

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Fiscal Year Ended December 31, 2022.
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number: 001-33863

XINYUAN REAL ESTATE CO., LTD.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
American Depositary Shares, each representing twenty common shares, par value US\$0.0001 per share	XIN	New York Stock Exchange

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

None

(Title of Class)

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

None

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. 108,029,257 common shares, par value US\$0.0001 per share, as of December 31, 2022.

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer
Emerging growth company

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

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

Yes No



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INTRODUCTION

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

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

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

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

This annual report includes our audited consolidated financial statements for the years ended December 31, 2020, 2021 and 2022. Our financial statements and other financial data included in this annual report are presented in U.S. dollars. Our business and operations are primarily conducted in China through our PRC subsidiaries. The functional currency of our PRC subsidiaries is RMB. The functional currency of our U.S. subsidiaries is the U.S. dollar. The financial statements of our PRC subsidiaries are translated into U.S. dollars, using published exchange rates in China, based on (i) year-end exchange rates for assets and liabilities and (ii) average yearly exchange rates for revenues and expenses. Capital accounts are translated at historical exchange rates when the transactions occurred. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income in our shareholders' equity. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or RMB, as the case may be, at any particular rate or at all.

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

Our common shares are traded on the New York Stock Exchange, or the NYSE, in the form of ADSs under the symbol "XIN." Each ADS represents twenty common shares. The closing price of our ADSs on the NYSE as of May 26, 2023 was US\$3.37 per ADS.

FORWARD-LOOKING STATEMENTS

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

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

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

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

- our ability to continue to implement our business model successfully;
- our ability to secure adequate financing for our project developments;
- our ability to successfully sell or complete our property projects under construction and planning;
- our ability to enter into new geographic markets or new lines of business and expand our operations;
- the marketing and sales ability of our third-party sales agents;
- the performance of our third party contractors;
- laws, regulations and policies relating to real estate developers and the real estate industry in the markets in which we operate;
- our ability to obtain permits and licenses to carry on our business in compliance with applicable laws and regulations;
- competition from other real estate developers;
- the growth of the real estate industry in the markets in which we operate;
- fluctuations in general economic and business conditions in the markets in which we operate, including the impact of the COVID-19 pandemic and future pandemics; and
- volatility of the trading price of our ADSs and risks associated with our ADSs if the trading price remains below US\$1.00 for 30 consecutive trading days or more.

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

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

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3 KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related to Our Business

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

We are a holding company established in the Cayman Islands and operate most of our business and operations through our subsidiaries in China. Our ability to pay dividends to our shareholders and to service our indebtedness outside of China depends significantly upon dividends that we receive from our subsidiaries in China. To the extent our U.S., Malaysia and UK operations continue to grow, we may in the future also depend on dividends from our U.S., Malaysia and UK subsidiaries. If our subsidiaries incur indebtedness or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted. Regulations in China currently permit payment of dividends only out of accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. Each of our PRC subsidiaries, including wholly foreign-owned enterprises and domestic companies, is required to set aside at least 10.0% of its after-tax profits each year, if any, to fund certain reserve funds until the cumulative amount of such reserves reaches 50.0% of its respective registered capital and, with the approval of a shareholder meeting or general shareholder meeting, a PRC subsidiary may set aside a certain amount of after-tax profits to its discretionary general reserves. As of December 31, 2022, our statutory reserves amounted to US\$179.5 million. Our statutory reserves are not distributable as cash dividends. Dividends paid by the PRC subsidiaries may also be subject to PRC withholding tax. In addition, restrictive covenants in bank credit facilities, bonds, other long-term debt agreements, joint venture agreements or other agreements that we or our subsidiaries currently have or may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make other distributions to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in Zhengzhou.

Our business and prospects depend on the performance of the PRC property market. As of December 31, 2022, we had a total of 103 property projects covering 20 cities in China at various stages of development. We intend to continue to enhance our presence in targeted high growth cities in China. These property markets may be affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any market downturn in China generally or in cities in which we have or expect to have operations may materially and adversely affect our business, financial condition and results of operations. Moreover, any oversupply of properties or potential decline in demand for or prices of properties in these cities could also have a material adverse impact on us. In particular, the PRC property market is affected by the recent slowdown of China's economic growth. There have been increasing concerns over the sustainability of the real estate market growth in China. Any slowdown in PRC's economic development could lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of homes, and our homebuyers may also defer, reduce or cancel purchases of our units. We have experienced volatilities in demand from time to time in the recent years due to the strict mortgage policy and other measures taken by the PRC government to slow down the rapid increase in housing prices. To the extent any fluctuations in the Chinese economy significantly affect homebuyers' demand for our units or change their spending habits, our results of operations may be materially and adversely affected. The PRC economy also faces challenges in the short to medium term. Continued turbulence in the international markets and prolonged declines in consumer spending, including home purchases, as well as any slowdown of economic growth in China, may adversely affect our liquidity and financial condition.

We experienced net losses of US\$413.3 million and US\$258.7 million in 2021 and 2022, respectively. We may continue to incur losses in the future. The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern depends on our ability to generate cash flows from operations and to arrange adequate financing arrangements to support our working capital requirements. There is material uncertainty associated with our ability to continue as a going concern. See "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources."

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

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

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

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

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

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

On August 20, 2020, PBOC and Ministry of Housing and Urban-Rural Development, or the MOHURD, jointly held a conference with 12 major real estate development companies in China. At the conference, PBOC and MOHURD proposed a pilot plan to regulate the financing activity of real estate development companies. The pilot plan sets three goals for real estate development companies: the debt asset ratio will not exceed 70% after deducting advance proceeds from projects sold; net debt to equity ratio will not exceed 100%; and the ratio of balance of cash and cash equivalent to short-term borrowings will be at least 1. Based on the number of goals completed, the upper limit of annual growth rate of interest-bearing liabilities of a real estate development company varies from 5% to 15%. The pilot plan was supposed to become a formal policy in 2021, nevertheless, the governmental authority has not issued any relevant regulations or policies.

On December 31, 2020, PBOC and China Banking and Insurance Regulatory Commission, or CBIRC, collectively issued the Notice on the Establishment of a Concentration Administration System for Real Estate Loans from Banking Financial Institutions, or 2021 Notice, which took effect on January 1, 2021. The 2021 Notice divides all Chinese-funded banks into five (5) levels and sets different limitation on banks in different levels to provide real estate loans. For example, the amount of outstanding real estate loans of a bank in Level 1 must not account for more than 40% of its total outstanding RMB loans, while the amount of outstanding real estate loans of a bank in Level 5 must not account for more than 12.5% of its total outstanding loans denominated in RMB.

While the PRC government adopted or adjusted the measures mentioned above and may adopt or adjust other measures in the future seeking to support healthy development of the residential real estate market in China, the government policies significantly impacted the residential real estate market in the past year. For example, a few real estate developers, such as China Evergrande Group, Kaisa Group Holdings Ltd., Yango Group Co. and us, have experienced decreasing transaction volumes in the Chinese residential real estate market, closing of certain financing opportunities and significant challenges and pressure on short-term liquidity in 2021. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future, nor can we assure you when or whether the existing policies and regulations will be eased or reversed, or otherwise enhanced to some extent in their implementations. If the policies remain unchanged or become more restrictive, they may continue affecting the growth rate of the Chinese residential real estate market, some of which may cause a decline in transaction volumes and average selling prices, prevent developers from raising the capital they need, increase developers' costs to start new projects and increase the burdens on developers to secure financing on favorable terms or at all. In addition, the slowdown of China's economic growth as well as the housing market may result in the banks and other financial institutions becoming more cautious in their lending activities, and therefore adversely impact our ability to secure financing. As a result, our business and results of operations may be materially and adversely affected.

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

As of December 31, 2022, our contractual obligations amounted to US\$3,637.1 million, primarily arising from contracted construction costs or other capital commitments for future property developments, operating lease obligations and debt obligations. Of this amount, US\$2,439.0 million was due within one year.

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

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

We are subject to certain restrictive covenants in our loan agreements with certain commercial banks. Certain loan agreements contain covenants providing that, among other matters, we or our relevant PRC operating subsidiaries may not enter into mergers, joint ventures or restructurings, decrease our registered share capital, transfer material assets, including shares of subsidiaries, engage in material investments, liquidate, change our shareholding, or distribute dividends without the relevant lenders' prior written consent or unless we fully settle the outstanding amounts under the relevant loan agreements. In addition, certain of our loan agreements contain cross-default clauses. If any cross-default occurs, these banks are entitled to accelerate payment of all or any part of the loan under their relevant loan agreements and to enforce all or any of the security for such loans. Further, the onshore corporate bonds issued by Xinyuan (China) Real Estate, Ltd., or Xinyuan China, our wholly-owned PRC subsidiary, contain restrictions on certain business activities of Xinyuan China when in default on payment of interest or principal, including, among others, limitations on distributions of net income, limitations on certain expenditures, or business combination transactions. Our future bank and other borrowings may contain similar restrictions or cross-default provisions. We firstly did not make payments in full for the June 2022 Senior Secured Notes (as defined below) at maturity on June 29, 2022. The total amount due and payable, including principal and interests, was RMB545.3 million. The default also triggered cross-default of other senior notes issued by us with carrying amount of US\$641.7 million. We also breached certain covenants relating to bank and other borrowings of US\$624.9 million as at 31 December 2022. See "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Debt Securities – Senior Secured Notes."

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

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

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

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

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

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

While our primary focus continues to be residential real estate markets in high growth cities in China, we have begun expanding into other markets on an opportunistic basis. In the US, we currently have a completed project in the Williamsburg neighborhood of Brooklyn, New York, or New York Oosten Project, an ongoing residential ground-up development project in Manhattan, New York, and an early stage project in the Flushing neighborhood of Queens, New York. Any change in federal income tax laws that increase the effective costs of owning a home would have an adverse effect on the demand for homes in the United States which could negatively affect any properties we may develop in the United States. In 2014, we acquired 100% of the shares of a Malaysian company, which owns offshore landfill development rights for a total area of 170 acres (approximately 687,966 square meters). The reclamation work has been completed as of December 31, 2020. In 2018, we acquired a 50% equity stake in MDL, the developer of the Amory Tower project (previously named as the Madison project), a 0.38 hectare (approximately 0.94 acre) development located adjacent to Canary Wharf, in London, United Kingdom. See "Item 4. — Information on the Company — B. Business Overview" for more information on our projects outside China.

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

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

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

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

In our China markets, our results of operations, financial condition and prospects are influenced by social, economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the framework and style of government supervision, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. The PRC government also exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020, 2021 and 2022 was severe. Any slowdown in China's economic development could lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of homes, and our homebuyers may also defer, reduce or cancel purchases of our units. We have experienced volatilities in demand from time to time in the recent years due to the strict mortgage policy and other measures taken by the PRC government to slow down the rapid increase in housing prices. To the extent any fluctuations in the Chinese economy significantly affect homebuyers' demand for our units or change their spending habits, our results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

We may be unable to complete our property developments on time or at all and any construction delays, or failure to complete a project according to our planned specifications or budget, may delay our property sales, which could adversely affect our revenues, cash flows and our reputation.

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

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government policies, rules or regulations;
- shortages of materials, equipment, contractors and skilled labor or increased labor or raw material costs;
- disputes with our third-party contractors;
- failure by our third-party contractors to comply with our designs, specifications or standards;
- difficult geological situations or other geotechnical issues;

- onsite labor disputes or work accidents;
- natural catastrophes or adverse weather conditions, including strong winds, storms, floods, and earthquakes; and
- geopolitical challenges and uncertainties (including wars and other forms of conflict, terrorist acts and security operations), such as the escalating conflict between Russia and Ukraine and the severe economic sanctions and export controls imposed by the U.S. and other governments against Russia and Russian interests.

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

Under PRC laws and regulations and our pre-sale contracts, we are required to compensate purchasers for late delivery of or failure to complete our pre-sold units. If the delay extends beyond the contractually specified period, the purchasers may become entitled to terminate the pre-sale contracts and claim damages. We are also unable to guarantee that any legal proceedings or renegotiations resulting from delays or failures to deliver will have a favorable outcome. For more information, see “—We may become involved in legal and other proceedings from time to time and may suffer significant liabilities or other losses as a result”.

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

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

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

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

We derive the majority of our revenue from the sale of properties that we have developed. Our results of operations tend to fluctuate from period to period due to a combination of factors, including the overall schedule of our property development projects, the timing of the sale of properties that we have developed, the size of our land bank, our revenue recognition policies and changes in costs and expenses, such as land acquisition and construction costs. The number of properties that we can develop or complete during any particular period is limited due to the size of our land bank, the substantial capital required for land acquisition and construction, as well as the development periods required before positive cash flows may be generated. For real estate sales contracts for which we have an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. In addition, several properties that we have developed or that are under development are large scale and developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flows or results of operations. As a result of the fluctuations in our operating results, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period.

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

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

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

With our operations in the U.S. markets and now other non-PRC jurisdictions, we have seen and expect to continue to experience an increasing need of non-RMB financings with respect to project developments and future expansions. We currently satisfy our non-RMB denominated financing requirements through four ways: dividends distributions from our PRC subsidiaries, which are subject to 10% withholding tax payment, back-to-back loan arrangements, high yield bond issuances and construction loan financing from local banks. Under back-to-back loan arrangements, our PRC subsidiaries make deposits denominated in RMB into banks in China as collateral to request the banks in China to issue standby letters of credit denominated in U.S. dollars or other currencies in the same amount as the RMB collateral to their outbound branches, and our project companies outside the PRC enter into loans denominated in U.S. dollars or other currencies with such outbound branches in the same amount specified in such standby letters of credit in accordance with to the Provisions on the Administration of Foreign Exchange for Cross-border Guarantee issued by the State Administration of Foreign Exchange of the People’s Republic of China, or the SAFE, effective June 1, 2014. SAFE registration requirements apply to overseas back-to-back loan arrangements and the use of proceeds of such loans must comply with certain requirements. On August 4, 2017, the National Development and Reform Commission, or the NDRC, Ministry of Commerce, or the MOFCOM, PBOC and Ministry of Foreign Affairs, or the MFA, jointly issued Guiding Opinions on Further Directing and Regulating the Direction of Overseas Investments, or Opinion 74. Under Opinion 74, outbound investment into real estate industry is restricted. The back-to-back loan arrangement may face strict scrutiny of banks in China. Any change in laws or regulations to restrict or forbid back-to-back loan transactions in the future may adversely affect our non-PRC companies’ financing. In addition, we are exposed to exchange rate fluctuation and foreign exchange control risks under the current back-to-back loan model, which may adversely affect our business condition and results of operation.

We rely on our key management members and the loss of their services or investor confidence in such personnel could have a material adverse effect on our business, results of operations and financial condition.

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

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

We pre-sell properties before actual completion and, in accordance with PRC industry practice, our customers' mortgage banks require us to guarantee our customers' mortgage loans. Typically, we provide guarantees to PRC banks with respect to loans procured by the purchasers of our properties for the total mortgage loan amount until the completion of the registration of the mortgage with the relevant mortgage registration authorities, which generally occurs within six to 12 months after the purchasers take possession of the relevant properties. In line with what we believe to be industry practice, we rely on the credit evaluation conducted by mortgagee banks and do not conduct our own independent credit checks on our customers. The mortgagee banks typically require us to maintain, as restricted cash, up to 10% of the mortgage proceeds paid to us as security for our obligations under such guarantees. If a purchaser defaults on its payment obligations during the term of our guarantee, the mortgagee bank may deduct the delinquent mortgage payment from the security deposit. If the delinquent mortgage payments exceed the security deposit, the banks may require us to pay the excess amount. If multiple purchasers' default on their payment obligations, we will be required to make significant payments to the banks to satisfy our guarantee obligations. Factors such as a significant decrease in housing prices, increase in interest rates or the occurrence of natural catastrophes, among others, could result in a purchaser defaulting on its mortgage payment obligations. If we are unable to resell the properties underlying defaulted mortgages on a timely basis or at prices higher than the amounts of our guarantees and related expenses, we will suffer financial losses. We paid US\$4,557,522, US\$3,723,398 and US\$4,068,840 to satisfy guarantee obligations related to customer defaults in 2020, 2021 and 2022, respectively.

As of December 31, 2021 and 2022, our outstanding guarantees in respect of our customers' mortgage loans amounted to US\$2,156.3 million and US\$2,110.5 million, respectively. If substantial defaults by our customers occur and we are called upon to honor our guarantees, our financial condition, cash flow and results of operations will be materially adversely affected.

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

As of December 31, 2022, the outstanding balance of our total indebtedness amounted to US\$2,140.4 million. Our level of indebtedness could have an adverse effect on us. For example, it could:

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

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

Our financing costs are subject to changes in interest rates.

The rates of interest payable on our PRC long-term bank loans are adjustable based on the range of 100.00% to 189.47% of the PBOC benchmark rate, which fluctuates from time to time. As of December 31, 2022, the principal amount of our aggregate outstanding variable rate debt was US\$403.7 million. A hypothetical 1% increase in annual interest rates would increase our interest expenses by US\$4.0 million based on our debt level on December 31, 2022. In connection with our U.S. projects and UK projects, we enter into U.S. dollar and British pound denominated loans, which will subject us to additional interest rate fluctuation risks, including fluctuations of the London Interbank Offered Rate, or LIBOR. For a further discussion of interest rate sensitivity, see “Item 11. Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Risk.”

We are subject to potential environmental liability.

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

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

In recent years, we expanded our operations into the U.S., Malaysia and UK while also expanding our operations in China. Such expansion, with more diversified business, focuses in terms of market regions and types of business, demand proper allocation of our management resources. In addition, our Malaysia acquisition which involves land reclamation activities, our acquisitions of Beijing Ruizhuo Xitou Development Co., Ltd., or Xitou, Beijing Ruizhuo Xichuang Technology Development Co., Ltd., or Xichuang, and Beijing I-Journey Science and Technology Development Co., Ltd., or I-Journey, which extends the group’s business to provide real estate and property management related technology services, in which we have no prior experience and which presents risks we have not previously encountered or dealt with, may require additional skill sets on the part of our management. If our management fails to satisfy these increased demands, we may not be able to carry out our business expansion and project development successfully. In addition, if we are unable to recruit or retain a sufficient number of qualified employees for the continuation and expansion of our business, our business and prospects may be adversely affected.

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

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

Failure to maintain the security of our information and technology networks, including personally identifiable and customer information, as well as uncertainties with respect to the interpretation and implementation of cybersecurity review procedures and proprietary business information, could significantly adversely affect us.

In China, the government is still ramping up regulations with regard to personal information protection. On October 1, 2020, the Information Security Technology – Personal Information Security Specification (GB/T 35273-2020), or 2020 Specification, took effect. Although the 2020 Specification is a recommended guideline, and it is not enforceable by law, the authority will use this standard to evaluate our compliance with China’s legal guidelines and regulations re personal information protection. On August 20, 2021, the Standing Committee of the National People’s Congress, or SCNPC, promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which integrates various rules with respect to personal information rights and privacy protection. The Personal Information Protection Law, which took effect on November 1, 2021, seeks to protect the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. The Personal Information Protection Law applies to the processing of personal information within China, as well as certain personal information processing activities conducted by entities outside China for natural persons within China, including those for the provision of products and services to natural persons within China or for the analysis and assessment of acts of natural persons within China. The Personal Information Protection Law provides severe punishment for violations of the regulations relating to the processing of personal information.

The relevant regulatory authorities in China continue to monitor websites and networks in relation to the protection of personal data, privacy and information security, and may impose additional requirements from time to time. For example, the SCNPC promulgated the PRC Data Security Law, which took effect on September 1, 2021. The Data Security Law provides for a security review procedure for data that may affect national security. Furthermore, on December 28, 2021, the Cyberspace Administration of China, or the CAC, the National Development and Reform Commission, or the NDRC, the Ministry of Industry and Information Technology, or the MIIT, and several other administrations jointly published the Measures for Cybersecurity Review, which became effective on February 15, 2022. The Measures for Cybersecurity Review provide that certain operators of critical information infrastructure engaged in the purchasing of network products and services, and certain network platform operators carrying out data processing activities which affect or may affect national security, must apply with the Cybersecurity Review Office to conduct a cybersecurity review. On July 30 2021, the State Council issued the Security Protection Regulations for Critical Information Infrastructure, or the Regulation for CII, which became effective on September 30, 2021. The Regulation for CII specifies that, CII refers to important Internet facilities and information systems in significant industries such as public communication, information services, energy, traffic, hydraulic engineering, financing, public services, e-government, national defense technology, etc., and other facilities that once destroyed, lost function or data leakage, may seriously endanger national security, national economy, people’s livelihood, and public interest. However, the scope of operators of “critical information infrastructure” under the current regulatory regime remains unclear and is subject to further decisions of competent PRC regulatory authorities.

On November 14, 2021, the CAC published a draft version of the Administrative Measures for Internet Data Security, or the Draft Measures for Internet Data Security, which propose that data processors conducting the following activities would also need to apply for cybersecurity review procedures: (i) mergers, reorganizations or divisions of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests that affect or may affect national security; (ii) overseas listings, if the data processor processes an amount of personal information relating to over one million users; (iii) listings in Hong Kong which affect or may affect national security; or (iv) other data processing activities that affect or may affect national security. The CAC solicited public comments on this draft until December 13, 2021, but there currently is no public timetable as to when or whether the Draft Measures for Internet Data Security will be enacted. As such, substantial uncertainties still exist with respect to the potential timing of obligations, the regulation’s final content, as well as its interpretation and implementation. Regardless of such uncertainties, if in the future these or other regulations were to require us to perform a cybersecurity review, then any failure to obtain approval or clearance from the regulatory authorities with respect to our cybersecurity review could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if any additional capital or financing were to be needed.

The PRC regulatory authorities have also undertaken recent efforts to enhance the supervision and regulation of cross-border data transmissions. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission, which came into effect on September 1, 2022 and regulate security assessment procedures with respect to cross-border data transfers by data processors of important data and personal information that is collected and generated during operations within the PRC. The Measures for the Security Assessment of Cross-border Data Transmission provide a six-month transition period (beginning from the regulation's effective date) for data processors to rectify their compliance with the security assessment requirements with regard to cross-border data transfers carried out before these measures take effect (September 1, 2022). As these measures came into effect recently, substantial uncertainties still exist with respect to the interpretation and implementation of these measures in practice and how they will affect our business operations and the value of our securities.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. In particular, the Draft Measures for Internet Data Security are still uncertain and in a draft state, and we cannot assure that, once implemented (if they are ever implemented), relevant governmental authorities will not interpret or implement this and other laws or regulations in ways that may negatively affect us. Security breaches and other disruptions of our information and technology networks could compromise our information and expose us to liability, reputational harm and significant remediation costs, which could cause material harm to our business and financial results. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information, and information relating to our customers and information of our employees, contractors and vendors, in our on our networks. Despite our security measures, and those of our third-party service providers, our information technology and infrastructure may be vulnerable to attacks by third parties or breached due to employee error, malfeasance or other disruptions. A significant theft, loss, corruption, exposure, fraudulent use or misuse of customer, employee or other personally identifiable or proprietary business data, noncompliance with our contractual or other legal obligations regarding such data could result in significant remediation and other costs, fines, litigation or regulatory actions against us. Such an event could additionally disrupt our operations, harm our relationships with contractors and vendors, damage our reputation, result in the loss of a competitive advantage, which could adversely affect our business, revenues, competitive position and investor confidence. Additionally, we rely on third parties to support our information and technology networks, and as a result have less direct control over our data and information technology systems. These third parties are also vulnerable to security breaches and compromised security systems, for which we may not be indemnified and which could materially adversely affect us.

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

The real estate industry in China is strictly regulated by the PRC government. Property developers in China must abide by various laws and regulations, including implementation rules implemented by local governments to enforce these laws and regulations. Before commencing, and during the course of, development of a property project, we need to apply for or renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, construction site planning permits, construction work planning permits, construction permits, pre-sale permits and completion acceptance certificates. We need to satisfy various requirements to obtain these approval certificates and permits, and to meet specific conditions in order for the government authorities to renew relevant approval certificates and permits. We cannot guarantee that we will not encounter serious delays or difficulties in the future. Some of our subsidiaries were not in compliance with certain construction or pre-sale PRC laws and regulations, such as commencing construction works and pre-sale before obtaining the requisite approvals or permits. Although we have improved our internal control procedures, we cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain the necessary governmental approvals for any of our major property projects, or a serious delay occurs in the government's examination and approval process, we may not be able to maintain our development schedule and our business and cash flows may be adversely affected.

Moreover, as the real estate industry is closely monitored by the PRC government, we anticipate that new policies will be promulgated from time to time in relation to the conditions for issuance or renewal of such approvals, licenses or permits. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to renew our permits, licenses and certificates may stall the progress of our major property development projects.

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

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

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

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

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

As of December 31, 2022, we had approximately 86,951, 116,288, 12,187, 18,936 and 3,904 square meters of retail investment properties in Zhengzhou, Xi'an, Changsha, Chengdu and Kunshan, in China, and approximately 28,090 square feet of retail investment properties in New York, respectively. As of December 31, 2022, we also had four projects under construction at which we plan to develop commercial property for lease with a planned GFA of approximately 203,270 square meters. We anticipate that we may prudently and gradually increase our retail and commercial investment properties as appropriate opportunities arise in the future. Any form of real estate investment is difficult to liquidate and, as a result, our ability to sell our properties in response to changing economic, financial and investment conditions is limited. In addition, we may also need to incur operating and capital expenditures to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that we can obtain financing at a reasonable cost for such expenditures, or at all.

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

We may be adversely affected by material issues that affect our relationships or business ventures with our joint venture and associated company partners.

We have partnered with a number of business partners and established joint ventures and associates with third parties and may continue to do so in the future. The performance of such business ventures has affected, and will continue to affect, our results of operations and financial position. We and our business venture partners provided capital to our jointly established project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such capital to us on demand. Therefore, the timing of such business ventures' capital requirements, the financial performance of these business ventures and their ability to repay may materially and adversely affect our results of operations. With respect to our subsidiaries with minority interest holders, our consolidated financial results may be directly impacted and the profit attributable to our Group may be diluted. With respect to joint ventures and associates, we generally expect to incur share of loss in such joint ventures or associates until their respective development of property projects completes and starts to contribute revenue. As of December 31, 2020, 2021 and 2022, we had a total of 14, 16 and 14 joint ventures and associates, respectively.

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

From time to time, we have engaged and may consider engaging in joint ventures with other businesses to develop a property. Any joint venture that we determine to pursue will be accompanied by a number of risks. We may not be in a position to exercise sole decision-making authority regarding the joint ventures. We may not be able to control the quality of products produced by the joint venture. Depending on the terms of the joint venture agreement, we may require the consent of our joint venture partners for the joint venture to take certain actions, such as making distributions to the partners. A joint venture partner may encounter financial difficulties and become unable to meet obligations with regard to funding of the joint venture. In addition, our joint venture partners and the joint ventures themselves may hold different views or have different interests from ours, and therefore may compete in the same market with us, in which case our interest and future development may be materially adversely affected. Further, since we may not have full control over the business and operations of our joint ventures and associated companies, we cannot assure that they will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures and associated companies or our joint ventures and associated companies will not violate PRC laws and regulations, which may have an adverse effect on our business, results of operation and financial condition.

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

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

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

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

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

- comply with the laws, regulations and policies applicable to the acquired businesses, including obtaining timely approval for the real estate construction as required under the PRC law;
- maintain adequate control on our business expansion to prevent, among other things, project delays or cost overruns;
- manage relationships with employees, customers and business partners during the course of our business expansion;
- attract, train and motivate members of our management and qualified workforce to support successful business expansion;
- access debt, equity or other capital resources to fund our business expansion, which may divert financial resources otherwise available for other purposes;
- divert significant management attention and resources from our other businesses; and
- strengthen our operational, financial and management controls, particularly those of our newly acquired subsidiaries, to maintain the reliability of our reporting processes.

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

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex, including the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009, and the *Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises*, or the Security Review Rules issued by MOFCOM in August 2011. These laws and regulations impose requirements in some instances that MOFCOM must be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Anti-Monopoly Law of PRC requires that the anti-monopoly enforcement agency be notified in advance of any concentration of undertaking if certain thresholds are triggered. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the *Anti-Monopoly Guidelines for the Internet Platform Economy Sector*, which stipulates that any concentration of undertakings involving variable interest entities is subject to anti-monopoly review. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the MOFCOM jointly issued the *Measures for the Security Review for Foreign Investment*, which took effect on January 18, 2021. These measures set forth the provisions concerning the security review mechanism on foreign investment, including, among others, the types of investments subject to review, and the review scopes and procedures. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the MOFCOM and other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current plans to do so, we may elect to grow our business in the future in part by directly acquiring complementary businesses in China.

The approval of the CSRC, may be required if we intend to do a follow-on equity offering in the future, and, if required, we cannot predict whether we will be able to obtain such approval.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the China Securities Regulatory Commission, or CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our follow-on offering of securities may be subject to approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and any failure to obtain or delay in obtaining the CSRC approval for such future offering would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

In addition, on February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures and five relevant guidelines on the application of the Regulatory Rules, which took effect on March 31, 2023, requiring the overseas securities offerings or listings of Chinese domestic companies to be filed with the CSRC. The Overseas Listing Trial Measures clarify the scope of overseas offerings or listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder, and provide, among other things, that Chinese domestic companies that have already directly or indirectly offered and listed securities in overseas markets prior to the effectiveness of the Overseas Listing Trial Measures must fulfill their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on securities offering on the same overseas market, and follow the relevant reporting requirements within three working days upon the occurrence and public disclosure of any specified circumstances provided thereunder, including any (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; or (iv) voluntary or mandatory delisting. In addition, where the main business of an issuer undergoes a material change after an overseas offering and listing, and is therefore beyond the scope of the business stated in the original filing documents, such issuer shall follow the relevant reporting requirements within three working days after occurrence of such changes.

As of the date of this annual report, we are not required by the CSRC to make the above filings, however, if we conduct a new issuance of securities on the stock market, we are required by the Overseas Listing Trial Measures to fulfill relevant filing obligations within three working days upon the completion of the new securities offering. If we are found in violation of these provisions or measures, the competent Chinese authorities may impose administrative regulatory measures, such as orders for correction, warnings, fines, and may subject us to legal liability in accordance with PRC laws and regulations.

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

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

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

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

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

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

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

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

The local government authorities inspect property developments after their completion and issue the completion acceptance certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform with the plan authorized by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a completion acceptance certificate can be issued to the property development. Furthermore, if the total constructed GFA of a property development exceeds the constructed GFA limitation specified in the real estate development qualification obtained by the property developer, the property developer may be fined up to RMB100,000, or even have its qualification certificate and business license revoked.

We obtained completion acceptance certificates for all of our completed properties as of December 31, 2022. However, we cannot be certain that local government authorities will not determine that the total constructed GFA upon completion of our existing projects under development or any future property developments exceed the relevant authorized GFA. Any such non-compliance could lead to additional payments or penalty, which would adversely affect our financial condition. We have not incurred material amounts of any such payments or penalties since the founding of our company.

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

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

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

Our failure to assist our customers in applying for property ownership certificates in a timely manner may lead to compensatory liabilities to our customers and our reputation and results of operations may be thus adversely affected.

We are statutorily required to assist our customers in their application process for property ownership certificates within 90 days after delivery of property, or such other period contracted with our customers, including in the way of submitting required materials to the real estate administration of the place where the house is located within 60 days from the day of delivery, passing various governmental clearances, formalities and procedures. If we failed to submit required materials for property right registration within such period, we may be given a disciplinary warning and be ordered to take remedial measures within specified time limit, or be fined not less than RMB20,000 but not more than RMB30,000. Besides, under our typical sales contract, we are liable for any delay in the submission of the required documents as a result of our failure to meet such requirements, and are required to compensate our customers for delays. In the case of delays of submission of required documents, we are required under contracts with our customers to pay compensation to our customers and our reputation and results of operations may be adversely affected.

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

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

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

We have been, in the past, and may be, in future, involved in disputes with various parties relating to the acquisition of land use rights, the development and sale of our properties or other aspects of our business and operations. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. Disputes and legal and other proceedings may require substantial time and expense to resolve, which could divert valuable resources, such as management time and working capital, delay our planned projects and increase our costs. Third parties that are found liable to us may not have the resources to compensate us for our incurred costs and damages. We could also be required to pay significant costs and damages if we do not prevail in any such disputes or proceedings. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. As of December 31, 2022, we were not involved in disputes with our local government enterprises, joint venture partners, contractors and property sales agents. Any unfavorable judgment in our current legal proceedings or any involvement in further legal proceedings or disputes may materially and adversely affect our business, financial condition and results of operations. See "Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings."

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

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

We have accrued LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant tax laws, less amounts previously paid under the levy method applied by relevant local tax authorities. However, provision for LAT requires our management to use a significant amount of judgment with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of project value and the various deductible items. Given the time gap between the point at which we make provisions for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our apportionment of deductible expense or other bases on which we calculate LAT. As a result, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the tax authorities in the future, our results of operations and cash flows will be materially and adversely affected. For a range of reasonably possible losses in excess of the amounts we have accrued for LAT, to the extent such estimates are determinable, see Note 15 of our Consolidated Financial Statements in this report.

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

According to the Interim Regulations on Real Property Tax of the PRC, or the Real Property Tax Regulations, which were amended on January 8, 2011, real property tax shall be paid by the property owners based on the residual value of real property following a subtraction of 10% to 30% from the original value of the property, and the specific range of subtraction, the tax payment period and the detailed implementing rules shall be decided or formulated by the local governments of provinces. Although the PRC government has been considering imposing real property tax on a nationwide scale, most of the provinces have not promulgated any detailed implementing rules about real property tax or levy the real property tax yet. In another attempt to cool the real estate market, the PRC government has designated Shanghai and Chongqing as trial regions to impose the real property tax, and in response, on January 27, 2011, both Shanghai and Chongqing implemented local rules regarding the imposition of real property tax, with these rules taking effect on January 28, 2011, with Chongqing amending its rules on January 13, 2017. On February 20, 2013, the PRC State Council, in an executive meeting, stated a new policy regarding the real property tax that the government would select more trial regions for the real property tax that year, however, most provinces still have not implemented any local rules regarding the imposition of real property tax yet. Real property tax regulations may eventually be officially implemented at the national level; any such regulation could significantly impact the real estate market. In light of these developments, we cannot guarantee that our operations will not be adversely affected.

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

The Enterprise Income Tax Law of the PRC, or the EIT Law, became effective as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the *Implementation Rules for the EIT Law* issued by the PRC State Council became effective as of January 1, 2008 and was amended on April 23, 2019. The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are “non-resident enterprises,” to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the Implementation for the EIT Law. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive from our PRC subsidiaries. Thus, dividends paid to us by our subsidiaries in China may be subject to the 10% income tax if we are considered a “non-resident enterprise” under the EIT Law. If we are required under the EIT Law to pay income tax for any dividends we receive from our PRC subsidiaries, it will materially and adversely affect the amount of dividends received by us from our PRC subsidiaries.

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

The EIT Law also provides that enterprises established outside of China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% corporate income tax rate as to their worldwide income. Under the *Implementation Rules for the EIT Law*, “*de facto* management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. Under the *Notice on the Issues Regarding Recognition of Overseas Incorporated Domestically Controlled Enterprises as PRC Resident Enterprises Based on the De Facto Management Body Criteria*, or Circular 82, which was retroactively effective as of January 1, 2008 and amended on November 8, 2013, January 29, 2014 and December 29, 2017, an overseas incorporated, domestically-controlled enterprise will be recognized as a PRC resident enterprise if it satisfies certain conditions. Further, the State Administration of Taxation, or the SAT, issued the *Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial)*, or Bulletin 45, which became effective on September 1, 2011, and was amended on April 17, 2015, June 28, 2016 and June 15, 2018, 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 by administration and the authorities responsible for determining offshore-incorporated PRC tax resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the in-charge tax authorities from an offshore-incorporated PRC tax resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the offshore incorporated PRC tax resident enterprise. However, as Circular 82 and Bulletin 45 only apply to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “*de facto* management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents or non-PRC enterprises such as our company. It is still unclear whether PRC tax authorities would require us to be treated as a PRC resident enterprise. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations. Notwithstanding the foregoing, the EIT Law also provides that, if a PRC resident enterprise already invests in another PRC resident enterprise, the dividends received by the investing resident enterprise from the invested resident enterprise will be exempt from PRC income tax, subject to certain qualifications. Therefore, if we are classified as a PRC resident enterprise, the dividends received from our PRC subsidiaries may be exempt from income tax in China. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

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

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

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

On February 3, 2015, the SAT issued the *Circular on issues of enterprise Income Tax on Indirect Transfer of Assets by Non-PRC Resident Enterprise*, or Circular 7, which extends its tax jurisdiction to transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clear criteria for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. In October 2017, SAT issued the *Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source*, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer other than transfer of shares or ADSs acquired and sold on public markets may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10%. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions that involve PRC taxable assets, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions, under Circular 7 or SAT Bulletin 37, or both. However, since Circular 7 specifies that it does not apply if a non-resident enterprise obtains the proceeds from indirect transfer of Chinese taxable property by trading stocks of a listed foreign enterprise in the open market, for most of our investors, who either are not enterprises, or are non-resident enterprises but only trade stocks in the open market, they will not be required to pay tax under Circular 7 or SAT Bulletin 37.

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

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

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

We record our real estate properties projects, completed and under development, at the lower of carrying amounts or fair value less selling costs. In accordance with ASC 360, “Property, Plant and Equipment”, real estate property projects, completed and under development, are subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized 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. We have not recognized any fair value losses from our real estate properties projects, completed and under development. If the projected profitability of a given project deteriorates due to a decline in the pace of unit sales, a decline in selling prices, or some other factor, such project is reviewed for possible impairment by comparing the estimated future undiscounted cash flows for the project to its carrying value. If the estimated future undiscounted cash flows are less than the project’s carrying value, the project is written down to its estimated fair value. If business conditions deteriorate, there is a potential risk that impairment charges will be recorded, which may have a material adverse effect on our results of operation.

Failure to protect our brand or trademark may adversely affect our business.

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

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

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

According to PRC laws and local regulations, we are required to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agents for the benefit of all our employees. Since the Social Insurance Law of the PRC came into effect on July 1, 2011, which was amended on December 29, 2018, the legal framework regulating employee social insurance has been further strengthened. The requirement of employee benefits has not been implemented consistently by the local governments in China, given the different levels of economic development in different locations. While we believe that our PRC subsidiaries have appropriately accrued for and paid statutory employee benefits, we cannot be certain the relevant PRC authorities may not interpret local requirements differently and require payments of additional employee benefit amounts in the future.

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

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

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

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

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

Risks Related to the Residential Property Industry in China

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

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

Since 2016, the local governments of several cities in the PRC have implemented a series of measures designed to stabilize the growth of the property market on a more sustainable level. These tightening measures have affected some of the cities where we operate, including Zhengzhou, Suzhou, Chengdu, Jinan, Tianjin, Beijing, Xi’an and Changsha. Since 2017, certain local governments in the PRC further implemented measures to control the increase of property sale prices and stabilize the real estate market. For example, in March 2017, the municipal city of Tianjin requested non-local residents to provide social insurance certificates and individual income tax contribution certificates issued by Tianjin’s competent authorities before such non-local residents were permitted to purchase a residential property. In April 2018, Hainan province adopted measures to limit each local resident from purchasing more than one residential property. In September 2020, the city of Chengdu adopted a five-year limit for residents to transfer or sell newly purchased residential property. These measures regulate various aspects of the property market, including: (i) land acquisition financing, (ii) pre-sale management, (iii) sale price restriction (for example, Suzhou requires developers to file sale prices at the price filing systems of relevant authorities), (iv) purchaser qualification and (v) purchaser financing. These local measures may also cause adverse and material impacts on our business operations and financial results.

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

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

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

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce, or the SAIC, and the SAFE, issued the *Opinions on Regulating the Entry and Administration of Foreign Investment in the Real Estate Market*, amended on August 19, 2015, which impose significant requirements on foreign investment in the PRC real estate sector. For instance, these opinions set forth requirements for the procedures to set up a foreign-invested real estate enterprise, or the FIREE, and the thresholds for a FIREE to borrow domestic or overseas loans. In addition, since June 2007, a FIREE approved by local authorities is required to file such approvals with the MOFCOM or its provincial branches. We cannot assure that any FIREE that we establish, or whose registered capital we increase, will be able to complete the filing procedures with MOFCOM in time or otherwise fully comply with those specific requirements set for FIREEs.

The regulatory restrictions imposed on foreign investment in real estate projects has been and continues to be evolving. Currently, on March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, or the FIL, which became effective on January 1, 2020. The FIL grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in a "negative list". On December 28, 2021, the MOFCOM and the NDRC promulgated the Special Administrative Measures on the Access of Foreign Investment (Negative List) (2021 Edition), or the 2021 Negative List, which took effect on January 1, 2022, which provide there are no specific restrictions for foreign investment in the real estate industry.

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

We face intense competition from other real estate developers.

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

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

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

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

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

On March 30, 2015, the PBOC, the MOHURD and the CBRC jointly issued the *Circular on Issues concerning Individual Residential Mortgage Policies* in an effort to stimulate the market. The circular specifies the minimum down payment is 20% for purchasers of a first residential property for their households with their housing fund loans and 40% for the purchasers of a second residential household property with housing fund loans with outstanding mortgages who apply for another mortgage. On August 27, 2015, the MOHURD, the Ministry of Finance of the PRC, or the MOF, and the PBOC jointly issued the *Circular on Adjusting the Minimum Down Payment for the Purchase of Houses by Individuals with the Housing Fund Loans*, which provides that the purchasers of a second residential household property with housing fund loans are only required to pay a minimum down payment of 20% if all loans are settled on their first residential property, in addition, Beijing, Shanghai, Guangzhou, and Shenzhen may, on the basis of the unified national policy and in accordance with local conditions, independently determine the minimum down payment ratio for applying for housing fund loans to purchase a second residential household property. On February 1, 2016, the PBOC issued the *Circular on Issues concerning Adjusting the Individual Housing Loan Policies*, which provides that, in the cities without restrictive measures for residential property purchase, the minimum down payment shall, in principle, be 25% of the house price with housing fund loans for a first residential property for purchasers' households, while the minimum down payment shall be at least 30% of the corresponding house price for a second residential household property. And in the cities with restrictive measures for house purchase, the individual housing loan policies shall be subject to the previous provisions. Furthermore, on April 12, 2019, the *Circular on Matters relating to Adjusting the Policy for Individual Housing Loans via the Housing Provident Fund to Further Upgrade Services* was issued, which provides that the minimum down payment is 30% for purchasers of a first residential property other than economically affordable house for their households with their housing fund loans, and 60% for the purchasers of a second residential household property other than economically affordable house with housing fund loans.

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

Risks Related to Doing Business in China

Changes in social conditions, political and economic policies of the PRC government may affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Our results of operations, financial condition and prospects are influenced by social, economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the framework and style of government supervision, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. The PRC government also exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the Chinese economy in 2020, 2021 and 2022 was severe. Any prolonged slowdown in the Chinese economy may reduce the demand for our property and materially and adversely affect our business and results of operations.

The new, stricter regulations or interpretations of existing regulations imposed by the central or local governments may require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations, and if relevant regulations are issued and become effective in a short notice, we may not be able to take the required actions in a timely manner without allocating significant resource. Therefore, we cannot predict whether changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

We are subject to PRC restrictions on currency exchange.

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in Renminbi. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our PRC subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of the SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a significant amount of our future revenues and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of the ADSs, and may limit our ability service our foreign currency-denominated indebtedness and to obtain foreign currency through debt or equity financing for our PRC subsidiaries.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties or otherwise limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise adversely affect us.

On July 4, 2014, the SAFE issued the *Circular of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles*, or the SAFE Circular 37, which replaced the former circular commonly known as "Circular 75" implemented on October 21, 2005. The SAFE Circular 37 requires PRC residents to register with the competent local SAFE branch in connection with their direct establishment or indirect overseas investment activities. Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE to reflect any material change. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China. In February 2015, SAFE promulgated a *Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment*, or SAFE Notice 13. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound direct investments, including those required under SAFE Circular 37, must be filed with qualified banks instead of SAFE. Qualified banks should examine the applications and accept registrations under the supervision of SAFE.

We believe that all of our shareholders who were PRC citizens or residents at the time of our initial public offering completed their required registrations with the SAFE in accordance with Circular 75 before the promulgation of SAFE Circular 37 prior to, and immediately after, the completion of our initial public offering. However, as there is uncertainty concerning the reconciliation of these notices with other approval or registration requirements and their interpretation and implementation has been constantly evolving, it remains unclear how these regulations, and any future legislation concerning offshore or cross-border investments and transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, as a publicly traded company in the United States, we may not at all times know of the identities of all of our beneficial owners, who are PRC citizens or residents, and we may have little control over either our present or prospective direct or indirect PRC resident beneficial owners or the outcome of such registration procedures. We cannot assure you that we have complied or will be able to comply with all applicable foreign exchange and outbound investment related regulations. The failure or inability of these PRC resident beneficial owners to comply with applicable SAFE registration requirements may subject us to the sanctions described above, including sanctions which may impede our ability to contribute the additional capital from our proceeds of any future offerings to our PRC subsidiaries, and our PRC subsidiaries' ability to pay dividends or distribute profits to us. Furthermore, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

We may be subject to fines or penalties if we fail to comply with any applicable laws, regulations or rules.

Historically, we experienced certain non-compliance incidents, some of our project companies commenced construction before obtaining construction work permits or construction work planning permits. We believe these non-compliances did not have a material operational and financial impact on us. There is no assurance that our internal control measures will be effective and there will not be any non-compliance incidents in the future.

In addition, PRC laws, regulations or rules governing our industry have been evolving rapidly. We cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operation.

Certain portions of our property development projects and investment properties are designated as civil air defense properties and transfer of the right to use such area is subject to restrictions and uncertainties.

Certain portions of our property development projects and investment properties are designated as civil air defense properties. According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the *Civil Air Defense Law of the PRC* promulgated by the SCNPC on October 29, 1996, as amended on August 27, 2009 and *Management Measures for Peacetime Development and Usage of Civil Air Defense Properties* promulgated by the House Civil Air Defense Office in November 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use. We had entered into contracts to transfer the right to use civil air defense properties in some of our property development projects to our customers as car parks and we intend to continue such transfer. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost. The civil air defense areas of our projects are primarily used or to be used for car parks, representing an insignificant portion of our property portfolio.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We have leased certain properties from independent third-party landlords mainly for our office premises. However, we failed to register some lease agreements under which we are the tenant. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Our core business is conducted within China and is governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. Some of our activities outside the PRC are also subject to the extra-territorial jurisdiction under the relevant PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

In addition, the PRC government has significant oversight and discretion over the conduct of our operations and may intervene or influence our operations as the government deems appropriate to further regulatory, political and social goals. The PRC government has recently published new policies that significantly affected certain industries such as the internet industries and private education industries, and we cannot rule out the possibility that it will in the future release regulations or policies or take regulatory actions regarding our industry that could adversely affect our business, financial condition and results of operations.

We could be adversely affected by political tensions between the United States and China.

