,246	34,421,617
PRC income tax payable	13,388	13,388
PRC other tax payable	902,190	902,190
Other payable and accrued liabilities	8,194,395	11,873,498
Payroll and welfare payables	-	119,167
Total current liabilities	231,336,219	47,329,860
Long term bank loan	-	64,845,655
Other long-term debt	391,845,710	488,127,820
Total liabilities	623,181,929	600,303,335
Shareholders' equity		
Common shares, $0.0001 par value:		
	15,835	16,051

Authorized-500,000,000 shares, issued and outstanding-131,426,741 shares for 2015 (2015: 142,802,936 shares)		
Treasury shares	(24,045,440)	(53,734,088)
Additional paid-in capital	531,233,336	538,414,246
Retained earnings	428,766,690	415,564,256
Total shareholders' equity	935,970,421	900,260,465
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,559,152,350	1,500,563,800

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Condensed Statements of Comprehensive Income

	Year ended December 31		
	2014	2015	2016
	US$	US$	US$
General and administrative expenses	(8,860,382)	(10,301,067)	(20,081,338)
Operating loss	(8,860,382)	(10,301,067)	(20,081,338)
Interest expense	(58,515,706)	(58,576,635)	(65,092,711)
Interest income	1,289,907	3,533	127,852
Loss on extinguishment of debt	(9,848,931)	-	(12,123,750)
Other expenses			40,922
Equity in profit of subsidiaries, net	124,450,842	135,356,276	170,106,573
Income from operations before income taxes	48,515,730	66,482,107	72,977,548
Income taxes	-	-	-
Net income attributable to common shareholders	48,515,730	66,482,107	72,977,548
Other comprehensive income, net of tax of nil			
Foreign currency translation adjustments	(3,353,952)	(73,605,171)	(65,634,725)
Comprehensive income/(loss) attributable to shareholders	45,161,778	(7,123,064)	7,342,823

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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(All amounts stated in US$, except for number of shares data)

Condensed Statements of Cash Flows

	Year ended December 31		
	2014	2015	2016
	US$	US$	US$
Cash flows from operating activities:			
Net income	48,515,730	66,482,107	72,977,548
Adjustment to reconcile net income to net cash provided by operating activities:			
Equity in profit of subsidiaries, net	(124,450,842)	(135,356,276)	(170,106,573)
Stock based compensation expense	1,912,471	3,326,175	7,085,958
Amortization of deferred charges	1,620,695	2,378,767	7,067,935
Loss on extinguishment of debt	9,848,931	-	12,123,750
Other deposits and prepayments	10,916,056	(615,013)	2,389,045
Other current assets	45,434	233,446	2,320
Other payable and accrued liabilities	(737,739)	(521,582)	3,679,102
Payroll and welfare payables	(5,149,011)	-	119,168
Net cash used in operating activities	(57,478,275)	(64,072,376)	(64,661,747)
Cash flows from financing activities:			
Changes in due from a subsidiary	(140,334,182)	(6,809,170)	181,515,577
Proceeds from short-term bank loans	130,024,345	207,805,203	-
Repayments of short-term bank loans	(35,000,000)	(115,603,302)	(146,208,974)
Proceeds from long-term bank loans	-	-	23,250,000
Proceeds from other long-term debts	-	-	300,000,000
Repayment of other long-term debts	(75,761,009)	-	(186,164,616)
Purchase of treasury shares	(17,610,787)	(3,349,172)	(29,688,648)
Dividends to shareholders	(15,288,919)	(14,751,704)	(20,545,257)
Deferred charges	-	(3,104,812)	(7,621,208)
Purchase of shares under RSU plan	(7,042,725)	(3,259,998)	(4,003,999)
Loss on extinguishment of debt	(9,848,931)	-	(12,123,750)
Proceeds from exercise of stock options	1,080,530	48,400	1,454,020
Net cash (used in)/ provided by financing activities	(169,781,678)	60,975,445	99,863,145
Net(decrease)/increase in cash and cash equivalents	(227,259,953)	(3,096,931)	35,201,398
Cash and cash equivalents, at the beginning of the year	231,652,719	4,392,766	1,295,835

Cash and cash equivalents, at end of the period	4,392,766	1,295,835	36,497,233

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XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-
(All amounts stated in US$, except for number of shares data)

(a) Basis of presentation

In the company-only financial statements, the Company’s investment in subsidiaries is stated at cost plus its equity interest in undistributed earnings of subsidiaries since inception. The company-only financial statements should be read in conjunction with the Company’s consolidated financial statements.

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in ASC 323, Investment-Equity Method and Joint Ventures. Such investment is presented on the balance sheet as “Investments in subsidiaries” and share of the subsidiaries’ profit or loss as “Equity in profit of subsidiaries, net” on the condensed statements of comprehensive income.

The subsidiaries did not pay any dividends to the Company for the periods presented.

(b) Related party transactions

As of December 31, 2015 and 2016, the Company had US$521,416,425 and US$344,948,542 due from its wholly-owned subsidiaries. These amounts mainly reflect intercompany loans from the Company to Xinyuan Real Estate, Ltd. While intercompany loans have no fixed payments terms, the Company has a legal enforceable right to demand payment at any time, and Xinyuan Real Estate, Ltd. has the ability to repay the outstanding balance on demand.

In 2013, the Company also entered into a separate loan facility agreement with XIN Development Group International Inc. Pursuant to the agreement, the Company will provide a loan facility to XIN Development for the period from July 1, 2013 to January 18, 2017 amounting to US$50,000,000 at 17.5% per annum. As of December 31, 2016, the Company has US$84,455,955 (2015: US$71,149,572) including accrued interest of US$35,354,076 (2015: US$22,047,693), due from XIN Development under this loan facility.

(c) Commitments

The Company does not have significant commitments or long-term obligations as of the period end presented.