Political tensions between the United States and China have escalated in recent years due to, among other things,

- the trade war between the two countries since 2018;
- the COVID-19 pandemic;
- the PRC National People’s Congress’ passage of Hong Kong national security legislation;
- the imposition of U.S. sanctions on certain Chinese officials from China’s central government and the Hong Kong Special Administrative Region by the U.S. government, and the imposition of sanctions on certain individuals from the U.S. by the Chinese government;
- various executive orders issued by the U.S. government, which include, among others,
 - o the executive order issued in August 2020, as supplemented and amended from time to time, that prohibits certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies named in such executive order;
 - o the executive order issued in January 2021, as supplemented and amended from time to time, that prohibits such transactions as are identified by the U.S. Secretary of Commerce with certain “Chinese connected software applications,” including Alipay and WeChat Pay; and
- the *Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures* promulgated by the MOFCOM, on January 9, 2021, which applies to Chinese individuals or entities that are purportedly barred by a foreign country’s law from dealing with nationals or entities of a third country.

Rising political tensions between China and the U.S. could reduce levels of trade, investment, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause investors to lose confidence in Chinese companies and counterparties, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

Furthermore, the U.S. government has imposed measures regarding limiting or restricting China-based companies from accessing U.S. capital markets, and delisting certain China-based companies from U.S. national securities exchanges. In January 2021, after reversing its own delisting decision, the NYSE ultimately resolved to delist China Mobile, China Unicom and China Telecom in compliance with the executive order issued in November 2020, after receiving additional guidance from the U.S. Department of Treasury and its Office of Foreign Assets Control. In addition, the NYSE announced in February 2021 that it has determined to commence proceedings to delist CNOOC Limited in light of the same executive order. These delistings have introduced greater confusion and uncertainty about the status and prospects of Chinese companies listed on the U.S. stock exchanges. If any further measures were to be implemented, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States such as us, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ, or that you will always be allowed to trade our ADSs.

Our business has been and is likely to continue to be materially adversely affected by the COVID-19 pandemic globally and in China.

Beginning in December 2019, a novel strain of coronavirus, or COVID-19, resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and many other countries around the world. The COVID-19 pandemic, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic, could present significant challenges and uncertainties.

The Chinese economy has been recovering steadily from the impact of COVID-19 since the second half of 2020, however, during 2021 and 2022, there were a considerable amount of new COVID-19 cases, including primarily the COVID-19 Omicron variant cases, in various cities in China. The Chinese local authorities had reinstated certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders. Although China began to modify its COVID-19 control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022, there remains substantial uncertainty about the future dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods, if the global pandemic and the resulting disruption were to extend over a prolonged period. The recurrence of COVID-19 in the China and continuance of the outbreak in other parts of the world, could adversely impact our company's business operations or the business operations of our company's customers and partners thus in turn having an adverse impact on our business, results of operations and financial condition. There remain substantial uncertainties about the dynamic of the COVID-19 pandemic, including, but not limited to, with respect to the logistics of distribution and the efficacy of any vaccine program or with respect to new strains or variants of the virus, which may have potential continuing impacts on subsequent periods if the pandemic and the resulting disruption were to extend over a prolonged period.

Our business, results of operations and financial condition have been materially and adversely affected by the COVID-19 pandemic, and may continue to be negatively and materially affected by the pandemic as well as other factors that we cannot foresee, such as the changes in the outlook of China's property market, slowdown in China's economic growth or negative business sentiment. In particular, potential impact includes, among others, the following:

- the continuing impacts of COVID-19 may result in a general slowdown in China's real estate industry, adversely affecting the demand for our services;
- our customers may not have sufficient budget or cashflow to pay for our services, or may fail to make the payment in a timely manner, or at all;
- some of our customers may not be well capitalized and may be vulnerable to the COVID-19 pandemic and the slowdown of the macroeconomic conditions, and if they cannot resume their business during a prolonged virus outbreak, the demand for our services may be negatively affected; and
- we may experience work suspension, reduced work efficiency and productivity, which may adversely affect our service quality and the timeliness of our project delivery.

We have taken measures to reduce the impact of the COVID-19 pandemic, including monitoring our employees' health on a daily basis and optimizing our technology system to support remote work arrangements. However, we may still experience lower work efficiency and productivity, which may adversely affect our service quality. Furthermore, we and our customers have experienced business disturbances due to the quarantine measures to contain the spread of COVID-19. We experienced a slowdown in revenue growth and delayed collection of accounts receivables from our customers. We may experience similar delay or even default from our customers should there be any recurrence of the COVID-19 outbreak in China, which could materially and adversely affect our business, results of operations and financial condition. Moreover, if the pandemic persists or escalates, we may be subject to further negative impact on our business operations.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operation.

In addition to the impact of COVID-19, our business could be adversely affected by the effects of the Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having the Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS, or other epidemics, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that any of these epidemics harm the Chinese and global economy in general.

We are also vulnerable to natural disasters and other calamities, such as fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events, which could cause construction delays and business interruptions. For example, certain areas in Henan Province, China, where a significant portion of our development projects are located, experienced a heavy rainfall which was unexpected and caused widespread flooding in July 2021. The flooding resulted in interruptions of our business and construction in Henan Province, which materially and adversely affected our results of operations and financial condition in 2021.

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

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

United States regulators may be limited in their ability to conduct investigations or inspections of our operations in China.

The increased regulatory scrutiny of U.S.-listed companies with operations in China could add uncertainties to our business operations, share price and reputation. Although the audit reports of Assenture PAC incorporated by reference into this report are prepared by our auditors in Singapore who are subject to inspection by the Public Company Accounting Oversight Board (the “PCAOB”), there is no guarantee that future audit reports will be prepared by auditors that are completely inspected by the PCAOB and, as such, future investors may be deprived of the benefit of such complete inspections, which could result in limitations or restrictions on our ability to access the U.S. capital markets. Furthermore, trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act (the “HFCA Act”) or the Accelerating Holding Foreign Companies Accountable Act if the SEC subsequently determines our audit work is performed by auditors that the PCAOB is unable to inspect or investigate completely, and as a result, U.S. national securities exchanges, such as Nasdaq or the over-the-counter market, may determine to delist our securities.

U.S. public companies that have or had a substantial portion of their operations in China have been the subject of heightened scrutiny, criticism and negative publicity by investors, financial commentators and regulatory agencies, such as the SEC. Much of the scrutiny, criticism and negative publicity has centered on financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate government policies or a lack of adherence thereto and, in many cases, allegations of fraud.

As part of increased regulatory focus in the United States on access to audit information, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, in December 2020. The HFCA Act includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate completely because of a restriction imposed by a non-U.S. authority in the auditor’s local jurisdiction. The HFCA Act also requires public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures in their SEC filings. In addition, under the HFCA Act, if the auditor of a U.S. listed company’s financial statements is not subject to PCAOB inspections for three consecutive “non-inspection” years, the SEC is required to prohibit the securities of such issuer from being traded on a U.S. national securities exchange, such as the NYSE and Nasdaq, or in the U.S. over-the-counter markets. On December 29, 2022, the Consolidated Appropriations Act, 2023 was signed into law, which, among other things, amended the HFCA Act to reduce from three years to two years the number of consecutive years an issuer can be identified as an identified issuer before the SEC can prohibit an issuer’s securities from trading on any U.S. national securities exchange and on the over-the-counter market. Accordingly, our securities may be prohibited from trading on Nasdaq or other U.S. stock exchange if our auditor is not inspected by the PCAOB for two consecutive years, and this ultimately could result in our Ordinary Shares being delisted.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which if enacted into law, would amend the HFCA Act and require the SEC to prohibit an issuer’s securities from trading on U.S. stock exchanges if its auditors are not subject to PCAOB inspections for two consecutive “non-inspection” years instead of three. On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether the Board is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 16, 2021, the PCAOB issued PCAOB Rule 6100 Board Determinations Under the Holding Foreign Companies Accountable Act. The PCAOB notified the SEC that it was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and in Hong Kong because of the positions taken by authorities in mainland China and Hong Kong. The PCAOB issued a Determination Report on December 15, 2022, determining that the PCAOB secured complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong, and vacating the 2021 Determinations to the contrary. However, the PCAOB further noted that it will act immediately to consider the need to issue a new determination if the PRC authorities obstruct or otherwise fail to facilitate the PCAOB’s access. While the audit reports of Assenture PAC incorporated by reference into this report are prepared by auditors based in Singapore who are subject to inspection and investigation by the PCAOB, there can be no assurance that our auditor or we will be able to comply with these and other requirements imposed by U.S. regulators in the future. The market prices of our Ordinary Shares and/or other securities could be adversely affected as a result of possible negative impacts of the HFCA Act and other similar rules and regulations.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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

In December 2012, the SEC instituted proceedings under Rule 102(e)(1)(iii) of the SEC's Rules of Practice and also under the Sarbanes-Oxley Act against five PRC-based accounting firms, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' work papers related to their audits of certain PRC-based companies that are publicly traded in the United States. Rule 102(e)(1)(iii) grants the SEC the authority to deny to any person, temporarily or permanently, the ability to practice before the SEC who is found by the SEC, after notice and opportunity for a hearing, to have willfully violated any such laws or rules and regulations. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of the five firms from practicing before the SEC for a period of six months. Four of these PRC-based accounting firms appealed to the SEC against this decision and, on February 6, 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The firms' ability to continue to serve all their respective clients is not affected by the settlement. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the CRSC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice for four years after entry of the settlement. The four-year mark occurred on February 6, 2019. We cannot predict if the SEC will further challenge the four PRC-based accounting firms' compliance with the U.S. law in connection with the U.S. regulatory requests for audit work papers or if the results of such challenge would result in the SEC imposing penalties, such as suspensions.

In the event that the PRC-based "big four" accounting firms become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our ADSs may be adversely affected.

If the auditor of our audit report in our annual report filed with the SEC were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our consolidated financial statements, our consolidated financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of the ADSs from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the U.S.

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

Risks Related to Our ADSs

The trading price of our ADSs has been, and is likely to continue to be, volatile, which could result in substantial losses to holders of our ADSs as well as the potential suspension of listing or delisting of our ADRs.

The trading price of our ADSs has been, and is likely to continue to be, volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. For example, the high and low closing prices of our ADSs in 2022 were US\$12.10 and US\$3.76, respectively. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the U.S. may affect the volatility in the prices of and trading volumes for our ADSs. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of these companies' securities at the time of or after their offerings may affect the overall investor sentiment towards other companies with business operations located mainly in China and listed in Hong Kong and/or the U.S. and consequently, may impact the trading performance of our ADSs. In addition to market and industry factors, the prices and trading volumes for our ADSs may be highly volatile for specific business reasons, including:

- variations in our results of operations or earnings that are not in line with market or research analyst expectations or changes in financial estimates by securities research analysts;
- publication of operating or industry metrics by third parties, including government statistical agencies, that differ from expectations of industry or financial analysts;
- announcements made by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- press and other reports, whether or not true, about our business, including negative reports published by short sellers, regardless of their veracity or materiality to us;
- litigation and regulatory allegations or proceedings that involve us;
- changes in pricing we or our competitors adopt;
- additions to or departures of our management;
- actual or perceived general industry, regulatory, economic and business conditions and trends in China and globally, due to various reasons, including changes in geopolitical landscape, as some investors or analysts may invest in or value our ADSs based on the economic performance of the Chinese economy, which may not be correlated to our financial performance;

- political or market instability or disruptions, and actual or perceived social unrest in the U.S., Hong Kong or other jurisdictions;
- fluctuations of exchange rates among the Renminbi, the Hong Kong dollar and the U.S. dollar; and
- sales or perceived potential sales or other dispositions of existing or additional ADSs or other equity or equity-linked securities.

Any of these factors may result in large and sudden changes in the volume and trading price of our ADSs. In addition, the stock market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies and industries.

When the trading price of our ADRs falls below US\$1.00, we are considered below compliance standards pursuant to the listing requirements of the NYSE and could result in the delisting of our common stock by the NYSE. As the average trading price of our ADRs remained below US\$1.00 for 30 consecutive trading days or more, the NYSE sent us a deficiency notice on December 14, 2021 and required the stock price to be brought back above US\$1.00 within six months prior to May 13, 2022. On May 2, 2022, the NSYE notified us that a calculation of the Company's average stock price from the 30-trading days ended April 29, 2022 has been above the US\$1.00 based on a 30-trading day average. As a result, the Company regained compliance. However, our average trading price over the 30 consecutive trading days ended June 23, 2022 fell below US\$1.00 again, for which, the NYSE sent us a deficiency notice on June 24, 2022 and required the stock price to be brought back above US\$1.00 within six months prior to December 23, 2022. On December 27, 2022, the NYSE confirmed that a calculation of the Company's average stock price for the 30-trading days ended December 27, 2022 has been above the NYSE's minimum requirement of \$1.00 based on a 30-trading day average. As a result, the Company regained compliance.

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

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

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

The sales of our ADSs or common shares in the public market, or the perception that such sales could occur, could cause the market price of our ADSs to decline. As of December 31, 2022, we had 108,029,257 common shares outstanding, including 74,405,373 common shares represented by 3,720,269 ADSs. All ADSs are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act, other than those held by affiliates which are subject to volume and other restrictions as applicable under Rule 144 under the Securities Act. The remaining common shares outstanding are available for sale, subject to any volume and other restrictions as applicable under Rule 144. The sale or perceived sale of a substantial amount of our ADSs by any principal shareholder could adversely affect the prevailing market price for our ADSs. Such sales or perceived sales might also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. To the extent that common shares (in the form of ADSs) are sold into the market, the market price of our ADSs could decline.

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

As of December 31, 2022, Mr. Yong Zhang, Chairman of our board of directors, and Ms. Yuyan Yang, also a board member, beneficially owned 29.54% and 26.29%, respectively of our share capital. Accordingly, they each have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership by our major shareholders may result in actions being taken even if opposed by our other shareholders. In addition, it may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs.

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

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

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

Matters relating to or arising from the Internal Review, including adverse publicity and potential concerns from our customers, suppliers or others with whom we do business, could have an adverse effect on our business and financial condition.

We could be the subject of negative publicity focusing on Internal Review, and we may be adversely impacted by negative reactions from our customers, suppliers or others with whom we do business. Concerns include the perception of the effort required to address our accounting and internal control environment, and the ability for us to be a long-term provider to our customers. Adverse publicity and potential concerns from our customers and business partners or others could harm our business and have an adverse effect on our financial condition.

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

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

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current report on Form 8-K;
- the section of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the section of the Exchange Act requiring directors, officers and 10% holders to file public reporting of their stock ownership and trading activities and imposing liability on insiders who profit from trades made in a short period of time;
- the selective disclosure rules under Regulation FD restricting issuers from selectively disclosing material nonpublic information.

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

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices for corporate governance matters that differ significantly from the NYSE corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the corporate governance listing standards.

Our ADSs are listed on the NYSE. The NYSE corporate governance listing standards permit a foreign private issuer, like us, to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. For example, Cayman Islands does not require us to comply with the following corporate governance listing standards of the NYSE:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In mergers and consolidations where the merged company or consolidated company will continue to be a Cayman Islands entity, dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands courts) if they follow required procedures, subject to certain exceptions. However, they may not be comparable to the appraisal rights that would ordinarily be available to dissenting shareholders of a U.S. company.

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

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

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

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

The rules governing passive foreign investment companies, or PFICs, can have adverse effects for U.S. federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. The determination of whether we are a PFIC depends on the particular facts and circumstances (such as the valuation of our assets, including goodwill and other intangible assets) and may also be affected by the application of the PFIC rules, which are subject to differing interpretations. Based on our estimated gross income, the average value of our assets, including goodwill and the nature of our business, although not free from doubt, we do not believe that we were classified as a PFIC for U.S. federal income tax purposes for the taxable year ending December 31, 2022.

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

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

ITEM 4 INFORMATION ON THE COMPANY

A. History and Development of the Company

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

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

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

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

B. Business Overview

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

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

We have steadily operated our business during the past three years. We had 28 projects with a total GFA of 4,018,171 square meters under construction as of December 31, 2019, and 22 projects with a total GFA of 4,015,996 square meters under construction as of December 31, 2022. We have initiated seven new projects with a total GFA of 1,309,151 square meters under planning as of December 31, 2022. As of December 31, 2022, we completed 68 projects with a total GFA of approximately 10,942,634 square meters and comprising a total of 123,421 units, more than 98% of which have been sold. In 2020, 2021 and 2022, our revenues were US\$1,745.8 million, US\$1,536.0 million and US\$950.0 million. We had net loss of US\$67.5 million, US\$413.3 million and US\$258.7 million in 2020, 2021 and 2022, respectively.

While our primary focus has been in China, we see potential opportunities for residential real estate development in other jurisdictions that might be attractive to both Chinese and U.S. buyers. In 2012, we acquired an 8,094 square meters parcel of land in the Williamsburg neighborhood of Brooklyn, New York, for US\$54.2 million, on which we built 216 condominium units with a net saleable floor area of approximately 30,855 square meters, the New York Oosten Project. Our New York Oosten Project started construction in November 2013 and was delivered in December 2016. As of December 31, 2022, the project recognized a total revenue of US\$302.1 million from the sales of 194 units out of 216 total units. In January 2016, we also acquired a parcel of land in midtown Manhattan, New York, for US\$57.5 million. As of December 31, 2022, we completed superstructure construction, precast concrete facade, and windows installation at the Hudson Garden project, BLOOM ON FORTY FIFTH. During 2021, the project's design drawings were optimized, increasing the number of residential units from 82 to 92. As of December 31, 2022, the project recognized a total revenue of US\$41.0 million from the sales of 28 units out of 92 total units. Of the total saleable 34,903 square feet of retail/commercial space, a total of 28,090 square feet have been leased to a leading U.S. department store chain, Target, for a 20-year term and another 1,910 square feet have been leased to a dermatologist's office for a 15-year lease term. The construction is currently ahead of schedule and within budget. The building is expected to have 92 condominium units from floors two through seven with a unit mix consisting of 17 studios, 45 one-bedroom units, 24 two-bedroom units, two three-bedroom duplex units, two three-bedroom penthouse units, and two four-bedroom duplex units. In August 2016, we acquired a parcel of land in the Flushing neighborhood of Queens, New York for US\$66.0 million. The land allows for a mixed-use development comprising approximately 30,112 square meters under approved plans. At this RKO project in Flushing, New York City, the demolition of the existing building with the exception of the landmark portion was completed as of December 31, 2021. All historic artifacts have been removed from the site and are being restored offsite. The professional consultants continue to develop the plans and specifications while working through the various entitlements and approvals. The current development scheme is being evaluated to address current market conditions and highest and best use analysis.

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

On March 21, 2018, we acquired from ED Group, a 50% equity stake in MDL, the developer of the Amory Tower project (previously named as the Madison project), via our wholly-owned subsidiary Xinyuan International (HK) Property Investment Co., Limited for a total consideration of US\$19.1 million. The Amory Tower Project site extends to 0.38 hectares (or approximately 0.94 acres) and is located adjacent to Canary Wharf, one of Europe's largest commercial centers. Permission was granted in March 2015 to develop a 53-story building comprised of 423 residential apartments, including 319 private apartments and 104 affordable apartments, with approximately 425 square meters of community facilities. The project achieved practical completion as of December 31, 2021, which marked the completion of construction. As of December 31, 2021, all of the 104 affordable apartments were pre-sold. Of the remaining 319 apartments, 305 apartments have been sold as of December 31, 2022, representing 96% of the total number of units. We will continue to seek international investment opportunities that have high growth potential and are in line with our investment return metrics and long-term business plan.

We also plan to retain and develop commercial portions of some of our properties, such as shopping malls, supermarkets or hotels, and to lease and manage those properties ourselves. As of December 31, 2022, we completed seven similar projects, including (i) Xi'an Xinyuan Metropolitan Shopping Center with a total GFA of approximately 116,000 square meters, located in Xi'an city, Shaanxi Province, (ii) Xingyang Xindo Park Shopping Center with a total GFA of approximately 15,000 square meters, located in Xingyang city, Henan Province, (iii) Changsha Xindo Park Shopping Center with a total GFA of approximately 12,000 square meters, located in Changsha city, Hunan Province, (iv) Chengdu Xindo Park Shopping Center with a total GFA of approximately 19,000 square meters, located in Chengdu city, Sichuan Province, (v) Zhengzhou Xindo Park Shopping Center with a total GFA of approximately 24,000 square meters, located in Zhengzhou city, Henan Province, (vi) Kunshan Xindo Park Shopping Center with a total GFA of approximately 4,000 square meters, located in Kunshan city, Jiangsu Province, and (vii) Target Shopping Center with a total GFA of approximately 28,090 square feet, located in New York. As of December 31, 2022, we had 4 projects under construction in which we will retain approximately 203,000 square meters of GFA for development as commercial properties held for lease.

In November 2019, the Group acquired Beijing Ruizhuo Xitou Development Co., Ltd., or Xitou, a related party, for a total consideration of US\$16,486,299, representing extinguishment of pre-existing receivable. Xitou is primarily engaged in provision of online platform services for real estate project financing purposes. In November 2019, the Group acquired Beijing Ruizhuo Xichuang Technology Development Co., Ltd., or Xichuang, a related party, for a total consideration of US\$11,212,797, thereby extinguishing the pre-existing receivables. Xichuang is primarily engaged in the provision of online platform services for sourcing, sale and purchase of real estate properties. In November 2019, the Group acquired Beijing I-Journey Science and Technology Development Co, Ltd., or I-Journey, a related party, for a total consideration of US\$21,062,847, representing extinguishment of pre-existing receivable. I-journey is primarily engaged in the sale of household robots and provision of community cloud services. The acquisitions of Xitou, Xichuang and I-journey were in line with the Group's strategy to extend its business to provide real estate and property management related technology services.

In addition to real estate development and sales, we offer a wide range of property management services covering the pre-delivery and post-delivery phases to property developers, property owners and property occupants for their enjoyment of community life. We also lease and manage certain properties such as shopping malls, supermarkets and hotels. Moreover, we are engaged in various other business activities related to our property development operations, including the development and management of industrial parks, the operation of a real estate private financing platform, the development of cloud-based enterprise resource planning software applications, the development of smart home technology products and the development of an online property sales platform.

Our Markets

We currently operate in 20 geographic markets in China - Beijing, Shanghai, Tianjin, Chengdu in Sichuan Province, Hefei in Anhui Province, Jinan and Qingdao in Shandong Province, Suzhou, Kunshan and Xuzhou in Jiangsu Province, Zhengzhou in Henan Province, Changsha in Hunan Province, Sanya in Hainan Province, Xi'an in Shaanxi Province, Zhuhai and Foshan in Guangdong Province, Dalian in Liaoning Province, Wuhan in Hubei Province and Huzhou and Taizhou in Zhejiang Province. We also operate in the city of New York in the United States, in Malaysia and in London in the United Kingdom.

The following table sets forth the numbers of our projects and the total GFA in each region indicated as of December 31, 2022:

	Properties under Construction (m ²)	Properties under planning (m ²)	Properties held for sale (m ²)	Completed projects (m ²)	Total number of projects	Total GFA (m ²)
China						
Beijing	87,304	—	—	133,096	2	220,400
Chengdu	741,594	—	—	651,416	4	1,393,010
Zhengzhou	2,025,136	885,896	—	4,593,964	53	7,504,996
Jinan	—	—	—	1,772,639	7	1,772,639
Hefei	—	—	—	145,455	1	145,455
Suzhou	156,442	—	—	943,768	10	1,100,210
Kunshan	—	—	—	975,034	4	975,034
Xuzhou	—	—	—	232,607	2	232,607
Sanya	—	—	—	119,237	1	119,237
Shanghai	—	—	—	57,770	1	57,770
Changsha	—	—	—	415,343	3	415,343
Xi'an	198,846	—	—	287,164	2	486,010
Zhuhai	—	70,000	—	—	1	70,000
Tianjin	—	—	—	283,777	2	283,777
Qingdao	380,588	—	—	161,877	2	542,465
Dalian	107,926	—	—	—	3	107,926
Wuhan	—	185,000	—	—	1	185,000
Huzhou	123,756	—	—	—	1	123,756
Foshan	194,404	138,143	—	—	2	332,547
Taizhou	—	—	—	128,397	1	128,397
Sub Total	4,015,996	1,279,039	—	10,901,544	103	16,196,579
United States						
Irvine ⁽¹⁾	—	—	2,865	—	1	2,865
Nevada ⁽²⁾	—	—	N/A	—	1	N/A
New York	—	30,112	—	41,090	3	71,202
Total	4,015,996	1,309,151	2,865	10,942,634	108	16,270,646

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

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

For a discussion of revenues from each geographical segment in each of 2021 and 2022, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Discussion of Segment Operations.”

Our Property Projects

Overview

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

- multi-layer apartment buildings, which, in China, are typically six stories or less and normally require nine to 12 months to construct after we obtain the related construction permit;

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

Our projects are in one of the following five stages:

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

The following table sets forth each of our properties currently under construction or planning as of December 31, 2022:

Project Name	Location	Type of Products ⁽¹⁾	Construction Commencement Date	Pre-sale Commencement Date ⁽²⁾	Total Site Area (m ²)	Total GFA (m ²)	Total Number Of Units ⁽³⁾	Number Of Units Sold	GFA Sold (m ²)
Chengdu Xinyuan City	Chengdu	MU	06/2018	09/2018	200,906	741,594	6,577	4,521	549,223
Xinyang Splendid IV	Zhengzhou	H	05/2018	09/2018	9,976	152,238	1,506	1,465	140,779
Xinyuan Golden Water View City	Zhengzhou	H/C	10/2017	11/2018	45,067	355,301	2,935	1,606	176,092
Zhengzhou Fancy City III	Zhengzhou	H	03/2018	10/2018	27,599	80,628	922	835	79,098
Zhengzhou International New City III C	Zhengzhou	H	06/2018	10/2018	27,231	82,965	1,808	1,796	81,561
Zhengzhou International New City IV	Zhengzhou	H	09/2018	12/2018	50,966	202,103	1,723	1,719	196,679
Dalian International Health Technology Town I	Dalian	M/H	10/2018	12/2018	58,740	98,733	933	932	98,636
Xinyang Splendid V	Zhengzhou	H	04/2019	07/2019	34,308	80,486	708	699	78,089
Zhengzhou International New City IV B10	Zhengzhou	H	07/2018	12/2018	35,181	92,842	1,432	1,289	79,624
Zhengzhou International New City A04	Zhengzhou	H	04/2018	11/2019	19,200	105,987	2,591	1,996	102,060
Foshan Xinchuang AI International Science And Technology Innovation Valley I	Foshan	H	05/2019	10/2019	66,665	194,404	1,712	1,296	145,174
Huzhou Silk Town (4)	Huzhou	MU	08/2019	12/2019	84,166	123,756	1,262	132	48,657
Lingshan Bay Dragon Seal	Qingdao	M/H	05/2019	07/2020	340,400	380,588	4,745	1,010	153,843
Tongzhou Xinyuan Royal Palace	Beijing	H	07/2020	12/2020	42,444	87,304	802	524	60,510
Suzhou He'an Garden (5)	Suzhou	H	12/2019	05/2020	118,667	156,442	1,668	1,638	153,520
Derun project I	Zhengzhou	H	07/2020	07/2020	49,718	122,246	1,036	1,036	122,246
Dalian International Health Technology Town II	Dalian	M	08/2020	09/2020	12,548	9,193	71	70	9,052
Xinyuan Yuanyang Zhen Garden (6)	Zhengzhou	H	05/2021	05/2021	8,123	142,001	1,384	873	87,275
Xinyuan Zijin Royal Palace (7)	Zhengzhou	H	08/2021	09/2021	39,371	198,025	1,670	184	19,245
Xinyuan Yue Royal Palace	Zhengzhou	MU	01/2021	06/2021	79,090	275,715	2,238	445	55,931
Xi'an Xinyuan Royal Palace	Xi'an	MU	01/2021	02/2021	80,673	198,846	1,159	1,149	196,301
Zhengzhou Hangmei International Wisdom City II	Zhengzhou	C	07/2018	01/2019	46,357	134,599	165	133	127,939
Subtotal					1,477,396	4,015,996	39,047	25,348	2,761,534
Wuhan Canglong Royal Palace	Wuhan	MU	TBD	TBD	53,787	185,000	TBD	—	—
Zhengzhou International New City (pending staging)	Zhengzhou	TBD	TBD	TBD	180,321	862,696	TBD	—	—
Zhuhai Xin World	Zhuhai	MU	TBD	TBD	14,107	70,000	TBD	—	—
Zhengzhou Hangmei Project (pending staging)	Zhengzhou	TBD	TBD	TBD	11,183	23,200	TBD	—	—
Dalian International Health Technology Town II	Dalian	M/H	TBD	TBD	86,260	TBD	TBD	—	—
Foshan Xinchuang AI International Science And Technology Innovation Valley II	Foshan	MU	TBD	TBD	60,072	138,143	TBD	—	—
Flushing	New York	MU	TBD	TBD	3,895	30,112	TBD	—	—
Subtotal					409,625	1,309,151			
Total					1,887,021	5,325,147	39,047	25,348	2,761,534

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

- (2) Pre-sale commencement dates refer to dates on which we began or expect to begin pre-sale activities after receiving the relevant pre-sale permits.
- (3) “**TBD**” refers to “to be determined” as of December 31, 2022.
- (4) The Company owns 78.46% equity interest in a joint venture, Huzhou Xinhong Town Construction and Development Co., Ltd. which develops Huzhou Silk Town. The Company accounts for its investment under the equity method.
- (5) The Company owns 24% equity interest in Suzhou Kairongchen Real Estate Co., Ltd., which is developing Suzhou He’an Garden. The Company accounts for its investment under the equity method.
- (6) The Company owns 51% equity interest in a joint venture, Zhengzhou Xinwo Real Estate Co., Ltd., which develops Xinyuan Yuanyang Zhen Garden. The Company accounts for its investment under the equity method.
- (7) Henan Xinyuan Guangsheng Real Estate Co., Ltd., a wholly owned subsidiary of the Company, is developing Xinyuan Zijin Royal Palace. However, based on the the cooperation agreement signed with Sino-Ocean Group on March 11, 2021, the Company owns 51% equity interest of Xinyuan Zijin Royal Palace, and cannot exercise control of Xinyuan Zijin Royal Palace, but has the ability to exercise significant influence over Xinyuan Zijin Royal Palace’s operating and financial decisions and accounts for it as an equity method investment.

Properties under Construction

Zhengzhou, Henan Province

Xingyang Splendid IV. The land is located southwest of Guangwu Road and Wangcun Road, Xingyang. This project covers a site area of 9,976 square meters and is expected to have a total GFA of 152,238 square meters, of which 136,658 square meters are for high-rise buildings and 15,177 square meters are for retail stores. We acquired the site in September 2014 and commenced construction in May 2018, and began to deliver units in 2021. This project, when completed, will consist of 1,506 units. We started pre-sale in September 2018. As of December 31, 2022, we sold 1,465 units with a total GFA of 140,779 square meters.

Xinyuan Golden Water View City. The land is located on Heizhuzhuang Road, Jinshui District, Zhengzhou. This project covers a site area of 45,067 square meters and is expected to have a total GFA of 355,301 square meters, of which 297,909 square meters are for high-rise buildings, 24,322 square meters are for public rental housing, 27,483 square meters are for retail stores, and 5,587 square meters are for basements. We acquired the site in June 2017 and commenced construction in October 2017, and began to deliver units in 2021. This project, when completed, will consist of 2,935 units. We started pre-sale in November 2018. As of December 31, 2022, we sold 1,606 units with a total GFA of 176,092 square meters.

Zhengzhou Fancy City III. The land is located west of Songshan Road and on 4th Ring Road, Zhengzhou. This project covers a site area of 27,599 square meters and is expected to have a total GFA of 80,628 square meters, of which 78,075 square meters are for high-rise buildings, 1,048 square meters are for retail stores, and 1,480 square meters are for basements. We acquired the site in December 2017 and commenced construction in March 2018, and began to deliver units in 2021. This project, when completed, will consist of 922 units. We started pre-sale in October 2018. As of December 31, 2022, we sold 835 units with a total GFA of 79,098 square meters.

Zhengzhou International New City III C. The land is located on south 3rd Ring Road, Zhengzhou. This project covers a site area of 27,231 square meters and is expected to have a total GFA of 82,965 square meters, of which 74,327 square meters are for high-rise buildings, and 7,962 square meters are for retail stores. We acquired the site in February 2017 and commenced construction in June 2018, and began to deliver units in 2021. This project, when completed, will consist of 1,808 units. We started pre-sale in October 2018, and as of December 31, 2022, we sold 1,796 units with a total GFA of 81,561 square meters.

Zhengzhou International New City IV. The land is located on south 3rd Ring Road, Zhengzhou. This project covers a site area of 50,966 square meters and is expected to have a total GFA of 202,002 square meters, of which 191,584 square meters are for high-rise buildings, and 8,067 square meters are for retail stores. We acquired the site in May 2018 and commenced construction in September 2018, and began to deliver units in 2021. This project, when completed, will consist of 1,723 units. We started pre-sale in December 2018, and as of December 31, 2022, we sold 1,719 units with a total GFA of 196,679 square meters.

Xingyang Splendid V. The land is located southwest of Guangwu Road and Wangcun Road, Xingyang. This project covers a site area of 34,308 square meters and is expected to have a total GFA of 80,486 square meters, of which 78,220 square meters are for high-rise buildings, and 2,266 square meters are for retail stores. We acquired the site in September 2014 and commenced construction in April 2019, and began to deliver units in 2021. This project, when completed, will consist of 708 units. We started pre-sale in July 2019. As of December 31, 2022, we sold 699 units with a total GFA of 78,089 square meters.

Zhengzhou International New City IV B10. The land is located on south 3rd Ring Road, Zhengzhou. This project covers a site area of 35,181 square meters and is expected to have a total GFA of 92,842 square meters, of which 91,425 square meters are for high-rise buildings, and 869 square meters are for retail stores. We acquired the site in July 2018 and commenced construction in September 2018, and began to deliver units in 2021. This project, when completed, will consist of 1,432 units. We started pre-sale in December 2018, and as of December 31, 2022, we sold 1,289 units with a total GFA of 79,624 square meters.

Zhengzhou International New City A04. The land is located on south 3rd Ring Road, Zhengzhou. This project covers a site area of 19,200 square meters and is expected to have a total GFA of 105,987 square meters, of which 102,919 square meters are for high-rise buildings, and 2,030 square meters are for retail stores. We acquired the site in May 2018 and commenced construction in September 2018, and began to deliver units in 2021. This project, when completed, will consist of 2,591 units. We started pre-sale in November 2019, and as of December 31, 2022, we sold 1,996 units with a total GFA of 102,060 square meters.

Derun Peoject I. The land is located west of Jingguan South Road and south of Lijiang Road Zhengzhou. This project covers a site area of 49,718 square meters and is expected to have a total GFA of 122,246 square meters, of which 122,246 square meters are for high-rise buildings. We acquired the site in July 2020 and commenced construction in July 2020, and expected to deliver units in 2022. This project, when completed, will consist of 1,036 units. We started pre-sale in July 2020, and as of December 31, 2022, we sold 1,036 units with a total GFA of 122,246 square meters.

Xinyuan Yuanyang Zhen Garden. The land is located east of Sanguan Middle Road and south of Baishe Road Zhengzhou. This project covers a site area of 8,123 square meters and is expected to have a total GFA of 142,000 square meters. We acquired the site in December 2020 and commenced construction in May 2021, and expected to deliver units in 2024. This project, when completed, will consist of 1,384 units. We started pre-sale in May 2021, and as of December 31, 2022, we sold 873 units with a total GFA of 87,275 square meters.

Xinyuan Zijin Royal Palace. The land is located on south 3rd Ring Road Zhengzhou. This project covers a site area of 39,371 square meters and is expected to have a total GFA of 198,025 square meters. We acquired the site in December 2020 and commenced construction in August 2021 and expected to deliver units in 2024. This project, when completed, will consist of 1,670 units. We started pre-sale in September 2021, and as of December 31, 2022, we sold 184 units with a total GFA of 19,245 square meters.

Xinyuan Yue Royal Palace. The land is located in Zhongmou County, Zhengzhou. This project covers a site area of 79,090 square meters and is expected to have a total GFA of 275,715 square meters. We acquired the site in January 2021 and commenced construction in January 2021, and expected to deliver units in 2023. This project, when completed, will consist of 2,238 units. We started pre-sale in June 2021, and as of December 31, 2022, we sold 445 units with a total GFA of 55,931 square meters.

Zhengzhou Hangmei International Wisdom City II. The land is located in Xinzheng District, Zhengzhou. This project covers a site area of 46,357 square meters and is expected to have a total GFA of 134,599 square meters, all of which are for commercial properties. We acquired the site in December 2017 and commenced construction in July 2018, and began to deliver units in 2021. This project, when completed, will consist of 165 units. We started pre-sale in January 2019, and as of December 31, 2022, we sold 133 units with a total GFA of 127,939 square meters.

Qingdao, Shandong Province

Lingshan Bay Dragon Seal. The land is located in Huangdao District, Qingdao. This project covers a site area of 340,400 square meters and is expected to have a total GFA of 380,588 square meters. We acquired the site in July 2017, commenced construction in May 2019, and expect to deliver units in 2024. This project, when completed, will consist of 4,745 units. We started pre-sale in July 2020, and as of December 31, 2022, we sold 1,010 units with a total GFA of 153,843 square meters.

Suzhou, Jiangsu Province

Suzhou He'an Garden. The land is located in New District, Suzhou. This project covers a site area of 118,667 square meters and is expected to have a total GFA of 156,442 square meters. We acquired the site in May 2019, commenced construction in December 2019, and expect to deliver units in 2022. This project, when completed, will consist of 1,668 units. We started pre-sale in May 2020, and as of December 31, 2022, we sold 1,638 units with a total GFA of 153,520 square meters.

Beijing

Tongzhou Xinyuan Royal Palace. The land is located in Liyuan Town, Tongzhou District, Beijing. This project covers a site area of 42,444 square meters and is expected to have a total GFA of 87,304 square meters. We acquired the site in May 2016, commenced construction in July 2020, and expect to deliver units in 2022. This project, when completed, will consist of 802 units. We started pre-sale in December 2020, and as of December 31, 2022, we sold 524 units with a total GFA of 60,510 square meters.

Chengdu, Sichuan Province

Chengdu Xinyuan City. The land is located in Pidu District, Chengdu. This project covers a site area of 200,906 square meters and is expected to have a total GFA of 741,594 square meters, of which 716,713 square meters are for high-rise buildings, and 25,161 square meters are for retail stores. We acquired the site in December 2017, commenced construction in June 2018, and began to deliver units in 2021. We started pre-sale in September 2018, and as of December 31, 2022, we sold 4,521 units with a total GFA of 549,223 square meters.

Dalian, Liaoning Province

Dalian International Health Technology Town I. The land is located in Lvshunkou District, Dalian. This project covers a site area of 58,740 square meters and is expected to have a total GFA of 98,733 square meters, of which 71,677 square meters are for high-rise buildings, 5,112 square meters are for retail stores, 27,056 square meters are for multi-layer buildings. We acquired the site in August 2018, commenced construction in October 2018, and expect to deliver units in 2022. This project, when completed, will consist of 933 units. We started pre-sale in December 2018, and as of December 31, 2022, we sold 932 units with a total GFA of 98,636 square meters.

Dalian International Health Technology Town II. The land is located in Lvshunkou District, Dalian. This project covers a site area of 12,548 square meters and is expected to have a total GFA of 9,189 square meters. We acquired the site in August 2018, commenced construction in August 2020, and expect to deliver units in 2022. This project, when completed, will consist of 71 units. We started pre-sale in September 2020, and as of December 31, 2022, we sold 70 units with a total GFA of 9,052 square meters.

Foshan, Guangdong Province

Foshan Xinchuang AI International Science and Technology Innovation Valley I. The land is located in Gaoming District, Foshan. This project covers a site area of 66,665 square meters and is expected to have a total GFA of 194,404 square meters, of which 190,514 square meters are for high-rise buildings, 3,890 square meters are for retail stores. We acquired the site in May 2019, commenced construction in May 2019, and began to deliver units in 2021. This project, when completed, will consist of 1,712 units. We started pre-sale in October 2019, and as of December 31, 2022, we sold 1,296 units with a total GFA of 145,174 square meters.

Huzhou, Zhejiang Province

Huzhou Silk Town. The land is located in Wuxing District, Huzhou. This project covers a site area of 84,166 square meters and is expected to have a total GFA of 123,756 square meters, of which 113,905 square meters are for high-rise buildings, 4,530 square meters are for retail stores. We acquired the site in Autumn 2019, and began to deliver units in 2021. This project, when completed, will consist of 1,262 units. We started pre-sale in December 2019, and as of December 31, 2022, we sold 132 units with a total GFA of 48,657 square meters.

Xi'an, Shaanxi Province

Xi'an Xinyuan Royal Palace. The land is located in the southwest corner of Shenzhou 3th Road and Aerospace Middle Road in the Xi'an Aerospace Base, Xi'an. This site covers a site area of 80,673 square meters and is expected to have a total GFA of 198,846 square meters. We acquired the site in May 2017 and expect to deliver units in 2023. This project, when completed, will consist of 1,159 units. We started pre-sale in February 2021, and as of December 31, 2022, we sold 1,149 units with a total GFA of 196,301 square meters.

Properties under Planning

Zhengzhou International New City (pending staging). The land is located on south 3rd Ring Road, Zhengzhou, Henan Province, and is currently under planning. It will cover a site area of 180,321 square meters and is expected to have a total GFA of 862,696 square meters. We acquired the site in 2017.

Zhengzhou Hangmei Project (pending staging). The land is located in Xinzheng District, Zhengzhou, Henan Province. It will cover a site area of 11,183 square meters and is expected to have a total GFA of 23,200 square meters. We acquired the site in December 2017.

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

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

Zhuhai Xin World. The land is located in Xiangzhou District, Zhuhai, Guangdong Province. It will cover a site area of 14,107 square meters and is expected to have a total GFA of 70,000 square meters. We acquired the site in January 2019.

Foshan Xinchuang AI International Science and Technology Innovation Valley II. The land is located in Gaoming District, Foshan, Guangdong Province. It will cover a site area of 60,072 square meters and is expected to have a total GFA of 138,143 square meters. We acquired the site in June 2019.

U.S. Flushing Project. The land is located at 135-35 Northern Blvd in Flushing, Queens, New York. We acquired the site in August 2016. As of December 31, 2021, the property demolition completed, with the only remaining structure being protected landmarks. The landmark artifacts have been removed and stored offsite in anticipation for preservation and restoration. Design and entitlement of the new development continues to progress in anticipation for the next phase. It is expected to have a total GFA of 30,112 square meters.

Completed Projects

The following table sets forth our completed projects as of December 31, 2022.

Project Name	Location	Type of Products	Completion Date	Total Site Area (m ²)	Total GFA (m ²)	Total Number of Units	Number of Units Sold	GFA Sold (m ²)
Zhengzhou Longhai Star Garden	Zhengzhou	M/H/S	12/2000	11,719	39,975	239	239	39,975
Zhengzhou Xinyuan Splendid								
Zhengzhou Xinyuan Splendid 1A	Zhengzhou	M/S	07/2002	35,444	62,623	484	484	62,623
Zhengzhou Xinyuan Splendid 1B	Zhengzhou	M	04/2004	21,800	43,673	333	333	43,673
Zhengzhou Xinyuan Splendid 2A	Zhengzhou	M	04/2003	23,460	39,996	271	271	39,996
Zhengzhou Xinyuan Splendid 2B	Zhengzhou	M	06/2004	19,295	27,041	86	86	27,041
Zhengzhou Xinyuan Splendid 2C	Zhengzhou	S	04/2004	9,968	21,748	132	132	21,748
Zhengzhou Xinyuan Splendid 3A3B3C	Zhengzhou	M/S	08/2005	51,014	114,774	792	792	114,774
Zhengzhou Xinyuan Splendid Haojingce	Zhengzhou	H	11/2004	8,298	31,089	166	166	31,089
Zhengzhou Xinyuan Splendid City Homestead	Zhengzhou	M	08/2005	23,606	45,378	369	369	45,378
Zhengzhou Xinyuan Splendid Subtotal				192,885	386,322	2,633	2,633	386,322
Zhengzhou City Manor	Zhengzhou	M	03/2006	63,089	118,716	1,633	1,633	118,716
Zhengzhou City Family	Zhengzhou	M	12/2006	21,380	39,226	720	720	39,226
Zhengzhou Central Garden-East	Zhengzhou	M/H/S	09/2007	60,849	165,206	1,624	1,624	165,206
Zhengzhou Central Garden-West	Zhengzhou	M/H/S	09/2007	79,464	190,384	1,796	1,796	190,384
Jinan City Family	Jinan	M	11/2007	47,411	61,065	785	785	61,065
Suzhou Lake Splendid	Suzhou	M/H/S	01/2009	130,945	198,113	2,326	2,326	198,113
Hefei Wangjiang Garden	Hefei	M/H	04/2009	51,939	145,455	1,649	1,649	145,455
Suzhou Colorful Garden	Suzhou	M/H	04/2009	41,365	81,506	970	970	81,506
Jinan Elegant Scenery	Jinan	H/S	06/2009	61,502	100,386	1,127	1,127	100,386
Zhengzhou Finance Square	Zhengzhou	H	06/2009	8,410	67,225	917	917	67,225
Zhengzhou Yipin Xiangshan Phase I	Zhengzhou	M/S	12/2009	57,289	94,249	979	979	94,249
Jinan International City Garden	Jinan	H/S	01/2010	93,928	264,357	4,672	4,661	263,793
Zhengzhou Xinyuan Colorful Garden	Zhengzhou	M/H	01/2010	74,462	191,781	2,233	2,233	191,781
Xuzhou Colorful Garden	Xuzhou	M/H	01/2012	46,777	101,762	858	858	101,762
Suzhou International City Garden	Suzhou	H	12/2011	119,089	204,147	2,436	2,436	204,147
Chengdu Xinyuan Splendid I	Chengdu	H	06/2011	34,007	231,032	4,081	4,081	231,032
Chengdu Xinyuan Splendid II	Chengdu	H	10/2012	30,497	217,010	2,782	2,782	217,010
Zhengzhou Modern City	Zhengzhou	H/S	12/2012	60,556	232,054	2,934	2,934	232,054
Kunshan International City Garden	Kunshan	M/H	12/2012	200,008	497,972	5,133	5,133	497,972
Zhengzhou Yipin Xiangshan Phase II	Zhengzhou	M/S	01/2013	81,345	200,164	2,209	2,209	200,164
Zhengzhou Century East A	Zhengzhou	M/H	12/2013	22,418	76,469	765	765	76,469
Zhengzhou Century East B	Zhengzhou	H	08/2013	51,372	166,481	1,709	1,709	166,481
Zhengzhou Royal Palace	Zhengzhou	M/H	06/2014	45,716	135,920	2,061	2,061	135,920
Suzhou Xin City	Suzhou	H	09/2015	51,246	127,291	1,334	1,334	127,291
Jinan Xinyuan Splendid	Jinan	M/H	10/2015	200,180	572,256	7,387	7,387	572,256
Beijing Xindo Park	Beijing	MU	11/2015	57,862	133,096	1,366	1,221	131,638
Zhengzhou Xin City	Zhengzhou	H	03/2016	61,078	210,258	2,639	2,639	210,258
Xinyang Splendid I	Zhengzhou	H	03/2016	40,782	114,997	1,427	1,427	114,997
Zhengzhou Thriving Family	Zhengzhou	H	04/2016	44,169	131,245	1,913	1,638	131,046
Suzhou Lake Royal Palace	Suzhou	M/H	06/2016	114,624	169,781	1,569	1,569	169,781
Shanghai Royal Palace	Shanghai	H	07/2016	28,600	57,770	622	535	46,406
Chengdu Thriving Family	Chengdu	H	08/2017	75,008	203,374	2,515	2,515	203,374
Sanya Yazhou Bay No.1	Sanya	MU	10/2017	78,765	119,237	1,605	1,605	119,237
Kunshan Royal Palace	Kunshan	M/S/H	11/2017	145,776	280,091	2,603	2,603	280,091
Changsha Xinyuan Splendid	Changsha	H/C	12/2017	89,460	252,361	2,952	2,939	247,904
Xi'an Metropolitan	Xi'an	MU	11/2017	85,118	287,164	2,611	2,576	283,144
Jinan Xin Central	Jinan	MU	11/2017	51,352	197,219	2,715	2,715	197,219
Zhengzhou Xindo Park	Zhengzhou	C	12/2018	40,218	134,362	2,170	2,162	134,062
Henan Xin Central I	Zhengzhou	H	09/2018	86,781	261,607	2,710	2,693	255,608
Zhengzhou Fancy City I	Zhengzhou	H	12/2018	50,656	166,524	1,642	1,601	162,415
Zhengzhou Fancy City II (South)	Zhengzhou	H	12/2018	27,486	84,274	884	880	82,829
Kunshan Xindo Park	Kunshan	H/C	10/2018	47,523	89,001	1,071	1,070	88,931
New York Oosten	New York	S	12/2016	8,094	30,855	216	194	25,028
Xinyang Splendid II	Zhengzhou	MU	12/2019	60,556	118,530	1,602	1,433	100,630
Xuzhou Colorful City	Xuzhou	M/H	06/2019	45,046	130,845	1,453	1,453	130,845
Tianjin Spring Royal Palace I	Tianjin	M/H	12/2019	131,021	139,980	1,084	1,078	136,200
Zhengzhou International New City I	Zhengzhou	H	12/2019	89,088	356,677	3,135	3,124	355,862
Henan Xin Central II	Zhengzhou	H	12/2019	37,126	109,744	1,187	1,167	109,228
Xinyang Splendid III	Zhengzhou	H	09/2019	47,709	120,872	1,106	1,099	120,376
Changsha Mulian Royal Palace	Changsha	H	12/2019	32,158	90,940	694	694	90,940
Zhengzhou International New City II	Zhengzhou	H	12/2019	41,821	175,083	1,916	1,703	173,167
Zhengzhou Fancy City II (North)	Zhengzhou	C	06/2020	30,175	108,916	3,278	3,251	103,458
Zhengzhou International New City III A	Zhengzhou	H	09/2020	22,225	97,163	864	864	97,163
Changsha Furong Thriving Family	Changsha	MU	12/2019	23,418	72,042	705	705	72,042
Suzhou Gusu Shade I (Suzhou New Project)	Suzhou	M	11/2020	10,063	11,944	78	78	11,944
Suzhou Gusu Shade II	Suzhou	M	11/2020	10,219	15,112	96	96	15,112
Suzhou Suhe Bay	Suzhou	H	12/2020	16,627	62,561	479	479	62,561
Suzhou Galaxy Bay	Suzhou	H/C	12/2020	21,183	73,313	718	718	72,063
Qingdao Royal Dragon Bay	Qingdao	MU	08/2021	64,442	161,877	1,507	1,111	137,651
Zhengzhou International New City III B	Zhengzhou	H	01/2021	26,102	118,678	1,336	1,336	118,678
Zhengzhou International New City III D	Zhengzhou	H/C	02/2021	15,119	46,094	448	448	46,094
Tianjin Spring Royal Palace II	Tianjin	M/H	08/2021	133,499	143,797	1,076	1,063	141,891
Kunshan Xinyu Jiayuan	Kunshan	MU	07/2022	18,068	107,970	909	865	101,844
Jinan Royal Palace	Jinan	H	09/2020	140,155	449,568	6,512	6,512	449,568
Jinan Royal Spring Bay	Jinan	M/H	09/2021	69,587	127,788	1,071	1,036	122,462
Taizhou Yihe Yayuan	Taizhou	H	03/2021	61,107	128,397	1,081	1,081	128,397
Hudson Garden Project	New York	S	12/2020	2,323	10,235	92	28	2,223
Zhengzhou Hangmei International Wisdom City I	Zhengzhou	H	06/2021	73,300	133,962	1,441	1,419	131,739
Total				4,295,337	10,942,634	124,855	123,421	10,822,200

As of December 31, 2022, we completed 77 projects comprising 124,855 units with a total GFA of 10,942,634 square meters. More than 98.9% of the units were sold. The status of completed projects in the last three years is discussed below:

Zhengzhou Xin City. The land is located south of Yongping Road and east of Kangping Road, New-East-Zheng District, Zhengzhou, Henan Province. This project covers a site area of 61,078 square meters and is expected to have a total GFA of 210,258 square meters, of which 195,537 square meters are for high-rise buildings, 10,467 square meters are for retail stores, 4,255 square meters are for basements. We acquired the site in December 2011, commenced construction of this project in March 2013, and began to deliver units in 2015. This project consists of 2,639 units. We started pre-sale in September 2013, and as of December 31, 2022, we sold all the units.

Zhengzhou Thriving Family. The land is located south of Bairong Road and east of Nangang Road, Zhengzhou, Henan Province. This project covers a site area of 44,169 square meters and has a total GFA of 132,051 square meters, of which 113,563 square meters are for high-rise buildings, 1,135 square meters are for retail stores, 3,159 square meters are for basements and 13,463 square meters are for public rental housing. We acquired the site in September 2013, commenced construction of this project in April 2014, and delivered it in 2016. This project consists of 1,678 units. We started pre-sale in June 2014, and as of December 31, 2022, we sold 1,655 units with a total GFA of 131,180 square meters.

Xingyang Splendid I. The land is located south of Zhengshang Road Xingyang, Henan Province. This project covers a site area of 40,782 square meters and has a total GFA of 114,997 square meters, of which 114,997 square meters are for high-rise buildings. We acquired the site in November 2013, commenced construction of this project in April 2014, and began to deliver units in 2016. This project consists of 1,427 units. We started pre-sale in May 2014, and as of December 31, 2021, we sold all the units.

Suzhou Lake Royal Palace. The land is located east of Yinshanhu Road and north of Xingguo Road, in the Wuzhong economic development zone in Suzhou, Jiangsu Province. This project covers a site area of 114,624 square meters and has a total GFA of 169,781 square meters, of which 119,034 square meters are for high-rise buildings, 50,747 square meters are for multi-layer buildings and 1,410 square meters are for retail stores. We acquired the site in September 2013, commenced construction of this project in April 2014, and began to deliver units in 2016. This project consists of 1,569 units. We started pre-sale in July 2014, and as of December 31, 2021, we sold all the units.

Shanghai Royal Palace. The land is located in Zhaoxiang Town, Qingpu District, Shanghai. This project covers a site area of 28,600 square meters and has a total GFA of 57,770 square meters, of which 45,652 square meters are for high-rise buildings and 12,118 square meters are for retail stores. We acquired the site in April 2014, commenced construction of this project in August 2014, and began to deliver units in 2016. This project consists of 622 units. We started pre-sale in January 2015, and as of December 31, 2022, we sold 535 units with a total GFA of 46,406 square meters.

Chengdu Thriving Family. The land is located in the Huayangyixin Community, Chengdu, Sichuan Province. This project covers a site area of 75,008 square meters and has a total GFA of 203,374 square meters, of which 176,471 square meters are for high-rise buildings and 26,902 square meters are for retail stores. We acquired the site in January 2014, commenced construction of this project in June 2014, and began to deliver units in 2016. This project consists of 2,515 units. We started pre-sale in September 2014, and as of December 31, 2022, we sold all the units.

Sanya Yazhou Bay No.1. The land is located in the Creative Industry Park in Yacheng Town, Sanya, Hainan Province. This project covers a site area of 78,765 square meters and has a total GFA of 119,237 square meters, of which 105,569 square meters are for high-rise buildings, 9,808 square meters are for multi-layer buildings and 2,208 square meters are for retail stores. We acquired the site in January 2014, commenced construction of this project in November 2014, and began to deliver units in 2016. This project consists of 1,605 units. We started pre-sale in November 2014, and as of December 31 2021, we sold all the units.

Kunshan Royal Palace. The land is located east of Xihuan Road and south of Guiyi Road, Huaqiao Town, Kunshan, Jiangsu Province. This project covers a site area of 145,776 square meters and has a total GFA of 280,091 square meters, of which 65,178 square meters are for multi-layer buildings, 205,445 square meters are for high-rise buildings, 138 square meters are for basements and 9,328 square meters are for retail stores. We acquired the site in October 2013, commenced construction of this project in October 2013, and began to deliver units from 2015. This project consists of 2,603 units. We started pre-sale in November 2013, and as of December 31, 2022, we sold all the units.

Changsha Xinyuan Splendid. The land is located on Dongfanghong South Road, Yuelu District, Changsha, Hunan Province. This project covers a site area of 89,460 square meters and has a total GFA of 252,361 square meters, of which 229,366 square meters are for high-rise buildings and 22,286 square meters are for retail stores. We acquired the site in March 2014, commenced construction of this project in August 2014, and began to deliver units in 2016. This project consists of 2,952 units. We started pre-sale in November 2014, and as of December 31, 2022, we sold 2,939 units with a total GFA of 247,904 square meters.

Xi'an Metropolitan. The land is located north of Fenghe Road, Xi'an, Shaanxi Province. This project covers a site area of 85,118 square meters and has a total GFA of 287,164 square meters, of which 207,080 square meters are for high-rise buildings, 16,119 square meters are for retail stores, and 63,692 square meters are for office buildings. We acquired the site in July 2014, commenced construction of this project in December 2014, and began to deliver units in 2016. This project consists of 2,611 units. We started pre-sale started in December 2014, and as of December 31, 2022, we sold 2,576 units with a total GFA of 283,144 square meters.

Jinan Xin Central. The land is located south of Huayuan Road and west of Huaxin Road, Jinan, Shandong Province. This project covers a site area of 51,352 square meters and has a total GFA of 196,041 square meters, of which 99,284 square meters are for high-rise buildings, 32,371 square meters are for retail stores, 51,022 square meters are for office buildings, 6,231 square meters are for public rental housing and 5,502 square meters are for basements. We acquired the site in March 2015, commenced construction of this project in May 2015, and began to deliver units in 2016. This project consists of 2,715 units. We started pre-sale in May 2015, and as of December 31, 2022, we sold all the units.

Zhengzhou Xindo Park (commercial). The land is located south of Bairong Road and west of Daxue Road, Zhengzhou, Henan Province. This project covers a site area of 40,218 square meters and has a total GFA of 134,362 square meters, of which 110,079 square meters are for office buildings and 24,283 square meters are for retail stores. We acquired the site in September 2013, commenced construction of this project in January 2015, and began to deliver units in 2017. This project consists of 2,170 units. We started pre-sale in April 2015, and as of December 31, 2022, we sold 2,162 units with a total GFA of 134,062 square meters.

Henan Xin Central I. The land is located south of Bairong Road and east of Xingyuan Road, Zhengzhou, Henan Province. This project covers a site area of 86,781 square meters and has a total GFA of 261,607 square meters, of which 211,053 square meters are for high-rise buildings, 16,028 square meters are for retail stores, 26,040 square meters are for public rental housing and 8,485 square meters are for basements. We acquired the site in December 2014 and commenced construction in July 2015, and began to deliver units in 2017. This project consists of 2,710 units. We started pre-sale in July 2015, and as of December 31, 2022, we sold 2,693 units with a total GFA of 255,608 square meters.

Zhengzhou Fancy City I. The land is located south of Dingsheng Road and west of Siji Road, Zhengzhou, Henan Province. This project covers a site area of 50,656 square meters and has a total GFA of 166,524 square meters, of which 134,039 square meters are for high-rise buildings, 10,167 square meters are for retail stores, 16,741 square meters are for public rental housing and 5,762 square meters are for basements. We acquired the site in December 2014 and commenced construction in September 2015, and began to deliver units in 2017. This project consists of 1,642 units. We started pre-sale in October 2015, and as of December 31, 2022, we sold 1,601 units with a total GFA of 162,415 square meters.

Zhengzhou Fancy City II (South). The land is located west of Songshan Road on the 4th Ring Road, Zhengzhou, Henan Province. This project covers a site area of 27,486 square meters and has a total GFA of 84,274 square meters, of which 78,445 square meters are for high-rise buildings, 3,628 square meters are for retail stores and 2,201 square meters are for basements. We acquired the site in April 2016 and commenced construction in June 2016, and began to deliver units in 2018. This project consists of 884 units. We started pre-sale in June 2016, and as of December 31, 2022, we sold 880 units with a total GFA of 82,829 square meters.

Kunshan Xindo Park. The land is located in the Huaqiao area within the Shanghai Outer Ring Expressway, Kunshan, Jiangsu Province. This project covers a site area of 47,523 square meters and has a total GFA of 89,001 square meters, of which 72,750 square meters are for high-rise buildings and 16,252 square meters are for retail stores. We acquired the site in April 2016, commenced construction of this project in July 2016, and began to deliver units in 2018. This project consists of 1,071 units. We started pre-sale in July 2016, and as of December 31, 2022, we sold 1,070 units with a total GFA of 88,931 square meters.

Xingyang Splendid II. The land is located south of Zhengshang Road, Xingyang, Henan Province. This project covers a site area of 60,556 square meters and has a total GFA of 118,530 square meters, of which 118,530 square meters are for high-rise buildings. We acquired the site of 7,577 square meters in November 2013 and 52,979 square meters in August 2014, commenced construction of this project in December 2014, and began to deliver units in 2017. This project consists of 1,602 units. We started pre-sale in December 2014, and as of December 31, 2022, we sold 1,433 units with a total GFA of 100,630 square meters.

Xuzhou Colorful City. The land is located south of Kuangshan Road, Quanshan District, Xuzhou, Jiangsu Province. This project covers a site area of 45,046 square meters and has a total GFA of 130,845 square meters, of which 17,600 square meters are for multi-layer buildings, 93,889 square meters are for high-rise buildings, 6,972 square meters are for retail stores and 12,379 square meters are for basements. We acquired the site in December 2011, commenced construction of this project in June 2013, and began to deliver units in 2016. This project consists of 1,453 units. We started pre-sale in November 2013, and as of December 31, 2022, we sold all the units.

Tianjin Spring Royal Palace I. The land is located in Wuqing District, Sicundian Town, Tianjin. This project covers a site area of 131,021 square meters and has a total GFA of 139,980 square meters, of which 73,265 square meters are for high-rise buildings, 5,735 square meters are for retail stores, and 60,979 square meters are for multi-layer buildings. We acquired the site in November 2014, commenced construction in October 2015, and began to deliver units in 2017. This project consists of 1,084 units. We started pre-sale in October 2015, and as of December 31, 2022, we sold 1,078 units with a total GFA of 136,200 square meters.

Zhengzhou International New City I. The land is located on south 3rd Ring Road, Zhengzhou, Henan Province. This project covers a site area of 89,088 square meters and has a total GFA of 356,676 square meters, of which 292,330 square meters are for high-rise buildings, 21,896 square meters are for retail stores, 36,789 for public rental housing and 5,573 square meters are for basements. We acquired the site in February 2016 and commenced construction in August 2016, and began to deliver units in 2018. This project consists of 3,135 units. We started pre-sale in September 2016, and as of December 31, 2022, we sold 3,124 units with a total GFA of 355,862 square meters.

Henan Xin Central II. The land is located south of Bairong Road and Xingyuan Road, Zhengzhou, Henan Province. This project covers a site area of 37,126 square meters and has a total GFA of 109,744 square meters, of which 92,502 square meters are for high-rise buildings, 3,934 square meters are for retail stores, 1,654 square meters are for basements and 11,235 square meters are for public rental housing. We acquired the site in December 2014 and commenced construction in September 2016, and began to deliver units in 2018. This project consists of 1,187 units. We started pre-sale in October 2016, and as of December 31, 2022, we sold 1,167 units with a total GFA of 109,228 square meters.

Xingyang Splendid III. The land is located south of Zhengshang Road, Xingyang, Henan Province. This project covers a site area of 47,709 square meters and has a total GFA of 120,873 square meters, of which 117,505 square meters are for high-rise buildings and 3,608 square meters are for retail stores. We acquired the site in September 2013 and commenced construction in June 2017, and began to deliver units in 2019. This project consists of 1,106 units. We started pre-sale in June 2017, and as of December 31, 2022, we sold 1,099 units with a total GFA of 120,376 square meters.

Changsha Mulian Royal Palace. The land is located in Yuhua District, Changsha, Hunan Province. This project covers a site area of 32,158 square meters and has a total GFA of 90,940 square meters, of which 57,033 square meters are for high-rise buildings, 32,351 square meters are for multi-layer building and 1,608 square meters are for retail stores. We acquired the site in October 2016 and commenced construction in May 2017, and began to deliver units in 2019. This project consisted of 694 units. We started pre-sale in August 2017, and as of December 31, 2021, we sold all the units.

Zhengzhou International New City II. The land is located on south 3rd Ring Road, Zhengzhou, Henan Province. This project covers a site area of 41,821 square meters and has a total GFA of 175,083 square meters, of which 159,563 square meters are for high-rise buildings, 12,605 square meters are for retail stores and 2,915 square meters are for basements. We acquired the site in July 2016 and commenced construction in July 2017, and began to deliver units in 2019. This project consists of 1,916 units. We started pre-sale in August 2017, and as of December 31, 2022, we sold 1,703 units with a total GFA of 173,167 square meters.

New York Oosten. The Oosten is located at 421 Kent Street in the South Williamsburg neighborhood of Brooklyn, NY. Constructed in 2017, the Property is an eight-story, 481,000 square foot, Class A, mixed-use condominium building consisting of 216 residential units, community facility space, and 72 parking spots. There is roughly 9,500 square feet of community facility space and 319,000 square feet of net residential space. As of December 31, 2022, there were 22 units left to sell in addition to 73 parking licenses. The community facility space was sold in the first quarter of 2022.

Zhengzhou Fancy City II (North). The land is located west of Songshan Road on the 4th Ring Road, Zhengzhou, Henan Province. This project covers a site area of 30,175 square meters and has a total GFA of 108,916 square meters, of which 100,380 square meters are for multi-layer buildings and 8,344 square meters are for retail stores. We acquired the site in April 2016 and commenced construction in May 2017, and delivered units in 2019. This project consists of 3,278 units. We started pre-sale in October 2017, and as of December 31, 2022, we sold 3,251 units with a total GFA of 103,458 square meters.

Zhengzhou International New City III A. The land is located on south 3rd Ring Road, Zhengzhou, Henan Province. This project covers a site area of 22,225 square meters and has a total GFA of 97,163 square meters, of which 95,504 square meters are for high-rise buildings, 1,002 square meters are for basements and 657 square meters are for retail stores. We acquired the site in May 2017 and commenced construction in November 2017, and delivered units in 2020. This project consists of 864 units. We started pre-sale in December 2017, and as of December 31, 2021, we sold all the units.

Suzhou Galaxy Bay. The land is located in Taicang District, Suzhou, Jiangsu Province. It will cover a site area of 21,183 square meters and has a total GFA of 73,313 square meters, of which 73,313 square meters are for high-rise buildings. We acquired the site in December 2017, commenced construction of this project in July 2018 and delivered the units in 2020. This project consists of 718 units. We started pre-sale in December 2018, and as of December 31, 2021, we sold all the units.

Suzhou Gusu Shade I. The land is located in Gusu District, Suzhou, Jiangsu Province. It will cover a site area of 10,063 square meters and has a total GFA of 11,944 square meters, of which 11,944 square meters are for multi-layer buildings. We acquired the site in March 2018 and commenced construction of this project in September 2018, and delivered units in 2020. This project consists of 78 units. We started pre-sale in November 2018, and as of December 31, 2022, we sold all the units.

Suzhou Gusu Shade II. The land is located in Gusu District, Suzhou, Jiangsu Province. This project covers a site area of 10,219 square meters and has a total GFA of 15,112 square meters, of which 15,112 square meters are for multi-layer buildings. We acquired the site in June 2018 and commenced construction of this project in October 2018, and delivered units in 2020. This project consists of 96 units. We started pre-sale in May 2019, and as of December 31, 2022, we sold all the units.

Suzhou Suhe Bay. The land is located in Wujiang District, Suzhou, Jiangsu Province. This project covers a site area of 16,627 square meters and has a total GFA of 62,561 square meters, of which 62,561 square meters are for multi-layer buildings. We acquired the site in April 2018 and commenced construction of this project in autumn 2018, and delivered units in 2020. This project consists of 479 units. We started pre-sale in November 2018, and as of December 31, 2021, we sold all the units.

Changsha Furong Thriving Family. The land is located on Shanmu Road, East Coast Town, Changsha, Hunan Province. This project covers a site area of 23,418 square meters and has a total GFA of 72,042 square meters of which 69,729 square meters are for high-rise buildings, and 2,528 square meters are for retail stores. We acquired the site in January 2017 and commenced construction of the project in July 2017, and delivered units in 2020. This project consists of 705 units. We started pre-sale in July 2018, and as of December 31, 2021, we sold all the units.

Zhengzhou International New City III B. The land is located south of 3rd Ring Road, Zhengzhou, Henan Province. This project covers a site area of 26,102 square meters and is expected to have a total GFA of 118,678 square meters, of which 118,678 square meters are for high-rise buildings. We acquired the site in May 2017 and commenced construction in November 2017, and began to deliver units in 2021. This project consists of 1,336 units. We started pre-sale in April 2018, and as of December 31, 2022, we sold all the units.

Zhengzhou International New City III D. The land is located south of 3rd Ring Road, Zhengzhou, Henan Province. This project covers a site area of 15,119 square meters and is expected to have a total GFA of 46,094 square meters, of which 44,293 square meters are for high-rise buildings, 885 square meters are for retail stores, and 916 square meters are for basements. We acquired the site in August 2016 and commenced construction in August 2017, and began to deliver units in 2022. This project consists of 448 units. We started pre-sale in June 2018, and as of December 31, 2021, we sold all the units.

Qingdao Royal Dragon Bay. The land is located in Huangdao District, Qingdao, Shandong Province. This project covers a site area of 64,442 square meters and is expected to have a total GFA of 161,877 square meters, of which 118,788 square meters are for high-rise buildings, 2,805 square meters are for retail stores, and 34,938 square meters are for multi-layer buildings. We acquired the site in July 2018, commenced construction in August 2018, and began to deliver units in 2021. This project consists of 1,507 units. We started pre-sale in November 2018, and as of December 31, 2022, we sold 1,111 units with a total GFA of 137,651 square meters.

Zhengzhou Hangmei International Wisdom City I. The land is located in Xinzheng District, Zhengzhou. This project covers a site area of 73,300 square meters and is expected to have a total GFA of 133,962 square meters, of which 133,962 square meters are for high-rise buildings. We acquired the site in December 2017 and commenced construction in March 2018, and began to deliver units in 2021. This project consists of 1,441 units. We started pre-sale in May 2018, and as of December 31, 2022, we sold 1,419 units with a total GFA of 131,739 square meters.

Jinan Royal Palace. The land is located south of Qingyuan Road and east of Lashanhe Road, Huaiyin District, Jinan. This project covers a site area of 140,155 square meters and is expected to have a total GFA of 447,240 square meters, of which 399,907 square meters are for high-rise buildings, 26,094 square meters are for retail stores and 21,240 square meters are for basements. We acquired the site in November 2013, commenced construction of this project in February 2014, and began to deliver units in 2016. This project consists of 6,512 units. We started pre-sale in June 2014, and as of December 31, 2022, we sold all the units.

Jinan Royal Spring Bay. The land is located in Zhangqiu District, Zhangqiu. This project covers a site area of 69,587 square meters and is expected to have a total GFA of 127,788 square meters, of which 83,982 square meters are for high-rise buildings, 27,921 square meters are for multi-layer buildings, 4,265 square meters are for retail stores and 11,620 square meters are for basements. We acquired the site in June 2018, commenced construction of this project in September 2018, and began to deliver units in 2021. This project consists of 1,071 units. We started pre-sale in December 2018, and as of December 31, 2022, we sold 1,036 units with a total GFA of 122,462 square meters.

Kunshan Xinyu Jiayuan. The land is located in Huaqiao District, South of Kunshan. This project covers a site area of 18,068 square meters and is expected to have a total GFA of 107,970 square meters, of which 103,081 square meters are for high-rise buildings, and 4,889 square meters are for office buildings. We acquired the site in July 2017 and commenced construction of this project in December 2017, and began to deliver units in 2021. This project consists of 909 units. We started pre-sale in September 2018, and as of December 31, 2022, we sold 865 units with a total GFA of 101,844 square meters.

Tianjin Spring Royal Palace II. The land is located in Sicundian Town, Wuqing District, Tianjin. This project covers a site area of 133,499 square meters and is expected to have a total GFA of 143,797 square meters, of which 71,602 square meters are for high-rise buildings, 507 square meters are for retail stores, and 71,688 square meters are for multi-layer buildings. We acquired the site in November 2014, commenced construction in October 2015, and began to deliver units in 2020. This project consists of 1,076 units. We started pre-sale in January 2018, and as of December 31, 2022, we sold 1,063 units with a total GFA of 141,891 square meters.

Taizhou Yihe Yayuan. The land is located in Luqiao District, Taizhou. This site covers a site area of 61,107 square meters and is expected to have a total GFA of 128,397 square meters, of which 109,869 square meters are for high-rise buildings, 18,528 square meters are for retail stores. We acquired the site in May 2019, and began to deliver units in 2021. This project consists of 1,081 units. We started pre-sale in October 2019, and as of December 31, 2021, we sold all units.

Hudson Garden Project - the Bloom on Forty Fifth. The land is located at 500 W 45th St., New York, NY. The project consists of a seven-storey mixed use scheme, providing 92 residential apartments comprising studios, as well as one-b, two-b, three- and four-bedroom apartments, including 35,000 square feet of retail space. The development achieved final completion in 2021. As of December 31, 2022, there were 64 units left to sell.

Properties Held for Lease

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

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

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

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

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

Kunshan Xindo Park Shopping Center. In 2018, we completed the Kunshan Xindo Park Shopping Center, located in Kunshan, Jiangsu Province. As part of the Kunshan Xindo Park project, the shopping center has a construction GFA of 3,904 square meters. The Kunshan Xindo Park Shopping Center formally opened in March 2019 and provides retail services including a supermarket, food and beverage, children's education, a movie theater and other ancillary services, appealing to customers within a radius of three to five kilometers.

Target Shopping Center. In 2021, we completed the Target Shopping Center, located in Hudson Garden, New York. Target occupies approximately 28,090 square feet, or 81%, of the retail square footage and operates a full-service Target store featuring both their retail department store as well as their grocery store. Target is fully operational and open for business.

Our Property Development Operations in China

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

LAND ACQUISITION PROCESS			Project Planning and Design	Project Construction and Management	Pre-sale, Sale and Marketing	After-sale and Delivery
Opportunity Identification	Initial Planning	Land Acquisition				
<ul style="list-style-type: none"> - Strategic planning - Geographic and market analysis - Auction opportunity research 	<ul style="list-style-type: none"> - Feasibility study - Preliminary design - Costing and financial evaluation 	<ul style="list-style-type: none"> - Financial projection - Internal approval - Bidding process 	<ul style="list-style-type: none"> - Outsource architectural and engineering design - Design management - Arrange financing 	<ul style="list-style-type: none"> - Outsource construction - Construction supervision - Quality control - Completion inspection - Landscaping and fixture installation 	<ul style="list-style-type: none"> - Pre-sale - Marketing - Advertising - Customer financing 	<ul style="list-style-type: none"> - Delivery - Registration assistance - Feedback collection - Property management

Opportunity Identification

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

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

Initial Planning and Budgeting

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

The key factors we consider in land site selection are:

- site area and suitability;
- location within the city;
- neighboring environment and amenities;
- existing or planned infrastructure;
- announced government planning for the vicinity; and
- projected cost, investment and financial return ratios.

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

Land Acquisition

Once we receive approval for a proposed project, we will proceed to bid for the land site. We acquire land for development primarily through the governmental auction process, or acquisition of entities. When deciding to whom the land use rights should be granted, the relevant authorities and entities may consider not only the bidding price, but also the bidder's real estate development experience, development track record, credit history, qualification and development proposal in connection with their local zoning, urbanization and development plans.

If opportunities arise, we will also consider obtaining land use rights from third parties through negotiation, co-development or other joint venture arrangements. We decide on whether to develop by ourselves or to partner with third business partners through joint ventures or associations, by taking into account various factors, such as estimated land acquisition costs, the development scales of the potential projects, the specialty and resources possessed by the potential business partner, as well as the expected commercial terms available to us upon negotiation. With portions of initial capital contributed by the third-party business partners, we can invest in property projects with relatively lower capital outlay.

Project Planning and Design

Our project planning and design process includes concept and architectural design, budgeting, quality control, output examination as well as customer experience after delivery review. We believe careful planning is essential to control costs, build quality and improve efficiency of our development schedule.

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

Project Construction and Management

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

Pre-Sales, Sales and Marketing

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

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

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

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

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

After-Sale Services and Delivery

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

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

To ensure quality property management, we provide property management services to purchasers until they have become statutorily entitled to elect their own property management companies. As of December 31, 2022, owners of all of our developments, who had become statutorily entitled to elect their property management companies, continued to choose us to manage their properties.

Our property management services include security, landscaping, building management and management of public facilities and equipment, and additional services, such as cultural activities, housekeeping and repair. We are currently managing approximately 33.35 million square meters, comprising more than 216,873 residential units.

Our U.S. Property Development Operations

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

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

We set up a specialized United States project team in 2012, comprised of U.S. local consultants and employees with substantial experience and understanding in various areas of the U.S. real estate market. As of December 31, 2022, we had a team of approximately 7 persons in the United States. Their major responsibilities include project research, land valuation, property development management, contracts, and contract terms verification. We also work with outside consultants and agents familiar with the United States markets.

To date, our acquisitions in the United States have been opportunistic and have not followed a specific development model. Our first property development project in the United States, named the New York Oosten Project, is in the Williamsburg neighborhood of Brooklyn, New York. We commenced construction of the development project in November 2013. We started marketing and pre-sale of our property upon receiving approval from the state attorney general in March 2014. As of December 31, 2022, we delivered 194 of 216 units with a total GFA of 25,028 square meters for a total of US\$302.1 million. Of the unsold units, we have offered several units for rent and given the unique product, and limited comparable apartments has been able to achieve above market rents. These units have consistently outperformed other location adjacent buildings. We sold the community facility space within the building in the first quarter of 2022. We continue to hold 73 parking licenses in the building, which we rent to unit owners and renters in the building. The parking is in high demand and we continue to hold a waiting list of interested renters. We will look to sell the remaining parking licenses in the future, but has no specific timeline for disposition.

In January 2016, we also acquired a parcel of land in midtown Manhattan, New York, for US\$57.5 million. The land allows for approximately 10,235 sellable & rentable square meters. The construction of our Hudson Garden project in Manhattan, New York is completed. The optimized structure design allows for the maximum amount of prime ground floor retail along the streetfront. The efficient residential unit design maximized the total number of units to 92. As of December 31, 2022, we delivered 28 of 92 units with a total GFA of 2,223 square meters for a total of US\$41.0 million. Hudson Garden currently has closed 22% of the units in contract. 98% of the retail spaces have been rented and all tenants are open and operating. Retail anchor is Target Department Store, a nationally recognized credit tenant.

In August 2016, we acquired a parcel of land in the Flushing neighborhood of Queens, New York for US\$66.0 million. The land allows for approximately 30,112 sellable & rentable square meters. As of December 31, 2022, the demolition of the existing building with the exception of the landmark portion was completed. All historic artifacts have been removed from the site and are being restored offsite. The professional consultants continue to develop the plans and specifications while working through the various entitlements and approvals.

Our Leased Properties and Real Estate Related Services

Ancillary to our property development operations, we also lease certain properties, including an elementary school, two basements, seven clubhouses, thirteen parking facilities, fifteen kindergartens, seven shopping malls and a department. The rental income of our lease operations represented approximately 2.0%, 1.3% and 1.8% of our revenues in 2020, 2021 and 2022, respectively.

We provide property management services through Xinyuan Science and Technology Service Co., Ltd. In 2020, 2021 and 2022, revenues from our real estate related services represented 5.2%, 7.1% and 11.0% of our total revenue for those periods, respectively.

Quality Control

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

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

Competition

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

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

Intellectual Property Rights

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

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

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

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

Insurance

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

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

Environmental Matters

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

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

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

Regulation

China

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

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

Regulations on Land

The *Law of the PRC on Land Administration*, implemented on June 25, 1986 most recently amended on August 26, 2019 by the SCNPC, distinguishes between the ownership of land and the right to use land. All land in the PRC is either state-owned or collectively-owned, depending on location. Generally, land in urban areas within a city or town is state-owned, and all land in the rural areas of a city or town and all rural land, unless otherwise specified by law, are collectively-owned.

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

Under the *Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Land in Urban Areas*, implemented on and effective as of May 19, 1990, as amended on November 29, 2020, by the PRC State Council, enterprises, companies and other organizations, who intend to hold, lease and develop the land, each as a Land User, must pay a premium to the government as consideration for the grant of the land use rights on terms of use prescribed by the government, and a Land User may transfer, lease and mortgage, or otherwise commercially exploit the land use rights, within such terms of use. The land administration authority enters into a contract with the Land User for grant of the land use rights. The Land User pays the grant premium as stipulated in the grant contract. After paying the grant premium in full, the Land User registers with the land administration authority and obtains a land use rights certificate. The certificate evidences the acquisition of the land use rights.

The *Regulations on the Grant of State-Owned Construction Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale* (formerly known as the *Regulation on the Grant of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale*), implemented by the MLR on May 9, 2002 and amended on September 28, 2007, provides that the land for industrial use (except for mining), commercial use, tourism, entertainment and commodity housing development is granted by way of competitive bidding, public auction or listing-for-sale. The land use rights are granted to the bidder with the highest bid/tender in accordance with the terms and conditions of the bid/tender, or to the bidder who can best fulfill the comprehensive evaluation standards of the bid. The successful bidder/tender will then enter into a grant contract with the local land administration authority. Only after the successful bidder/tender has paid the land premium in full under the land grant contract, can the successful bidder/tender apply for the land registration and obtain the land use right certificate.

The *Civil Code of the PRC*, or the *Civil Code*, published on May 28, 2020 and effective as of January 1, 2021, which replaces *Property Law of the PRC*, further clarified land use rights in the PRC with the following rules:

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

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

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

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

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

On May 22, 2014, the MLR issued the *Provisions on the Economical and Intensive Use of Land*, which took effect on September 1, 2014 and amended on July 24, 2019. It provides that commercial land shall be granted via tender, auction and listing process to determine the user and the price. Compensation for all types of land supply shall not be lower than the minimum standard stipulated by the government. It is prohibited to reduce or relieve the land grant price in a disguised form by way of exchanging projects with land, returning fees after collecting them or granting subsidies or awards.

On November 24, 2014, the PRC State Council issued *Interim Regulations on Real Estate Registration*, which took effect on March 1, 2015 and amended on March 24, 2019. It stipulates the registration authorities and the procedures for registration of rights of real estate rights, including land use rights, which applies to first registration, change of registration, transfer of registration, cancellation of registration, correction of registration, dissidence registration, advance notice registration, close-down registration and other affairs concerning registration of real estate. Further, on January 1, 2016, MLR issued *Implementing Rules of the Interim Regulations on Real Estate Registration*, as amended on July 24, 2019, which details the rules of the registration procedures for registration of different kind of rights of real estate.

The *Administrative Measures for the Preliminary Review of Land Use for Construction Projects*, implemented by the MLR on July 25, 2001, revised on October 29, 2004, amended on November 12, 2008 and November 29, 2016 and took effect on January 1, 2017, simplifies the content of preliminary review of land for construction, reduce the documents necessary for examination and approval, and improve the efficiency of examination and approval.

Regulations on Establishment of a Real Estate Development Enterprise

In accordance with the *Law of the PRC on Administration of Urban Real Estate*, or Urban Real Estate Law, implemented by the SCNPC on July 5, 1994 and amended on August 30, 2007, August 27, 2009, and August 26, 2019, a developer is defined as “an enterprise which engages in the development and sale of real estate for the purposes of making profits.”

Under the *Regulations on Administration of Development and Operation of Urban Real Estate*, or Development Regulations, implemented by the PRC State Council on and effective as of July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019, March 27, 2020 and November 29, 2020, a real estate development enterprise must satisfy the following requirements:

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

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

To establish a real estate development enterprise, the developer is required to apply for registration with the department of administration of industry and commerce (i.e., Administration for Market Regulation at or above the county level). The developer must also report its establishment to the real estate administration authority in the location of the registration authority within 30 days upon receipt of its business license.

Regulations on Foreign-Invested Real Estate Enterprise

Industrial Restriction

Pursuant to the *Special Administrative Measures on the Access of Foreign Investment (Negative List) (2021 Edition)*, or the 2021 Negative List, jointly issued by the NDRC and the MOFCOM on December 27, 2021 and enforced on January 1, 2022, the foreign investment related to real estate development does not fall within the category of industries in which foreign investment is restricted or prohibited. The 2021 Negative List enumerates the restricted industries and the prohibited industries in relation to foreign investment, and the industries, such as real estate development industry, which do not fall within the 2021 Negative List, shall be administered under the principle of equal treatment to domestic and foreign investment. On March 15, 2019, the Foreign Investment Law of the People’s Republic of China, or the FIL, was issued by SCNPC and took effect on January 1, 2020, which also provides that the industries in which foreign investment is not restricted and prohibited shall be administered under the principle of equal treatment to domestic investment, however, where verification and record-filing of a foreign investment are required, relevant provisions of the State shall still be followed.

Considering the increasing foreign investment in the real estate industry in recent years, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC, and the SAFE jointly implemented the *Opinions on Regulating the Entry and Administration of Foreign Investment in the Real Estate Market*, or Circular No. 171, on July 11, 2006 and amended on August 19, 2015, which may impact foreign investment in the real estate industry in the following areas:

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

Circular No. 50

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

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

Circular 122

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

Regulations on Qualifications of Developer

Under the *Rules on the Administration of Qualifications of Real Estate Developers*, effective on December 1, 1993 by the MOHURD (formerly known as the Ministry of Construction) (amended on March 29, 2000, May 4, 2015, December 22, 2018 and March 2, 2022), a developer must apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

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

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

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

Regulations on Development of a Real Estate Project

Commencement of a Real Estate Project and the Idle Land

According to the *Circular on the Implementation of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalogue for Prohibited Land Use Projects (2012 Edition)*, implemented by the MLR and the NDRC on May 23, 2012, the area of a plot of land to be granted for residential use may not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) 20 hectares for large cities. The plot area ratio for residential land should not be lower than 1.0. No land may be granted for “villa” real estate projects. On December 31, 2020, Ministry of Natural Resources issued a notice to solicit public opinion on the *Catalogue of Restrictions and Prohibitions on the Exploitation and Use of Natural Resources (2021)*, which intends to replace the *Catalog for Restricted Land Use Projects (2012 Edition) and the Catalogue for Prohibited Land Use Projects (2012 Edition)*.

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

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

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

Planning of a Real Estate Project

The *Law of the PRC on Urban and Rural Planning*, implemented by the NPC on October 28, 2007 and effective as of January 1, 2008 and amended on April 24, 2015 and April 23, 2019 replacing the previous *City Planning Law of the PRC*, provides that a developer who has obtained land use rights by grant must, after obtaining approval for a construction project and signing a land use rights grant contract, apply to the city planning authority for the Permit for Construction Site Planning. It further provides that a developer who has a proposed construction project within the planning area of a city or town must, after obtaining a Permit for Construction Site Planning, prepare the necessary planning and design work, and submit the detailed planning and design report, together with the land use rights certificate, to the city planning authority or the town government designated by the provincial government, and apply for the Permit for Construction Work Planning.

Construction of a Real Estate Project

On June 25, 2014, the MOHURD implemented the *Measures for the Administration of Construction Permits for Construction Projects*, which was amended on September 28, 2018 and March 30, 2021. Under the measures, after having obtained a Permit for Construction Work Planning, a developer needs to file an application for a Construction Permit with the local construction authority above the county level.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance examinations under the *Construction Law of the PRC*, which was implemented on November 1, 1997 and amended on April 22, 2011 and April 23, 2019.

According to the *Development Regulations, the Regulations on the Acceptance Examination Upon the Completion of Construction Work and Municipal Infrastructure* implemented on December 2, 2013 by the MOHURD, the *Regulations on the Administration of Quality of Construction Works* implemented by the PRC State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, and the *Measures on the Administration of Reporting Details regarding Acceptance Examination Upon Completion of Construction Work and Municipal Infrastructure* implemented on April 4, 2000 by the MOHURD and amended on October 19, 2009, a real estate project must comply with the relevant laws and regulations, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant construction contract. After the completion of works for a project, the developer must apply for an acceptance examination to the construction authority and must also report details of the acceptance examination to the construction authority. A real estate development project may only be delivered after passing the inspection and acceptance examinations. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Regulations on Sale of Commodity Properties

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

Pre-completion Sales

In accordance with the *Measures for the Administration of Pre-Sale of Urban Commodity Properties*, or Urban Pre-Sale Measure, promulgated on November 15, 1994 by the MOHURD, which took effect on January 1, 1995 and was amended on August 15, 2001 and July 20, 2004, a developer intending to sell a commodity building before its construction work's completion must complete pre-sale registration with the real estate administration authority of the relevant city or county to obtain a Permit for Pre-Sale of Commodity Properties.

Commodity properties may only be sold before completion if:

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

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

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

Management of Proceeds from Pre-sale of Properties

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

Under the *Implementing Regulations on Supervision of Proceeds from Pre-sales of Commodity Properties of Jinan City*, implemented by Jinan Committee of Construction on September 26, 2005 and effective as of October 26, 2005, the proceeds from pre-sale of properties must be used in the construction of pre-sale projects, including the purchase of construction materials and equipment, remittance of construction fees and taxes payable, and should not be used for other purposes. Under the *Regulations on the Supervision of Proceeds from the Pre-sale of Commodity Properties in Jinan City (Draft for Comment)*, implemented by the Jinan City MOHURD on March 2, 2023, the proceeds from the pre-sale of properties must be deposited into accounts monitored by regulatory authorities and a real estate developer must apply for use in accordance with the progress of construction.

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

In accordance with the *Regulations on Supervision of Proceeds from the Pre-sales of Commodity Properties in Zhengzhou*, implemented by the Zhengzhou People's Government on November 19, 2009 and effective as of December 20, 2009, the proceeds from the pre-sale of properties must be used for the construction of the same, which includes the purchase of construction materials and equipment, remittance of fees for construction and taxes payable. Under the *Regulations on the Supervision of Proceeds from the Pre-sale of Commodity Properties in Zhengzhou City (Draft for Comment)*, implemented by the Zhengzhou City MOHURD on July 4, 2022, the proceeds from the pre-sale of properties must be deposited into accounts monitored by regulatory authorities and a real estate developer must apply for use in accordance with the progress of construction.

The *Notice on Enhancing the Management on Use of Fund of Pre-sales of Commodity Properties of Beijing City*, implemented and effective as of December 16, 2015, provides that the real estate development enterprise may withdraw funds for construction purpose from accounts monitored by the regulatory authorities if the sale scale confirmed by pre-sale contracts signed online is less than half of the authorized scale of pre-sale. The Beijing MOHURD promulgated the *Regulations on the Supervision of Proceeds from the Pre-sale of Commodity Properties in Beijing (Draft for Comment)* on November 4, 2021, providing that the proceeds from the pre-sale of properties must be deposited into accounts monitored by regulatory authorities and a real estate developer must apply for use in accordance with the progress of construction.

On November 14, 2022, the CBIRC, the MOHURD, and the PBOC issued the *Circular on the Relevant Work of Commercial Banks Issuing letters of Guarantee to Replace the Pre-sale Supervision Funds*, pursuant to which high-quality real estate enterprises can apply to banks for a letter of guarantee to replace their pre-sale supervision funds.

Post-completion Sales

In accordance with the *Measures for Administration of Sale of Commodity Properties* implemented by the MOHURD on April 4, 2001, which took effect on June 1, 2001, commodity properties may be put up for post-completion sale only when the following preconditions for such sale have been satisfied:

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

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

Regulations on Property Ownership Certificates

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

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

Regulations on Transfer, Mortgage and Lease

Transfer

According to the Urban Real Estate Law and the *Provisions on Administration of Transfer of Urban Real Estate* implemented on September 1, 1995 by the MOHURD and amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred as well.

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

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

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

Mortgages of Real Estate

Under the Urban Real Estate Law, the *Civil Code*, and the *Measures on the Administration of Mortgage of Buildings in Urban Areas* implemented by the MOHURD on May 9, 1997 and amended on August 15, 2001 and March 30, 2021, when a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage will be simultaneously created on the land use rights of the land on which the building is erected. Land use rights occupied by the properties will also be mortgaged at the same time. The mortgager and the mortgagee sign a mortgage contract in writing. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority in the city where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property placed on pre-sale or which is still undergoing construction, the registration authority will, when registering the mortgage, record such details on the mortgage contract. If the construction of the property is completed during the term of a mortgage, the parties involved will have to re-register the mortgage after the issuance of the relevant certificates evidencing the rights and ownership to the real estate.

Lease

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

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

Regulations on Real Estate Financing

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

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

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

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

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

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

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

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

- if an individual transfers a house within five years after purchasing it, all his or her income from such sale will be subject to business tax;

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

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

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

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

- all municipalities directly under the central government, municipalities with independent planning status, and provincial capital cities (excluding Lhasa) must promulgate their own plans and targets for price controls on newly constructed commodity properties (excluding low-cost housing projects) in 2013 based on the principle of stabilizing the current market price. Such plans and targets must be published within the first quarter of 2013;
- limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question;
- non-local resident families that already hold a property and non-local resident families that cannot prove their local payment of tax and/or social insurance for a required period of time shall be suspended from purchasing any property within the local administrative area;
- for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments; and
- the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

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

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

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

On August 27, 2015, the MOHURD, the MOF and the PBOC jointly issued the *Circular on Adjusting the Minimum Down Payment for the Purchase of Houses by Individuals on the Housing Provident Fund Loans*, which became effective on September 1, 2015. The circular provides that home buyers who use the housing provident fund for their home purchase are only required to pay a minimum down payment of 20% for their purchase of a second house if all loans are settled on their first home.

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

On September 29, 2015, the MOHURD, the MOF and the PBOC jointly issued the *Notice on further improving the Usage Efficiency of Housing Provident Fund*, which became effective on October 8, 2015. According to this notice, in the case of any cities with sub-districts avail the housing provident fund with an efficiency index less than 85%, the cities shall increase the housing provident fund loans based on the housing price, loan needs and repayment capacities. The term of the indebtedness can be extended to five years after one's retirement but is limited to 30 years.

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

On February 17, 2016, the MOF, the SAT and the MOHURD jointly issued *Circular on Adjusting Deed Tax and Business Tax Policies for Real Estate Transactions*, which became effective on February 22, 2016. Regarding deed tax, it provides that for first home buyers purchasing the only residence for their families (family members include the buyer, the buyer's spouse and under-age children, as applicable hereinafter) with an area of 90 square meters or less, the deed tax is reduced to 1%; for a residence with an area of more than 90 square meters, the deed tax is reduced to 1.5%. For second home buyers purchasing a second residence with an area of 90 square meters or less, the deed tax is reduced to 1%; for residences with an area of more than 90 square meters, the deed tax is reduced to 2%. Regarding business tax, it provides that for any individual who sells his/her ordinary housing that is purchased and owned less than two years, full business tax is levied; for an individual who sells his/her ordinary housing purchased and owned not less than two years ago, the business tax is exempted. However, the circular specifies that the policies regarding deed tax and business tax shall not apply to Beijing, Shanghai, Guangzhou and Shenzhen, where the business tax on transfer of residences by individuals as stipulated in the *Circular of the Ministry of Finance, and the State Administration of Taxation on Adjusting Business Tax Policies for Transfer of Residences by Individuals* still apply. Furthermore, the MOF and the SAT jointly implemented the *Circular on Issues concerning the Taxation Basis for Deed Tax, House Property Tax, Land Value-added Tax and Individual Income Tax after the Pilot Collection of Value-Added Tax in Lieu of Business Tax* on May 1, 2016 which deducts VAT from the taxation basis of Deed Tax, House Property Tax, Land Value-added Tax and Individual Income Tax.

On August 20, 2020, PBOC and MOHURD proposed a pilot plan at a conference which sets three goals for real estate development companies: the debt asset ratio will not exceed 70% after deducting advance proceeds from projects sold; net debt to equity ratio will not exceed 100%; and the ratio of balance of cash and cash equivalent to short-term borrowings will be at least 1. Based on the number of goals completed, the upper limit of annual growth rate of interest-bearing liabilities of a real estate development company varies from 5% to 15%. The pilot plan was supposed to become a formal policy in 2021, nevertheless, the governmental authority has not issued any relevant regulations or policies.

On December 31, 2020, PBOC and CBIRC issued 2021 Notice which took effect on January 1, 2021. The 2021 Notice divides all Chinese-funded banks into five (5) levels and sets different limitation on banks in different levels to provide real estate loans. For example, the amount of outstanding real estate loans of a bank in Level 1 must not account for more than 40% of its total outstanding RMB loans, while the amount of outstanding real estate loans of a bank in Level 5 must not account for more than 12.5% of its total outstanding loans denominated in RMB.

On January 30, 2021, PBOC and CBIRC issued the *Circular on Excluding the Loans for Public Rental Housing from the Concentralized Administration on Real Estate Loans*, which provides that loans related to public rental housing will not be counted as a part of the restricted real estate loan quota provided in the 2021 Notice.

Regulations on Housing Prices and Real Estate Tax

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

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

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

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

On April 17, 2014, the General office of the PRC State Council issued a notice that, among other things, specifically emphasizes on the importance of adopting real estate tax. On November 24, 2014, the *Provisional Regulations on Registration of Real Estate* was implemented by PRC State Council, which became effective on March 1, 2015 and was amended on March 24, 2019. It provides that PRC has established a nationwide property registration system to provide a uniform platform through which ownership information of every registered property can be shared in real-time among different regions in China. On October 23, 2021, the *Decision on Authorizing the State Council to Carry Out a Pilot Scheme of Real Estate Tax Reform in Certain Regions* was promulgated by the SCNPC. This decision provides that the State Council is authorized to implement real estate tax reforms and impose real estate taxes on owners of land use rights and houses for residential and non-residential purposes in certain pilot regions. If the PRC government promulgates regulations of real estate tax in the future, it may adversely affect the real estate market in China.

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

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

The *Opinion of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices*, implemented on May 24, 2006, provides the following:

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

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

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

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

Regulations on Environmental Protection in Construction Projects

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

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

The *Environmental Impact Assessment Law*, implemented by the NPC on October 28, 2002 and effective as of September 1, 2003 and amended on July 2, 2016 and December 29, 2018, provides that if the environmental impact assessment documents of a construction project have not been examined by the relevant environmental protection administrations or are not approved after examination, the authority in charge of examination and approval of the project may not approve construction on the project, and the construction work unit may not commence work.

According to the *Fire Prevention Law of the People's Republic of China*, promulgated by the SCNPC on April 29, 1998 and implemented on September 1, 1998, amended on October 28, 2008, April 23, 2019 and April 29, 2021, fire prevention facilities design and works for construction projects shall conform to state's fire prevention technical standards for engineering construction.

Regulations on Civil Air Defense Property

Pursuant to the *National Defense Law of the PRC*, promulgated by the NPC on March 14, 1997 and amended by SCNPC on August 27, 2009 and December 26, 2020, national defense assets are owned by the State. Pursuant to the *Civil Air Defense Law of the PRC* promulgated by the SCNPC on October 29, 1996 and amended on August 27, 2009, State supports and encourages the enterprises in kinds of ways to invest in the construction of civil air defense property. The civil air defense property is used and managed at ordinary time by its investor who derives profits therefrom. The design, construction and quality of the civil air defense property must conform to the protection and quality standards established by the State. The use of civil air defense property at ordinary time shall not impair its function of air defense. Pursuant to the *Interim Measures for Quality Supervision and Management of Civil Air Defense Property*, promulgated by the National Civil Air Defense Office on February 13, 2001, the construction of the civil air defense property shall be subject to the supervision of the relevant quality supervision department of civil air defense.

Regulations on Property Management

The *Property Management Rules*, implemented on September 1, 2003 and amended by the PRC State Council on October 1, 2007, February 6, 2016 and March 19, 2018, regulates the property management activities. The Property Management Rules specifies the rights and obligations of property owners, Property Owners' Committee, or the POC, and property service enterprises. For example, the property owners have the right to appoint and dismiss property service enterprises (formerly known as property management enterprises); prior to the selection of the POC, the property developer will select a property management enterprise to provide property management services; and property management fees will be determined by mutual consent between the POC and the property management enterprise, and set forth in writing in the property management service contract. The *Civil Code* further provides more regulations regarding the property management services, such as the right to terminate property management service contract without any reason enjoyed by the property owners. Xinyuan Science and Technology Service Co., Ltd. is a property management company.

Regulations on Urban Landscaping Services

The *Regulations Regarding Urban Landscape* implemented on August 1, 1992, amended on January 8, 2011 and March 1, 2017 by the PRC State Council, the *Measures on the Administration of Landscape Construction Project* implemented on December 20, 2017 and the *Measures on the Administration of Qualifications of Urban Landscaping Enterprises*, or Urban Landscaping Measures, implemented on July 4, 1995, as amended on October 9, 2009, provide the following:

- housing and urban-rural construction (landscaping) authorities at all levels shall not limit the bidders to those who have urban landscaping qualifications issued under *Measures on the Administration of Qualifications of Urban Landscaping Enterprises* and *Urban Landscaping Enterprise Qualification Standards* (which were both abolished on February 18, 2016); and
- the project manager should have competent site management experience and professional and technical skills.

Regulatory Developments on Overseas Offerings

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures and five relevant guidelines on the application of the Regulatory Rules, which took effect on March 31, 2023, requiring the overseas securities offerings or listings of Chinese domestic companies to be filed with the CSRC. The Overseas Listing Trial Measures clarify the scope of overseas offerings or listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder, and provide, among other things, that Chinese domestic companies that have already directly or indirectly offered and listed securities in overseas markets prior to the effectiveness of the Overseas Listing Trial Measures must fulfill their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on securities offering on the same overseas market, and follow the relevant reporting requirements within three working days upon the occurrence and public disclosure of any specified circumstances provided thereunder, including any (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; or (iv) voluntary or mandatory delisting. In addition, where the main business of an issuer undergoes a material change after an overseas offering and listing, and is therefore beyond the scope of the business stated in the original filing documents, such issuer shall follow the relevant reporting requirements within three working days after occurrence of such changes.

Regulatory Developments on Data Privacy

In November 2016, the SCNPC promulgated the Cyber Security Law of the PRC, or the Cyber Security Law, which took effect on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by laws, regulations and mandatory requirements to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. On September 12, 2022, the CAC released the Draft Amendment to the Cyber Security Law, which increases the legal liability for violations under the current Cyber Security Law, integrates and unifies the penalties for violations of network operation security protection obligations, violations of critical information infrastructure security protection obligations and violations of personal information protection obligations. Since the Amendment was only released in draft form for purposes of soliciting public comments at this stage, uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of this proposed Amendment.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, the SCNPC published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law requires all data processing (which includes the collection, storage, use, processing, transmission, provision, publication of data) to be conducted in a legitimate and proper manner. The Data Security Law imposes certain data security and privacy obligations on entities and individuals carrying out data processing activities.

On December 28, 2021, the Cyberspace Administration of China amended the Measures for Cybersecurity Review, or the Cybersecurity Review Measures, which became effective on February 15, 2022. The scope of review under the Cybersecurity Review Measures extends to critical information infrastructure operators that intend to purchase internet products and services and data processing operators engaging in data processing activities which affect or may affect national security. According to Article 7 of the Cybersecurity Review Measures, operators who possess the personal information of over a million users must apply to the Cybersecurity Review Office to conduct cybersecurity review procedures before listing in a foreign country. Additionally, the Cybersecurity Review Measures also provide that if the relevant authorities consider certain network products and services, data processing activities or listings in foreign countries to affect or potentially affect national security, then the authorities may initiate a cybersecurity review even if the operators do not have an obligation to independently perform a cybersecurity review under such circumstances.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission, which came into effect on September 1, 2022 and regulate security assessment procedures with respect to cross-border data transfer by data processor of important data and personal information that is collected and generated during operations within the PRC. According to these measures, personal data processors will be subject to security assessment procedures conducted by the CAC prior to any cross-border transfers of data if the transfer involves: (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or data processors that have processed personal data of more than one million persons; (iii) personal information transferred overseas by data processors who have provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of the previous year; or (iv) other circumstances as requested by the CAC. Furthermore, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transmission before the effectiveness of these measures are required to be brought into compliance with the measures by March 2023.

On August 20, 2021, the SCNPC of China promulgated the Personal Information Protection Law, which became effective on November 1, 2021, and which integrates various scattered rules with respect to personal information rights and privacy protection. The Personal Information Protection Law stipulates that, among other requirements, (i) all processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose and should be conducted in a method that has the minimum impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope that is necessary to achieve the processing purpose and should avoid any excessive collection of personal information. Personal information processors are required to adopt necessary measures to safeguard the security of the personal information they handle. Any offending entities could be ordered to undertake corrective measures, or to suspend or terminate their provision of services, and to potentially face confiscation of unlawful income, fines or other penalties.

Many data-related laws and regulations in China are relatively new and certain concepts thereunder remain subject to discretionary and potentially competing interpretations by relevant regulators. If any data that Xinyuan possesses belongs to data categories that are subject to heightened scrutiny under such laws and regulations, then Xinyuan could be required to adopt stricter measures for the protection and management of such data. In general, compliance with currently existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection can be costly and would likely result in additional expenses to Xinyuan. Any failure to comply with such laws and regulations could also subject Xinyuan to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice, or whether more restrictive laws or regulations may be promulgated in the future.

United States

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

C. Organizational Structure

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

On October 11, 2019, Xinyuan's property management service entity, Xinyuan Property Management Service (Cayman) Ltd., or Xinyuan Service, was listed on the Hong Kong Stock Exchange under code '01895', with 25% of the outstanding shares issued to new investors, following an internal reorganization pursuant to which Xinyuan Service became a subsidiary of Xinyuan Real Estate, Ltd. The initial public offering price for each share was HK\$2.08, representing an initial market valuation of HK\$1.04 billion. Xinyuan Real Estate, Ltd. remains the largest shareholder of Xinyuan Service, holding with 52.86% of its total shares, and Xinyuan Service is consolidated in Xinyuan's financial statements.

D. Property, plant and equipment

Our headquarters and some of our subsidiaries are located in Beijing, China, where we lease approximately 3,409 square meters of office space. We also lease a total of approximately 2,962 square meters of office space in other cities where our subsidiaries are located, which includes approximately 757 square meters in Kunshan, Jiangsu Province, 106 square meters in Changsha, Hunan Province, 943 square meters in Wuhan, Hubei Province, 1,041 square meters in New York and 115 square meters in Malaysia.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

In accordance with Instruction 6 to Item 5, information with respect to the fiscal year 2020 has been omitted from this Item 5. Such information has previously been reported and is available in Item 5 of the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2021.

A. Operating Results

Overview

Since our inception in 1997, we have completed 77 projects with total GFA of 10,942,634 square meters. As of December 31, 2022, we had 29 projects covering 12 cities in China, the United States and the United Kingdom with estimated total GFA of 5,325,147 square meters under construction and planning, of which 22 projects with estimated total GFA of 4,015,996 square meters were under construction. As of December 31, 2021, we had 35 projects covering 16 cities in China, the United States and the United Kingdom with estimated total GFA of 7,171,506 square meters under construction and planning, of which 28 projects with estimated total GFA of 4,993,694 square meters were under construction.

Our total revenue, derived primarily from sales of residential real estate, was US\$1,536.0 million in 2021 and US\$950.0 million in 2022. Our net loss was US\$413.3 million and US\$258.7 million, respectively, for the same periods. We acquire land in China primarily through auctions of government land and acquisition of landowning entities. These acquisition methods allow us to obtain unoccupied land with unencumbered land use rights, which in turn enables us to save the time and expenses associated with protracted legal processes to obtain title, demolition and re-settlement and to commence construction quickly.

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

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

Principal Factors Affecting Our Results of Operations

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

Our business and results of operations are significantly affected by trends and developments in the PRC economy, including disposable income levels, urbanization rate, population growth, and availability of project and consumer financing, which affect demand for residential properties in China. During the past decade, China has experienced significant economic growth, which has created a favorable operating environment for us in the cities where we operate. As of December 31, 2022, 98.9% of the units in our completed projects were sold. We have periodically experienced some volatilities in demand due to the strict mortgage policy and other measures taken by the PRC government to slow down the rapid increase in housing prices, such as the *Circular on Continuing to Improve the Regulation and Control of the Real Estate Market* announced by the General Office of the PRC State Council in February 2013 which, among others, requires an individual income tax at a rate of 20% on gains generated from the sale of a self-owned property (See “Item 4. Information on the Company — B. Business Overview — Regulation — China — Regulations on Real Estate Financing”). However, we expect continuing economic growth in China, rising disposable income levels and population growth in our target cities to support demand for residential properties over the next several years. If we continue to expand our business operations in the United States, trends and development in the U.S. economy, including developments in the United States housing markets, will become increasingly important to our business and results of operations.

PRC government policies and regulations

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

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

Moreover, a substantial portion of our customers depend on mortgage financing to purchase our properties. Although government policies have generally fostered the growth of private home ownership, regulations have been adopted in recent years to tighten and then loosen mortgage lending rules.

Such policies relate to, among other matters, down payment ratio requirements, minimum loan interest rates and amount or percentage of mortgage financing.

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

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

Location, number and type of our property developments

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

Availability and cost of financing

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

In addition to bank debt, we obtain financing through the issuance of debt securities and through onshore corporate bonds issued by our subsidiary, Xinyuan China. As of December 31, 2022, we had outstanding US\$721.4 million aggregate principal amount of senior secured notes with interest rates ranging from 12.0% to 14.5%. Also, as of December 31, 2022, Xinyuan China had outstanding US\$39.3 million in corporate bonds. For more detailed discussion of the bank borrowing and debt securities, see “Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources.”

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

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

Government land auctions are a transparent and competitive process for bringing development land to market, allowing the developer to acquire clean title and the ability to proceed immediately with development. However, as competition for development sites increases, the auction mechanism tends to lead to higher prices. In 2021 and 2022, land use rights costs, including auction price and taxes, constituted 38.2% and 33.1% respectively, of our costs of revenue. During 2022, the cost of land acquisitions in China we incurred, including deposits for potential acquisitions under the negotiated land acquisition model, is immaterial.

We acquire our development sites or land held for sale in the United States generally through off-market transactions, including resales and distressed sales. We did not purchase any new property in the United States in 2021 and 2022.

Increases in the price of raw materials and labor costs

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

Our execution capability to support business expansion

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

Operating Results

Revenues

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

	2021		2022	
	US\$	%	US\$	%
	(in thousands, except for percentages)			
Real estate sales	1,392,240	90.6	809,413	85.2
Real estate leasing	19,781	1.3	20,783	2.2
Real estate management services income	109,823	7.2	105,460	11.1
Other revenue	14,174	0.9	14,356	1.5
Total revenue	1,536,018	100.0	950,012	100.0

The impact of foreign exchange rate variances on reported revenues in U.S. dollars was an adverse 4.18% in 2022, compared to an adverse 0.07% in 2021.

Real estate sales

Real estate sales represent revenues from the sales of residential properties we develop and acquire. Throughout this annual report, real estate sales are stated net of sales tax levied on the relevant contracted sales value. Sales tax is a one-time tariff applicable to property sales in the PRC which consists of a business tax at the rate of 5%, an urban construction tax at the rate of 0.35% and an education surcharge at the rate of 0.15%. Total sales tax amounted to US\$4.3 million and US\$1.2 million in 2021 and 2022, respectively. Beginning May 1, 2016, a value added tax instead of the business tax was levied on the relevant contracted sales value at the rate of 5% or 11%. Beginning May 1, 2018, the rates of value added tax was levied on the relevant contracted sales value at the rate of 5% or 10%. Beginning May 1, 2019, the rates of value added tax was levied on the relevant contracted sales value at the rate of 5% or 9%.

On January 1, 2018, the Company adopted ASC 606: “Revenue from Contracts with Customers”, or ASC 606, issued by the Financial Accounting Standards Board. The Company adopted the guidance using the modified retrospective approach. Under the new revenue recognition standards, revenue from domestic real estate sales under the previous contract terms, which used to be recognized over time under the percentage of completion method, or POC, is no longer recognized until title is transferred and the Company does not have the enforceable right to payment, therefore, the revenue, cost and retained earnings decreased; on the other hand, the balance of real estate properties under development and customer deposits increased. In 2021 and 2022, all the revenues related to the projects in the U.S. were recognized after the title was transferred.

Real estate leasing

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

Real estate management service

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

Other revenue

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

Costs of revenues

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

	2021		2022	
	US\$	%	US\$	%
	(in thousands, except for percentages)			
Cost of real estate sales				
Land use rights costs	560,141	38.2	290,233	33.1
Construction costs	799,203	54.4	478,123	54.4
Total cost of real estate sales	1,359,344	92.6	768,356	87.5
Cost of real estate leasing	22,438	1.5	20,288	2.3
Cost of real estate management services	73,978	5.1	79,610	9.1
Other costs	12,320	0.8	9,802	1.1
Total Costs of revenues	1,468,080	100.0	878,056	100.0

Cost of real estate sales

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

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

Construction costs. We outsource the construction of all of our projects to third party contractors, whom we select through a competitive tender process. Our construction contracts provide for flexible payments which cover substantially most of all labor, materials, fittings and equipment costs, subject to adjustments for certain prescribed contingencies, such as design changes during the construction process or changes in government-suggested steel prices or cement prices. Our construction costs consist primarily of the payments to our third-party contractors, which are paid over the construction period based on specified milestones. In addition, we directly purchase and supply a limited range of fittings and equipment, including elevators, window frames and door frames. Our construction costs also include capitalized interest costs in the amount of US\$148.3 million and US\$73.9 million in 2021 and 2022, respectively.

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

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

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

In 2022, we recognized impairment loss of US\$2,932,743 (2021: US\$1,347,050) for our active projects, consisting of projects under construction or planning or completed or held for lease.

Cost of real estate leasing

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

Cost of real estate management services

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

Other costs

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

Selling and Distribution Expenses

Our selling and distribution expenses include:

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

As of December 31, 2022, we employed 127 full-time sales and marketing personnel. We expect our selling and marketing expenses to increase in the near future as we increase our sales efforts, launch more projects and target new markets to expand our operations.

General and Administrative Expenses

General and administrative expenses principally include:

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

Interest Income

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

Interest Expenses

Interest expense includes (i) interest on US\$300 million principal amount of our 14.20% notes due 2021 (the “October 2021 Senior Secured Notes” which were fully redeemed, and were exchanged for new notes due in October 2023 with principal amount of US\$208 million, or the October 2023 Senior Secured Notes), US\$300 million principal amount of our 7.75% notes due 2021 (the “February 2021 Senior Secured Notes” which were fully redeemed), RMB514.5 million (US\$75 million) principal amount of our 12% notes due 2022, or the June 2022 Senior Secured Notes, US\$300 million principal amount of our 14.50% notes due 2023, or the September 2023 Senior Secured Notes, US\$270 million principal amount of our 14.00% notes due 2024, or the January 2024 Senior Secured Notes, US\$628 million principal amount of our public onshore bonds (which was partially redeemed early in 2019), and US\$377 million principal amount of our non-public onshore bonds (which was partially redeemed early in 2019), (ii) amortization of debt issuance cost, and (iii) interest expense on capital leases.

All of our borrowings are granted by PRC commercial banks or financing institutions and denominated in RMB except for U.S. dollar and Hong Kong dollar-denominated borrowings from the following: US\$42.9 million from Luso International Banking Ltd., US\$41.9 million from Kent EB-5. LLC, US\$120 million from Ares Management and US\$30 million from 135-35 NORTHERN BLVD LLC. Our senior secured notes (see below) are also denominated in U.S. dollars. Interest rates on our long-term PRC bank borrowings are typically variable and linked to benchmark rates published by the PBOC. Our weighted average interest rate on short-term bank loans and other debt as of December 31, 2022 was 7.26%. As of December 31, 2022, the PBOC benchmark rate for a one-year loan was 4.35% per annum and those for loans of more than one year ranged from 4.75% to 4.90% per annum.

The October 2021 Senior Secured Notes in the principal amount of US\$300 million bear interest at the fixed rate of 14.20% per annum. The February 2021 Senior Secured Notes in the principal amount of US\$300 million bear interest at a fixed rate of 7.75% per annum. The June 2022 Senior Secured Notes in the principal amount of RMB514.5 million (US\$75 million) bear interest at a fixed rate of 12.00% per annum. The September 2023 Senior Secured Notes in the principal amount of US\$300 million bear interest at a fixed rate of 14.50% per annum. The October 2023 Senior Secured Notes in the principal amount of US\$208 million bear interest at the fixed rate of 14.20% per annum. The January 2024 Senior Secured Notes in the principal amount of US\$270 million bear interest at a fixed rate of 14.00% per annum.

In 2022, out of total interest costs incurred, US\$158.0 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2022 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$246.7 million in 2022, including US\$216.8 million of interest on loans and notes, US\$0.3 million of amortization of debt issuance costs and US\$29.7 million of amortization of aircraft leaseback related interest.

In 2021, out of total interest costs incurred, US\$183.4 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2021 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$318.5 million in 2021, including US\$272.6 million of interest on loans and notes, US\$0.3 million of amortization of debt issuance costs and US\$45.6 million of amortization of aircraft leaseback related interest.

Share of Income/(Loss) of Equity Investee

As of December 31, 2021 and 2022, the Group had a 1.85% investment in Zhengzhou Lianhe Real Estate Co., Ltd. The Group does not exercise significant influence over Zhengzhou Lianhe Real Estate Co., Ltd. and therefore, the Group accounts for the investment as a nonmarketable equity security. Investment income is recognized by the Group when the investee declares a dividend and the Group believes it is collectible. The Company adopted ASU 2016-01 and elected to record equity investments without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company. There were no material adjustments for observable price change or impairment related to these investments in 2022.

On January 11, 2016, the Group together with two other entities established a joint venture called Shenzhen Zhong An Financial Lease Co., Ltd., or Shenzhen Zhong An, in which the Group holds a 25% equity interest. The purpose of the joint venture is to undertake financial lease businesses. In 2022, Shenzhen Zhong An was approved by the general meeting of shareholders for liquidation and distributed to shareholders. The Group collected the cost of investment with no material share of income.

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

On January 18, 2017, the Group acquired 51% equity interest in Zhengzhou Hangmei. Zhengzhou Hangmei, a consolidated subsidiary, holds a 3.75% equity interest of Zhengzhou Taike Real Estate Co., Ltd. amounting to US\$738,073. The Group does not exercise significant influence over Zhengzhou Taike Real Estate Co., Ltd. and therefore, the Group accounted for the investment as a nonmarketable equity security. Investment income is recognized by the Group when the investee declares a dividend and the Group believes it is collectible. The Company adopted ASU 2016-01 and elected to record equity investments without readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the Company. In 2022, we disposed this investment with no material share of income.

On April 19, 2017, the Company signed an agreement to acquire up to 70% equity interest of Qingdao Huiju Zhihui City Industrial Development Co., Ltd., or Qingdao Huiju, which was developing a real estate project in Qingdao city from Beijing Huiju Technology Industry Development Co., Ltd., a non-affiliated company for a consideration of US\$505.2 million. As of December 31, 2019, US\$505.2 million was paid in exchange for 49% equity interest that has been transferred to the Company. Based on the articles of association, the Company cannot exercise control of Qingdao Huiju until it acquires the entire 70% equity interest, but has the ability to exercise significant influence over Qingdao Huiju's operating and financial decisions and accounted for it as an equity method investment.

The Group initiated various legal actions against Beijing Huiju regarding, inter alia (i) the transfer of the remaining 21% equity interest in Qingdao Huiju to the Group and appointment of directors onto the board of Qingdao Huiju, (ii) the refunding of an unauthorized transfer of cash in the amount of US\$98.7 million from Qingdao Huiju to Beijing Huiju, and (iii) the return of the business license and official seals of Qingdao Huiju being held under escrow by a third party to Qingdao Huiju. In March 2019, the PRC local court held that Beijing Huiju shall refund the unauthorized cash transferred to Beijing Huiju to Qingdao Huiju, and has frozen US\$98.7 million of the cash in Beijing Huiju's bank account. In June 2021, the PRC Supreme People's Court supported the PRC local court's judgement and also ruled that Beijing Huiju shall refund the amount of US\$98.7 million to Qingdao Huiju, which comprised the final trial under PRC litigation proceedings. In January 2020, the local PRC court held that the third party holding the business license and official seals of Qingdao Huiju in escrow shall return such documents to Qingdao Huiju in a preliminary civil trial. In June 2020, the Qingdao Intermediate People's Court confirmed the ruling of the preliminary civil trial after Beijing Huiju appealed to the Court against the return of business and official seals to Qingdao Huiju. In January 2022, the China International Economic and Trade Arbitration Commission, or CIETAC, ruled that Beijing Huiju shall transfer the remaining 21% equity interest in Qingdao Huiju to the Group, that Beijing Huiju shall coordinate in completing the equity transfer registration formalities and confirmed that the Group has the right to appoint three directors onto the board of Qingdao Huiju. Based on independent legal advice and after due and careful enquiry, the directors of the Company are of the view that the above events shall have no any material adverse effect on the Group's investment in and receivables from Qingdao Huiju.

In 2022, the enforcement status of the above award/judgements is that, (i) the change of equity registration formalities to has been completed by Beijing Huiju within the prescribed period provided by the CIETAC; (ii) Qingdao Huiju has received the refund of US\$98.7 million transferred by Beijing Huiju; and (iii) Qingdao Huiju has collected the returned business license and official seals of Qingdao Huiju. Therefore, Qingdao Huiju has been consolidated in the Group's financial statements since the year of 2022.

On September 4, 2017, the Company with two non-affiliated companies, established a limited partnership, Wuhu Penghong Investment Center (Limited Partnership), or Wuhu Penghong, in which the Company and the other two partners each invested US\$30.6 million, US\$91.8 million and US\$3.1 million in cash, respectively. The other two partners hold substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghong under the equity method. On September 8, 2017, Wuhu Penghong acquired 90.57% equity interest of Guangzhou Huanglong Information Technology Co., Ltd., or Guangzhou Huanglong, for a total cash consideration of US\$19.7 million. In 2021, the Company further invested US\$31.4 million in Wuhu Penghong.

On March 20, 2018, the Company acquired 16.66% equity interest in Suzhou Hengwan Real Estate Co., Ltd., or Suzhou Hengwan, which is developing a real estate project in Suzhou city from Suzhou Hengwan Enterprise Management Consulting Co., Ltd., a non-affiliated company for a consideration of US\$18.6 million. As of December 31, 2019, Suzhou Hengwan returned US\$5.4 million (2018: US\$7.3 million) of capital to the Company. Based on the articles of association, the Company cannot exercise control of Suzhou Hengwan, but has the ability to exercise significant influence over Suzhou Hengwan's operating and financial decisions and accounted for it as an equity method investment.

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

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

On May 31, 2018, the Company acquired 19.99% equity interest in Suzhou Litai Real Estate Co., Ltd., or Suzhou Litai, which is developing a real estate project in Suzhou city from Yongwei Real Estate (Suzhou) Co., Ltd., a non-affiliated company, for a consideration of US\$9.3 million. As of December 31, 2019, Suzhou Litai returned US\$5.7 million of capital to the Company. Based on the articles of association, the Company cannot exercise control of Suzhou Litai, but has the ability to exercise significant influence over Suzhou Litai's operating and financial decisions and accounted for it as an equity method investment.

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

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

On September 25, 2019, the Company acquired 40% equity interest in Taizhou Yiju Real Estate Co., Ltd., or Taizhou Yiju, which is developing a real estate project in Taizhou city from Zhejiang Zhongjian Real Estate Co., Ltd., a non-affiliated company, for a consideration of US\$8.5 million. Based on the articles of association, the Company cannot exercise control of Taizhou Yiju, but has the ability to exercise significant influence over Taizhou Yiju's operating and financial decisions and accounted for it as an equity method investment.

In July 2019, the Company acquired 24% equity interest in Suzhou Rongjingchen Real Estate Co., Ltd., or Suzhou Rongjingchen, which is developing a real estate project in Suzhou city from Suzhou Kaijingsheng Real Estate Co., Ltd., a non-affiliated company, for a consideration of US\$42.0 million. Based on the articles of association, the Company cannot exercise control of Suzhou Rongjingchen, but has the ability to exercise significant influence over Suzhou Rongjingchen's operating and financial decisions and accounted for it as an equity method investment.

In December 2020, the Company together with a non-affiliated company, Hainan Jiazhaoye Industry Group Co., Ltd. agreed to make a capital injection to a joint venture, Jiazhaoye Health Industry (Sanya) Investment Co., Ltd., or Jiazhaoye Health, in which the Company holds a 49% equity interest. Based on the articles of association, the Company cannot exercise control of Jiazhaoye Health, but has the ability to exercise significant influence over Jiazhaoye Health's operating and financial decisions and accounted for it as an equity method investment. Since neither project company successfully bid for any projects as of October 2021, the Company and Kaisa Group began a negotiation to terminate the cooperative development framework agreement. In November 2021, they entered into an equity interest swap agreement. According to the agreement, the Company's 49% equity interest in Jiazhaoye Health will be exchanged for 49% equity interest in Henan Yanchuang Management and Consulting Co., Ltd, or Henan Yanchuang with no extra consideration. Henan Yanchuang became our subsidiary after the equity interest swap. The changes of business registration of Jiazhaoye Health and Henan Yanchuang were completed as of January 25, 2022.

As of December 31, 2021, the Group's investment in the investees in the aggregate exceeded its proportionate share of the net assets of the equity method investees by nil (December 31, 2021: nil). This difference, if any, represents equity method goodwill and therefore, is not amortized. In 2022, the Group recognized share of loss amounting to US\$26.2 million (2021: US\$23.3 million), mainly consisting of MDL amounting to US\$9.5 million and Wuhu Penghong amounting to US\$15.9 million. As of December 31, 2021 and 2022, there was no material impairment related to these investments.

Net Gain/(Loss) on Debt Extinguishment

From January 1, 2020 to December 31, 2020, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$41 million. The Company recognized loss on extinguishment of debt amounting to US\$588,507, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$348,581 and the loss from unamortized deferred debt issuance costs amounting to US\$239,926.

From January 1, 2020 to December 31, 2020, the Company redeemed the November 2020 Senior Secured Notes for a total principal amount of US\$29.93 million. The Company recognized loss on extinguishment of debt amounting to US\$216,290, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$42,214 and the loss from unamortized deferred debt issuance costs amounting to US\$174,076.

From January 1, 2020 to December 31, 2020, the Company redeemed the October 2021 Senior Secured Notes for a total principal amount of US\$43.5 million. The Company recognized loss on extinguishment of debt amounting to US\$176,209, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$176,209.

From January 1, 2020 to December 31, 2020, the Company redeemed the September 2023 Senior Secured Notes for a total principal amount of US\$1 million. The Company recognized loss on extinguishment of debt amounting to US\$7,334, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$7,334.

From January 1, 2021 to December 31, 2021, the Company redeemed the October 2023 Senior Secured Notes for a total principal amount of US\$66.1 million, the January 2024 Senior Secured Notes for a total principal amount of US\$5.5 million and the September 2023 Senior Secured Notes for a total principal amount of US\$41.2 million. The gain/(loss) on extinguishment of debt is immaterial.

From January 1, 2022 to December 31, 2022, the Company redeemed the September 2023 Senior Secured Notes for a total principal amount of US\$3.5 million, the January 2024 Senior Secured Notes for a total principal amount of US\$4.8 million and the October 2023 Senior Secured Notes for a total principal amount of US\$2.5 million. The Company recognized gain on extinguishment of debt amounting to US\$9,620,914.

Income Taxes

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

	2021		2022	
	US\$	%	US\$	%
Corporate income tax	15,227	(209.1)	42,949	464.7
Land appreciation tax	39,101	(537.0)	26,862	290.7
Deferred tax benefit	(61,609)	846.1	(60,570)	(655.4)
Income taxes	(7,281)	100.0	9,241	100.0

For an explanation of deferred tax benefit, see Notes 2(w) and 15 of the consolidated financial statements included elsewhere in this annual report on Form 20-F. For a discussion of corporate income tax and land appreciation tax, see below.

Corporate Income Tax and Unrecognized Tax Benefit

Cayman Islands

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

People's Republic of China

In general, enterprises in the PRC are subject to income tax at a statutory rate of 25%. For our subsidiaries located in various cities, income tax is levied at the statutory rate of 25% on income as reported in the statutory financial statements after appropriate tax adjustments. Further, under the same tax laws and regulations, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain jurisdictions.

We have made provision for the corporate income tax, or CIT, payable by our PRC subsidiaries based on the statutory income tax rate of 25%, after appropriate adjustments to our taxable income used in the calculation. The difference between tax payable on our actual taxable income and tax levied on the deemed taxable income basis has been treated as an unrecognized tax benefit under ASC 740-10 "Income Tax," or ASC 740-10, which had a balance of US\$135.6 million as of December 31, 2022. The increase in the unrecognized tax benefits is mainly attributable to deemed interest income from our subsidiaries during the year amounting to US\$10.0 million and related late payment interests amounting to US\$4.3 million.

Hong Kong

Our HK subsidiaries are subject to income tax at the statutory rate of 16.5% in accordance with the HK profits tax laws and regulations. We did not make any provisions for Hong Kong Profits Tax as there were no assessable profits arising in or derived from Hong Kong for any of the periods presented. Under the Hong Kong tax law, our 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 United States

Our US subsidiaries are subject to income tax at the effective rate of approximately 21% in accordance with US corporate income tax laws and regulations, dividends and interests paid by US enterprises to non-US tax resident enterprises are subject to US withholding tax of 30%.

Land Appreciation Tax

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

In 2022, we have made provision for LAT with respect to properties sold up to December 31, 2022 in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

Share-based Compensation Expense

We have six share-based compensation plans: (1) our 2007 long-term incentive plan (which expired in 2017 and has remaining options), (2) our 2014 Restricted Stock Unit Plan, or the 2014 RSU Plan, (3) our 2015 long-term incentive plan, (4) a restricted share scheme operated by our subsidiary, Xinyuan Property Management Service (Cayman) Ltd., adopted on January 31, 2019, (5) an employee stock option plan for Xinchuang Technology Co. Ltd., or Xinchuang Technology, adopted on September 28, 2019, and (6) our 2020 restricted stock unit plan, adopted on June 30, 2020.

Under our 2007 long-term incentive plan, as of December 31, 2022, there was 39,400 of options granted prior to the expiration of the 2007 long-term incentive plan remain exercisable. Under our 2014 RSU Plan, we have granted 12,453,194 restricted common shares to employees and directors that vest ratably over a three-year service vesting period. Under our 2015 long-term incentive plan, we may grant options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards for the purchase of up to 20,000,000 common shares. As of December 31, 2022, 2,796,734 options remained outstanding and exercisable, and 14,865,808 shares remained eligible for future grants under the 2015 long-term incentive plan.

We incurred compensation cost of US\$3.4 million and US\$0.6 million in 2021 and 2022, respectively, in the general and administrative expenses. For a description of the grants under each of the plans, see Note 16 of the consolidated financial statements included elsewhere in this annual report.

Results of Operations

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

	2021		2022	
	US\$	%	US\$	%
	(in thousands, except for percentages)			
Revenue	1,536,018	100.0	950,012	100.0
Costs of revenue	(1,468,081)	(95.6)	(878,056)	(92.4)
Gross profit	67,937	4.4	71,956	7.6
Selling and distribution expenses	(90,569)	(5.9)	(29,458)	(3.1)
General and administrative expenses	(163,410)	(10.6)	(96,106)	(10.1)
Gain on disposal of property held for lease	—	0.0	5,687	0.6
Impairment losses on goodwill and intangible assets	(18,651)	(1.2)	(1,481)	(0.2)
Operating loss	(204,694)	(13.3)	(49,402)	(5.2)
Interest income	28,297	1.8	8,207	0.9
Interest expenses	(183,399)	(11.9)	(158,008)	(16.6)
Exchange (loss)/income	(9,707)	(0.6)	39,952	4.2
Other income/(loss)	2,510	(0.2)	(1,968)	(0.2)
Share of loss of equity investees	(23,346)	(1.5)	(26,167)	(2.8)
Net gain on debt extinguishment	—	0.0	9,621	1.0
Loss on short-term investments	(30,203)	(1.9)	(71,675)	(7.5)
Loss from operations before income taxes	(420,543)	(27.4)	(249,441)	(26.3)
Income taxes benefit/(expenses)	7,281	0.5	(9,241)	(1.0)
Net loss	(413,262)	(26.9)	(258,683)	(27.2)
Net loss attributable to non-controlling interest	(4,045)	(0.3)	(4,671)	(0.5)
Net loss attributable to Xinyuan Real Estate Co., Ltd. shareholders	(417,307)	(27.2)	(263,353)	(27.7)

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Revenue decreased by US\$586.0 million, or 38.2%, to US\$950.0 million in 2022 from US\$1,536.0 million in 2021.

Real estate sales

Revenue from real estate sales decreased by US\$582.8 million, or 41.9%, to US\$809.4 million in 2022 from US\$1,392.2 million in 2021, principally due to decrease in contract sales due to COVID-19 and the general condition of housing market in China.

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

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The following table sets forth the square meters sold and average selling price per square meter for each pre-sold project, each reportable segment and on a consolidated basis in 2021 and 2022:

Project	Year Ended December 31,					
	2021			2022		
	Contract Sales US\$	Square Meters Sold m ²	Average Selling Price US\$/m ²	Contract Sales US\$	Square Meters Sold m ²	Average Selling Price US\$/m ²
Chengdu Region						
Chengdu Xinyuan Splendid II	(534,939)	—	—	21,943	—	—
Chengdu Thriving Family	15,826,661	6,033	2,623	1,013,181	665	1,524
Chengdu Xinyuan City	195,855,186	119,790	1,635	30,583,603	21,668	1,411
Total	211,146,908	125,823	1,678	31,618,727	22,333	1,416
Shanghai region						
Shanghai Royal Palace	(294,519)	—	—	230,180	—	—
Suzhou Galaxy Bay	(2,917,007)	90	(32,411)	788,295	(1,389)	(568)
Suzhou Gusu Shade I	4,114,213	1,713	2,402	2,878,555	1,060	2,716
Suzhou Gusu Shade II *	9,575,942	4,218	2,270	—	—	—
Huzhou Silk Town **	10,436,240	5,202	2,006	—	—	—
Suzhou Linhu Lake Project	196,022,734	8,488	23,094	62,739,943	40,404	1,553
KunshanXindo Park	1,482,694	992	1,495	1,022,349	590	1,733
Kunshan Xinyu Jiayuan	79,912,636	22,952	3,482	2,753,323	689	3,996
Xuzhou Colorful City	5,788,513	7,473	775	—	—	—
Total	304,121,446	51,128	5,948	70,412,645	41,354	1,703
Shandong region						
Jinan International City Garden	37,606	—	—	—	—	—
Jinan Xinyuan Splendid	4,346,831	5,209	834	(945,410)	(90)	10,505
Shandong Royal Palace	643,623	1,634	394	1,517,544	5,535	274
Jinan Xin Central	3,033,875	1,787	1,698	589,044	1,462	403
Qingdao Royal Dragon Bay	62,054,314	21,028	2,951	2,552,658	844	3,024
Jinan Royal Spring Bay	36,007,235	26,731	1,347	12,389,674	9,261	1,338
Qingdao Longxi	134,420,395	53,742	2,501	182,166,857	69,224	2,632
Total	240,543,879	110,131	2,184	198,270,367	86,236	2,299
Henan region						
Zhengzhou Royal Palace	(3,699)	—	—	—	—	—
Zhengzhou Modern City	101,205	149	679	—	—	—
Zhengzhou Xin City	1,122,234	718	1,563	3,623,946	1,200	2,831
Zhengzhou Thriving Family	129,321	476	272	798,307	134	5,958
Henan Xin Central I	1,434,832	(148)	(9,695)	601,827	2,690	224
Zhengzhou Xindo Park	92,012	398	231	299,453	156	1,920
Xinyang Splendid I	764,795	535	1,430	—	—	—
Xinyang Splendid II	636,430	852	747	1,546,249	1,451	1,066
Xinyang Splendid III	1,444,743	1,239	1,166	—	—	—
Zhengzhou Fancy City I	1,344,522	963	1,396	742,919	795	934
Zhengzhou Fancy City II (South)	(402,190)	(1,307)	308	175,242	—	—
Zhengzhou International New City I	3,094,364	1,894	1,634	115,254	444	260
Henan Xin Central II	182,115	811	225	(215,096)	263	(818)
Zhengzhou Fancy City II (North)	19,504,623	13,801	1,413	678,282	516	1,315
Zhengzhou International New City II	1,945,590	1,882	1,034	31,841	—	—
Zhengzhou International New City III A	767,545	884	868	84,835	119	713
Zhengzhou International New City III B	2,158,893	—	—	45,738	—	—
Zhengzhou International New City III D	864,265	336	2,572	178,323	580	307
Zhengzhou Hangmei International Wisdom City I	20,558,929	21,413	960	(6,051,472)	(6,346)	954
Zhengzhou Hangmei International Wisdom City II	—	—	—	80,723,605	127,939	1,321
Xinyang Splendid IV	9,452,142	(13,425)	(704)	27,581,545	47,237	584
Xinyuan Golden Water View City	16,421,331	7,820	2,100	4,563,893	1,585	2,879
Zhengzhou Fancy City III	433,722	(92)	(4,714)	269,815	665	406
Zhengzhou International New City III C	5,649,502	2,958	1,910	1,626,899	1,185	1,373
Zhengzhou International New City IV	5,094,096	2,040	2,497	1,425,210	917	1,554
Zhengzhou International New City IV B10	(123,032)	6	(20,505)	(315,880)	—	—
Zhengzhou International New City A04	32,205,327	38,135	845	7,859,543	3,996	1,967
Xinyang Splendid V	6,625,709	8,084	820	(26,498)	—	—
Zhengzhou Derun Project I	33,727,956	16,623	2,029	(1,488)	—	—
Xinyuan Yue Royal Palace	53,640,480	45,935	1,168	10,699,920	9,996	1,070
Total	218,867,762	152,980	1,431	137,062,212	195,602	701
Beijing region						
Beijing Xindo Park	10,867,186	5,653	1,922	1,871,831	(25)	(74,873)
Tianjin Spring Royal Palace I	—	—	—	10,504,020	4,656	2,256
Tianjin Spring Royal Palace II	44,505,043	33,846	1,315	9,126,773	8,487	1,075
Beijing Tongzhou Liyuan	393,074,287	42,795	9,185	134,172,773	13,884	9,664
Total	448,446,516	82,294	5,449	155,675,397	27,002	5,765
Hunan region						
Changsha Xinyuan Splendid	339,570	156	2,177	1,135,359	673	1,687
Changsha Furong Thriving Family	(7,030)	—	—	—	—	—
Total	332,540	156	2,132	1,135,359	673	1,687
Hainan region						
Sanya Yazhou Bay No.1	(46,901)	—	—	—	—	—
Xi'an region						
Xi'an Metropolitan	6,563,554	4,786	1,371	3,841,118	414	9,278
Xi'an Xinyuan Royal Palace	307,639,674	114,784	2,680	228,178,057	81,515	2,799
Total	314,203,228	119,570	2,628	232,019,175	81,929	2,832
Dalian region						
Dalian International Health Technology Town I	15,805,920	14,717	1,074	—	—	—
Dalian International Health Technology Town II	9,064,969	4,518	2,006	—	—	—
Total	24,870,889	19,235	3,080	—	—	—
Guangdong region						
Foshan Xinchuang AI International Science and Technology Innovation Valley	76,550,412	52,917	1,447	31,023,825	23,301	1,331
U.S. region						
Hudson Garden Project	—	—	—	41,048,973	2,223	18,441
New York Oosten Project	27,702,725	2,500	11,081	13,729,807	1,182	11,618
Total	27,702,725	2,500	11,081	54,778,780	3,405	30,059
Grand Total	1,866,739,404	716,734	2,605	911,996,487	481,834	1,893

*The Company owns a 19.99% equity interest in Suzhou Litai Real Estate Co., Ltd., which develops Suzhou Gusu Shade II. The Company accounts for its investment under the equity method.

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

Total square meters sold decreased to 481,834 square meters in 2022 from 716,734 square meters in 2021. The decrease was mainly due to COVID-19 and the general condition of the housing market in China in 2022.

The overall aggregate average selling price per square meter in 2022 decreased to US\$1,893 from US\$2,605 in 2021, primarily because fewer units were sold in locations with comparatively higher average selling price, such as Beijing and Shanghai.

Chengdu region. Total square meters in this region sold in 2022 decreased to 22,333 square meters from 125,823 square meters in 2021, primarily due to decreased sales of Chengdu Xinyuan City. The average selling price per square meter in 2022 decreased to US\$1,416 from US\$1,678 in 2021.

Shanghai region. Total square meters sold in 2022 decreased to 41,354 square meters from 51,128 square meters in 2021, mainly due to the decreased sales of Kunshan Xinyu Jiayuan, Xuzhou Colorful City, Huzhou Silk Town, Suzhou Gusu Shade II, and Suzhou Galaxy Bay partially offset by the increase in the number of saleable units of Suzhou Linhu Lake Project. The average selling price per square meter in 2022 decreased to US\$1,703 from US\$5,948 in 2021.

Shandong region. Total square meters sold in 2022 decreased to 86,236 square meters from 106,376 square meters in 2021, mainly due to the decrease of saleable units of Qingdao Royal Dragon Bay and Jinan Royal Spring Bay. The average selling price per square meter in 2022 increased to US\$2,299 from US\$2,241 in 2021.

Henan region. Total square meters sold in 2022 increased to 195,602 square meters from 152,980 square meters in 2021, mainly due to the increased sales of Zhengzhou Hangmei International Wisdom City II and Xingyang Splendid IV. The average selling price per square meter in 2022 decreased to US\$701 from US\$1,431 in 2021.

Beijing region. Total square meters sold in 2022 decreased to 27,002 square meters from 82,954 square meters in 2021, mainly due to the decreased sales of Tongzhou Xinyuan Royal Palace and Tianjin Spring Royal Palace II. The average selling price per square meter in 2022 increased to US\$5,765 from US\$5,449 in 2021.

Hunan region. Total square meters sold in 2022 increased to 673 square meters from 156 square meters in 2021, mainly due to the increased sales of Changsha Xinyuan Splendid.

Xi'an region. Total square meters sold in 2022 decreased to 81,929 square meters from 119,570 square meters in 2021, mainly due to the decreased sales of Xi'an Xinyuan Royal Palace. The average selling price per square meter in 2022 increased to US\$2,832 from US\$2,628 in 2021, resulting from the increase in high margin units available for sale.

Guangdong region. Total square meters sold in 2022 decreased to 23,301 square meters from 52,917 square meters in 2021, mainly due to the decrease of saleable units of Foshan Xinchuang AI International Science and Technology Innovation Valley. The average selling price per square meter in 2022 decreased to US\$1,331 from US\$1,447 in 2021.

United States region. Total square meters sold in 2022 increased to 3,405 square meters from 2,500 square meters in 2021, derived from the sale of New York Hudson Garden Project and New York Oosten Project. The average selling price per square meter in 2022 increased to US\$16,073 from US\$11,081 in 2021, due to the increase in high margin units available for sale.

Real estate leasing

Real estate leasing income increased by US\$1.0 million, or 5.1% to US\$20.8 million in 2022 from US\$19.8 million in 2021.

Real estate management services income

Real estate management services income decreased by US\$4.3 million, or 4.0%, to US\$105.5 million in 2022 from US\$109.8 million in 2021. The decrease primarily resulted from the decrease of square meters under our management.

Other revenue

Other revenue increased by US\$0.2 million, or 1.3%, to US\$14.4 million in 2022 from US\$14.2 million in 2021.

Costs of Revenue

Costs of revenue decreased by US\$590.0 million, or 40.2%, to US\$878.1 million in 2022 from US\$1,468.1 million in 2021, primarily resulted from the decrease of revenue.

Cost of real estate sales

Cost of real estate sales decreased by US\$591.0 million, or 43.5%, to US\$768.3 million in 2022 from US\$1,359.3 million in 2021. The total land use rights cost decreased by US\$269.9 million, or 48.2%, from US\$560.1 million (38.2% of costs of revenue) in 2021 to US\$290.2 million (33.1% of costs of revenue) in 2022. The decrease was consistent with the decrease of real estate sales revenue. Construction cost, including capitalized interest, decreased by US\$321.1 million, or 40.2%, to US\$478.1 million in 2022 from US\$799.2 million in 2021, primarily due to decreased project construction activities and decrease of real estate sales revenue.

Cost of real estate leasing

Cost of real estate leasing decreased by US\$2.1 million, or 9.6%, to US\$20.3 million in 2022 from US\$22.4 million in 2021. The decrease was primarily attributable to cost control measures in our real estate leasing business.

Cost of real estate management services

Cost of real estate management services increased by US\$5.6 million, or 7.6%, to US\$79.6 million in 2022 from US\$74.0 million in 2021. The increase was mainly due to (i) the cancellation of the social insurance exemption policy by the government during the period, resulting a slight increase of labor costs; (ii) relatively lower gross profit margin of real estate management service business in respect of new industrial park and business park.

Other costs

Other costs decreased by US\$2.5 million, or 20.4%, to US\$9.8 million in 2022 from US\$12.3 million in 2021. The decrease was primarily attributable to cost control measures in software consulting service.

Gross Profit

Gross profit increased by US\$4.0 million, or 5.9%, to US\$71.9 million in 2022 from US\$67.9 million in 2021. Gross profit margin was 7.6% in 2022, compared to 4.4% in 2021. The increase was primarily attributable to the increase of percentage in pre-sale of our high margin units over all units available in 2022.

Selling and Distribution Expenses

Selling and distribution expenses decreased by US\$61.1 million, or 67.5%, to US\$29.5 million in 2022 from US\$90.6 million in 2021. As a percentage of revenue, selling and distribution expenses, it was 3.1% in 2022, compared to 5.9% in 2021. The decrease was primarily due to decrease in promotion activities. As revenue grows in the future, we expect selling and distribution expenses as a percentage of revenue to remain stable.

General and Administrative Expenses

General and administrative expenses decreased by US\$67.3 million, or 41.2% to US\$96.1 million in 2022 from US\$163.4 million in 2021. The decrease was primarily due to the decrease of headcount and our expense control measures. As a percentage of revenue, general and administrative expenses, it was 10.1% in 2022 compared to 10.6% in 2021.

Interest Income

Interest income was US\$8.2 million in 2022, compared to US\$28.3 million in 2021. The decrease was primarily due to the maturity of time deposits secured for some loans and the decrease of cash and cash equivalents.

Interest Expenses

In 2022, out of total interest costs incurred, US\$158.0 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2022 Statement of Comprehensive Income. Total gross interest costs incurred amounted to US\$246.7 million in 2022, including US\$216.8 million of interest on loans and notes, US\$0.3 million of amortization of debt issuance costs and US\$29.7 million of amortization of aircraft finance lease related interest.

In 2021, out of total interest costs incurred, US\$183.4 million did not qualify for interest capitalization treatment under U.S. GAAP and was charged to the 2021 Statement of Comprehensive Income. Total gross interest costs incurred were US\$318.5 million in 2021, including US\$272.6 million of interest on loans and notes, US\$0.3 million of amortization of debt issuance costs and US\$45.6 million of amortization of aircraft finance lease related interest.

Income Taxes

Income taxes expense increased by US\$16.5 million, or 226.9% to income tax expense of US\$9.2 million in 2022 from income tax benefit of US\$7.3 million in 2021 mainly due to the increase of current income tax expense, which was primarily attributable to the increase in taxable income of some subsidiaries despite of the decrease of gross revenue.

Our effective tax rate increased to 3.7% in 2022, from -1.7% in 2021.

Net Loss Attributable to our Shareholders

Net loss decreased by US\$154.0 million, or 36.9% to US\$263.3 million in 2022, from net loss of US\$417.3 million in 2021.

Discussion of Segment Operations

We consider each of our individual property developments as a discrete operating segment. As a presentation of segment information for every property development would not be meaningful, we have aggregated our segments on a provincial basis as property development projects undertaken within a province have similar expected economic characteristics, type of properties offered, customers and market and regulatory environment. Our reporting segments are: (i) property developments in Zhengzhou, Henan Province, (ii) property developments in Jinan and Qingdao, Shandong Province, (iii) property developments in Suzhou, Xuzhou and Kunshan, Jiangsu Province and Shanghai, (iv) property developments in Chengdu, Sichuan Province (v) property developments in Beijing and Tianjin, (vi) property developments in Sanya, Hainan Province, (vii) property developments in Changsha, Hunan Province, (viii) property developments in Xi'an, Shaanxi Province, (ix) property developments in Zhuhai and Foshan Guangdong Province, (x) property developments in Wuhan, Hubei Province, (xi) property developments in Dalian, Liaoning Province, (xii) property developments in the United States, (xiii) property management and (xiv) "other." Each geographic operating segment is principally engaged in the construction and development of residential real estate units. The "property management" category relates to property management services. The "other" category relates to investment holdings, 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.

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	2021	2022
	(US\$ in thousands, except for percentages)	
Zhengzhou, Henan		
Total revenue	357,138	153,519
Total cost of revenue	(390,576)	(150,603)
Gross profit /(loss)	(33,438)	2,916
Gross margin	(9.4)%	1.9 %
Operating loss	(100,664)	(6,132)
Jinan and Qingdao, Shandong		
Total revenue	175,035	154,435
Total cost of revenue	(176,917)	(172,173)
Gross profit /(loss)	(1,882)	(17,738)
Gross margin	(1.1)%	(11.5)%
Operating loss	(12,762)	(30,748)
Suzhou, Kunshan and Xuzhou, Jiangsu, and Shanghai		
Total revenue	138,442	5,689
Total cost of revenue	(125,392)	(4,279)
Gross profit	13,050	1,410
Gross margin	9.4 %	24.8 %
Operating income /(loss)	(6,087)	195
Chengdu, Sichuan		
Total revenue	129,264	94,185
Total cost of revenue	(165,009)	(88,743)
Gross profit/(loss)	(35,745)	5,442
Gross margin	(27.7)%	5.8 %
Operating income /(loss)	(44,246)	1,713
Beijing and Tianjin		
Total revenue	317,184	144,237
Total cost of revenue	(256,352)	(116,175)
Gross profit	60,832	28,062
Gross margin	19.2 %	19.5 %
Operating loss	(19,773)	(14,713)
Sanya, Hainan		
Total revenue	—	—
Total cost of revenue	—	—
Gross loss	— %	— %
Gross margin	— %	— %
Operating loss	(310)	(47)
Changsha, Hunan		
Total revenue	10,334	1,009
Total cost of revenue	(11,162)	(131)
Gross profit /(loss)	(828)	878
Gross margin	(8.0)%	87.0 %
Operating loss	(1,888)	(365)
Xi'an, Shaanxi		
Total revenue	172,052	195,198
Total cost of revenue	(147,181)	(160,242)
Gross profit	24,871	34,955
Gross margin	14.5 %	17.9 %
Operating income	15,688	29,790
Zhuhai and Foshan, Guangdong		
Total revenue	69,189	37,192
Total cost of revenue	(60,761)	(32,748)
Gross profit	8,428	4,443
Gross margin	12.2 %	11.9 %
Operating income /(loss)	(2,112)	1,145
Wuhan, Hubei		
Total revenue	132	564
Total cost of revenue	(26)	(21)
Gross profit	106	543
Gross margin	80.3 %	96.2 %
Operating loss	(1,166)	(789)
Dalian, Liaoning		
Total revenue	35,695	381
Total cost of revenue	(31,759)	(305)
Gross profit	3,936	76
Gross margin	11.0 %	19.9 %
Operating loss	(764)	(2,014)
US		
Total revenue	29,414	62,049
Total cost of revenue	(36,201)	(77,841)
Gross loss	(6,787)	(15,792)
Gross margin	(23.1)%	(25.5)%
Operating loss	(14,010)	(33,198)
Property Management		
Total revenue	102,079	101,527
Total cost of revenue	(66,727)	(74,745)
Gross profit	35,352	26,782
Gross margin	34.6 %	26.4 %
Operating income	26,483	17,405
Others		
Total revenue	59	28
Total cost of revenue	(19)	(50)
Gross profit /(loss)	40	(21)
Gross margin	67.8 %	(74.7)%
Operating loss	(43,081)	(11,645)

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Zhengzhou, Henan. Total revenue decreased by US\$203.6 million, or 57.0%, from US\$357.1 million in 2021 to US\$153.5 million in 2022. Gross profit for this region was US\$2.9 million, or 1.9% of revenue, in 2022, as compared to gross loss of US\$33.4 million, or -9.4% of revenue, in 2021. The operating loss was US\$6.1 million in 2022, representing a decrease of US\$94.6 million, or 93.9%, from operating loss of US\$100.7 million in 2021.

Jinan and Qingdao, Shandong. Total revenue decreased by US\$20.6 million, or 11.8%, from US\$175.0 million in 2021 to US\$154.4 million in 2022. The gross loss increased to US\$17.7 million, or -11.5% of revenue, in 2022 from gross loss of US\$1.9 million, or -1.1% of revenue, in 2021. The operating loss was US\$30.7 million in 2022, representing an increase of US\$18.0 million, or 140.9%, from operating loss of US\$12.8 million in 2021.

Suzhou, Kunshan and Xuzhou, Jiangsu and Shanghai. Total revenue decreased by US\$132.7 million, or 95.9%, from US\$138.4 million in 2021 to US\$5.7 million in 2022. Gross profit for the Jiangsu and Shanghai segment decreased to US\$1.4 million, or 24.8% of revenue, in 2022, from gross profit of US\$13.1 million, or 9.4% of revenue, in 2021. The operating income was US\$0.2 million in 2022, representing an increase of US\$6.3 million, or 103.2%, from the operating loss of US\$6.1 million in 2021.

Chengdu, Sichuan. Total revenue decreased by US\$35.1 million, or 27.1% from US\$129.3 million in 2021 to US\$94.2 million in 2022. Gross profit for the Sichuan segment was US\$5.4 million, or 5.8% of revenue, in 2022, as compared to gross loss of US\$35.7 million, or 27.7% of revenue, in 2021. The operating income was US\$1.7 million in 2022, representing an increase of US\$46.0 million, or 103.9%, from the operating loss of US\$44.2 million in 2021.

Beijing and Tianjin. Total revenue decreased by US\$172.9 million, or 54.5%, from US\$317.2 million in 2021 to US\$144.2 million in 2022. Gross profit for the Beijing and Tianjin segment was US\$28.1 million, or 19.5% of revenue, in 2022, decreasing by US\$32.8 million from gross profit of US\$60.8 million, or 19.2% of revenue, in 2021. The operating loss was US\$14.7 million in 2022, representing a decrease of US\$5.1 million, or 25.6%, from the operating loss of US\$19.8 million in 2021.

Sanya, Hainan. Total revenue decreased by US\$nil million, or 0%, from US\$nil in 2021 to US\$nil million in 2022. Gross profit for the Hainan segment was US\$nil million in 2022, decreasing by US\$nil million from nil, or 0% of revenue, in 2021. The operating loss was US\$0.0 million in 2022, representing a decrease of US\$0.3 million, or 84.8%, from operating loss of US\$0.3 million in 2021.

Changsha, Hunan. Total revenue decreased by US\$9.3 million, or 90.2%, from US\$10.3 million in 2021 to US\$1.0 million in 2022. Gross profit for the Hunan segment was US\$0.9 million, or 87.0% of revenue, in 2022, increasing by US\$1.7 million from gross loss of US\$0.8 million, or -8.0% of revenue, in 2021. Operating loss was US\$0.4 million in 2022, representing a decrease of US\$1.5 million, or 80.7%, from operating loss of US\$1.9 million in 2021.

Xi'an, Shaanxi. Total revenue increased by US\$23.1 million, or 13.5%, from US\$172.1 million in 2021 to US\$195.2 million in 2022. Gross profit for the Shaanxi segment was US\$35.0 million, or 17.9% of revenue, in 2022, increasing by US\$10.1 million from gross profit of US\$24.9 million, or 14.5% of revenue, in 2021. The operating income was US\$29.8 million in 2022, representing an increase of US\$14.1 million, or 89.9%, from operating income of US\$15.7 million in 2021.

Zhuhai and Foshan, Guangdong. Total revenue decreased by US\$32.0 million, or 46.2%, from US\$69.2 million in 2021 to US\$37.2 million in 2022. Gross profit for the Guangdong segment was US\$4.4 million, or 11.9% of revenue, in 2022, decreasing by US\$4.0 million from US\$8.4 million, or 12.2% of revenue, in 2021. The operating income was US\$1.1 million in 2022, representing an increase of US\$3.3 million, or 154.2%, from operating loss of US\$2.1 million in 2021.

Wuhan, Hubei. Total revenue increased by US\$0.4 million, or 325.9%, from US\$0.1 million in 2021 to US\$0.6 million in 2022. Gross profit for the Hubei segment was US\$0.5 million, or 96.2% of revenue, in 2022, increasing by US\$0.4 million from gross profit of US\$0.1 million, or 80.6% of revenue, in 2021. The operating loss was US\$0.8 million in 2022, representing a decrease of US\$0.4 million, or 32.4%, from operating loss of US\$1.2 million in 2021.

Dalian, Liaoning. Total revenue decreased by US\$35.3, or 98.9%, from US\$35.7 million in 2021 to US\$0.4 million in 2022. Gross profit for the Liaoning segment was US\$0.1 million, or 19.9% of revenue, in 2022, decreasing by US\$3.9million from US\$3.9 million, or 11.0% of revenue, in 2021. The operating loss was US\$2.0 million in 2022, representing an increase of US\$1.3 million, or 163.7%, from operating loss of US\$0.8 million in 2021.

The United States. Total revenue increased by US\$32.6 million, or 111.0%, to US\$62.0 million in 2022 from US\$29.4 million in 2021. This region had a gross loss of US\$15.8 million, or -25.5% of revenue, in 2022, increasing by US\$9.0 million from gross loss of US\$6.8 million, or -23.1% of revenue, in 2021. This region has an operating loss of US\$33.2 million in 2022, increasing by US\$19.2 million, or 137.0%, from operating loss of US\$14.0 million in 2021.

Property Management. Total revenue decreased by US\$0.6 million, or 0.5%, to US\$101.5 million in 2022 from US\$102.1 million in 2021. Gross profit was US\$26.8 million, or 26.4% of revenue, in 2022, decreasing by US\$8.6 million from US\$35.4 million, or 34.6% of revenue, in 2021. The operating income was US\$17.4 million in 2022, representing a decrease of US\$9.1 million, or 34.3%, from operating income of US\$26.5 million in 2021.

Others. Total revenue remained stable at US\$nil million in both 2021 and 2022, respectively. It consisted of real estate-related services, including, among others, property management services, broadband network installation, landscaping services and consulting services.

Critical Accounting Policies

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

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

Revenue recognition

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

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

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

Contract assets

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before we transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Our contract liabilities are comprised of customer deposits, which are recognized as revenue when we perform under the contract.

Income taxes

We account for income tax using the balance sheet method. Deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as unutilized net operating losses. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before we are able to realize our 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.

Late payment interests and penalties arising from underpayment of income taxes is recognized according to the relevant tax law. The amount of interest expense to be recognized is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest recognized in accordance with ASC 740-10, "Income Tax", or 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

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 the land appreciation tax, or 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 generally 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 RSU Plan.

For options granted with performance conditions, share-based compensation expense is recognized based on the probable outcome of the performance condition using the accelerated method over the requisite service period. 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 completed and under development consist of residential unit sites and commercial offices. 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 and under development are stated at the lower of carrying amounts or fair value less selling costs.

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

Costs of amenities transferred to buyers are allocated as common costs of the project that are allocated to specific units as a component of total construction costs. For amenities retained by 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”, or ASC 360, real estate property development completed and under development are subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

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

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

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

In 2021 and 2022, we recognized impairment loss of US\$1.3 million and US\$2.9 million for real estate properties completed and under development, respectively.

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 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.

In 2021 and 2022, we did not recognize any impairment for real estate properties held for lease.

Leases

We adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), or ASU 2016-02, from January 1, 2019, by using the modified retrospective method and did not restate the comparable periods. We have elected the package of practical expedients, which allows us to carry forward our original assessment of whether contracts contained a lease, lease classification, and the initial direct cost. Lastly, we elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

We determine if an arrangement is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Lessee

We categorize leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that transfer ownership to us or allow us to purchase assets at a nominal amount by the end of the lease term. Assets acquired under finance leases are recorded in property and equipment, net and real estate properties held for lease, net. All other leases are recorded as operating lease right-of-use, or ROU, assets.

Lease liability is recorded based on the present value of the lease payments over the lease term using a discount rate at commencement date. As the implicit rate in our leases is not typically readily available, we use an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. This incremental borrowing rate reflects the fixed rate at which we could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. Leased assets are recognized based on the initial present value of the lease payments, reduced by lease incentives.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. The expected lease terms are based on the non-cancelable term of the lease and may contain options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Finance lease assets are amortized in a manner consistent with our normal depreciation policy for owned assets. Variable lease payments not dependent on an index or rate are excluded from the ROU assets and lease liability calculations and are recognized in expense in the period which the obligation for those payments is incurred.

Lessor

As a lessor, our leases are classified as operating leases under ASC 842, and thus, the pattern of recognition of real estate lease income remains unchanged from previous lease accounting guidance. Leases, in which we are the lessor, are substantially all accounted for as operating leases and the lease components and non-lease components are accounted for separately.

Effect of change in estimate

Revisions in estimated gross profit margins related to estimated costs and revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2022, real estate development projects(Tianjin Spring Royal Palace I, Tianjin Spring Royal Palace II, Zhengzhou Hangmei International Wisdom City I, Beijing Tongzhou Liyuan, Xi'an Xinyuan Royal Palace), which recognized gross profit in 2021, had changes in their estimated gross profit margins. As these projects moved closer to completion during 2022, the Company adjusted its prior estimates related to selling prices and development costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share decreased by US\$55.3 million (2020: decreased by US\$94.5 million, 2021: decreased US\$265.3 million.), US\$41.5 million (2020: decreased US\$70.9 million, 2021: decreased US\$199.0 million), US\$0.38 per share (2020: decreased by US\$0.66 per share, 2021: decreased US\$1.85 per share), and US\$0.38 per share (2020: decreased by US\$0.66 per share, 2021: decreased US\$1.85 per share), respectively, for the year ended December 31, 2022.

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

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. As of December 31, 2022, our short-term bank loans and other debt, and current portion of long-term bank loans and other debt amounted to US\$1,734.7 million. As announced in the Form 6-K press release dated July 19, 2022, we did not make payments in full for senior notes of RMB545.3 million (“defaulted senior notes”) issued on July 3 and August 6, 2020 with a maturity date on June 29, 2022. The Default also triggered cross-default of other senior notes issued by the Group with carrying amount of US\$641.7 million.

The Group also breached certain covenants relating to bank and other borrowings of US\$624.9 million as at December 31, 2022. Other than that, up to the date of approval of these consolidated financial statements, the Group continues to be in breach of certain covenants and other lenders have not demanded for immediate repayment of other bank and other borrowings.

In addition, the Group is involved in other various litigation and arbitration cases for various reasons and the contingent compensation is subject to the court verdict.

We anticipate that the market conditions in the real estate sector to remain under pressure in 2023, and therefore, in the absence of a sharp recovery in the market and the availability of various financing options, we remain cautious about our liquidity in the near term. The above events or conditions indicate the existence of material uncertainty which cast substantial doubt on our ability to continue as a going concern.

In view of such circumstances, the Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taking into account the past operating performance of the Group and the following:

- (a) The Group has been in negotiation with the noteholder to reach agreement on a debt restructuring plan;
- (b) In May 2023, the Group reached an agreement with corporate bondholders of RMB corporate bonds with carrying amount of RMB900 million as at 31 December 2022. Pursuant to the agreement, the repayment date of the corporate bond was extended to 30 July 2025;
- (c) Up to the date of approval of the consolidated financial statements, the Group successfully extended the maturity date of long-term loans of the aggregate principal amount of US\$20.8 million to no earlier than May 2024, alleviating the pressure on liquidity within a reasonable timeframe;

- (d) The Group is actively in discussions with the other existing lenders to renew the Group's certain borrowings and/or not to demand immediate repayment until the Group has successfully completed the property construction projects and generated sufficient cash flows therefrom. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions;
- (e) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to the property market in the PRC have been encouraging to increase buyer interests and stimulate demand. Subject to the improvement of the market sentiment, the Group will actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;
- (f) The Group will continue to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will also continue to actively assess additional measures to further reduce discretionary spending;
- (g) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group will seek to reach an amicable solution on the charges and payment terms to the claims and litigations which have not yet reached a definite outcome.

In the event forecast cash flow is not achieved or the renewal of borrowings and public senior notes do not undergo as planned, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

- 1) The Group could adjust their original sale plan for some residential properties and commercial buildings to an earlier stage in order to generate additional funds;
- 2) The Group will continue to seek to obtain additional new sources of financing from potential equity investment partners or to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make them relatively more attractive to potential buyers and retain a higher value in current market conditions.

Notwithstanding the above, uncertainty exists as to whether the renewal of borrowings and public senior notes can be renewed and as to all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of properties depend on market conditions. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

See Report of Independent Registered Public Accounting Firm in the accompanying consolidated financial statements.

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

In addition to our land acquisitions, we expect to incur material project development costs on the acquired land. Our cash needs can only be partially satisfied by construction loans and future cash flows from real estate projects under development in the upcoming fiscal year. To ensure that we have sufficient funds to secure attractive land parcels and cover material project development costs, which are vital to our growth strategy, we have chosen to maintain a certain level of cash reserves on hand. In addition, we are required to maintain restricted cash deposits by banks that provide loans to us and our customers. The amount of the restricted cash deposits will vary based on the amount of the related loans. As of December 31, 2022, approximately US\$277.6 million or 49.5% of our total cash balance reserve, was restricted cash.

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

We are a holding company established in the Cayman Islands and operate most of our business through our subsidiaries in China. Our cash requirements rely significantly upon dividends that we receive from our subsidiaries in China. To the extent our U.S., Malaysia and UK operations continue to grow, we may in the future also depend on dividends from our U.S., Malaysia and UK subsidiaries. If our subsidiaries incur indebtedness or losses, their ability to pay dividends or other distributions to us may be negatively affected. Regulations in China currently permit payment of dividends only out of accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, restrictive covenants in bank credit facilities, bonds, other long-term debt agreements, joint venture agreements or other agreements that we or our subsidiaries currently have or may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make other distributions to us and our ability to receive distributions. See “Item 3. Key Information – D. Risk Factors - Risks Related to Our Business - We are a holding company that depends on dividend payments from our subsidiaries for funding.”

Cash Flows

	2021	2022
	(US\$ in thousands)	
Net cash provided by/(used in) operating activities	135,609	(530,273)
Net cash (used in)/provided by investing activities	(22,775)	513,898
Net cash used in financing activities	(677,077)	(60,426)
Net decrease in cash, cash equivalents and restricted cash	(564,243)	(76,801)
Effect of exchange rate changes on cash and cash equivalents	24,132	(82,342)
Cash, cash equivalents and restricted cash, at beginning of year	1,259,982	719,872
Cash, cash equivalents and restricted cash, at end of year	719,872	560,728

Operating Activities

Net cash used in operating activities was US\$530.3 million in 2022, primarily attributable to an increase in real estate properties completed and under development and other receivables of US\$610.2 million, partially offset by a decrease in amounts due from related parties and advances to suppliers of US\$108.7 million.

Net cash provided by operating activities was US\$135.6 million in 2021, primarily attributable to decrease in real estate properties completed and under development of US\$647.9 million, partially offset by a decrease in accounts payable, amounts due from related parties and other payables and accrued liabilities of US\$212.6 million.

Proceeds from pre-sale 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-sale proceeds to develop the particular project pre-sold. The amount and timing of cash flows from pre-sale are affected by a number of factors, including restrictions on pre-sale imposed by PRC law, market demand for our properties subject to pre-sale, prices at which we can pre-sell and the number of properties we have available for pre-sale. Any pre-sale payments we receive before we recognize revenue are recorded as current liabilities under customer deposits. As of December 31, 2021 and 2022, we recorded current liabilities consisting of customer deposits of US\$1,162.4 million and US\$1,280.5 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\$513.9 million in 2022, and was mainly attributable to the acquisition of subsidiaries, net of cash acquired of US\$510.1 million.

Net cash used in investing activities was US\$22.8 million in 2021, and was mainly attributable to the acquisition of long-term investment.

Financing Activities

Net cash used in financing activities was US\$60.4 million in 2022, and was primarily attributable to repayments of short-term and long-term bank loans and other debts in the aggregate of US\$346.6 million, partially offset by proceeds from short-term and long-term bank loans and other debts in the aggregate of US\$299.6 million.

Net cash used in financing activities was US\$677.1 million in 2021, and was primarily attributable to repayments of short-term and long-term bank loans and other debt in the aggregate of US\$1,876.4 million, partially offset by proceeds from short-term and long-term bank loans and other debt in the aggregate of US\$1,161.2 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, 2021 and 2022, respectively, were as follows:

	<u>2021</u>	<u>2022</u>
	US\$	US\$
Short-term bank loans and other debt	99,468,777	81,598,369
Long-term bank loans	494,076,875	146,603,073
Other long-term debt	275,100,201	259,081,410
Current portion of long-term bank loans and other debt	1,466,820,657	1,653,119,929
Total	<u>2,335,466,510</u>	<u>2,140,402,781</u>

As of December 31, 2021 and 2022, the weighted average interest rate on our short-term bank loans and other debt was 7.32% and 7.26% per annum respectively. As of December 31, 2021, US\$95.1 million of the short-term bank loans was denominated in RMB and is secured by real estate properties completed, land use right, real estate properties held for lease, and property and equipment. The remaining US\$4.4 million of the short-term bank loans and other debt was denominated in U.S. dollars and was secured by RMB restricted cash. As of December 31, 2022, US\$81.6 million of the short-term bank loans was denominated in RMB and is secured by real estate properties completed, land use right, real estate properties held for lease, and property and equipment.

As of December 31, 2021 and 2022, the weighted average interest rate on our long-term bank loans, including their current portion, was 7.24% and 7.46% per annum respectively. As of December 31, 2021, US\$780.0 million of the long-term bank loans was denominated in RMB and secured by associated land use rights, real estate under development and real estate properties held for lease, and property and equipment. The remaining US\$38.5 million of the long-term bank loans was denominated in U.S. dollars and was secured by the RMB restricted cash. As of December 31, 2022, US\$590.6 million of the long-term bank loans was denominated in RMB and secured by associated land use rights, real estate under development and real estate properties held for lease, and property and equipment.

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%.

On August 20, 2020, the PBOC and MOHURD proposed a pilot plan at a conference which sets three goals for PRC real estate development companies: their debt asset ratios should not exceed 70% after deducting advance proceeds from projects sold; their net debt to equity ratios should not exceed 100%; and their ratios of cash balances and cash equivalent to short-term borrowings should be at least 1. Based on the number of these targets that PRC real estate development companies manage to satisfy, the upper limit of annual growth rate of interest-bearing liabilities that a particular real estate development company is permitted to hold varies from 5% to 15%. The pilot plan was supposed to become a formal policy in 2021, however to date, PRC governmental authorities have not issued any relevant regulations or policies.

On December 31, 2020, the PBOC and CBIRC issued the 2021 Notice, which took effect on January 1, 2021. The 2021 Notice divides all Chinese-funded banks into five levels and sets different limitations on banks in different levels to provide real estate loans. For example, the amount of outstanding real estate loans of a bank in Level 1 must not account for more than 40% of its total outstanding RMB loans, while the amount of outstanding real estate loans of a bank in Level 5 must not account for more than 12.5% of its total outstanding loans denominated in RMB.

These internal capital ratio requirements, together with the above policies, have limited the amount of bank financing that property developers, including us, are able to obtain.

Debt Securities

In addition to bank loans, the Group from time to time raises funds through the issuance of debt securities. On December 6, 2013, we issued US\$200 million aggregate principal amount of June 2019 Senior Secured Notes, which notes we subsequently redeemed in 2017. On August 30, 2016, we issued US\$300 million aggregate principal amount of the August 2019 Senior Secured Notes. On February 28, 2017, we issued US\$300 million aggregate principal amount of the February 2021 Senior Secured Notes. On November 22, and December 1, 2017 we issued collectively US\$300 million aggregate principal amount of November 2020 Senior Secured Notes. On March 19, 2018, we issued US\$200 million aggregate principal amount of March 2020 Senior Secured Notes. On April 15, 2019 and April 26, 2019, the Company issued a collective aggregate principal amount of US\$300 million of October 2021 Senior Secured Notes. The October 2021 Notes bear interest at 14.2% per annum, payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing October 15, 2019. The October 2021 Notes have a two and a half year (thirty month) term maturing on October 15, 2021. On June 29, 2020, the Company issued a collective aggregate principal amount of RMB514.5 million (US\$75 million) of June 2022 Senior Secured Notes. The June 2022 Notes bear interest at 12% per annum, payable semi-annually. Interest will be payable on December 29 and June 29 of each year, commencing December 29, 2020. The June 2022 Notes have a two-year term maturing on June 29, 2022. On September 17, 2020, the Company issued a collective aggregate principal amount of US\$300 million of September 2023 Senior Secured Notes. The September 2023 Notes bear interest at 14.5% per annum, payable semi-annually. Interest will be payable on March 17 and September 17 of each year, commencing March 17, 2021. The September 2023 Notes have a three-year term maturing on September 17, 2023. On January 25, 2021, the Company issued a collective aggregate principal amount of US\$270 million of January 2024 Senior Secured Notes. The January 2024 Notes bear interest at 14.0% per annum, payable semi-annually. Interest will be payable on July 25 and January 25 of each year, commencing July 25, 2021. The January 2024 Notes have a three-year term maturing on January 25, 2024.

On October 15, 2021, eligible holders of the October 2021 Notes in the aggregate principal amount of US\$207,680,000 exchanged their notes and the Company delivered new notes in the aggregate principal amount of US\$205,401,000 and US\$19,101,080 in cash consideration in full satisfaction of the exchange consideration to those eligible holders. The October 2023 Senior Secured Notes bear interest at 14.2% per annum, payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing April 15, 2022. The new notes have a two-year term maturing on October 15, 2023.

The May 2018 Senior Secured Notes, the June 2019 Senior Secured Notes, the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes, the March 2020 Senior Secured Notes, the October 2021 Senior Secured Notes, the June 2022 Senior Secured Notes, the September 2023 Senior Secure Notes, and the January 2024 Senior Secured Notes were issued without registration under the Securities Act in offerings conducted outside the United States pursuant to Regulation S under the Securities Act.

Senior Secured Notes

Our obligations under the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes and the March 2020 Senior Secured Notes, the indenture governing the August 2019 Senior Secured Notes (the “August 2019 Indenture”), the indenture governing the February 2021 Senior Secured Notes (the “February 2021 Indenture”), the indenture governing the November 2020 Senior Secured Notes (the “November 2020 Indenture”), the indenture governing the March 2020 Senior Secured Notes (the “March 2020 Indenture”), the indenture governing the October 2021 Senior Secured Notes (the “October 2021 Indenture”), the indenture governing the June 2022 Senior Secured Notes (the “June 2022 Indenture”) and the indenture governing the September 2023 Senior Secured Notes (the “September 2023 Indenture”) have been guaranteed initially by certain of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other of our future subsidiaries in accordance with the terms of the applicable Indenture. Our obligations under the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes, the March 2020 Senior Secured Notes, the August 2019 Indenture, the February 2021 Indenture, the November 2020 Indenture, the March 2020 Indenture, the October 2021 Indenture, the June 2022 Indenture and the September 2023 Indenture are secured by a pledge of the capital stock of our wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd. and Elite Quest Holdings Ltd.

The August 2019 Indenture, the February 2021 Indenture, the November 2020 Indenture, the March 2020 Indenture, the October 2021 Indenture, the June 2022 Indenture and the September 2023 Indenture contain certain covenants that, among others, restrict our ability and the ability of our restricted subsidiaries (as defined in the applicable Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes, the March 2020 Senior Secured Notes, the October 2021 Senior Secured Notes, the June 2022 Indenture, or the September 2023 Indenture, as applicable, or other assets, to make certain other payments and to engage in transactions with affiliates and holders of more than 10% of our common shares, subject to certain qualifications and exceptions and the satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the applicable Indenture) of 2.50 to 1.0, 2.0 to 1.0, 2.0 to 1.0, 2.0 to 1.0, and 2.0 to 1.0, respectively. Certain of these limitations, including restrictions on the incurrence of certain indebtedness or issuances of preferred stock, the making of certain payment or investments, payments of dividends, and sales of assets will be suspended if the August 2019 Senior Secured Notes, the February 2021 Senior Secured Notes, the November 2020 Senior Secured Notes, the March 2020 Senior Secured Notes, the October 2021 Senior Secured Notes the June 2022 Indenture or the September 2023 Indenture as applicable, obtain and retain an investment grade rating.

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

At any time prior to maturity date of a series of senior secured notes, we may redeem up to 35% of the aggregate principal amount of that series of senior secured notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of (a) in the case of the August 2019 Senior Secured Notes, 108.125% of the principal amount, (b) in the case of the February 2021 Senior Secured Notes, 107.75% of the principal amount, (c) in the case of the November 2020 Senior Secured Notes, 108.875% of the principal amount, (d) in the case of the March 2020 Senior Secured Notes, 109.875% of the principal amount and (e) in the case of the October 2021 Senior Secured Notes, 114.2%, plus, in each case, accrued and unpaid interest, if any, to (but not including) the redemption date. At least 65% of the aggregate principal amount of a series being so redeemed must remain outstanding after such redemption.

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

June 2022 Senior Secured Notes

On June 29, 2020, the Company issued a collective aggregate principal amount of RMB514,500,000 (US\$75 million) of the June 2022 Senior Secured Notes. The June 2022 Senior Secured Notes bear interest at 12.0% per annum, payable semi-annually. Interest will be payable on June 29 and December 29 of each year, commencing December 29, 2020. The June 2022 Notes have a two-year term maturing on June 29, 2022. As of December 31, 2022, we had a total principal amount of US\$79.7 million of June 2022 Senior Secured Notes outstanding. We did not make payments in full for the June 2022 Senior Secured Notes at maturity on June 29, 2022. The total amount due and payable, including principal and interests, was RMB545.3 million. We have been in negotiation with the sole beneficial holder, who is a third party, with a view to resolving the matter soon. We have also engaged Alvarez & Marsal Corporate Finance Limited and Latham & Watkins LLP to advise on the related debt matters.

September 2023 Senior Secured Notes

On September 17, 2020, the Company issued a collective aggregate principal amount of US\$300,000,000 of the September 2023 Senior Secured Notes. The September 2023 Senior Secured Notes bear interest at 14.5% per annum, payable semi-annually. Interest will be payable on March 17 and September 17 of each year, commencing March 17, 2020. The September 2023 Senior Secured Notes have a three-year term maturing on September 17, 2023. As of December 31, 2022, we had a total principal amount of US\$249.7 million of September 2023 Senior Secured Notes outstanding. We had not made interest payments for the September 2023 Senior Secured Notes since September 17, 2022. We have been negotiating with the major holder of the September 2023 Senior Secured Notes to resolve the matter. We have also engaged Alvarez & Marsal Corporate Finance Limited and Latham & Watkins LLP to advise on the related debt matters.

January 2024 Senior Secured Notes

On January 25, 2021, the Company issued a collective aggregate principal amount of US\$270,000,000 of the January 2024 Senior Secured Notes. The January 2024 Senior Secured Notes bear interest at 14.0% per annum, payable semi-annually. Interest will be payable on July 25 and January 25 of each year, commencing July 25, 2021. The January 2024 Senior Secured Notes have a three-year term maturing on January 25, 2024. As of December 31, 2022, we had a total principal amount of US\$260.5 million of January 2024 Senior Secured Notes outstanding. We had not made interest payments for the January 2024 Senior Secured Notes since July 25, 2022. We have been negotiating with the major holder of the January 2024 Senior Secured Notes to resolve the matter. We have also engaged Alvarez & Marsal Corporate Finance Limited and Latham & Watkins LLP to advise on the related debt matters.

October 2023 Senior Secured Notes

On October 15, 2021, eligible holders of the October 2021 Senior Secured Notes in the aggregate principal amount of US\$207,680,000 exchanged their notes and we delivered new notes in the aggregate principal amount of US\$205,401,000 and US\$19,101,080 in cash consideration in full satisfaction of the exchange consideration to those eligible holders. The new notes bear interest at 14.2% per annum, payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing April 15, 2021. The new notes have a two-year term maturing on October 15, 2023. As of December 31, 2022, we had a total principal amount of US\$131.5 million of October 2023 Senior Secured Notes outstanding. We had not made interest payments for the October 2023 Senior Secured Notes since October 15, 2022. We have been negotiating with the major holder of the October 2023 Senior Secured Notes to resolve the matter. We have also engaged Alvarez & Marsal Corporate Finance Limited and Latham & Watkins LLP to advise on the related debt matters.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan China issued the first tranche of the onshore corporate bonds with an aggregate principal amount of US\$154 million due on December 28, 2020 (the “First Tranche Bonds”) at a coupon rate of 7.5% per annum payable annually. Interest is payable on December 28 of each year, commencing December 28, 2016. Given that First Tranche Bonds is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the First Tranche Bonds under the requirements of ASC 815 “Derivatives and Hedging”. The First Tranche Bonds were issued at par. On January 27, 2016, Xinyuan China issued the second tranche of the onshore corporate bonds with an aggregate principal amount of US\$107 million due on January 27, 2021, or the Second Tranche Bonds, at a coupon rate of 7.47% per annum payable annually. On March 14, 2016, Xinyuan China issued the third tranche of the onshore corporate bonds with an aggregate principal amount of US\$77 million due on March 14, 2021, or the Third Tranche Bonds, at a coupon rate of 7.09% per annum payable annually. As of December 31, 2022, the total outstanding principal amount of each of the First Tranche Bonds, Second Tranche Bonds and Third Tranche Bonds outstanding was nil.

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

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 November 12, 2020, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of US\$130 million due on November 13, 2025, or the 2020 Tranche Bonds, at a coupon rate of 8.35% per annum payable annually. Interest is payable on November 16 of each year, commencing November 13, 2020. As of December 31, 2022, a total principal amount of US\$25.3 million of the 2020 Tranche Bonds was outstanding.

On January 7, 2021, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of US\$78 million due on January 6, 2026, or the 2021 Tranche Bonds, at a coupon rate of 8.35% per annum payable annually. Interest is payable on January 6 of each year, commencing January 6, 2022. As of December 31, 2022, a total principal amount of US\$14.0 million of the 2021 Tranche Bonds was outstanding.

Capital Expenditures

Our capital expenditures were US\$4.0 million and US\$5.2 million in 2021 and 2022, respectively. Our capital expenditures in 2021 and 2022 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, 2022, we had outstanding commitments with respect to non-cancellable construction contracts for real estate development and land use rights purchases in the amount of US\$1,171.9 million.

Material Cash Requirements

Our material cash requirements, as of December 31, 2022 and any subsequent period, primarily included contractual construction costs, and repayment of principle and interests for bank loans and debts. We intend to fund our existing and future material cash requirements with cash flow generated from operating activities, issuance of debt securities and obtaining of bank borrowings. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

Our capital expenditures primarily consist of building improvements, purchase of aircraft and construction equipment, vehicles, fixtures and furniture and computer network equipment. Our capital expenditures were RMB8.9 million (US\$1.3 million), RMB25.6 million (US\$4.0 million), and RMB35.2 million (US\$5.2 million) in the years ended December 31, 2020, 2021 and 2022, respectively. We will continue to make capital expenditures to meet the expected growth of the business. Our capital expenditures may decrease in the future as we do not expect significant demands in purchasing incremental equipment. We currently plan to fund these expenditures with the cash flow generated from operating activities.

As of December 31, 2022, our contractual obligations amounted to US\$3,637.1 million, primarily arising from contracted construction costs or other capital commitments for future property developments and debt obligations. The following table sets forth our contractual obligations for the periods indicated:

	Payments due by period				
	Total	Less than 1 year	1-3 years (US\$ in thousands)	3-5 years	More than 5 years
Long-term debt obligations					
Long-term bank loans	146,603	—	111,066	11,271	24,266
Interest on long-term bank loans ⁽¹⁾	42,190	22,408	9,977	5,530	4,275
Other long-term debt	259,081	—	259,081	—	—
Interest on other long-term debt ⁽²⁾	129,530	—	7,883	—	—
Current portion of long-term bank loan and other debt	1,653,120	1,653,120	—	—	—
Interest on current portion of long-term bank loan and other debt ⁽¹⁾	144,055	144,055	—	—	—
Short-term debt obligations					
Short-term bank loans	81,598	81,598	—	—	—
Interest on short-term debt obligations ⁽³⁾	1,376	1,376	—	—	—
Operating lease obligations	7,628	3,777	3,851	—	—
Non-cancellable construction contract obligations	1,171,876	532,677	494,193	145,006	—
Total	3,637,057	2,439,011	886,051	161,807	28,541

(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, was calculated based on the current interest rate of each loan, ranging from 4.75% to 9.00% per annum, using the PBOC benchmark rate of 4.75% as of December 31, 2022.

(2) Interest on other long-term debt is calculated based on the interest rates for relevant loans, ranging from 2.80% to 14.50% per annum.

(3) Interest on short-term loans is calculated based on the interest rates for relevant loans, ranging from 6.5% to 19.2% per annum.

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-sale activity. The construction of many of our projects is carried-out in phases, the timing of which is primarily determined by us based on the pace of the market demand for units in the project. Accordingly, after receiving the pre-sale permits relating to a project, we are in a better position to manage some of our construction activities to coincide with the timing of expected pre-sales.

We believe our cash on hand, projected cash flow from operations, available construction loan borrowing capability, and potential access to capital markets, should be sufficient to meet our expected cash requirements, including our non-cancellable construction contract obligations and capital lease obligations that are due on various dates through March 1, 2022, and for Xinyuan China to satisfy its obligations under the First, Second, Third, 2018 Tranche Bonds, 2019 Tranche, 2019 First Tranche Bonds, 2020 Tranche Bonds and 2021 Tranche Bonds. The repayment of the outstanding principal amount of our June 2022 Senior Secured Notes due in June 2022 was delayed and is being negotiated with the sole beneficiary holder.

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

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

Moreover, 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, 2021 and 2022, we guaranteed mortgage loans in the aggregate outstanding amount of US\$2,156.3 million and US\$2,110.5 million, respectively.

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

The pre-sale 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. After the record request is being made, the government will typically provide certificates of ownership within six to twelve months. 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 may exceed the real estate balances at any given point in time.

We paid US\$3.7 million and US\$4.1 million to satisfy guarantee obligations related to customer defaults in 2021 and 2022, 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 had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties or long-term obligations as of December 31, 2022. 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.

As of December 31, 2022, the Group provided financial guarantees for bank loans of four of its equity method investees. The Group could incur losses in the event of defaults under or foreclosure of these loans and its maximum exposure to credit losses is approximately US\$227 million. The fair value of the guarantees is not significant and the Group considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding bank loans together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in the consolidated financial statements.

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, 2022 to December 31, 2022 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. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. See Note 2 to our consolidated financial statements included elsewhere in this annual report.

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 finance lease, allowance for estimating the allowance for credit losses associated with accounts receivables, other receivables, contract assets, short-term investments and advances to suppliers, fair values of the purchase price allocation with respect to business combinations, progress towards the completion of the performance obligation, accounting for the share-based compensation, accounting for deferred income taxes, impairment of goodwill, impairment of real estate properties under development, real estate properties held for lease and long-term investments, provision necessary for contingent liabilities and estimating the incremental borrowing rate for operating lease liabilities. Our management analyzed the forecasted cash flows for the twelve months from May 30, 2023, 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 end of May 2024. Our management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

Fair value of financial instruments

Financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related parties, other receivables, long-term investments, accounts payable, customer deposits, other payables and accrued liabilities, short-term bank borrowings, long-term borrowings and due to related parties. The carrying amounts of the aforementioned financial instruments, except for short-term investments for which the measurement alternative was elected, long term investments and long term borrowings, approximate their fair value due to the short term maturities of these instruments. 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. Long-term investments have no quoted market prices and it is not practicable to estimate their fair value without incurring excessive costs. We review the investments for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

For long-term investments other than those accounted for under the equity method or those that result in consolidation of the investee, we measures equity investments at fair value and recognizes any changes in fair value in net income. However, for equity investments that do not have readily determinable fair values and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurement (“ASC 820”), to estimate fair value using the net asset value per share (or its equivalent) of the investment, we chose to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. At each reporting date, we are required to make a qualitative assessment as to whether equity investments without a readily determinable fair value for which the measurement alternative is elected is impaired. In the event that a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than the carrying value, the carrying value is written down to its fair value. A variety of factors are considered when determining if a decline in fair value is below carrying value, including, among others, the financial condition and prospects of the investee.

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, we consider the principal or most advantageous market in which we would transact and we consider 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

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, investment in marketable equity securities and investment in real estate investment trusts (“REITs”) are classified as Level 1 as we measure the fair value using quoted trading prices that are published on a regular basis, and investment in equity securities in unlisted companies is categorized as Level 3 measured at fair value using alternative method, less any impairment, plus or minus changes resulting from observable price in orderly transactions.

Revenue recognition

Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We also elected to exclude sales taxes and other similar taxes from the measurement of the transaction price. Therefore, revenues are recognized net of business tax and VAT.

Real estate sales

Revenues arising from real estate sales are recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

For real estate sales contracts for which we have an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains the physical possession, the legal title, or the significant risks and rewards of ownership of the assets and we have a present right to a payment and the collection of the consideration is probable. The progress towards complete satisfaction of the performance obligation is measured based on the our efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

Real estate management services income

Real estate management services income is recognized in the accounting period in which the services are rendered. We bill a fixed amount periodically for services provided and recognizes as revenue the amount to which we have a right to invoice that corresponds directly with the value of performance completed.

Real estate lease income

Real estate lease income is generally recognized on a straight-line basis over the terms of the tenancy agreements. For real estate leases, these contracts are treated as leases for accounting purposes, rather than contracts with customers subject to ASC 606, Revenue from Contracts with Customers.

Other revenue

Other revenue includes services ancillary to our real estate projects, including construction service revenue and software consulting service income. Construction service revenue and software consulting service income are recognized when services are provided as the customer simultaneously benefits from the services as they are performed.

Contract assets

We pay sales commission to its real estate sales agencies for each real estate sales contract. We have elected to apply the optional practical expedient for costs to obtain a contract which allows us to immediately expense sales commissions (included under selling and distribution expenses) when the amortization period of the asset that we otherwise would have used is one year or less. For incremental costs of obtaining real estate sales contracts that extend beyond a one-year period, these incremental costs of obtaining real estate sales contracts are recognized as assets if the real estate sales are collectible and amortized as we transfer the control of the assets to customers. We recognized US\$46.5 million and US\$9.8 million of such costs in selling and distribution expense during 2021 and 2022. As of December 31, 2021 and 2022, there was no impairment losses on contract assets.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before we transfer goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Our contract liabilities are comprised of customer deposits, which are recognized as revenue when we perform under the contract.

Accounts receivable and allowance for credit losses

We adopted ASU No. 2016-13, Financial Instruments—Credit Losses. Subsequently, the Financial Accounting Standards Board issued ASU 2019-05, Financial Instruments- Credit Losses (Topic 326): Targeted Transition Relief and ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments- Credit Losses from January 1, 2020 using the modified retrospective approach and did not restate the comparable periods.

Accounts receivable represents our right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Our accounts receivable consists of balances due from customers for the sale of residential units in PRC and United States and real estate management service contracts. These balances are unsecured, bear no interest and are due within a year from the date of the sale.

The allowance for credit losses reflects our current estimate of credit losses expected to be incurred over the life of the receivables. We consider various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness and specific exposures related to particular customers. We also monitor other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. Accounts receivable are written off after all collection efforts have ceased. As of December 31, 2022, there was US\$5.1 million (December 31, 2021: US\$4.8 million) allowance for credit loss.

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 report:

Name	Age	Position
Yong Zhang	59	Executive Director, Chairman of the Board, Chief Executive Officer
Haifei He	57	Executive Director and President of Xinyuan (China)
Yu (Brian) Chen	47	Chief Financial Officer
Yuyan Yang	59	Director
Yong Cui	47	Director
Yifan (Frank) Li	54	Director*
Ji Luo	76	Director*
Samuel Shen	57	Director*(resigned on September 16, 2022)

* Independent director per NYSE listing standards.

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

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

Yong Zhang founded our company in 1997 and has been the Chairman of the board of directors since 2007 and has been the Chief Executive Officer since June 2019, previously holding the position from 1997 to 2013. 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 11th and 12th People's Congress of Henan Province in China. He serves as a director of Beijing Ruizhuo Xihe Technology Development Co., Ltd., Beijing Ruizhuo Xitou Technology Development Co., Ltd., Beijing Ruizhuo Xichuang Technology Development Co., Ltd, Beijing XinyuanXin Technology Development Co., Ltd., Beijing Ruizhuo Xirong Technology Development Co., Ltd., Beijing Ruizhuo Xihui Technology Development Co., Ltd., Beijing Ruizhuo Xijia Technology Development Co., Ltd., Huayi Xincheng (Beijing) Intelligent City Construction Co., Ltd., Beijing Xinyuan Future Investment Management Co., Ltd., Ningbo Zhongxin Xitou investment management Co., Ltd., Beijing Aijieli Technology Development Co., Ltd., Xinyuan Holding Ltd. and Madison Developments Limited. Mr. Zhang received a Ph.D. in finance from Renmin University of China in 2014, an executive master's degree in business administration from Tsinghua University in 2005 and a bachelor's degree in architecture from Henan Zhongzhou University in 1985.

Haifei He is currently the president of Xinyuan (China) Real Estate Co., Ltd., in charge of the company's overall operation and management. Mr. He brings over three decades of senior leadership experiences. Mr. He previously served as the Assistant General Manager of China State Construction Engineering Corporation, and the Chairman and Party Secretary of China Construction Fangcheng Investment & Development Group.

Yu (Brian) Chen joined Xinyuan in February 2019 as an Assistant President and the General Manager of the Company's Capital Markets department. Before joining Xinyuan, Mr. Chen held senior management positions in various publicly listed companies including Pacific Securities, RioCan REIT, Husky Injection Molding Systems, MDS, and ZTE. He has close to two decades of experience in accounting, financial management, business turnarounds and capital market operations. Mr. Chen received his Bachelor of Economics from Peking University in 1998 and his MBA from the Schulich School of Business at York University in 2004. He also obtained CPA designations from Canada in 2007 and the U.S. in 2010.

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

Yong Cui has been a director of our company since April 2007 and served as our President from September 2013 through January 2018. With a doctorate degree in finance from Renmin University of China, Mr. Cui has extensive experience in corporate finance. For the past five years, Mr. Cui has worked at Beijing Runzheng Consulting Company as President.

Yifan (Frank) Li was appointed as a director of our company in February 2017. Mr. Li has been Chief Financial Officer of Human Horizons Group Inc. since April 2021. He was a Vice President of Geely Holding Group from October 2014. Prior to joining Geely, he was Vice President and international Chief Financial Officer of Sanpower Group from April 2014. Previously, he served as Chief Financial Officer of China Zenix Auto International (NYSE:ZX) from December 2010 to March 2014. Prior to joining China Zenix Auto International, Mr. Li was the Chief Financial Officer of Standard Water and Time Share Media, respectively, from December 2007. Mr. Li is also an independent director of Qudian Inc. (NYSE:QD), 36Kr Holdings Inc. (NASDAQ:KRKR). Mr. Li received his MBA degree from the University of Chicago Booth School of Business in 2000, MSc in Accounting from University of Texas at Dallas in 1994, and Bachelor of Economics in World Economy from Fudan University in 1989. He is a Certified Public Accountant in the United States and a Chartered Global Management Accountant. His business address is 1339 Wanfang Road, Shanghai 201112, China.

Ji Luo was appointed as a director of our company in December 2022. Mr Luo has previously served as an independent director of Xinyuan Property Management Service (Cayman) Ltd., a company listed on the Stock Exchange of Hong Kong (Stock Code:1895), from September 2019 to October 2022 and Beijing Aerospace Changfeng Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600855), from May 2010 to April 2016. Prior to joining the Company in December 2022, Mr. Luo was the executive manager and a partner at Beijing Hanheng Law Firm from September 2003 and March 2007, respectively. Mr. Luo obtained a bachelor's degree in law from the China University of Political Science and Law in November 1999 and became a qualified lawyer of the Ministry of Justice of the PRC in April 2001.

Samuel Shen was appointed as an independent director of the Company in April 2018. Mr. Shen has served as Group CEO of 21Vianet Group, Inc. (a company listed on NASDAQ, VNET) since January 1, 2021 and executive chairman of its retail IDC business group Neolink Group, Inc. since May 2020, Mercurity Fintech Holding Inc. (a company listed on the New York Stock Exchange, NYSE: MFH). Mr. Shen served as an independent director of Kingdee International Software Group Co. Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 0268), from January 2018 to January 2020 and Insigma Technology Co., Ltd (a company listed on the Shanghai Stock Exchange, stock code: 600797), from January 2016 to July 2021. Mr. Shen has extensive experience in the fields of cloud, edge computing, bigdata, and AI services. Mr. Shen previously served as President of JD Cloud where he led JD Cloud's efforts to extend its offerings of tailored service solutions to a wide range of companies in different industry verticals. Prior to JD Cloud, Mr. Shen held various senior positions at Microsoft. Mr. Shen received his master's degree in computer science from University of California, Santa Barbara, and his bachelor's degree in chemistry from National Tsing Hua University. Mr. Shen resigned on September 16, 2022.

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

B. Compensation

In 2022, the aggregate compensation given to our executive officers, including all directors was US\$4.0 million (which includes amounts paid to persons who are no longer serving as executive officers), of which the aggregate compensation given to our non-executive directors was US\$0.9 million (which includes amounts paid to persons who are no longer serving as directors). As discussed below under "Item 6. Directors, Senior Management and Employees — D. Employees," we made contributions of US\$14.6 million to employee benefit plans in 2022.

2007 Long Term Incentive Plan

In November 2007, we adopted our 2007 long term incentive plan, or the 2007 Plan, which provided for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase our common shares. The maximum aggregate number of common shares which could be issued pursuant to all awards, including options, was 10 million common shares, subject to adjustment to account for changes in the capitalization of our company. The 2007 Plan by its terms expired in 2017.

As of December 31, 2022, 39,400 of options granted prior to the expiration of the 2007 Plan remain exercisable.

The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2007 Plan outstanding as of March 31, 2023:

Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US\$ per share)	Grant Date	Date of Expiration
Yong Zhang	39,400	1.21	June 30, 2014	June 29, 2024

2014 Restricted Stock Unit Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2014 Restricted Stock Unit Plan, or the 2014 RSU Plan, effective May 23, 2014. The 2014 RSU Plan provides for discretionary grants of restricted stock units, or RSUs, to or for the benefit of participating employees. The purpose of the 2014 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 2014 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 2014 RSU Plan. Each eligible employee selected to participate may be granted an award of RSUs at such times and subject to such conditions as determined by the Compensation Committee.

Incentive Pool; Funding. Under the 2014 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." The long-term incentive pool is funded for any Grant Year and RSUs are 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 is credited to the long-term incentive pool for that Grant Year and no RSUs will be awarded for the Grant Year. 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 2014 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 2014 RSU Plan. Subject to the provisions of the 2014 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 2014 RSU Plan; correct any defect, supply any deficiency, and reconcile any inconsistency in the 2014 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 2014 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 2014 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 2014 RSU Plan for the period of time, or the lock-up period, set forth in the 2014 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 2014 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 2014 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 2014 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 2014 RSU Plan or the Compensation Committee’s authority to grant awards under the 2014 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 2014 RSU Plan will remain in effect until such time as no common shares remain available for delivery under the 2014 RSU Plan and we have no further rights or obligations with respect to outstanding awards under the 2014 RSU Plan.

On May 23, 2014, our company established a trust that is governed by a third party trustee and deposited US\$7,042,725 into the trust. The trustee used the funds to acquire 4,234,884 common shares in the open market through the purchase of ADSs. The awards vested ratably over a three-year service vesting period.

On April 10, 2015, under the 2014 RSU Plan, our company deposited US\$3,259,998 into the trust. The trustee used the funds to acquire 2,076,964 common shares in the open market through the purchase of ADSs. 2015 RSU awards vested ratably over a three-year service vesting period.

On April 18, 2016, under the 2014 RSU Plan, our company deposited US\$4,003,999 into the trust. The trustee used the funds to acquire 1,614,220 common shares in the open market through the purchase of ADSs. 2016 RSU awards vest ratably over a three-year service vesting period.

On July 27, 2017, under the 2014 RSU Plan, the Company deposited US\$3,485,952 into the trust. The trustee used the funds to acquire 1,356,584 common shares from the open market as of December 31, 2018. The awards vest ratably over a three-year service vesting period.

On July 30, 2018, under the 2014 RSU Plan, the Company deposited US\$3,976,660 into the trust. The trustee used the funds to acquire 1,732,466 common shares in the open market through the purchase of ADSs as of December 31, 2018. The awards vest ratably over a three-year service vesting period.

On August 30, 2019, under the 2014 RSU Plan, the Company deposited US\$2,912,539 into the trust. The trustee used the funds to acquire 1,438,076 common shares from the open market as of December 31, 2019. The awards vest ratably over a three-year service vesting period.

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 our company stock to participating employees and directors. The purpose of the Option Plan is to promote the interests of our company by enabling it to attract, retain and motivate key employees and directors responsible for the success and growth of our company and its subsidiaries by providing them with appropriate incentives and rewards and enabling them to participate in the growth of our company. All employees and directors of our company or any subsidiary who are capable of contributing significantly to the successful performance of our company, in the determination of the board of directors, are eligible to be participants in the Option Plan. Each eligible employee selected to participate may be granted an award of Options at such times and subject to such conditions as determined by the board of directors.

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

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

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

- in cash or cash equivalents when the shares are purchased;

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

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

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

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

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

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

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

Our company did not grant any options under the 2015 Plan from 2018 to 2022.

As of December 31, 2022, 2,796,734 options were issued and outstanding under the 2015 Plan and 14,865,808 shares remained eligible for future grants under the plan. The following table summarizes the options granted to our current directors, executive officers, and other individuals as a group under our 2015 Plan outstanding as of March 31, 2023.

Name	Common Shares Underlying Options Granted	Exercise Price of Options Granted (US\$ per share)	Grant Date	Date of Expiration
Yong Zhang	2,497,600	1.71	July 1, 2015	June 30, 2025
Yong Cui	—	1.71	July 1, 2015	June 30, 2025
Other employees as a group ⁽¹⁾	27,200	1.71	July 1, 2015	June 30, 2025
	54,334	1.71	July 1, 2015	June 30, 2025
	54,400	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025
	81,600	1.71	July 1, 2015	June 30, 2025

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

2020 Restricted Stock Unit Plan

Our board of directors adopted the Xinyuan Real Estate Co., Ltd. 2020 Restricted Stock Unit Plan, or the 2020 RSU Plan, effective June 30, 2020. The purpose of the 2020 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 the RSU Plan participants in connection with RSUs granted under the 2020 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 board of directors, are eligible to be participants in the 2020 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 board of directors.

Incentive Pool; Funding. Under the 2020 RSU Plan, we will establish a long-term incentive pool for participants for each fiscal year, a “Grant Year,” based on our net income attributable to shareholders (or other performance goals) for the most recently completed prior fiscal year, a “Base Year.” The long-term incentive pool is funded and RSUs are granted only if 70% or more of the target net income attributable to shareholders for the Base Year has been achieved. If the net income attributable to shareholders achieved for a Base Year is less than 70% of the target, no amount is credited to the long-term incentive pool for that Grant Year and no RSUs will be awarded for the Grant Year. 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 2020 RSU Plan provides that it will be administered by one or more committees of our board of directors. Subject to the provisions of the 2020 RSU Plan, such committee(s) have 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 2020 RSU Plan; correct any defect, supply any deficiency, and reconcile any inconsistency in the 2020 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 2020 RSU Plan as it deems necessary or advisable.

Grant, Allocation and Trading Restrictions of RSUs. Following the end of a Base Year, the committee(s) will allocate to each participant a percentage of the long-term incentive pool based on such factors as the committee(s) may determine from time to time in its or their 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 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 2020 RSU Plan, the award agreement and any additional terms and conditions set by the committee(s). 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 or ADSs settling vested RSUs may not be sold, transferred or otherwise disposed of by the participant (other than being returned to the Company) until one year after the participant’s resignation or termination of employment other than as a result of (i) death, (ii) disability as the result of a work injury, or (iii) retirement on or after age 60. After such one year period if an off-office audit performed by our internal audit department does not identify any risk (i.e., damage) to the Company or its subsidiaries from the participant’s conduct while employed with us or our subsidiaries, the Trustee will (i) deposit such ADSs or common shares into an account maintained for the participant (or of which the participant is a joint owner, with the consent of the participant) by a broker-dealer or stock plan administrator, or (ii) deliver common shares or ADSs to the participant (under our direction). Thereafter, the participant may sell, transfer or otherwise dispose of the common shares or ADSs. If the off-office audit identifies a risk to us or our subsidiaries, the common shares or ADSs will be forfeited and surrendered to us.

Amendments. Our board of directors may amend, suspend or terminate the 2020 RSU Plan or the authority of the committee(s) to grant awards under the 2020 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 committee(s) 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 2020 RSU Plan will remain in effect until such time as no common shares remain available for delivery under the 2020 RSU Plan and we have no further rights or obligations with respect to outstanding awards under the 2020 RSU Plan.

As of the date of this annual report, we have not deposited any amount into the trust established and governed by a third party trustee.

Other awards

On September 28, 2019, our Board of Directors approved the employee stock option plan of Xinchuang Technology, a subsidiary of us. Under the plan, we reserved 150 million shares, representing 30% of Xinchuang Technology's issued capital for purpose of providing share option awards to our senior management and employees. In November 2019, we granted a total 100 million share options to certain employees of us with an exercise price of US\$0.14 (RMB1). The options become vested in five tranches subject to achievement of certain performance conditions as follows: (i) 5% on the grant date with no performance condition; (ii) 5% for each of the first, second, third anniversary of the grant date, respectively; and (iii) the remaining 80% shall vest upon the completion of the initial public offering of Xinchuang. The total fair value of the share options granted in October 2019 is US\$3.5 million, which shall be recognized as compensation expense using the accelerated method. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of Xinchuang Technology. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by the Group with best estimates. As of December 31, 2022, there were no expired shares. The amount of expenses relating to the options that the Group recognized in profit of loss during the period is nil (2021: nil; 2020: nil).

Xinyuan Property Management Service (Cayman) Ltd., a subsidiary of us, operates a restricted share award scheme, or the Scheme, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of its operations. The participants of the scheme include its directors and senior executives. The scheme was adopted by our board on January 31, 2019. Pursuant to the scheme, an award of 56,250 restricted shares (subdivided into 56,250,000 restricted shares in August 2019), representing 15% of its share capital, was granted to the participants with a total exercise price at an aggregate consideration of US\$1,204,094 (RMB8,400,000). The considerations were fully settled in cash upon the issuance of restricted shares. The restricted shares vest in three tranches of 2%, 18% and 80% on January 1, 2020, January 1, 2021 and January 1, 2022, respectively, in accordance with certain vesting conditions, that is, performance condition based on the completion of IPO which requires recognition on an accelerated basis.

On June 14, 2019, Mr. Zhang Lizhou (one of the participants) resigned as an executive director. Upon the resignation of Mr. Zhang Lizhou, we repurchased the 18,750 shares granted to him at a consideration of US\$401,365 (RMB2,800,000) which was equal to the amount paid by Mr. Zhang Lizhou to us at the issuance date. The remaining settled aggregate consideration of US\$802,729 (RMB5,600,000) according to the scheme was recognized as liability because the restricted shares will be repurchased by us at the original amount by participants upon the termination of employment. The aggregate fair value of the restricted shares granted at the grant date amounting to US\$4,931,051 (RMB34,400,000) are recognized as compensation expense using the accelerated method. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of Xinyuan Property Management Service (Cayman) Ltd. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by us with best estimates.

As of December 31, 2022, there were no shares vested or expired, and we recognized scheme-related expense amounting to US\$nil (2021: US\$1,788,297; 2020: US\$2,031,331) in profit or loss during the period.

C. Board Practices

Our board of directors currently has six directors.

Committees of the Board of Directors

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

Audit Committee. Our audit committee consists of Mr. Yifan (Frank) Li and Mr. Ji Luo. 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. Li qualifies as an “audit committee financial expert” under applicable SEC rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Exchange Act, regardless of the dollar amount involved in such transactions;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies; and
- meeting separately and periodically with management and the independent registered public accounting firm.

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

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

- reviewing our overall compensation philosophy at least annually;
- reviewing and approving the corporate goals and objectives relative to our Chief Executive Officer’s compensation on an annual basis and determine the level of the Chief Executive Officer’s compensation;
- determine, or recommend for the board’s determination, the annual base and incentive compensation for our Chief Financial Officer, Chief Operating Officer, Chief Administrative Officer and any other person who performs similar functions for our company;
- make recommendations to the board with respect to equity-based compensation plans;
- determine compensation policies and practices and approval compensation to non-employee directors; and
- review, approve or make recommendations on executive employment agreements or any severance or similar termination payments proposed to be made to any current or former executive officer of the company.

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

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee consists of Mr. Yong Zhang (Chairman), Mr. Yifan (Frank) Li and Mr. Ji Luo.

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

- identifying and recommending qualified candidates to the board for selection of directors, nominees for board of directors, or for appointment to fill any vacancy;
- reviewing annually with the board of directors the current composition of the board of directors with regards to characteristics such as independence, age, skills, experience and availability of service to us;
- advising the board of directors periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board of directors on all matters of corporate governance and on any remedial action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Investment Committee. Our investment committee consists of Mr. Yong Zhang (Chairman), Mr. Yong Cui and Mr. Haifei He.

The investment committee assists the board of directors in overseeing our company's real property acquisitions and developments and management of other strategic assets. The investment committee is responsible for, among other things:

- reviewing and approving individual real property acquisitions;
- approving, without further board action, land acquisitions where the consideration is cash, seller financing and/or conventional bank debt;
- land acquisitions involving use of the company's shares, options or warrants; and
- approving acquisitions of assets, other than land, including shares in a third party or non-bank financial assets.

Duties of Directors

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

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

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our register of members.

Terms of Directors and Officers

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

D. Employees

As of December 31, 2021 and 2022, we had 1,701 and 1,160 full time employees. The following table sets forth the number of our full-time employees categorized by function as of the period indicated:

	2020	2021	2022
Management	58	61	48
Finance	189	186	125
Planning and development	499	344	180
Project construction management	316	272	172
Sales and marketing	194	127	127
Property management	458	509	365
Administrative and human resources	219	186	130
Legal and audit	17	16	13
Total	1,950	1,701	1,160

As of December 31, 2022, our subsidiary, Xinyuan Property Service Co., Ltd, also hired approximately 4,821 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 in 2020, 2021 and 2022 was US\$11,781,673, US\$20,710,982 and US\$14,643,127, respectively.

We have entered into non-competition agreements with our management and key personnel, which prohibit them from engaging in any activities that compete with our business during, and for one or two years after, the period of their employment with our company. We have also entered into confidentiality agreements with all of our employees.

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

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

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our common shares as of March 31, 2023, by:

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

- all of our directors and executive officers as a group.

Directors, Executive Officers and Principal Shareholders	Number	Shares Beneficially Owned ⁽¹⁾ %
Yong Cui	—	—
Yu Chen	—	—
Haifei He	—	—
Yifan (Frank) Li	—	—
Samuel Shen (resigned on September 16, 2022)	—	—
Yuyan Yang ^{*(2)}	28,400,000	26.29 %
Yong Zhang ^{*(3)}	32,663,501	29.54 %
Ji Luo	—	—
All directors and executive officers as a group ⁽⁴⁾	61,848,351	55.94 %

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

- (1) Beneficial ownership includes voting or investment power with respect to the securities and, except as indicated below, each person named has sole voting and investment power with respect to the shares shown opposite his or her name. Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Exchange Act, pursuant to which a person or group of persons is deemed to have “beneficial ownership” of any shares of common stock that such person has the right to acquire within 60 days of the date of determination. The percentage of beneficial ownership is based on 108,029,257 common shares outstanding as of March 31, 2023. 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 31, 2023 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) Ms. Yang is the settlor of The Spectacular Stage Trust established pursuant to the Trust Deed dated November 24, 2015 between Ms. Yang, as Settlor, and HSBC International Trustee Limited, as Trustee, or the Spectacular Trust. Pursuant to the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang, as Protector, before making any direct or indirect dispositions of any common shares that constitute assets of the Spectacular Trust and to vote common shares held by the Spectacular Trust and cause any entity owned by the Spectacular Trust directly or indirectly that holds common shares to vote such shares in accordance with instructions from Ms. Yang. Accordingly, pursuant to Section 13(d) of the Exchange Act, Ms. Yang may be deemed to beneficially own all of the common shares held directly or indirectly by the Spectacular Trust. Spectacular Stage Limited, a British Virgin Islands company indirectly wholly owned by the Spectacular Trust, owns 28,400,000 common shares.
- (3) Mr. Zhang is the settlor of The Juicy Seasons Trust established pursuant to the Trust Deed dated June 21, 2019 between Mr. Zhang, as Settlor, and HSBC International Trustee Limited, as Trustee, or the Juicy Trust. Pursuant to the Trust Deed, the Trustee is required to obtain the prior written consent of Mr. Zhang, as Protector, before making any direct or indirect dispositions of any common shares that constitute assets of the Juicy Trust and to vote common shares held by the Juicy Trust and cause any entity owned by the Juicy Trust directly or indirectly that holds common shares to vote such shares in accordance with instructions from Mr. Zhang. Accordingly, pursuant to Section 13(d) of the Exchange Act, Mr. Zhang may be deemed to beneficially own all of the common shares held directly or indirectly by the Juicy Trust. Juicy Seasons Limited, a British Virgin Islands company indirectly wholly owned by the Juicy Trust, owns 28,400,000 common shares. The amount of common shares also includes 2,537,000 common shares issuable upon exercise of vested options and 1,726,501 common shares held by Universal World Development Co. Ltd., a British Virgin Islands company, of which Mr. Zhang is the sole owner.
- (4) Includes 2,537,000 common shares issuable upon exercise of options exercisable within 60 days.

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.

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

There were three record holders in the United States, including the depository for our ADSs, holding, collectively, 52.1% and 52.1% of our outstanding common shares, as of December 31, 2022 and March 31, 2023.

B. Related Party Transactions

In 2020, the Company sold 6.03% of the equity interests in one real estate project company to senior management and employees for a total consideration of US\$1,300,135. According to the equity transfer agreement, as this arrangement is a form of an incentive plan, the Company is obligated to repurchase the equity interest back from senior management and employees.

On August 13, 2021, Xinyuan Science (an indirect wholly owned subsidiary of Xinyuan Property Management Service (Cayman) Ltd.) entered into a loan agreement with Henan Xinyuan Real Estate (a wholly owned subsidiary of Xinyuan Real Estate Holdings), pursuant to which, Xinyuan Science agreed to provide a loan up to RMB48 million to Henan Xinyuan Real Estate, and Xinyuan (China) agreed to provide an irrevocable and unconditional guarantee for such a loan. Pursuant to the terms of the loan agreement, Henan Xinyuan Real Estate will use the loan for general corporate and supplementary liquidity purposes. The loan has a two-year term and an 8% interest rate. The loan is supported by a guarantee from Xinyuan (China), which is also a wholly-owned subsidiary of Xinyuan Real Estate Holdings.

Please refer to Note 18 of our audited consolidated financial statements for additional information.

Review and Approval of Related Party Transactions

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

C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

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

Dividend Policy

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

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

Legal Proceedings

In December 2016, 421 Kent Development LLC, or 421 Kent, the property company for the Group's Oosten project, terminated its contract with its general contractor. The general contractor and various subcontractors have filed lawsuits against 421 Kent and the Company for approximately US\$22.0 million, in aggregate, plus punitive damages. In addition, the general contractor filed mechanic's liens against 421 Kent and the Company for approximately US\$8.0 million. On December 20, 2021, 421 Kent, the general contractor, and a subcontractor asserting claims against the general contractor attended a mediation and executed a three-way confidential settlement agreement resolving all disputes and controversies. As of the date of this annual report, 421 Kent has paid US\$1,300,000 pursuant to a negotiated settlement and has been released from all claims and liens against it and the Company.

In May 2019, an authorized entity of local government, or the Government Entity, sued Beijing Huiju, the original controlling and existing shareholder of one of the Group's equity method investee, Qingdao Huiju, for disputes in construction contract entered into between the Government Entity and Beijing Huiju. The Government Entity also claimed that Qingdao Huiju is jointly liable for the aforementioned construction contract and a commitment letter issued by Beijing Huiju, and sued both Beijing Huiju and Qingdao Huiju to be jointly and severally liable to a liquidated damage of US\$230.9 million stipulated in the commitment letter. Qingdao Huiju received the local court verdict of the first instance in April 2020 which held that Qingdao Huiju shall be jointly and severally liable to the liquidated damages of US\$230.9 million, and court cost of US\$1,167,369. The local court's decision was appealed to the High Court of Shandong Province in April 2020. In September 2020, the High Court of Shandong Province affirmed the local court verdict. In July 2021, the Government Entity applied for enforcement to the court, the Qingdao Intermediate Court organized an auction of land ownership of Qingdao Huiju and allocated the purchase price paid by the bidder to the Government Entity. As there is no other property or potential property clue of Qingdao Huiju provided by the Government Entity, the court ruled that enforcement procedure was terminated but could be resumed after the enforcement conditions were fulfilled. Our management noted that the property enforced does not involve the Company's interests in Qingdao Huiju and our management does not expect the legal proceedings mentioned above will have a material adverse effect on the Company's interests in Qingdao Huiju based on current progress.

In November 2022, Xinyuan Service, one of the Company's subsidiaries in which the Company has a controlling stake, identified that certain time deposits of a wholly-owned subsidiary of Xinyuan Service (the "Xinyuan Service Subsidiary") amounting to RMB402 million in aggregate had been pledged (the "Subsidiary Pledges") to secure loan facilities for another subsidiary of the Company (the "Beneficiary"), as well as for certain companies which are not part of the Group. On 17 April 2023, Xinyuan Service and the Xinyuan Service Subsidiary filed a Notice of Arbitration to initiate Hong Kong International Arbitration Centre-administered arbitration proceedings against the Beneficiary seeking recovery of any losses and/or damages suffered by Xinyuan Service with respect to the Subsidiary Pledges. The matter remains ongoing.

B. Significant Changes

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

ITEM 9 THE OFFER AND LISTING

A. Offer and Listing Details

See “Item 9. The Offer and Listing — C. Markets” for price history data.

B. Plan of Distribution

Not applicable

C. Markets

Our ADSs, each representing twenty of our common shares, have been listed on the NYSE since December 12, 2007. Our ADSs trade under the symbol “XIN.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The Companies Act (As Revised), or the Companies Act, 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 Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

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

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

- the company is not proposing to act illegally or beyond the scope of its authority and the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the majority shareholders are acting in good faith without coercion of the minority to promote interests adverse to those of the relevant class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act or that would amount to a “fraud on the minority.”

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

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

Shareholders' suits. In principle, we will normally be the proper plaintiff and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, our company to challenge:

- an act which is ultra vires or illegal and is therefore incapable of ratification by the shareholders;
- an act which constitutes a fraud against the minority where the wrongdoer are themselves in control of the company; and
- an act which requires a resolution with a qualified (or special) majority (i.e., more than a simple majority) which has not been obtained.

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

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

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

Shareholder action by written resolution. Under Cayman Islands law and our amended and restated articles of association, our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Removal of Directors. Under our memorandum and articles of association, directors may be removed by a special resolution. In addition, a director's office shall be vacated if the director (i) gives notice in writing to our company that he resigns the office of director; (ii) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (iii) if he dies, becomes bankrupt or makes any arrangement or composition with his creditors; (iv) is found to be or becomes of unsound mind or dies; (v) resigns his office by notice in writing to the company; (vi) if all other directors (being not less than two in number) resolve that he should be removed as a director or; (vii) is removed from office pursuant to any other provisions of our amended and restated memorandum and articles of association.

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

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

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

C. Material Contracts

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

Bond Offerings

For a description of the August 2019 Senior Secured Notes and the August 2019 Indenture, the February 2021 Senior Secured Notes and the February 2021 Indenture, the November 2020 Senior Secured Notes and the November 2020 Indenture, the March 2020 Senior Secured Notes and the March 2020 Indenture, and the October 2021 Senior Secured and the October 2021 Indenture, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Debt Securities—Senior Secured Notes,” included elsewhere in this annual report on Form 20-F.

For a description of the onshore corporate bonds, see “Item 5. Operating and Financial Review and Prospects —B. Liquidity and Capital Resources — Onshore Corporate Bonds” included elsewhere in this annual report on Form 20-F.

D. Exchange Controls

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

E. Taxation

Cayman Islands Taxation

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

People’s Republic of China Taxation

The *PRC Enterprise Income Tax Law*, or the EIT Law, became effective as of January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the *Implementation for the EIT Law* became effective as of January 1, 2008 and was amended on April 23, 2019. The EIT 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 EIT Law, a “de facto management body” is defined as a body that has material and overall management and control of the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. On April 22, 2009, the SAT issued the Circular 82, which was retroactively effective as of January 1, 2008. Under this notice, an overseas incorporated domestically controlled enterprise will be recognized as a PRC resident enterprise if it satisfies all of the following conditions: (i) the senior management responsible for daily production/ business operations are primarily located in the PRC, and the location(s) where such senior management execute their responsibilities are primarily in the PRC; (ii) strategic financial and personnel decisions are made or approved by organizations or personnel located in the PRC; (iii) major properties, accounting ledgers, company seals and minutes of board meetings and shareholder meetings, etc., are maintained in the PRC; and (iv) 50% or more of the board members with voting rights or senior management habitually reside in the PRC. Further, the SAT issued Bulletin 45, which became effective on September 1, 2011 and was amended on April 17, 2015 and June 28, 2016, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarified certain issues relating to the determination of PRC tax resident enterprise status, post-determination administration and the authorities responsible for determining offshore-incorporated PRC tax resident enterprise status. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the in-charge tax authorities from an offshore-incorporated PRC tax resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the offshore incorporated PRC tax resident enterprise. However, as Circular 82 and Bulletin 45 only apply to enterprises incorporated under laws of foreign jurisdictions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents or non-PRC enterprises such as our company. It is not clear whether PRC tax authorities would require (or permit) us to be treated as a PRC resident enterprise.

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

U.S. Federal Income Taxation

The following is a general discussion of certain 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 for U.S. federal income tax purposes.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations implemented thereunder, and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or to different interpretation. There can be no assurance that the IRS or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below.

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

As used in this discussion, the term “U.S. Holder” means a beneficial owner of the common shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any state or political subdivision thereof or therein, including the District of Columbia, (iii) an estate, the income of which is subject to 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 United States persons have the authority to control all of its substantial decisions, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

In general, for U.S. federal income tax purposes, a U.S. Holder of an ADS will be treated as the owner of the common shares represented by the ADSs.

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

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company,” the gross amount of any distribution (without reduction for any PRC tax withheld) made by us on the common shares or ADSs generally will be treated as a dividend includible in the gross income of a U.S. Holder as dividend income to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, when received by the U.S. Holder, in the case of common shares, or when received by the Depositary, in the case of ADSs. To the extent the amount of such distribution exceeds our current and accumulated earnings and profits as so computed, it will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s adjusted tax basis in such common shares or ADSs and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

Certain dividends received by non-corporate U.S. Holders generally will be taxed at the preferential rate applicable to qualified dividend income. These reduced income tax rates are applicable to dividends paid by “qualified foreign corporations” and only with respect to common shares or ADSs held for a minimum holding period of at least 61 days during a specified 121-day period, and if certain other conditions are met (including, but not limited to, us not being a PFIC (as discussed below) for either our taxable year in which the dividend is paid or the preceding taxable year). You should consult your tax advisors regarding the availability of the preferential rate for dividends paid with respect to common shares or ADSs.

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

In the event that we are deemed to be a PRC resident enterprise under the EIT Law (see discussion under “Item 10. Additional Information — E. Taxation — People’s Republic of China Taxation”), you may be subject to PRC withholding taxes on dividends paid to you with respect to the common shares or ADSs. Subject to generally applicable limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. However, such foreign tax credit may be disallowed, if the U.S. Holder has held such shares for less than a specified minimum period during which the U.S. Holder is not protected from risk of loss, or is obligated to make payments related to the dividends. The rules relating to the U.S. foreign tax credits are complex and U.S. Holders may be subject to various limitations on the amount of foreign tax credits that are available. U.S. Holders should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Sale or Other Disposition of Ordinary common shares or ADSs

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

Passive Foreign Investment Company

Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if either (i) 75% or more of our gross income for the taxable year is passive income; or (ii) on average at least 50% of the value of our assets produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, certain dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income.

In making this determination, we will be treated as earning our proportionate share of any income and owning our proportionate share of any assets of any corporation in which we hold a 25% or greater interest (by value).

Based on our estimated gross income, the average value of our assets, including goodwill, and the nature of our business, although not free from doubt, we do not believe that we were classified as a PFIC for U.S. federal income tax purposes for the taxable year ending December 31, 2022. Our status for any taxable year will depend on our assets and activities in each year, and because this is a factual determination made annually after the end of each taxable year, there can be no assurance that we will not be considered a PFIC for the current taxable year or any future taxable year. The market value of our assets may be determined in large part by reference to the market price of the ADSs and our ordinary shares, which is likely to fluctuate. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where our revenue from activities that produce passive income significantly increase relative to our revenue from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of being classified as a PFIC may substantially increase. In addition, because there are uncertainties in the application of the relevant rules, it is possible that the IRS may challenge our classification of certain income and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our becoming a PFIC for the current or subsequent table years. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares.

A U.S. Holder may be able to mitigate some of the adverse U.S. federal income tax consequences described below with respect to owning the common shares or ADSs if we are classified as a PFIC for any taxable year, provided that such U.S. Holder is eligible to make, and validly makes a mark-to-market election. However, because we are a holding company and a mark-to-market election would not apply to any lower-tier PFICs we own, it is unclear that making the election would have any benefit to a U.S. Holder. In certain circumstances, a U.S. Holder can make a qualified electing fund election, or QEF election, to mitigate some of the adverse tax consequences described with respect to an ownership interest in a PFIC by including in income its share of the PFIC's income on a current basis. However, we do not currently intend to prepare or provide the information that would enable a U.S. Holder to make a QEF election.

In the event we are classified as a PFIC, in any year in which you hold the common shares or ADSs, and you do not make the election described in the preceding paragraph, any gain recognized by you on a sale or other disposition (including a pledge) of the common shares or ADSs would be allocated ratably over your holding period for the common shares or ADSs. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by you on your common shares or ADSs were to exceed 125% of the average of the annual distributions on the common shares or ADSs received during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of shares, described above. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of your common shares or ADSs at death.

The U.S. federal income tax rules relating to PFICs are complex. You are urged to consult your tax advisors with respect to the purchase, ownership and disposition of the common shares or ADSs, any elections available with respect to such ADSs and the U.S. Internal Revenue Service information reporting obligations with respect to the purchase, ownership and disposition of the ADS.

Backup Withholding Tax and Information Reporting and Disclosure Requirements

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

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

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

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

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year, which is December 31. The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system, which can be accessed without charge. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In accordance with Section 203.01 of the NYSE Listed Company Manual, we will post this annual report on our website at www.xyre.com.

I. Subsidiary Information

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

We and our subsidiaries are principally engaged in real estate development and the provision of property management services in the PRC. We started U.S. business operations, which is mainly residential real estate development, as well as resale, in 2012. The functional currency of our PRC subsidiaries is the Renminbi, while that of our subsidiaries in the United States is U.S. dollars. Our reporting currency is the U.S. dollar. We translate the PRC operating results using the average exchange rate for the year and we translate the PRC financial position at the year-end exchange rate. The foreign currency translation loss recognized in our other comprehensive income/(loss) amounted to US\$67.01 million in 2022.

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

The RMB is not a freely convertible currency. The PRC government may take actions that could cause future exchange rates to vary significantly from current or historical exchange rates. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 1, 2005, the PRC government changed its previous policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. 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.

In addition, the United Kingdom Financial Conduct Authority, or FCA, which regulates London Interbank Offered Rate, or LIBOR, announced on July 27, 2017 that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and confirmed on March 5, 2021 that most LIBOR benchmark tenors would cease or cease to be representative benchmarks from December 31, 2021 or (in the case of certain tenors of USD LIBOR only) from June 30, 2023. While various replacement reference rates have been proposed, an alternative reference rate to LIBOR has not yet been widely adopted. As such, the replacement of LIBOR could have an adverse effect on the market for, or value of, LIBOR-linked financial instruments.

Our indebtedness consists primarily of short-term and long-term bank borrowings, secured debt and onshore corporate bonds. As of December 31, 2022, we had (i) US\$81.6 million of short-term borrowings, with US\$81.6 million denominated in RMB, which bear interest rates ranging from 6.5% per annum to 19.2% per annum, with a weighted average interest rate at such date of 7.26%; (ii) US\$403.7 million of long-term bank loans, including current portions of long-term bank loans, bear floating interest rates, which are based on 100.00% to 189.47% of PBOC benchmark rates in the following years; and (iii) US\$336.9 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 of December 31, 2020, 2021 and 2022 was 4.35%, 4.35% and 4.35%, respectively. As of December 31, 2022, the principal amount of our aggregate outstanding variable rate debt, including long-term bank loans, was US\$740.6 million. A hypothetical 1.00% increase in annual interest rates would increase our interest cost by approximately US\$7.4 million per year based on our debt level as of December 31, 2022. The senior secured notes and other debt, except the above-mentioned US\$336.9 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, 2022, we had outstanding guarantees of mortgages in the principal amount of US\$2,110.5 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\$4.1 million to satisfy guarantee obligations related to customer defaults in 2022.

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, 2021 and 2022, there was no concentration of credit risk with respect to receivables and we do not have a significant exposure to any individual debtor. Since 2013, PRC banks have tightened the distributions of mortgage loans to homebuyers. Therefore, mortgage loans for homebuyers have been subject to longer processing periods or even denied by the banks. We took the position that the processing periods of the contracts with underlying mortgage loans exceeding one year cannot be recognized as revenue on an over time basis.

As of December 31, 2022, our cash and cash equivalents totaled US\$283.1 million and restricted cash totaled US\$277.6 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 2.5%, 0.9% and 2.0% in 2020, 2021 and 2022, 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 twenty 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 383 Madison Avenue, Floor 11, New York, New York 10179.

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

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

- a fee of US\$0.02 or less per ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$1.50 per ADR or ADRs for transfers pursuant to the deposit agreement;
- an aggregate fee of up to US\$0.05 per ADS (or portion thereof) per calendar year for services performed by the depositary in administering our ADR program;
- any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our shares or other deposited securities;
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- SWIFT, cable, telex and facsimile transmission and delivery charges incurred upon request of an ADR holder;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and
- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

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

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

ADR holders must pay any tax or other governmental charge payable by the custodian or the depository on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depository 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 depository 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 depository may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

The depository may remit to us all or a portion of the depository 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 2022, no such reimbursement was made.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

See our Form 6-K press release dated July 19, 2022 (File No. 001-33863) and Form 6-K press release dated October 7, 2022 (File No. 001-33863).

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, 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 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 the 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 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 of 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, 2022, 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.

Nonetheless, the Board and the Audit Committee are acutely aware of the importance of internal controls and take their fiduciary duties seriously. Therefore, despite believing that the Company's existing internal controls are sufficient, following the Internal Reviews, the Board and Audit Committee directed management to review internal controls and remediate any material weaknesses that are identified. This has involved several workstreams.

First, the Internal Reviews did identify some weaknesses in the Company's internal controls, which the Company is working to correct. As part of that process, the Company is implementing enhanced review protocols, including:

- strengthening and improving its internal accounting procedures and bookkeeping standards to ensure accurate recording of transactions and regular reviews of transaction records;
- strengthening and enhancing its internal procedures and standards regarding contract management and transaction approval, with stricter and more detailed requirements and guidance, including imposing requirements for supporting documentation with respect to any related party transaction;
- providing additional guidance and training to employees regarding the relevant rules and disclosure requirements for related party transactions; and
- improving the process of identifying, processing, and disclosing related party transactions to ensure compliance with the relevant rules and regulations.

Second, the HK Subsidiary has retained Moore Advisory Services Limited as independent internal control reviewer to review and validate the HK Subsidiary's systems and controls (which was recently completed). The Company is considering the findings from that review. To the extent they are relevant to the Company, the Company will also implement any recommended improvements.

Third, the Company has arranged regular training sessions to raise employee awareness of internal control and compliance matters.

Finally, the effectiveness of our internal control over financial reporting, as of December 31, 2022, was also audited by Assenture PAC, an independent registered public accounting firm, as stated in their attestation report thereon which appears herein.

Changes in Internal Control over Financial Reporting

During 2022, there were no changes in our internal control over financial reporting that occurred during the period covered by the report for 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Xinyuan Real Estate Co., Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Xinyuan Real Estate Co., Ltd. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of December 31, 2022, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2022, and the related notes and our report dated May 30, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Assentsure PAC

We have served as the Company's auditor since 2022.

Singapore

May 30 2023

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Yifan (Frank) Li, the chairman of our audit committee, qualifies as an audit committee financial expert under applicable SEC rules.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that pertains to our directors, officers and employees with certain provisions that specifically apply to our Chief Executive Officer, Chief Financial Officer, Vice Presidents and any other persons who perform similar functions for us. Our code of business conduct and ethics is available at our website at www.xyre.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Assenture PAC and Union Power, our former independent registered public accounting firm, and their respective affiliate firms for the periods indicated:

	<u>2021</u>	<u>2022</u>
	US\$	US\$
Audit fees ⁽¹⁾	1,438,666	1,336,312
Audit-related fees ⁽²⁾	50,694	38,929

(1) "Audit fees" represent the aggregate fees billed in each of the fiscal year for the audit of financial statements of the Company and the limited quarterly procedures. In 2022, the audit fees billed included the audit of financial statements of the Company's subsidiary, Xinyuan Property Management Service (Cayman) Ltd for its annual reporting purpose.

(2) "Audit-related fees" represents aggregate fees billed in respect of review of interim financial statements of Xinyuan Property Management Service (Cayman), Ltd., and issue comfort letter for the Company's financing purposes.

* Union Power performed the 2020 and 2021 fiscal year audit, and Assenture PAC performed the 2022 fiscal year audit, as further described in Item 16F herein.

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

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Effective March 21, 2017, our board of directors approved a new US\$40 million share repurchase program through December 2019, or the 2017 Authorization, to be effective upon the earlier of completion or expiration of the US\$40 million share repurchase program effective December 28, 2015 through December 2017. Effective August 14, 2018, our board of directors approved a new additional US\$50 million share repurchase program through December 2019, or the 2018 Authorization.

Effective May 20, 2019, our board of directors approved a new additional US\$50 million share repurchase program through December 2021, or the 2019 Authorization. This program will be funded from available working capital. Repurchases under the 2019 Authorization will be made from time to time through a combination of open market and privately negotiated transactions. The per share price cap will be determined from time to time in the discretion of management.

The following table sets forth a summary of our repurchase of our ADSs made from January 1, 2022 to December 31, 2022:

Period ⁽¹⁾	Total Number of ADSs Purchased	Average Price Paid Per ADS (US\$)	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs	Approximate U.S. Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31	—	—	—	—
February 1 - February 28	—	—	—	—
March 1 - March 31	—	—	—	—
April 1 - April 30	—	—	—	—
May 1 - May 31	—	—	—	—
June 1 through June 30	—	—	—	—
July 1 through July 31	—	—	—	—
August 1 through August 31	—	—	—	—
September 1 through September 30	—	—	—	—
October 1 through October 31	—	—	—	—
November 1 through November 30	—	—	—	—
December 1 through December 31	—	—	—	—
Total	—	—	—	—

(1) Our ADS to common share ratio is one ADS for twenty common shares.

Effective January 20, 2020, the board of directors approved a new bond repurchase program of up to US\$50 million. The new authorization is valid through December 31, 2021, and replaces the prior bond repurchase authorization that expired December 31, 2019. Under the program, bonds will be selected for repurchase at the Company's discretion, based on price, timing and other considerations. Repurchases under this program will be made through a combination of open market and privately negotiated transactions.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On October 12, 2021, we engaged Union Power as the Company's independent registered public accounting firm, in connection with the audits of our consolidated financial statements for 2018, 2019 and 2020. Union Power succeeds EY, our former independent registered public accounting firm who resigned on September 29, 2021. The change of the Company's independent registered public accounting firm was approved by the Audit Committee and the Board of Directors of the Company.

Prior to its resignation, EY identified certain issues during the audit of the Company's consolidated financial statements for 2020 with respect to:

- (a) the commercial substance underlying a disposal gain recognized in 2020 arising from the sale of a commercial property to an entity, or the Acquirer, whereby:
 - (i) the beneficial interests in the Acquirer are partially owned by an entity controlled by employees of the Company with books and records maintained by the Company;
 - (ii) such beneficial interests owned by the employee-controlled entity are held on behalf of certain parties, or Other Parties, who have entrusted the employee-controlled entity to hold their beneficial interests in the Acquirer via an entrustment agreement;
 - (iii) the purchase consideration paid by the Acquirer was primarily financed by these Other Parties, with whom the Company has other previous business dealings, including material advances to the Company in its course of business; and

- (iv) an agreement to subsequently lease back the disposed property from the Acquirer.
- (b) the accounting for other, previously undisclosed, employee-owned entities that were established in 2020, and transactions therewith, whose books and records are maintained by the Company.

EY communicated these issues to the Company's Audit Committee in March 2021, as a result of which, an independent investigation (the "Independent Investigation") was launched. Due to the Independent Investigation, the Company was late in filing its annual report on Form 20-F for 2020. As of the date of EY's resignation, while the Independent Investigation was completed, EY did not believe the above-mentioned matters have been fully resolved to its satisfaction. Accordingly, EY did not issue its audit report on our consolidated financial statements for 2020. EY was authorized to discuss these matters with Union Power without limitation. EY's audit reports on the Company's consolidated financial statements as of and for the years ended December 31, 2019 and 2018 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the audit for years ended December 31, 2019 and 2018, and through September 29, 2021 when the client-auditor relationship with EY was terminated, there was no disagreement, as defined in Item 16F (a)(1)(iv) of Form 20-F and the related instructions to that Item, between the Company and EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of EY, would have caused EY to make reference to the subject matter of the disagreement in connection with its reports on the consolidated financial statements for the years ended December 31, 2019 and 2018. During 2019 and 2018, and through September 29, 2021 when the client-auditor relationship with EY was terminated, there were no "reportable events" as that term is described below in accordance with Item 16F(a)(1)(v) of Form 20-F, other than as disclosed above.

See also the disclosure under "Item 16F. Change in Registrant's Certifying Accountant" of our annual report on Form 20-F for 2020 on March 8, 2022.

In 2019 and 2020 and the subsequent interim period prior to engaging Union Power, neither we nor anyone on our behalf consulted with Union Power with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and no written report or oral advice was provided by Union Power to us that Union Power concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to that Item) or a "reportable event" (as defined in Item 16F(a)(1)(v) of Form 20-F).

Union Power proposed to continue working with us as our independent auditor for the fiscal year 2022. However, its proposal reflected an increase in the service fees.

Union Power's reports on the financial statements of the Company for the 2020 and 2021 fiscal years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the 2020 and 2021, there were no disagreements with Union Power on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Union Power's satisfaction, would have caused them to make reference to the subject matter in connection with their report on our consolidated financial statements for such period.

During the 2020 and 2021, there were no "reportable events" (as listed in paragraphs (a)(1)(v)(A)-(D) of Item 16F of Form 20-F.) requiring disclosure pursuant to Item 16F(a)(1)(iv) of Form 20-F.

The Company has provided Union Power with a copy of the foregoing disclosures and has requested that Union Power review such disclosures and provide a letter addressed to the SEC as specified by Item 16F(a)(3) of Form 20-F. Attached as Exhibit 15.3 is a copy of Union Power's letter addressed to the SEC relating to the statements made by the Company in this Report on Form 6-K.

Our Audit committee solicited proposals from other accounting firms and conducted an evaluation process in connection with the selection of our independent auditor for the financial year 2022. After careful consideration, our Audit Committee recommended, and our Board of Directors approved, the appointment of Assenture PAC as our independent auditor. The appointment took effect on December 28, 2022 as ratified by the 2022 annual general meeting of shareholders.

On December 28, 2022, Union Power resigned and Assenture PAC was engaged to serve as our independent registered public accounting firm for the fiscal year 2022.

In 2021 and 2022 and the subsequent interim period prior to engaging Assenture PAC, neither we nor anyone on our behalf consulted with Assenture PAC with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and no written report or oral advice was provided by Assenture PAC to us that Assenture PAC concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement or a reportable event.

ITEM 16G. CORPORATE GOVERNANCE

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

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

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

The NYSE Listed Company Manual requires listed companies to have an audit committee that satisfies the requirements of Section 10A of the Exchange Act. As a foreign private issuer, we are not required to comply with certain other NYSE rules related to audit committees, including the requirements to have a minimum of three members and that the members satisfy the additional “independence” standards of Section 303A.02 of the New York Stock Exchange Listed Company Manual. Our audit committee has, as of the date of this annual report, three members, each of whom satisfies the “independence” requirements of Rule 10A-3 under the Exchange Act, and one such member qualifies as an “audit committee financial expert” under applicable SEC rules.

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

ITEM 16H. MINE SAFETY

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

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

<u>Exhibit Number</u>	<u>Description of Document</u>
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 depository, 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	Amendment to Deposit Agreement, including the form of ADR, dated November 9, 2017 (incorporated by reference to Exhibit 99.(a)(2) to the registrant's F-6EF (File No. 333-221449) filed with the SEC on November 9, 2017)
2.3	Form of Amendment No. 2 to Deposit Agreement, including the form of ADR, dated November 15, 2022 (incorporated by reference to Exhibit 99.(a)(3) to the registrant's F-6 POS (File No. 333-221449) filed with the SEC on November 15, 2022)
2.4	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)
2.5	Indenture Supplement No. 1 dated as of February 13, 2015, among Citicorp International Limited as Trustee, Citicorp International Limited as Shared Security Agent, Xinyuan Real Estate Co., Ltd. and the entities listed in Schedules I thereto as the Subsidiary Guarantors to the Indenture, dated as of May 3, 2013 with respect to the registrant's 13% June 2019 Senior Secured Notes (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on February 13, 2015)

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.6	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)
2.7	Global note representing the 13% June 2019 Senior Secured Notes (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on December 9, 2013)
2.8	Indenture, dated as of August 30, 2016, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on August 30, 2016)
2.9	Global note representing the 8.125% August 2019 Senior Secured Notes (US\$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on August 30, 2016)
2.10	Indenture, dated as of February 28, 2017, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on February 28, 2017)
2.11	Global note representing the 7.75% February 2021 Senior Secured Notes (US\$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 00133863) filed with the SEC on February 28, 2017)
2.12	Indenture, dated as of November 22, 2017, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on November 22, 2017)
2.13	Global note representing 8.875% Senior Notes due 2020 (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on November 22, 2017)
2.14	Global note representing 8.875% Senior Notes due 2020 (US\$100,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on December 4, 2017)
2.15	Indenture, dated as of March 19, 2018, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on March 19, 2018)
2.16	Global note representing 9.875% Senior Notes due 2020 (US\$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.2 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on March 19, 2018)
2.17	Indenture, dated as of April 15, 2019, between Xinyuan Real Estate Co., Ltd., the entities listed on Schedule I thereto as Subsidiary Guarantors, and Citicorp International Limited, as Trustee and Shared Security Agent (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on April 18, 2019)

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<u>Exhibit Number</u>	<u>Description of Document</u>
2.18	Global note representing 14.2% Senior Notes due 2021 (US \$200,000,000 aggregate principal amount) (incorporated by reference to Exhibit 2.17 to the registrant's Form 20-F (File No. 001-33863) filed with the SEC on April 29, 2019)
2.19	Global note representing 14.2% Senior Notes due 2021 (US \$100,000,000 aggregate principal amount) (incorporated by reference to Exhibit 2.18 to the registrant's Form 20-F (File No. 001-33863) filed with the SEC on April 29, 2019)
2.20	Global note representing 12% Senior Notes due 2022 (RMB160,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on June 30, 2020)
2.21	Global note representing 12% Senior Notes due 2022 (RMB354,500,000 aggregate principal amount) (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on August 12, 2020)
2.22	Global note representing 14.5% Senior Notes due 2023 (US \$300,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on September 18, 2020)
2.23	Global note representing 14% Senior Notes due 2024 (US \$170,000,000 aggregate principal amount) (incorporated by reference to Exhibit 99.1 to the registrant's Form 6-K (File No. 001-33863) filed with the SEC on January 25, 2021)
2.24	Description of Securities (incorporated by reference to Exhibit 2.19 to the registrant's Annual Report on Form 20-F (File No. 001-33863), filed with the SEC on April 29, 2020)
4.1	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)
4.2	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)
4.3	2015 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the registrant's Form S-8 (File No. 333-205371) filed with the SEC on June 30, 2015)
4.4	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)
4.5	English Summary of the Guarantee Agreement dated as of October 23, 2012, by and among MinshengHongtai (Tianjin) Aviation Leasing Co., Ltd., Xinyuan (China) Real Estate, Ltd. and Henan Xinyuan Real Estate Co., Ltd. (Original Language: Chinese) (incorporated by reference to Exhibit 4.8 to the registrant's Annual Report on Form 20-F for the year ended December 31, 2012 (File No. 00133863), filed with the SEC on April 15, 2013)
4.6	2020 Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.1 to the registrant's Form S-8 (File No. 333-239620) filed with the SEC on July 1, 2020)
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

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<u>Exhibit Number</u>	<u>Description of Document</u>
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
15.1*	Consent of Union Power HK CPA Limited
15.2*	Consent of Assentsure PAC
15.3*	Letter of Union Power HK CPA Limited to the SEC, dated May 30, 2023
101*	The following materials from Xinyuan Real Estate Co., Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2022 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.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed with this Annual Report on Form 20-F

SIGNATURES

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

Xinyuan Real Estate Co., Ltd.

By: /s/ Yong Zhang

Name: Yong Zhang

Title: Chief Executive Officer

Date: May 30, 2023

**XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Xinyuan Real Estate Co., Ltd. and subsidiaries (the “Company”) as of December 31, 2022, the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 30, 2023 expressed an unqualified opinion.

Material Uncertainty relating to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 (b) to the consolidated financial statements, the Company’s ability to generate funds to meet short term operating cash requirements and loan repayments is reliant on the Company’s ability to sell the real estate properties it holds, or to obtain alternative financing. The timing of these sales is uncertain and as a result the Company is currently reliant on long term investor loans being renewed when they come up for repayment. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans relating to these matters are also described in Note 2(b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition and Contracts with Customers – Long-Term Fixed Price Contracts

Critical Audit Matter Description

All real estate sales contracts are long-term fixed price contracts whereby revenue is recognized over the contract term (“over time”) as the work progresses and control of the goods and services is transferred to the customer. Revenue for these contracts is recognized based on the extent of progress toward completion, generally measured by using a cost-to-cost basis input method.

Accounting for real estate sales contracts requires management’s judgment in estimating total contract costs. Contract costs, which can be incurred over several years, are largely determined based on negotiated or estimated construction contract terms and consider factors such as historical performance, technical and schedule risk, internal and subcontractor performance trends, and anticipated labor costs.

Given the significant judgments necessary to estimate costs associated with these long-term contracts, auditing real estate sales contracts requires a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to real estate sales contracts included the following, among others:

- We tested the effectiveness of internal controls over the recognition of revenue and the determination of estimated contract costs including controls over the review of management’s assumptions and key inputs used to recognize revenue and costs on real estate sales contracts using the cost-to-cost input method.
- We evaluated the appropriateness and consistency of management’s methods and assumptions used to recognize revenue and costs on real estate sales contracts using the cost-to-cost input method to recognize revenue over time.
- We selected a sample of real estate sales contracts and tested the estimates of total cost for each of the real estate sales contracts by:
 - Testing the estimated costs to complete projects that were not completed during the year ended December 31, 2022 by comparing the estimated cost to complete at December 31, 2022 to actual cost incurred subsequent to December 31, 2022.
 - Evaluating management’s ability to achieve the estimates of total cost by corroborating inquiries with Company personnel, including project managers, and comparing the estimates to documentation such as management’s work plans, contract terms and requirements, and purchase orders with suppliers. Our evaluation of management’s assumptions included consideration of historical and current project performance such as consistency of gross margin, identified risks related to project timing including technical and schedule matters, and the status of construction progress.

Impairments – Real Estate Properties Development Completed and Under Development

Critical Audit Matter Description

At December 31, 2022, the Company's real estate properties development completed and under development was US\$3,277,056,653. As described in Note 2 to the consolidated financial statements, the Company's evaluation of impairment of real estate involves an assessment of the carrying value of real estate properties development completed and under development when events or changes in circumstances indicate that the carrying value may not be recoverable.

Auditing the Company's process to evaluate real estate properties development completed and under development for impairment was complex due to the subjectivity in determining whether impairment indicators were present. Additionally, for real estate assets where indicators of impairment were determined to be present, the determination of the future undiscounted cash flows involved significant judgment. In particular, the undiscounted cash flows and fair value estimates were sensitive to significant assumptions, including future revenues, construction costs and selling expenses, which are affected by expectations about future market or economic conditions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to real estate properties development completed and under development impairment included the following, among others:

- We tested the effectiveness of controls over impairment of real estate properties development completed and under development, including those over impairment indicators and the determination of future undiscounted cash flows and forecasted sales price for real estate properties development completed and under development.
- We evaluated the undiscounted future cash flows analysis, including estimates of future occupancy levels, market rental revenue, and capitalization rates, in addition to the assessment of expected remaining holding period and changes in management's intent with respect to the expected holding period for each real estate asset with possible impairment indicators by:
 1. Making inquiries of accounting and operations management and board of directors.
 2. Comparing the source data and management's assumptions to the Company's historical results and external market sources.
 3. Testing the mathematical accuracy of the undiscounted future cash flows analysis.

Going concern

Critical Audit Matter Description

As discussed in Note 2 (b) to the consolidated financial statements, the Company's ability to generate funds to meet short term operating cash requirements and loan repayments is reliant on the Company's ability to sell the real estate properties it holds, or to obtain alternative financing. The timing of these sales is uncertain and as a result the Company is currently reliant on long term investor loans being renewed when they come up for repayment.

We determined that Company's ability to continue as a going concern is a critical matter due to the estimation and uncertainty regarding the Company's available funding and the risk of bias in management's judgement and assumptions in their determination.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures relating to the Company's assertion on its ability to continue as a going concern included the following, among others: We inquired of Company management and reviewed Company records and documents to assess whether there are additional factors that contribute to the uncertainties disclosed. We assessed whether the Company's identification of conditions and events that indicate there could be substantial doubt about its ability to continue as a going concern for a reasonable period of time was appropriate and adequately disclosed. We reviewed a cash flow projection prepared by management incorporating management's plan and performed sensitivity analysis of significant assumptions to evaluate the changes in the cash flow projection that would result from changes in the assumptions.

/s/ Assenture PAC

We have served as the Company's auditor since 2022.

Singapore
May 30, 2023
PCAOB ID No: 6783

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Xinyuan Real Estate Co., Ltd. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 29, 2022 expressed an unqualified opinion.

Material Uncertainty relating to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 (b) to the consolidated financial statements, the Company’s ability to generate funds to meet short term operating cash requirements and loan repayments is reliant on the Company’s ability to sell the real estate properties it holds, or to obtain alternative financing. The timing of these sales is uncertain and as a result the Company is currently reliant on long term investor loans being renewed when they come up for repayment. These conditions raise substantial doubt about its ability to continue as a going concern. Management’s plans relating to these matters are also described in Note 2(b). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on financial instruments in the year ended December 31, 2020.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition and Contracts with Customers – Long-Term Fixed Price Contracts

Critical Audit Matter Description

All real estate sales contracts are long-term fixed price contracts whereby revenue is recognized over the contract term (“over time”) as the work progresses and control of the goods and services is transferred to the customer. Revenue for these contracts is recognized based on the extent of progress toward completion, generally measured by using a cost-to-cost basis input method.

Accounting for real estate sales contracts requires management’s judgment in estimating total contract costs. Contract costs, which can be incurred over several years, are largely determined based on negotiated or estimated construction contract terms and consider factors such as historical performance, technical and schedule risk, internal and subcontractor performance trends, and anticipated labor costs.

Given the significant judgments necessary to estimate costs associated with these long-term contracts, auditing real estate sales contracts requires a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to real estate sales contracts included the following, among others:

- We tested the effectiveness of internal controls over the recognition of revenue and the determination of estimated contract costs including controls over the review of management’s assumptions and key inputs used to recognize revenue and costs on real estate sales contracts using the cost-to-cost input method.
- We evaluated the appropriateness and consistency of management’s methods and assumptions used to recognize revenue and costs on real estate sales contracts using the cost-to-cost input method to recognize revenue over time.
- We selected a sample of real estate sales contracts and tested the estimates of total cost for each of the real estate sales contracts by:
 - Tested the estimated costs to complete projects that were not completed during the year ended December 31, 2021 by comparing the estimated cost to complete at December 31, 2021 to actual cost incurred subsequent to December 31, 2021.
 - Evaluating management’s ability to achieve the estimates of total cost by performing corroborating inquiries with Company personnel, including project managers, and comparing the estimates to documentation such as management’s work plans, contract terms and requirements, and purchase orders with suppliers. Our evaluation of management’s assumptions included consideration of historical and current project performance such as consistency of gross margin, identified risks related to project timing including technical and schedule matters, and the status of construction progress.

Impairments – Real Estate Properties Development Completed and Under Development

Critical Audit Matter Description

At December 31, 2021, the Company's real estate properties development completed and under development was US\$2,869,622,702. As described in Note 2 to the consolidated financial statements, the Company's evaluation of impairment of real estate involves an assessment of the carrying value of real estate properties development completed and under development when events or changes in circumstances indicate that the carrying value may not be recoverable.

Auditing the Company's process to evaluate real estate properties development completed and under development for impairment was complex due to the subjectivity in determining whether impairment indicators were present. Additionally, for real estate assets where indicators of impairment were determined to be present, the determination of the future undiscounted cash flows involved significant judgment. In particular, the undiscounted cash flows and fair value estimates were sensitive to significant assumptions, including future revenues, construction costs and selling expenses, which are affected by expectations about future market or economic conditions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to real estate properties development completed and under development impairment included the following, among others:

- We tested the effectiveness of controls over impairment of real estate properties development completed and under development, including those over impairment indicators and the determination of future undiscounted cash flows and forecasted sales price for real estate properties development completed and under development.
- We evaluated the undiscounted future cash flows analysis, including estimates of future occupancy levels, market rental revenue, and capitalization rates, in addition to the assessment of expected remaining holding period and changes in management's intent with respect to the expected holding period for each real estate asset with possible impairment indicators by:
 1. Making inquiries of accounting and operations management and board of directors.
 2. Comparing the source data and management's assumptions to the Company's historical results and external market sources.
 3. Testing the mathematical accuracy of the undiscounted future cash flows analysis.

Going concern

Critical Audit Matter Description

As discussed in Note 2 (b) to the consolidated financial statements, the Company's ability to generate funds to meet short term operating cash requirements and loan repayments is reliant on the Company's ability to sell the real estate properties it holds, or to obtain alternative financing. The timing of these sales is uncertain and as a result the Company is currently reliant on long term investor loans being renewed when they come up for repayment.

We determined that Company's ability to continue as a going concern is a critical matter due to the estimation and uncertainty regarding the Company's available funding and the risk of bias in management's judgement and assumptions in their determination.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures relating to the Company's assertion on its ability to continue as a going concern included the following, among others: We inquired of Company management and reviewed Company records and documents to assess whether there are additional factors that contribute to the uncertainties disclosed. We assessed whether the Company's identification of conditions and events that indicate there could be substantial doubt about its ability to continue as a going concern for a reasonable period of time was appropriate and adequately disclosed. We reviewed a cash flow projection prepared by management incorporating management's plan and performed sensitivity analysis of significant assumptions to evaluate the changes in the cash flow projection that would result from changes in the assumptions.

/s/ Union Power HK CPA Limited

We have served as the Company's auditor since 2021.
Hong Kong

July 29, 2022

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(ALL amounts stated in US\$, except for number of shares data)

	<u>Notes</u>	<u>December 31, 2021 US\$</u>	<u>December 31, 2022 US\$</u>
ASSETS			
Current assets			
Cash and cash equivalents		426,399,881	283,131,542
Restricted cash		246,888,754	277,596,767
Short-term investments	3	85,211,338	11,992,929
Accounts receivable, net		59,509,152	32,587,827
Other receivables	4	298,190,097	383,513,125
Deposits for land use rights		35,738,821	33,857,554
Other deposits and prepayments		365,505,313	322,170,208
Advances to suppliers		124,152,551	54,229,135
Real estate properties development completed and under development	5	2,869,622,702	3,277,056,653
Amounts due from related parties	18	271,567,484	203,719,058
Amounts due from employees	18	1,550,469	1,466,055
Other current assets		1,482,786	7,886,273
Total current assets		<u>4,785,819,348</u>	<u>4,889,207,126</u>
Non-current assets			
Restricted cash, non-current		46,583,120	—
Real estate properties held for lease, net	6	440,300,371	373,467,867
Deposits for land use rights and properties		36,074,492	33,024,171
Property and equipment, net	7	35,525,933	28,831,111
Long-term investments	8	667,227,852	92,473,329
Deferred tax assets	15	302,971,920	304,515,733
Amounts due from related parties	18	15,283,028	15,056,284
Contract assets		35,104,329	52,515,766
Operating lease right-of-use assets	13	3,147,381	5,707,986
Other assets		78,241,516	55,478,954
Total non-current assets		<u>1,660,459,942</u>	<u>961,071,201</u>
TOTAL ASSETS		<u>6,446,279,290</u>	<u>5,850,278,327</u>

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(ALL amounts stated in US\$, except for number of shares data)

	Notes	December 31, 2021 US\$	December 31, 2022 US\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and notes payable (including accounts payable and notes payable of the VIEs without recourse to the primary beneficiary of US\$14,681 and US\$13,439 as of December 31, 2021 and December 31, 2022, respectively)		1,134,432,195	950,184,053
Short-term bank loans and other debt	10	99,468,777	81,598,369
Customer deposits	14	1,162,430,468	1,280,517,005
Income tax payable		249,107,386	241,221,356
Other payables and accrued liabilities (including other payables and accrued liabilities of the VIEs without recourse to the primary beneficiary of US\$2,998,625 and US\$3,235,911 as of December 31, 2021 and December 31, 2022, respectively)	17	555,176,693	489,622,793
Payroll and welfare payable (including payroll and welfare payable of the VIEs without recourse to the primary beneficiary of US\$2,641,285 and US\$1,132,120 as of December 31, 2021 and December 31, 2022, respectively)		15,391,685	16,431,804
Current portion of long-term bank loans and other debt	11,12	1,466,820,657	1,653,119,929
Lease liabilities, current portion	13	7,619,323	3,780,853
Mandatorily redeemable non-controlling interests		10,273,637	9,864,014
Amounts due to related parties	18	77,062,355	66,619,920
Total current liabilities		4,777,783,176	4,792,960,096
Non-current liabilities			
Long-term bank loans	11	494,076,875	146,603,073
Deferred tax liabilities	15	343,263,457	429,974,728
Unrecognized tax benefits	15	130,560,908	135,562,075
Other long-term debt	12	275,100,201	259,081,410
Lease liabilities	13	1,286,250	3,310,116
Amounts due to related parties	18	10,979,186	—
Total non-current liabilities		1,255,266,877	974,531,402
Total liabilities		6,033,050,053	5,767,491,498
Commitments and contingencies			
	22		
Shareholders' equity			
Common shares, US\$0.0001 par value:			
Authorized-500,000,000 shares; shares issued and outstanding- 108,029,257 shares as of December 31, 2022 (2021: 107,757,721 shares)	19	16,415	16,415
Additional paid-in capital		544,386,509	544,954,556
Statutory reserves		178,497,890	179,457,097
Accumulated deficits		(387,664,005)	(656,638,114)
Accumulated other comprehensive income/(loss)		34,923,279	(21,615,478)
Treasury shares	19	(116,061,577)	(116,061,577)
Total Xinyuan Real Estate Co., Ltd. shareholders' equity		254,098,511	(69,887,101)
Non-controlling interest	24	159,130,726	152,673,930
Total equity		413,229,237	82,786,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,446,279,290	5,850,278,327

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

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2021, 2022
(ALL amounts stated in US\$, except for number of shares data)

	Notes	Year ended December 31,		
		2020	2021	2022
		US\$	US\$	US\$
Revenue:				
Real estate sales		1,604,891,939	1,392,240,005	809,412,923
Real estate management services income		91,208,307	109,822,206	105,460,071
Real estate lease income		34,792,485	19,781,344	20,782,612
Other revenue		14,870,460	14,174,226	14,356,567
Total revenue		1,745,763,191	1,536,017,781	950,012,173
Costs of revenue:				
Cost of real estate sales		(1,351,980,826)	(1,359,344,416)	(768,356,253)
Cost of real estate management services income		(55,437,978)	(73,978,205)	(79,609,736)
Cost of real estate lease income		(36,122,097)	(22,438,180)	(20,287,953)
Other costs		(9,755,542)	(12,320,064)	(9,802,123)
Total costs of revenue		(1,453,296,443)	(1,468,080,865)	(878,056,065)
Gross profit		292,466,748	67,936,916	71,956,108
Selling and distribution expenses		(66,886,148)	(90,569,390)	(29,458,486)
General and administrative expenses		(154,176,673)	(163,410,021)	(96,106,518)
Gain on disposal of property held for lease		82,805,785	—	5,687,312
Impairment loss on goodwill		(6,400,262)	(4,355,469)	(1,481,006)
Impairment loss on intangible assets		—	(14,295,790)	—
Operating income/(loss)		147,809,450	(204,693,754)	(49,402,590)
Interest income		33,405,610	28,296,824	8,207,327
Interest expense		(129,487,405)	(183,398,772)	(158,008,411)
Net gain/(loss) on debt extinguishment	12	(1,843,306)	—	9,620,914
Gain/(loss) on short-term investments	3	5,052,944	(30,203,357)	(71,675,454)
Share of (loss)/income of equity investees	8	17,028,301	(23,345,765)	(26,166,538)
Exchange gains/(loss)		(3,093,907)	(9,707,463)	39,952,338
Other income/(loss)		(1,296,377)	2,509,645	(1,968,849)
Income/(loss) from operations before income taxes		67,575,310	(420,542,642)	(249,441,263)
Income taxes benefit/(expenses)	15	(135,059,190)	7,280,528	(9,241,462)
Net loss		(67,483,880)	(413,262,114)	(258,682,725)
Net loss attributable to non-controlling interest		(13,557,028)	(4,045,264)	(4,670,836)
Net loss attributable to Xinyuan Real Estate Co., Ltd. shareholders		(81,040,908)	(417,307,378)	(263,353,561)
Loss per share:				
Basic	20	(0.75)	(3.89)	(2.44)
Diluted	20	(0.75)	(3.89)	(2.44)
Shares used in computation:				
Basic	20	107,558,506	107,283,420	107,849,225
Diluted	20	107,569,181	107,283,420	107,849,225
Foreign currency translation adjustments		94,386,918	20,861,635	(67,014,536)
Comprehensive income/(loss)		26,903,038	(392,400,479)	(325,697,261)
Comprehensive income/(loss) attributable to non-controlling interest		(40,671,816)	(7,088,744)	5,804,943
Comprehensive loss attributable to Xinyuan Real Estate Co., Ltd. shareholders		(13,768,778)	(399,489,223)	(319,892,318)

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

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2020, 2021, 2022
(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 Deficits)	Accumulated Other Comprehensive Income / (Loss)	Total Xinyuan Real Estate Co., Ltd. shareholders' equity	Non-controlling Interest (Note 24)	Total
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
BALANCE AT DECEMBER 31, 2019	107,875,468	16,410	(113,719,964)	543,290,577	175,008,459	135,873,163	(50,167,006)	690,301,639	101,650,383	791,952,022
Adjustment to opening balance of equity (Note 2(i))	—	—	—	—	—	(6,520,392)	—	(6,520,392)	—	(6,520,392)
Capital injection from non-controlling interests (Note(a))	—	—	—	4,420,800	—	—	—	4,420,800	218,453,981	222,874,781
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(317,406)	(317,406)
Exercise of share options	52,647	5	—	134,785	—	—	—	134,790	—	134,790
Treasury share repurchases (Note 19)	(2,127,050)	—	(2,341,613)	(142,283)	—	—	—	(2,483,896)	—	(2,483,896)
Foreign currency translation	—	—	—	—	—	—	67,272,130	67,272,130	27,114,788	94,386,918
Stock-based compensation expenses	1,130,952	—	—	4,511,192	—	—	—	4,511,192	—	4,511,192
Net loss	—	—	—	—	—	(81,040,908)	—	(81,040,908)	13,557,028	(67,483,880)
Appropriation to statutory reserves	—	—	—	—	2,687,578	(2,687,578)	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(11,123,395)	—	(11,123,395)	—	(11,123,395)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	(27,572)	(27,572)
BALANCE AT DECEMBER 31, 2020	106,932,017	16,415	(116,061,577)	552,215,071	177,696,037	34,500,890	17,105,124	665,471,960	360,431,202	1,025,903,162
Capital injection from non-controlling interests	—	—	—	(11,242,172)	—	—	—	(11,242,172)	16,901,589	5,659,417
Foreign currency translation	—	—	—	—	—	—	17,818,155	17,818,155	3,043,480	20,861,635
Stock-based compensation expenses	825,704	—	—	3,413,610	—	—	—	3,413,610	—	3,413,610
Net loss	—	—	—	—	—	(417,307,378)	—	(417,307,378)	4,045,264	(413,262,114)
Appropriation to statutory reserves	—	—	—	—	801,853	(801,853)	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(4,055,664)	—	(4,055,664)	—	(4,055,664)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(225,290,809)	(225,290,809)
BALANCE AT DECEMBER 31, 2021	107,757,721	16,415	(116,061,577)	544,386,509	178,497,890	(387,664,005)	34,923,279	254,098,511	159,130,726	413,229,237
Foreign currency translation	—	—	—	—	—	—	(56,538,757)	(56,538,757)	(10,475,779)	(67,014,536)
Stock-based compensation expenses	271,536	—	—	568,047	—	—	—	568,047	—	568,047
Net loss	—	—	—	—	—	(263,353,561)	—	(263,353,561)	4,670,836	(258,682,725)
Appropriation to statutory reserves	—	—	—	—	959,207	(959,207)	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(4,661,341)	—	(4,661,341)	—	(4,661,341)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(651,853)	(651,853)
BALANCE AT DECEMBER 31, 2022	108,029,257	16,415	(116,061,577)	544,954,556	179,457,097	(656,638,114)	(21,615,478)	(69,887,101)	152,673,930	82,786,829

Note(a) arose mainly from offering from Guangdong Kaisa Real Estate Development Co., Ltd. 49% in Henan Yanchuang Enterprise Management Consulting Co., Ltd. a subsidiary of the company.

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

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, 2021, 2022
(ALL amounts stated in US\$, except for number of shares data)

	Year ended December 31,		
	2020 US\$	2021 US\$	2022 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(67,483,880)	(413,262,114)	(258,682,725)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:			
Depreciation and amortization	17,503,373	18,267,515	13,168,207
Stock-based compensation expenses	4,511,190	3,413,610	568,047
Deferred tax (benefit)/expenses	65,623,218	(81,124,977)	92,635,419
Amortization of deferred charges	2,828,337	3,242,398	5,728,866
Share of loss/(gain) of equity investees	(17,028,301)	23,345,765	26,166,538
Exchange loss/(gain)	3,093,907	9,707,463	(39,952,338)
Changes in unrecognized tax benefit	10,932,057	29,025,853	6,298,039
Loss on extinguishment of debt (Note 12)	1,843,306	—	(9,620,914)
(Gain)/loss on short-term investments	(5,052,944)	30,203,357	71,675,454
Gain on disposal of property held for lease	(82,805,785)	—	(5,687,312)
Proceeds from disposal of short-term investments	5,825,136	—	359,025
Purchase of trading securities	—	(109,303,567)	—
Allowance for doubtful accounts	6,453,654	2,781,268	2,119,346
Impairment loss on goodwill	6,400,262	4,355,469	1,481,006
Impairment loss on intangible assets	—	14,295,790	—
Impairment on interests in equity investee	1,216,730	—	—
Others	1,023,693	3,834,826	(64,687)
Changes in operating assets and liabilities:			
Accounts receivable	3,807,913	37,981,853	22,272,540
Real estate properties development completed and under development	440,486,384	647,900,818	(506,304,362)
Contract assets	(4,091,608)	(5,940,218)	(18,682,950)
Real estate properties held for lease	(2,576,802)	26,897,517	(51,502,401)
Advances to suppliers	1,581,351	(76,248,232)	61,413,770
Other receivables	(88,480,519)	83,761,147	(103,913,042)
Deposits for land use rights	(46,870,478)	43,725,198	(1,182,046)
Other deposits and prepayments	59,693,294	(34,882,024)	15,076,597
Other current assets	(2,610,160)	2,359,210	(6,456,006)
Amounts due from related parties	47,907,083	(33,014,545)	47,297,291
Amounts due from employees	1,876,639	(997,298)	(47,565)
Other assets	(1,779,120)	(20,542,642)	14,383,358
Accounts payable	124,021	(128,043,926)	(94,511,442)
Customer deposits	(233,463,779)	143,204,992	210,848,409
Income tax payable	(38,358,479)	(35,014,314)	13,392,278
Other payables and accrued liabilities	241,107,544	(51,513,133)	(29,962,164)
Payroll and welfare payable	(7,198,828)	(3,059,265)	2,392,037
Amounts due to related parties	10,728,133	251,053	(10,979,186)
Net cash provided by/(used in) operating activities	336,766,542	135,608,847	(530,272,913)

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

XINYUAN REAL ESTATE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020, 2021, 2022
(ALL amounts stated in US\$, except for number of shares data)

	Year ended December 31,		
	2020	2021	2022
	US\$	US\$	US\$
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of properties held for lease and property and equipment	93,001,129	7,052,259	3,264,138
Purchase of property and equipment	(1,294,014)	(2,058,162)	(28,681)
Acquisition of subsidiaries, net of cash acquired (Note 9)	(938,733)	—	510,108,525
Acquisition of long-term investments	(219,220,373)	(27,768,648)	—
Return of capital	24,296,031	—	—
Loan to employees	—	—	554,309
Net cash (used in)/provided by investing activities	<u>(104,155,960)</u>	<u>(22,774,551)</u>	<u>513,898,291</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	134,790	—	—
Purchase of treasury shares (Note 19)	(2,483,896)	—	—
Dividends to shareholders	(14,284,148)	(4,055,664)	(4,661,341)
Amounts due to related parties	(24,477,542)	44,288,546	(4,068,750)
Repayments of short-term bank loans and current portion of long-term bank loans	(819,432,106)	(790,322,990)	(205,502,651)
Proceeds from short-term bank loans and current portion of long-term bank loans	105,007,105	193,848,327	5,825,838
Repayment of long-term bank loans	(199,845,816)	(183,056,732)	(38,472,000)
Proceeds from long-term bank loans	433,177,672	339,581,996	83,335,835
Repayment of other short-term debt	(60,033,909)	(11,572,583)	(4,059,023)
Proceeds from other short-term debt	18,917,551	17,689,487	85,768,101
Repayment of other long-term debt	(882,010,043)	(891,457,400)	(98,522,299)
Proceeds from other long-term debt	1,047,849,099	610,114,087	124,661,778
Payment of financing cost	(6,361,147)	(6,947,448)	—
Payment of principal from finance lease	(8,476,338)	(1,916,297)	(5,207,694)
Repayment of mandatorily redeemable non-controlling interests	(462,754)	—	—
Proceeds from mandatorily redeemable non-controlling interests	—	1,070,310	475,728
Contributions from non-controlling interests, net	222,712,481	5,659,417	—
Net cash used in financing activities	<u>(190,069,001)</u>	<u>(677,076,944)</u>	<u>(60,426,478)</u>
NET(DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	42,541,581	(564,242,648)	(76,801,100)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	114,855,646	24,132,269	(82,342,346)
Cash, cash equivalents and restricted cash, at beginning of year	1,102,584,907	1,259,982,134	719,871,755
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, AT END OF YEAR	1,259,982,134	719,871,755	560,728,309
SUPPLEMENTARY INFORMATION ON CASH FLOWS			
Cash and cash equivalents	926,809,581	426,399,881	283,131,542
Restricted cash	333,172,553	293,471,874	277,596,767
Incomes taxes paid	100,712,739	99,120,026	99,120,026
Interest paid	149,271,138	261,746,433	112,037,414
NON-CASH ACTIVITIES			
Debt extinguishment costs included in other payables and accrued liabilities	3,652,705	—	—
Settlement of due from related parties as a result of business combination	—	—	—
Initial recognition of leases	—	—	—

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

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

1. Background information of business and organization

Organization and Description of Business

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, 2022, principal subsidiaries of the Company and its consolidated variable interest entities included the following entities:

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Attributable to the Group	Principal Activities
Subsidiary companies:				
Xinyuan International Property Investment Co., Ltd.	Cayman Islands October 6, 2011	US\$ 500,000	100 %	Investment holding company
Xinyuan International (HK) Property Investment Co., Ltd.	Hong Kong October 26, 2011	HK\$ 3,000,000	100 %	Investment holding company
XIN Development Group International Inc.	United States November 10, 2011	US\$ —	100 %	Investment holding company
Xinyuan Real Estate, Ltd.	Cayman Islands January 27, 2006	US\$ 50,000,000	100 %	Investment holding company
XIN Development Management East, LLC	United States August 28, 2012	US\$ 1,000	100 %	Property management services
XIN NY Holding, LLC	United States August 29, 2012	US\$ 1,000	100 %	Investment holding company
421 Kent Development, LLC	United States August 29, 2012	US\$ 1,000	100 %	Real estate development
Xinyuan Sailing Co., Ltd.	Hong Kong June 21, 2013	HK\$ 3,000,000	100 %	Investment holding company
AWAN Plasma Sdn Bhd	Malaysia April 16, 2007	MYR 33,577,000	100 %	Real estate development
XIN Eco Marine Group Properties Sdn Bhd	Malaysia July 9, 2014	MYR 33,217,000	100 %	Investment holding company
Zhengzhou Jiasheng Real Estate Co., Ltd.	PRC December 2, 2013	US\$ 60,000,000	100 %	Real estate development
Xinyuan (China) Real Estate, Ltd. (“Xinyuan China”)	PRC April 10, 2006	US\$ 307,000,000	100 %	Investment holding company
Henan Xinyuan Real Estate Co., Ltd. (“Henan Xinyuan”)	PRC May 19, 1997	RMB 200,000,000	100 %	Real estate development
Qingdao Xinyuan Xiangrui Real Estate Co., Ltd.	PRC February 9, 2006	RMB 10,000,000	100 %	Real estate development
Shandong Xinyuan Real Estate Co., Ltd.	PRC June 2, 2006	RMB 300,000,000	100 %	Real estate development
Xinyuan Property Management Service(Cayman) Ltd.	Cayman Islands December 13, 2018	HKD 50,000	52.86 %	Investment holding company
Xinyuan Property Management Service (BVI) Ltd	British Virgin Islands January 2, 2019	USD —	52.86 %	Investment holding company
Xinyuan Property Management Service (HK) Limited	HK January 8, 2019	HKD 1	52.86 %	Investment holding company
Xinyuan Science and Technology Service Group Co., Ltd.	PRC December 28, 1998	RMB 50,000,000	52.86 %	Property management services
Mingyuan Landscape Engineering Co., Ltd.	PRC February 17, 2004	RMB 50,000,000	100 %	Landscaping engineering and management
Henan Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC December 29, 2011	RMB 20,000,000	100 %	Real estate development
Suzhou Xinyuan Real Estate Development Co., Ltd.	PRC November 24, 2006	RMB 200,000,000	100 %	Real estate development
Anhui Xinyuan Real Estate Co., Ltd.	PRC December 7, 2006	RMB 50,000,000	100 %	Real estate development
Kunshan Xinyuan Real Estate Co., Ltd.	PRC January 31, 2008	RMB 200,000,000	100 %	Real estate development
Xinyuan Real Estate (Chengdu) Co., Ltd.	PRC June 12, 2007	RMB 220,000,000	100 %	Real estate development
Xuzhou Xinyuan Real Estate Co., Ltd.	PRC November 9, 2009	RMB 200,000,000	100 %	Real estate development
Henan Xinyuan Jiye Real Estate Co., Ltd.	PRC November 15, 2009	RMB 50,000,000	100 %	Real estate development
Beijing Xinyuan Wanzhong Real Estate Co., Ltd. (“Beijing Wanzhong”)	PRC March 4, 2008	RMB 900,000,000	100 %	Real estate development

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 Attributable to the Group	Principal Activities
Xinyuan Renju (Beijing) Asset Management Co., Ltd.	PRC January 16, 2009	RMB 30,000,000	100 %	Management consulting service
Beijing Xinyuan Priority Real Estate Consulting Co., Ltd.	PRC March 8, 2012	RMB 30,000,000	100 %	Real estate consulting services
Henan Xinyuan Priority Commercial Management Co., Ltd.	PRC August 10, 2012	RMB 2,000,000	100 %	Leasing management services
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. ("Suzhou Wanzhuo") (Note 18(a))	PRC September 20, 2012	RMB 200,000,000	20 %	Real estate development
Jiangsu Jiajing Real Estate Co., Ltd.	PRC March 28, 2005	RMB 150,000,000	100 %	Real estate development
Xingyang Xinyuan Real Estate Co., Ltd.	PRC July 25, 2013	RMB 200,000,000	100 %	Real estate development
Jinan Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC December 4, 2013	RMB 300,000,000	100 %	Real estate development
Sanya Beida Science and Technology Park Industrial Development Co., Ltd.	PRC January 10, 2014	RMB 200,000,000	100 %	Real estate development
Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC February 21, 2014	RMB 50,000,000	100 %	Real estate development
Tianjin Xinyuan Real Estate Co., Ltd.	PRC September 17, 2014	RMB 100,000,000	100 %	Real estate development
Xi'an Yinghuai Square Commerce Management Co., Ltd.	PRC November 25, 2014	RMB 3,000,000	100 %	Retail store
Subsidiary companies:				
Changsha Xinyuan Wanzhuo Real Estate Co., Ltd.	PRC April 3, 2014	RMB 100,000,000	100 %	Real estate development
Shanghai Junxin Real Estate Co., Ltd.	PRC January 16, 2014	RMB 5,000,000	100 %	Real estate development
Beijing Yinghuai Commerce and Trade Co., Ltd.	PRC January 5, 2015	RMB 30,000,000	100 %	Retail store
Beijing Xinhe Investment Development Co., Ltd.	PRC May 5, 2015	RMB 5,000,000	100 %	Investment holding company
Henan Yinghuai Commerce and Trade Co., Ltd.	PRC March 23, 2015	RMB 10,000,000	100 %	Retail store
Henan Xinyuan Guangsheng Real Estate Co., Ltd.	PRC July 27, 2015	RMB 200,000,000	100 %	Real estate development
Shanghai Hexinli Property Management Center. (Limited partnership)	PRC July 28, 2015	RMB 10,640,000	100 %	Property management services
Shandong Xinyuan Renju Real Estate Co., Ltd.	PRC November 19, 2011	RMB 50,000,000	100 %	Real estate development
Shaanxi Zhongmao Economy Development Co., Ltd.	PRC June 22, 1998	RMB 22,500,000	65.98 %	Real estate development
421 Kent Holding Co, Ltd.	United States May 2, 2014	US\$ 1,000	100 %	Investment holding company
Hudson 888 Owner LLC	United States October 22, 2015	US\$ 1,000	100 %	Real estate development
XIN Manhattan Holding LLC	United States December 9, 2015	US\$ 1,000	100 %	Investment holding company
Hudson 888 Holding LLC	United States December 9, 2015	US\$ 1,000	100 %	Investment holding company
Shenzhen Xinchuang Investment Consulting Co., Ltd.	PRC January 20, 2016	RMB 10,000,000	100 %	Investment

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

Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Attributable to the Group	Principal Activities
Subsidiary companies:				
Henan Xinyuan Quansheng Real Estate Co., Ltd.	PRC January 14, 2015	RMB 40,000,000	100 %	Real estate development
Zhengzhou Shengdao Real Estate Co., Ltd.	PRC October 14, 2013	RMB 20,000,000	100 %	Real estate development
Henan Xinyuan Shunsheng Real Estate Co., Ltd.	PRC January 13, 2016	RMB 30,000,000	100 %	Real estate development
Hunan Erli Real Estate Co., Ltd.	PRC January 4, 2008	RMB 50,000,000	100 %	Real estate development
XIN Queens Holding LLC	United States July 6, 2016	US\$ 1,000	100 %	Investment holding company
Queens Theatre Holdco LLC	United States July 6, 2016	US\$ 1,000	100 %	Investment holding company
Queens Theatre Owner LLC	United States July 6, 2016	US\$ 1,000	100 %	Real estate development
Zhengzhou Xinnan Real Estate Co., Ltd.	PRC January 21, 2016	RMB 50,000,000	100 %	Real estate development
Xinyan Investment Management Co., Limited.	PRC April 8, 2016	RMB 100,000,000	90 %	Investment
Hunan Xintian Real Estate Co., Ltd.	PRC September 28, 2009	RMB 20,000,000	100 %	Real estate development
Zhengzhou Hangmei Technology Development Co., Ltd. (1)	PRC November 25, 2014	RMB 50,000,000	100 %	Real estate development
Zhengzhou Hangmei Zhengxing Technology Co., Ltd. (1)	PRC March 28, 2016	RMB 50,000,000	100 %	Real estate consulting services
Xi'an Dingrun Real Estate Co., Ltd.	PRC June 1, 2011	RMB 20,000,000	100 %	Real estate development
Zhengzhou Kangshengboda Real Estate Co., Ltd.	PRC July 29, 2016	RMB 50,000,000	100 %	Real estate development
Zhuhai Prince Real Estate Co., Ltd.	PRC September 13, 1990	RMB 307,000,000	100 %	Real estate development
Henan Renxin Real Estate Co., Ltd. ("Henan Renxin")	PRC July 11, 2008	RMB 200,000,000	51 %	Real estate development
Xinchuang Technology Co., Ltd. ("Xinchuang Technology")	PRC May 2, 2017	RMB 100,000,000	100 %	Management consulting services
Hangzhou Huiyuan Investment Management Partnership Enterprise. (Limited partnership)	PRC May 23, 2017	RMB 5,000,000	100 %	Investment holding company
Guangdong Xinyuan Real Estate Co., Ltd.	PRC October 18, 2017	RMB 100,000,000	100 %	Real estate development
Taicang Pengchi Real Estate Co., Limited. ("Taicang Pengchi") (Note 18(a))	PRC June 16, 2017	RMB 200,000,000	17 %	Real estate development
Khorgos XinYan Enterprise Management Consulting Co., Ltd.	PRC December 4, 2017	RMB 5,000,000	100 %	Management consulting services
Jinan Xinyuan Quansheng Real Estate Co., Ltd.	PRC May 25, 2018	RMB 50,000,000	100 %	Real estate development

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Company Name	Registered Place and Date of Incorporation	Registered Capital	Percentage of Equity Attributable to the Group	Principal Activities
Subsidiary companies:				
Suzhou Yuxi Real Estate Co., Limited.	PRC March 5, 2018	RMB 100,000,000	20 %	Real estate development
Xinchuang Sailing (Dalian) Healthy Technology Industrial Investment Co., Ltd.	PRC June 5, 2018	RMB 600,000,000	100 %	Real estate development
Dalian Xinyi Renju Real Estate Co., Ltd.	PRC June 26, 2018	RMB 100,000,000	100 %	Real estate development
Jiangxi Xinkai Renju Management Consulting Service., Ltd.	PRC August 28, 2018	RMB 10,000,000	100 %	Real estate consulting services
Beijing Xinyuan Huicheng Technology Development Co., Ltd.	PRC January 26, 2018	RMB 100,000,000	100 %	Technical services
Suzhou Yefang Real Estate Co., Limited. ("Suzhou Yefang") (Note 18(b))	PRC April 14, 2017	RMB 100,000,000	20 %	Real estate development
Chengdu Xinyuan Renju Enterprise Management Co., Ltd. ("Chengdu Renju")	PRC October 26, 2017	RMB 50,000,000	100 %	Real estate development
Chengdu Guohongfeng Real Estate Co., Ltd.	PRC July 16, 2010	RMB 1,673,179,200	100 %	Real estate development
Qingdao Keda Real Estate Co., Ltd. ("Qingdao Keda")	PRC September 20, 2010	RMB 50,000,000	100 %	Real estate development
Wuhan Yinghexin Real Estate Co., Ltd. ("Wuhan Yinghexin")	PRC January 15, 2014	RMB 100,000,000	100 %	Real estate development
Henan Xinyuan Property Management Co., Ltd.	PRC December 1, 2016	RMB 10,000,000	100 %	Property management services
Subsidiary companies:				
Wuhu Xinyansuifeng NO.1 Investment Center (Limited partnership)	PRC November 22, 2017	RMB 1,501,000,000	100 %	Investment holding company
Zhuhai Xinyuan Real Estate Co., Ltd.	PRC December 31, 2018	RMB 100,000,000	100 %	Real estate development
Jinan Renju Building Material Co., Ltd.	PRC January 2, 2019	RMB 50,000,000	100 %	Sales of construction material
Dalian Xinyi Yaju Real Estate Co., Ltd.	PRC January 16, 2019	RMB 100,000,000	100 %	Real estate development
Guangdong Xinchuang Kechuang Zhigu Development Co., Ltd.	PRC February 27, 2019	RMB 100,000,000	100 %	Real estate development
Jiangxi Xinyuan Heju Enterprise Management Consulting Service Co., Ltd.	PRC April 2, 2019	RMB 10,000,000	100 %	Management consulting services
Beijing I-Journey Science and Technology Development Co., Ltd. ("I-Journey")	PRC October 20, 2015	RMB 40,000,000	93 %	Development and sales of robots
Beijing Ruizhuo Xichuang Technology Development Co., Ltd. ("Xichuang")	PRC July 16, 2015	RMB 30,000,000	93 %	Real estate brokerage
Beijing Ruizhuo Xitou Development Co., Ltd. ("Xitou")	PRC July 16, 2015	RMB 30,000,000	85 %	Internet platform for real estate property financing
Beijing Future Xinzhihui Technology Development Center (Limited Partnership) ("Xinzhihui") (Note 9(2))	PRC December 16, 2016	RMB 30,000,000	90.67 %	Investment holding company
Beijing Future Xinhuijin Technology Development Center (Limited Partnership) ("Xinhuijin") (Note 9(2))	PRC December 30, 2016	RMB 20,000,000	89.5 %	Investment holding company
Beijing Future Xinruifeng Technology Development Center (Limited Partnership) ("Xinruifeng") (Note 9(2))	PRC February 23, 2017	RMB 20,000,000	77.5 %	Investment holding company
Beijing Ruihao Rongtong Real Estate Co., Ltd. ("Ruihao Rongtong")	PRC June 15, 2006	RMB 250,000,000	100 %	Real estate development
Henan Xintuo Real Estate Co. Ltd.	PRC December 8, 2020	RMB 20,000,000	100 %	Real estate development
Zhengzhou Xinhe Real Estate Co., Ltd.	PRC January 8, 2020	RMB 50,000,000	80 %	Real estate development
Zhengzhou Xinying Real Estate Co., Ltd.	PRC May 19, 2020	RMB 30,000,000	100 %	Real estate development
Zhengzhou Xinyuan Xincheng Business Management Co. Ltd.	PRC November 2, 2020	RMB 1,000,000	100 %	Real estate development
Dalian Xincheng Industrial Co., Ltd.	PRC December 16, 2020	RMB 20,000,000	100 %	Leasing management services
Guoxin Chuangxiang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership)	PRC January 2, 2020	RMB 15,000,000	95.22 %	Management consulting service
Guoxin Chuangzhi (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership)	PRC June 23, 2020	RMB 135,000,000	94.41 %	Management consulting service
Chongqing Heavy Duty Vehicle Group Hong Property LLC Wulong Branch	PRC September 26, 2021	RMB —	100 %	Property management services
Henan Rongyao Catering Service Co., Ltd.	PRC September 23, 2021	RMB 1,000,000	51 %	Catering services
Henan Xinzhixiang Electronic Technology Co., Ltd.	PRC May 20, 2020	RMB 5,000,000	100 %	Electronic commerce
Zhengzhou Branch of Xinyuan Technology Service Group Co., Ltd.	PRC March 4, 2016	RMB —	—	Property management services
Henan Xinyuan Property Service Co., Ltd. Xincal Branch	PRC November 19, 2021	RMB —	—	Property management services
Zhengzhou Shengxin Landscape Engineering Co., Ltd.	PRC November 10, 2021	RMB 10,000,000	51 %	Property management services
Henan Xinyuan Property Service Co., Ltd. Runan Branch	PRC March 18, 2021	RMB —	—	Property management services
Dalian Branch of Xinyuan Technology Service Group Co., Ltd.	PRC August 3, 2018	RMB —	—	Property management services
Guangzhou Yueheng Commercial Service Co., Ltd. Zhengzhou Branch	PRC March 30, 2021	RMB —	—	Management consulting services
Henan Kai Dao real Estate Brokerage Co., Ltd.	PRC September 30, 2021	RMB 10,000,000	100 %	Property management services
Shanghai Xinqiao Trading Co., Ltd.	PRC March 17, 2021	RMB 30,000,000	100 %	Property management services
Hainan Xinyuan Heju Enterprise Management Consulting Service Co., Ltd.	PRC September 27, 2020	RMB 10,000,000	100 %	Management consulting services
Jinan Xinyuan Commercial Management Co., Ltd.	PRC December 4, 2015	RMB 3,000,000	100 %	Retail store
Guangzhou Xinyuan Commercial Management Co., Ltd.	PRC March 30, 2021	RMB 1,000,000	100 %	Retail store
Henan Xinyuan Hongsheng Commercial Management Co., Ltd.	PRC May 6, 2021	RMB 1,000,000	100 %	Retail store
Qingdao Huiju Zhihui City Industrial Development Co., Ltd. (2)	PRC June 7, 2016	RMB 2,000,000,000	100 %	Real estate development
VI:				
Beijing Yuzhouyun Technology Development Center (Limited partnership) and its subsidiary ("Yuzhouyun") (Note 2(a))	PRC March 2, 2018	RMB 18,388,300	51 %	Technical services
Beijing Ruizhuo Xihui Technology Development Centre Co., Ltd (Note 2(a))	PRC January 22, 2017	RMB 10,000,000	1 %	Technical services

- (1) In 2022, the Company acquired the remaining equity interest of Zhengzhou Hangmei Technology Development Co., Ltd. and Zhengzhou Hangmei Zhengxing Technology Co., Ltd..
- (2) Qingdao Huiju Zhihui City Industrial Development Co., Ltd. has been consolidated in the Group's financial statements since the year of 2022.

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COVID-19

Beginning in December 2019, a novel strain of coronavirus, or COVID-19, resulted in prolonged mandatory quarantines, lockdown, closures of businesses and facilities and travel restrictions imposed by the Chinese government and many other countries around the world. The Chinese economy has been recovering steadily from the impact of COVID-19 since the second half of 2020, however, during 2021 and 2022, there were a considerable amount of new COVID-19 cases, including primarily the COVID-19 Omicron variant cases, in various cities in China. The Chinese local authorities had reinstated certain measures to keep COVID-19 in check, including travel restrictions and stay-at-home orders. Although China began to modify its COVID-19 control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022, there remains substantial uncertainty about the future dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods, if the global pandemic and the resulting disruption were to extend over a prolonged period. The recurrence of COVID-19 in the China and continuance of the outbreak in other parts of the world, could adversely impact our company's business operations or the business operations of our company's customers and partners thus in turn having an adverse impact on our business, results of operations and financial condition. There remains substantial uncertainties about the dynamic of the COVID-19 pandemic, including, but not limited to, with respect to the logistics of distribution and the efficacy of any vaccine program or with respect to new strains or variants of the virus, which may have potential continuing impacts on subsequent periods if the pandemic and the resulting disruption were to extend over a prolonged period.

2. Summary of significant accounting policies

(a) The Company and basis of presentation and consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs, and the subsidiaries of VIEs. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

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.

Ruihao Rongtong

Ruihao Rongtong, with registered capital of US\$37.6 million (RMB250.0 million), was invested in by the Company on May 6, 2015, for the purpose of undertaking a residential property development project in Beijing. On March 1, 2016, June 28, 2016 and September 18, 2016, an unrelated trustee company, Ping An trust Co., Ltd. ("Ping An trust") purchased 20%, 5% and 10% of the Company's equity interest in Ruihao Rongtong, respectively, and loaned US\$124.3 million (RMB862.5 million) in aggregate to the Group. On February 28, 2017, the Company repurchased the 35% equity interest of Ruihao Rongtong from Ping An trust. On May 23, 2017, Ping An trust subsequently repurchased back 35% of the Company's equity interest in Ruihao Rongtong, and loaned US\$246.8 million (RMB1.61 billion) in aggregate to the Group. As of December 31, 2018, Ruihao Rongtong had one project under construction. Pursuant to the share purchase agreement, the 35% of non-controlling equity interest of Ruihao Rongtong 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 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 ("ASC 480"). On June 21, 2019, the Company repurchased the 35% equity interest of Ruihao Rongtong from Ping An trust and Ruihao Rongtong ceased to be variable interest entity ("VIE").

In accordance with ASC 810, Consolidation ("ASC 810"), Before June 21 2019, Ruihao Rongtong was a variable interest entity as it was not established with sufficient equity at risk to finance its activities without additional subordinated financial support. 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 was consolidated by the Company.

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Yuzhouyun

On March 2, 2018, the Group signed a partnership agreement with certain senior management members to form Yuzhouyun. According to the partnership agreement, the design and purpose of Yuzhouyun's activities are to provide technical services to the Group. The Group acts as a limited partner and the senior management members are general partners. Substantially all significant activities require the approval from the senior management members. The Group and senior management members agreed to share profits at the proportion of 51% and 49%, respectively. The Group, as the limited partner, is the only party with the equity at risk to absorb losses of Yuzhouyun. Yuzhouyun's principal activities are also to provide technical service to the Group, which indicates that Yuzhouyun's activities are conducted on behalf of the Group. Therefore, under ASC 810, Yuzhouyun is a variable interest entity. In addition, as the senior management members are the Group's employees, which represent a principal-agency relationship, therefore, the Group is concluded to be "most closely associated" with Yuzhouyun. Based on the above, the Group is the primary beneficiary because it has the power to direct the activities of Yuzhouyun that most significantly impact their economic performance and has the obligation to absorb the losses and the right to receive benefits from Yuzhouyun.

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

	December 31, 2021	December 31, 2022
	US\$	US\$
Current assets	346,637	174,470
Non-current assets	3,177,609	2,873,855
Total assets	3,524,246	3,048,325
Current liabilities	14,499,043	17,699,203
Non-current liabilities	13,645,560	10,337,995
Total liabilities	28,144,603	28,037,198

The financial performance and cash flows of Yuzhouyun are as follows:

	Year ended December 31, 2021	Year ended December 31, 2022
	US\$	US\$
Revenue	1,703,972	244,130
Cost of revenue	(3,755,276)	(2,534,745)
Net loss	(8,794,606)	(2,539,202)
Net cash (used in)/provided by operating activities	(13,884,957)	2,671,405
Net cash used in investing activities	(14,799)	—
Net cash provided by/(used in) financing activities	13,108,128	(2,700,960)

As of December 31, 2021 and December 31, 2022, the current liabilities of Yuzhouyun included amounts due to subsidiaries of the Group amounting to US\$10,473,436 and US\$14,851,499, which were eliminated upon consolidation by the Company.

During the year ended December 31, 2021 and December 31, 2022, the revenue of Yuzhouyun included amounts that come from the Group amounting to US\$779,795 and US\$nil, which were eliminated upon consolidation by the Company.

Yuzhouyun contributed US\$924,177 and US\$244,130 of the Company's consolidated revenues for the year ended December 31, 2021 and December 31, 2022, respectively.

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Ruizhuo Xihui

In 2020, Ruizhuo Xichuang, a subsidiary of the Group, together with Ruizhuo Xihui and its registered shareholders, entered a new set of Contractual Arrangements, including the powers of attorney, the exclusive business cooperation agreement, the exclusive share purchase agreement, the equity pledge agreement, the confirmations from such Registered Shareholders and the spouse undertakings (collectively known as the “Ruizhuo Xihui VIE Agreements”). The terms of the Ruizhuo Xihui VIE Agreements indicate that the Group is the only party at risk to absorb losses of Ruizhuo Xihui. Ruizhuo Xihui’s principal activities are also to provide technical service to the Group, which indicates that Ruizhuo Xihui’s activities are conducted on behalf of the Group. In accordance with ASC 810, Ruizhuo Xihui is a variable interest entity. Based on the above, the Group is the primary beneficiary because it has the power to direct the activities of Ruizhuo Xihui that most significantly impact its economic performance and has the obligation to absorb the losses and the right to receive benefits from Ruizhuo Xihui.

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

	December 31, 2021	December 31, 2022
	US\$	US\$
Current assets	2,748,904	2,621,527
Non-current assets	—	(10,806)
Total assets	2,748,904	2,610,721
Current liabilities	2,791,771	2,619,769
Total liabilities	2,791,771	2,619,769

The financial performance and cash flows of Ruizhuo Xihui are as follows:

	Year ended December 31, 2021	Year ended December 31, 2022
	US\$	US\$
Revenue	451,176	235,890
Cost of revenue	(26,605)	(64,034)
Net income	367,929	31,287
Net cash provided by/(used in) operating activities	39,366	(13,900)
Net cash used in investing activities	—	—
Net cash used in financing activities	—	—

As of December 31, 2021 and December 31, 2022, the current liabilities of Ruizhuo Xihui included amounts due to subsidiaries of the Group amounting to US\$nil and US\$nil, respectively, the current assets of Ruizhuo Xihui included amounts due from subsidiaries of the Group of US\$2,692,162 and US\$2,511,562 which were eliminated upon consolidation by the Company.

Ruizhuo Xihui contributed US\$451,176 and US\$235,890 of the Company’s consolidated revenues for the year ended December 31, 2021 and December 31, 2022, respectively.

(b) Going concern

As of December 31, 2022, the Group’s short-term bank loans and other debt, and current portion of long-term bank loans and other debt amounted to US\$1,734.7 million.

As announced in the Form 6-K press release dated July 19, 2022, the Company has not made payments in full for its senior notes of RMB545.3 million (“defaulted senior notes”) issued on July 3 and August 6, 2020 with a maturity date on June 29, 2022. The Default also triggered cross-default of other senior notes issued by the Group with carrying amount of US\$641.7 million.

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The Group also breached certain covenants relating to bank and other borrowings of US\$624.9 million as at 31 December 2022. Other than that, up to the date of approval of these consolidated financial statements, the Group continues to be in breach of certain covenants and other lenders have not demanded for immediate repayment of other bank and other borrowings.

In addition, the Group is involved in other various litigation and arbitration cases for various reasons and the contingent compensation is subject to the court verdict. The Company anticipates that the market conditions in the real estate sector remain under pressure in 2023, and therefore, in the absence of a sharp recovery in the market and the availability of various financing options, the Company remains cautious about its liquidity in the near term. The above events or conditions indicate the existence of material uncertainty which cast substantial doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taking into account the past operating performance of the Group and the following:

- (a) The Group has been in negotiation with the noteholder to reach agreement on a debt restructuring plan.
- (b) In May 2023, the Group reached an agreement with corporate bondholders of RMB corporate bonds with carrying amount of RMB900 million as at 31 December 2022. Pursuant to the agreement, the repayment date of the corporate bond was extended to 30 July 2025;
- (c) Up to the date of approval of the consolidated financial statements, the Group successfully extended the maturity date of long-term loans of the aggregate principal amount of US\$20.8 million to no earlier than May 2024, alleviating the pressure on liquidity within a reasonable timeframe.
- (d) The Group is actively in discussions with the other existing lenders to renew the Group's certain borrowings and/or not to demand immediate repayment until the Group has successfully completed the property construction projects and generated sufficient cash flows therefrom. These discussions have been constructive and focused on possible actions in light of current circumstances but do require time to formulate or implement due to ongoing changes in market conditions.
- (e) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. Recent relaxation of policies with regards to the property market in the PRC have been encouraging to increase buyer interests and stimulate demand. Subject to the improvement of the market sentiment, the Group will actively adjust sales and pre-sale activities to better respond to changing markets to achieve the latest budgeted sales and pre-sales volumes and amounts;
- (f) The Group will continue to control administrative costs and contain unnecessary capital expenditures to preserve liquidity. The Group will also continue to actively assess additional measures to further reduce discretionary spending;
- (g) The Group has been proactive in seeking ways to settle the outstanding litigations of the Group. The Group will seek to reach an amicable solution on the charges and payment terms to the claims and litigations which have not yet reached a definite outcome;

In the event forecast cash flow is not achieved or the renewal of borrowings and public senior notes do not undergo as planned, the directors of the Company have also evaluated other plans that could be undertaken to improve their liquidity position as follow:

- 1) The Group could adjust their original sale plan for some residential properties and commercial buildings to an earlier stage in order to generate additional funds;
- 2) The Group will continue to seek to obtain additional new sources of financing from potential equity investment partners or to seek suitable opportunities to dispose of its equity interest in certain project development companies to generate additional cash inflows. The Group's properties are predominantly located in higher tier cities that make them relatively more attractive to potential buyers and retain a higher value in current market conditions;

Notwithstanding the above, uncertainty exists as to whether the renewal of borrowings and public senior notes can be renewed and as to all other alternative operating and financing plans as the Group is still negotiating with its external financiers on the financing to the Group and the sales of properties depend on market conditions. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

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(c) 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 finance lease, allowance for estimating the allowance for credit losses associated with accounts receivables, other receivables, contract assets, short-term investments and advances to suppliers, fair values of the purchase price allocation with respect to business combinations, progress towards the completion of the performance obligation, accounting for the share-based compensation, accounting for deferred income taxes, impairment of goodwill, impairment of real estate properties under development, real estate properties held for lease and long-term investments, provision necessary for contingent liabilities and estimating the incremental borrowing rate for operating lease liabilities. Management analyzed the forecasted cash flows for the twelve months from May 30, 2023, 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 end of May 2024. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

(d) Fair value of financial instruments

Financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other deposits and prepayments, due from employees, due from related parties, other receivables, long-term investments, accounts payable, customer deposits, other payables and accrued liabilities, short-term bank borrowings, long-term borrowings and due to related parties. The carrying amounts of the aforementioned financial instruments, except for short-term investments for which the measurement alternative was elected, long term investments and long term borrowings, approximate their fair value due to the short term maturities of these instruments. 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. 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.

For long-term investments other than those accounted for under the equity method or those that result in consolidation of the investee, the Company measures equity investments at fair value and recognizes any changes in fair value in net income. However, for equity investments that do not have readily determinable fair values and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurement (“ASC 820”), to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Company chose to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. At each reporting date, the Company is required to make a qualitative assessment as to whether equity investments without a readily determinable fair value for which the measurement alternative is elected is impaired. In the event that a qualitative assessment indicates that the investment is impaired and the fair value of the investment is less than the carrying value, the carrying value is written down to its fair value. A variety of factors are considered when determining if a decline in fair value is below carrying value, including, among others, the financial condition and prospects of the investee.

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

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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

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, investment in marketable equity securities and investment in real estate investment trusts (“REITs”) are classified as Level 1 as the Company measures the fair value using quoted trading prices that are published on a regular basis, and investment in equity securities in unlisted companies is categorized as Level 3 measured at fair value using alternative method, less any impairment, plus or minus changes resulting from observable price in orderly transactions.

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

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

(f) Cash and cash equivalents

The Group considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Group maintains bank accounts mainly in PRC, Hong Kong and United States. The vast majority of 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 PRC, Hong Kong and United States. Total cash in banks (excluding restricted cash) at December 31, 2022 amounted to US\$283,131,542 (December 31, 2021: US\$426,399,881), of which the vast majority of deposits are not covered by insurance.

(g) 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\$8,311,763 as of December 31, 2022 (December 31, 2021: US\$26,370,690). As of December 31, 2022, the Group held US\$269,285,004 (December 31, 2021: US\$220,596,486) 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, 2022, the Group also held US\$nil in its restricted cash accounts (December 31, 2021: US\$4,626,943) as security for its short-term loans (Note 10).

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As of December 31, 2022, the Group held US\$nil (December 31, 2021: US\$41,877,755) in its bank accounts with withdrawal restriction for its long-term loans (Note 11).

(h) Real estate properties development completed and under development

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

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

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

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

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

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

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

For the year ended December 31, 2022, the Group recognized impairment loss of US\$2,932,743 for real estate properties completed and under development (2020: US\$9,641,537; 2021: US\$1,347,050).

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(i) Revenue recognition

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

Real estate sales

Revenues arising from real estate sales are recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time.

For real estate sales contracts for which the Group has an enforceable right to payment for performance completed to date, revenue is recognized over time by measuring the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains the physical possession, the legal title, or the significant risks and rewards of ownership of the assets and the Group has a present right to a payment and the collection of the consideration is probable. The progress towards complete satisfaction of the performance obligation is measured based on the Group’s efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

Real estate management services income

Real estate management services income is recognized in the accounting period in which the services are rendered. The Group bills a fixed amount periodically for services provided and recognizes as revenue the amount to which the Group has a right to invoice that corresponds directly with the value of performance completed.

Real estate lease income

Real estate lease income is generally recognized on a straight-line basis over the terms of the tenancy agreements. For real estate leases, these contracts are treated as leases for accounting purposes, rather than contracts with customers subject to ASC 606, Revenue from Contracts with Customers.

Other revenue

Other revenue includes services ancillary to the Group’s real estate projects, including construction service revenue and software consulting service income. Construction service revenue and software consulting service income are recognized when services are provided as the customer simultaneously benefits from the services as they are performed.

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Contract assets

The Group pays sales commission to its real estate sales agencies for each real estate sales contract. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (included under selling and distribution expenses) when the amortization period of the asset that the Group otherwise would have used is one year or less. For incremental costs of obtaining real estate sales contracts that extend beyond a one-year period, the Group has no current contract assets as not expected to realise within one year, these incremental costs of obtaining real estate sales contracts are recognized as assets if the real estate sales are collectible and amortized as the Group transfers the control of the assets to customers. The Group recognized US\$46.5 million and US\$9.8 million of such costs in selling and distribution expense during the year ended December 31, 2021 and December 31, 2022. As of December 31, 2021 and 2022, there was no impairment losses on contract assets.

Contract liabilities

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

The following table presents the Group's contract balances as of December 31, 2021 and 2022:

	December 31, 2021	December 31, 2022
Contract assets	35,104,329	52,515,766
Customer deposits (Note 14)	1,162,430,468	1,280,517,005

(j) Accounts receivable and allowance for credit losses

The Company adopted ASU No. 2016-13, Financial Instruments—Credit Losses (“ASU 2016-13”). Subsequently, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-05, Financial Instruments- Credit Losses (Topic 326): Targeted Transition Relief and ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments- Credit Losses (collectively, the “Credit Loss ASUs”) from January 1, 2020 using the modified retrospective approach and did not restate the comparable periods. The effect of adopting Credit Loss ASUs was as follows:

	As previously reported at December 31, 2019	Effects of adoption of Credit Loss ASUs	As adjusted at January 1, 2020
Consolidated balance sheets			
Accounts receivable	97,911,510	(2,829,696)	95,081,814
Other deposits and prepayments	277,463,137	(1,908,929)	275,554,208
Amounts due from related parties	200,757,623	(1,781,767)	198,975,856
Total current assets	5,645,063,109	(6,520,392)	5,638,542,717
Total assets	7,421,664,433	(6,520,392)	7,415,144,041
Total equity	791,952,022	(6,520,392)	785,431,630

Accounts receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). The Group's accounts receivable consists of balances due from customers for the sale of residential units in the PRC and United States and real estate management service contracts. These balances are unsecured, bear no interest and are due within a year from the date of the sale.

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The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the receivables. The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness and specific exposures related to particular customers. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. Accounts receivable are written off after all collection efforts have ceased. As of December 31, 2022, there was US\$5,103,017 (December 31, 2021: US\$4,811,460) allowance for credit loss.

(k) Other receivables

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

The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the receivables. The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness and specific exposures related to particular customers. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. As of December 31, 2022, there was US\$14,137,430 (December 31, 2021: US\$14,709,839) allowance for credit loss.

(l) 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.

(m) Other deposits and prepayments

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

The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of other deposits. The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of other deposits and aging trends, customer creditworthiness and specific exposures related to particular customers. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. As of December 31, 2022, there was US\$1,908,929 (December 31, 2021: US\$1,908,929) allowance for credit loss.

(n) 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 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, 2021 and 2022, there was no allowance provided.

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(o) Customer deposits

Customer deposits consist of sales proceeds received from customers from the sale of residential units in PRC. In 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.

(p) Notes payable and other payables

Notes payable represents short-term bank and commercial 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\$132,450,166 and US\$87,127,684 as of December 31, 2021 and 2022, respectively.

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

(q) 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, real estate properties held for lease is subject to valuation adjustments when the carrying amount exceeds fair value. An impairment loss is recognized only if the carrying amount of the assets is not recoverable and exceeds fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to be generated by the assets.

For the periods presented, the Group did not recognize any impairment for real estate properties held for lease.

(r) Property and equipment, net

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

Corporate aircraft	15 years
Vehicles	5 years
Furniture and fixtures	5 years
Office buildings	20-60 years

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

(s) Long-term Investments

The Group's long-term investments consist of equity method investments and equity investments without readily determinable fair value.

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Equity method Investments

Where the Group has significant influence over the investee, the Group applies the equity method of accounting in accordance with ASC 323, Investments-Equity Method and Joint Ventures (“ASC 323”). The reporting dates and accounting policies of the equity investee are the same as the Group. The investment in the equity investee is stated at cost, including the Group’s share of the equity investee’s net gain or loss, less any impairment in value. The Group recognizes in its consolidated statement of comprehensive income its share of the net income (loss) of the equity investees. The Company periodically evaluates whether declines in fair values of our investments indicate impairment and whether declines in fair value of our investments below their book value are other-than-temporary.

Nonmarketable equity securities

Nonmarketable equity securities are investments in privately held companies without readily determinable market values.

On January 1, 2018, the Group adopted ASU 2016-01, pursuant to which, for equity investments without readily determinable fair value, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. All gains and losses on nonmarketable equity securities, realized and unrealized, are recognized in earnings. The Group performs a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group has to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, the Group recognizes an impairment loss in net income equal to the difference between the carrying value and fair value.

(t) 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, 2020, 2021 and 2022 was as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>
	US\$	US\$	US\$
Amortization of issuance cost related to long-term debt	116,249	349,045	256,645
Interest expense of finance leases	31,286,261	45,561,734	29,660,708
Interest on borrowings	<u>312,779,581</u>	<u>272,562,353</u>	<u>216,758,003</u>
Total interest costs	344,182,091	318,473,132	246,675,356
Total interest costs capitalized	<u>(214,694,686)</u>	<u>(135,074,360)</u>	<u>(88,666,945)</u>
Interest expense, net	<u>129,487,405</u>	<u>183,398,772</u>	<u>158,008,411</u>

(u) Retirement benefits

Regulations in 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 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, 2020, 2021 and 2022, the Group is obligated to contribute for each employee an amount equal to 40%, 39% and 32%, respectively, of last year’s average salary determined by the Social Welfare Bureau. For the year ended December 31, 2022, the Group recorded expense in the amount of US\$14,643,127 (2020: US\$11,781,673; 2021: US\$20,710,982).

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(v) 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 PRC Company Law, 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 PRC Company Law, the SSR may be distributed to stockholders in the form of share bonus issued to increase share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital before capital increase.

(w) Income taxes

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

Late payment interests and penalties arising from underpayment of income taxes are 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, Income Tax ("ASC 740") 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, 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.

(x) Land Appreciation Tax ("LAT")

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

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(y) 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 (“ASC 220”), 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/(loss) and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive income.

(z) 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, 2022, the Group recorded advertising and promotion expenses of US\$19,164,227 (2020: US\$41,972,661; 2021: US\$40,262,333).

(aa) Leases

The Company adopted ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) from January 1, 2019 by using the modified retrospective method and did not restate the comparable periods. The Company has elected the package of practical expedients, which allows the Company to carry forward our original assessment of whether contracts contained a lease, lease classification, and the initial direct cost. Lastly, the Company elected the short-term lease exemption for all contracts with lease terms of 12 months or less.

The Group determines if an arrangement is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset.

Lessee

The Group categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that transfer ownership to the Group or allow the Group to purchase assets at a nominal amount by the end of the lease term. Assets acquired under finance leases are recorded in property and equipment, net and real estate properties held for lease, net. All other leases are recorded as operating lease right-of-use (“ROU”) assets.

Lease liability is recorded based the present value of the lease payments over the lease term using a discount rate at commencement date. As the implicit rate in the Group’s leases is not typically readily available, the Group uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. This incremental borrowing rate reflects the fixed rate at which the Group could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. Leased assets are recognized based on the initial present value of the lease payments, reduced by lease incentives. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. The expected lease terms are based on the non-cancelable term of the lease and may contain options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. Finance lease assets are amortized in a manner consistent with the Group’s normal depreciation policy for owned assets. Variable lease payments not dependent on an index or rate are excluded from the ROU assets and lease liability calculations and are recognized in expense in the period which the obligation for those payments is incurred.

As of December 31, 2022, the Company recognized operating lease ROU assets of US\$5.7 million (2021: US\$3.1 million) and total lease liability US\$7.1 million (2021: US\$8.9 million), including current portion of US\$3.8 million (2021: US\$2.1 million) for operating lease and US\$nil (2021: US\$5.6 million) for finance lease.

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Lessor

As a lessor, the Company's leases are classified as operating leases under ASC 842, Leases, and thus the pattern of recognition of real estate lease income remains unchanged from previous lease accounting guidance. The lease components and non-lease components are accounted for separately.

(ab) Property warranty

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

The Group regularly estimates potential costs for materials and labor with regards to warranty-type claims expected to be incurred subsequent to the delivery of a property. The Group regularly monitors the warranty reserve and makes adjustments to its pre-existing warranties, if any, in order to reflect changes in trends and historical data as information becomes available. The Group may seek recourse against its contractors or any related third parties if it can be demonstrated they are at fault. In addition, the Group withholds up to 5% of the contract cost from sub-contractors for periods of two to five years. These amounts are included in current liabilities, and are only paid to the extent that there has been no warranty claim against the Group relating to the work performed or materials supplied by the subcontractors. For the periods presented, the Group had not recognized any warranty liability nor incurred any warranty costs in excess of the amount retained from subcontractors.

(ac) Earnings per share

Earnings per share are calculated in accordance with ASC 260, Earnings per Share ("ASC 260"). Basic earnings per share is computed by dividing net income attributable to holders of common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common share equivalents consist of common shares issuable upon the exercise of the share options and vesting of restricted shares units using treasury stock method. Common equivalent 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.

(ad) 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 reviews the Company's share repurchase program periodically and to adjust the amount authorized for repurchase as necessary. On March 21, 2017, the Board of Directors unanimously authorized management to repurchase up to US\$40 million of the Company's shares from the approval date to the end of 2019. On August 14, 2018, the Board of Directors unanimously authorized management to repurchase up to US\$50 million of the Company's shares from the approval date to the end of 2019. On May 20, 2019, the Board of Directors unanimously authorized management to repurchase up to US\$50 million of the Company's shares from the approval date to the end of 2021. As of December 31, 2022, the Company had a balance of 54,977,586 (2021: 54,977,586) treasury shares amounting to US\$116,061,577 (2021: US\$116,061,577).

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(ae) Senior Secured Notes

On February 28, 2017, the Company issued notes with an aggregate principal amount of US\$300,000,000 due on February 28, 2021 (the “February 2021 Senior Secured Notes”) at a coupon rate of 7.75% per annum payable semi-annually. Interest is payable on February 28 and August 28 of each year, commencing August 28, 2017. Given that the February 2021 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the February 2021 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the February 2021 Senior Secured Notes. The February 2021 Senior Secured Notes were issued at a discount.

On November 22, 2017 and December 1, 2017, the Company issued notes with an aggregate principal amount of US\$200,000,000 and US\$100,000,000 due on November 22, 2020 (the “November 2020 Senior Secured Notes”) at a coupon rate of 8.875% per annum payable semi-annually. Interest will be payable on November 22 and May 22 of each year, commencing May 22, 2018. Given that the November 2020 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the November 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the November 2020 Senior Secured Notes. The November 2020 Senior Secured Notes were issued at a discount.

On March 19, 2018, the Company issued notes with an aggregate principal amount of US\$200,000,000 due on March 19, 2020 (the “March 2020 Senior Secured Notes”) at a coupon rate of 9.875% per annum payable semi-annually. Interest is payable on March 19 and September 19 of each year, commencing September 19, 2018. Given that the March 2020 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the March 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the March 2020 Senior Secured Notes. The March 2020 Senior Secured Notes were issued at a discount.

On April 15, 2019 and April 26, 2019, the Company issued notes with an aggregate principal amount of US\$200,000,000 and US\$100,000,000 due on October 15, 2021 (the “October 2021 Senior Secured Notes”) at a coupon rate of 14.20% per annum payable semi-annually. Interest is payable on April 15 and October 15 of each year, commencing October 15, 2019. Given that the October 2021 Senior Secured Notes is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the October 2021 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the October 2021 Senior Secured Notes. The October 2021 Senior Secured Notes were issued at a premium. On October 15, 2021, eligible holders of the October 2021 Notes in the aggregate principal amount of US\$207,680,000 exchanged their notes and the Company delivered new notes in the aggregate principal amount of US\$205,401,000 due on October 15, 2023 (the “October 2023 Senior Secured Note”) and US\$19,101,080 in cash consideration in full satisfaction of the exchange consideration to those eligible holders. The October 2023 Senior Secured Note bears interest at 14.2% per annum payable semi-annually. Interest is payable on April 15 and October 15 of each year, commencing April 15, 2022. Given that the October 2023 Senior Secured Note 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 October 2023 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 October 2023 Senior Secured Notes. The October 2023 Senior Secured Notes were issued at par.

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On June 29, 2020, the Company issued notes with an aggregate principal amount of RMB514.5 million (US\$75 million) due on June 29, 2022 (the “June 2022 Senior Secured Notes”) at a coupon rate of 12.00% per annum payable semi-annually. Interest is payable on December 29 and June 29 of each year, commencing December 29, 2020. Given that the June 2022 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 2022 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 2022 Senior Secured Notes. The June 2022 Senior Secured Notes were issued at par.

On September 17, 2020, the Company issued notes with an aggregate principal amount of US\$300,000,000 due on September 17, 2023 (the “September 2023 Senior Secured Notes”) at a coupon rate of 14.50% per annum payable semi-annually. Interest is payable on March 17 and September 17 of each year, commencing March 17, 2021. Given that the September 2023 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 September 2023 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 September 2023 Senior Secured Notes. The September 2023 Senior Secured Notes were issued at par.

On January 25, 2021 the Company issued a collective aggregate principal amount of US\$270 million due on January 15, 2024 (the “January 2024 Senior Secured Notes”) at a coupon rate of 14.0% per annum payable semi-annually. Interest will be payable on July 25 and January 25 of each year, commencing July 25, 2021. Given that the January 2024 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 January 2024 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 January 2024 Senior Secured Notes. The January 2024 Senior Secured Notes were issued at par.

(af) Onshore corporate bonds

During the periods presented, Xinyuan China issued a series of onshore corporate bonds. Given that each onshore corporate bond individually is debt in its legal form and is not a derivative in its entirety, it has been classified as other long-term debt. The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from these onshore corporate bonds under the requirements of ASC 815. The onshore corporate bonds were issued at par.

(ag) 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.

Equity investments that have readily determinable fair values are measured at fair value with changes recognized in gain(loss) on short-term investments in the consolidated statements of comprehensive income. Equity investments without readily determinable fair values and for which we do not have the ability to exercise significant influence are accounted for at cost with adjustments for observable changes in prices or impairments.

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(ah) Assets acquisition and business combinations

Pursuant to ASC 805, Business Combinations (“ASC 805”), the Company determines whether a transaction or other event is a business combination by applying the definition below, which requires that the assets acquired and liabilities assumed constitute a business. The guidance requires an entity to first evaluate whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If that threshold is met, the set of assets and activities is not a business. If it is not met, the entity evaluates whether the set meets the definition of a business. ASC 805 defines a business as consisting of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. Inputs are defined as economic resources, while processes are defined as protocols, systems or standards. Inputs and processes create, or have the ability to contribute to the creation of, outputs. Outputs are often present in businesses but are not required to meet the definition of a business. To be considered a business under ASC 805, the acquisition of net assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an assets acquisition.

The Company accounted for its acquisitions of Suzhou Yefang, Wuhan Yinghexin and Qingdao Keda as asset acquisitions either because the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets or the acquired entities had no processes in place to apply to inputs to have the ability to create outputs.

The excess of the fair value of purchase consideration over the fair values of identifiable assets acquired and liabilities assumed is recorded as goodwill. The Group reviews goodwill for impairment at least annually or more frequently if events or changes in circumstances would more likely than not reduce the fair value of our single reporting unit below its carrying value. Impairment losses on goodwill of US\$1,481,006 (2021: US\$4,355,469) and impairment loss on intangible assets of US\$nil (2021: US\$14,295,790) were recognized for the year ended December 31, 2022.

(ai) Non-controlling interests

A non-controlling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group. Consolidated net income on the consolidated statements of comprehensive income includes the net loss/(income) attributable to non-controlling interests. The cumulative results of operations attributable to non-controlling interests are recorded as non-controlling interests in the Group’s consolidated balance sheets. Losses attributable to the Group and the non-controlling interest in a subsidiary may exceed their interests in the subsidiary’s equity. The excess, and any further losses attributable to the Group and the non-controlling interest, shall continue to be attributed to those interests.

(aj) Effect of change in estimate

Revisions in estimated gross profit margins related to estimated costs and revenues are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2022, real estate development projects (Tianjin Spring Royal Palace I, Tianjin Spring Royal Palace II, Zhengzhou Hangmei International Wisdom City I, Beijing Tongzhou Liyuan, Xi’an Xinyuan Royal Palace), which recognized gross profit in 2021, had changes in their estimated gross profit margins. As these projects moved closer to completion during 2022, the Company adjusted its prior estimates related to selling prices and development costs. As a result of the changes in estimate above, gross profit, net income and basic and diluted earnings per share decreased by US\$55.3 million (2020: decreased by US\$94.5 million, 2021: decreased US\$265.3 million), US\$41.5 million (2020: decreased US\$70.9 million, 2021: decreased US\$199.0 million), US\$0.38 per share (2020: decreased by US\$0.66 per share, 2021: decreased US\$1.85 per share), and US\$0.38 per share (2020: decreased by US\$0.66 per share, 2021: decreased US\$1.85 per share), respectively, for the year ended December 31, 2022.

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(ak) Share-based compensation

The Group has adopted ASC 718, Compensation-Stock Compensation (“ASC 718”), which requires that share-based payment transactions with employees, such as restricted shares or stock options, be measured based on the grant-date fair value of the equity instrument issued, and the Company has elected to recognize compensation expense using the straight-line method for all restricted shares and stock options granted with service conditions that have a graded vesting schedule. In addition, the Company recognizes share-based compensation expense net of an estimated forfeiture rate and therefore, only recognizes compensation cost for those shares expected to vest over the service period of the award. The estimation of the forfeiture rate is primarily based on historical experience of employee turnover. To the extent the Company revises this estimate in the future, the share-based payments could be materially impacted in the year of revision, as well as in the following years.

The Company also has a policy of using authorized shares in the existing pool to satisfy any future exercise of share options and shares repurchased held by a third party trustee to satisfy the RSUs granted under the Company’s 2014 Restricted Stock Unit Plan.

For options granted with performance conditions, share-based compensation expense is recognized based on the probable outcome of the performance condition using the accelerated method over the requisite service period. A performance condition is not taken into consideration in determining fair value of the non-vested shares granted. The fair value of liabilities incurred in share-based payment transactions with employees are remeasured at the end of each reporting period through settlement. Changes in the fair value of a liability incurred under a share-based payment arrangement that occur during the requisite service period are recognized as compensation costs over that period.

(al) Segment Reporting

In accordance with ASC 280, Segment Reporting (“ASC 280”), 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 geographical basis as property development projects undertaken within a region have similar expected economic characteristics, type of properties offering, customers and market and regulatory environment (Note 21).

(am) Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU is intended to reduce complexity in the accounting for income taxes while maintaining or improving the usefulness of information provided to financial statement users. The guidance amends certain existing provisions under ASC 740 to address a number of distinct items. This standard is effective for public companies in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Group adopted the relevant aspects of this guidance on a prospective basis. The adoption of this ASU did not have a significant impact on the Group’s financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective for public companies for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Group is currently evaluating the impact that the adoption of ASU 2020-06 will have on the Group’s financial statement.

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In October 2020, the FASB issued ASU 2020-10, “Codification Improvements to Subtopic 205-10, presentation of financial statements”. The amendments in this Update improve the codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the disclosure section of the codification that reduce the likelihood that the disclosure requirements would be missed. The amendments also clarify guidance so that an entity can apply the guidance more consistently. ASU 2020-10 is effective for the Company for annual and interim reporting periods beginning January 1, 2022. Early application of the amendments is permitted for any annual or interim period which financial statements are available to be issued. The amendments in this Update should be applied retrospectively. An entity should apply the amendments at the beginning of the period that includes the adoption date. The adoption of this standard is not expected to have a significant impact on the Company.

In June 2016, the FASB amended guidance related to the impairment of financial instruments as part of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which will be effective January 1, 2020. The guidance replaces the incurred loss impairment methodology with an expected credit loss model for which a company recognizes an allowance based on the estimate of expected credit loss. On May 15, 2019, the FASB issued ASU 2019-05, which provides transition relief for entities adopting the Board’s credit losses standard, ASU 2016-13. Specifically, ASU 2019-05 amends ASU 2016-13 to allow companies to irrevocably elect, upon adoption of ASU 2016-13, the fair value option for financial instruments that (1) were previously recorded at amortized cost and (2) are within the scope of the credit losses guidance in ASC 326-20, (3) are eligible for the fair value option under ASC 825-10, and (4) are not held - to - maturity debt securities. For entities that have adopted ASU 2016-13, the amendments in ASU 2019-05 are effective for fiscal years beginning after December 15, 2019, including interim periods therein. An entity may early adopt the ASU in any interim period after its issuance if the entity has adopted ASU 2016-13. For all other entities, the effective date will be the same as the effective date of ASU 2016-13. In November 2019, the FASB issued ASU 2019-11. “Codification Improvements to Topic 326, Financial Instruments - Credit Losses.” ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The ASU 2019-11 amendment provides clarity and improves the codification as to ASU 2016-03. The pronouncement is effective concurrently with the adoption of ASU 2016-03. The pronouncement is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. In February 2020, the FASB issued ASU No. 2020-02, which provides clarifying guidance and minor updates to ASU No. 2016-13- Financial Instruments - Credit Loss (Topic 326) (“ASU 2016-13”) and related to ASU No. 2016-02 Leases (Topic 842), ASU 2020-02 amends the effective date of ASU 2016-13, such that ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements and related disclosures. The adoption of this standard is not expected to have a significant impact on the Company.

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3. Short-term investments

The short-term investments represent investments in REITs, which are publicly traded on the Hong Kong Stock Exchange, marketable equity securities, and investment in private equity funds, which are expected to be realized in cash during the next 12 months.

The following summarizes the short-term investments measured at fair value at December 31, 2021 and 2022:

	December 31, 2021		
	US\$		
	Fair value	Cost	Unrealized loss in profit and loss
Level 1			
Equity securities with readily determinable fair value	85,211,338	114,816,065	(29,604,727)
Total	<u>85,211,338</u>	<u>114,816,065</u>	<u>(29,604,727)</u>
	December 31, 2022		
	US\$		
	Fair value	Cost	Unrealized loss in profit and loss
Level 1			
Equity securities with readily determinable fair value	11,049,675	13,793,189	(2,743,514)
Investment product with readily determinable fair value	943,254	3,099,771	(2,156,517)
Total	<u>11,992,929</u>	<u>16,892,960</u>	<u>(4,900,031)</u>

During the year ended December 31, 2022, US\$66,775,423 (2021: US\$598,630) net realized loss and US\$4,900,031 (2021: US\$29,604,727) unrealized loss are included in earnings.

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4. Other receivables

As of December 31, 2021 and 2022, other receivables consisted of the followings:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
	US\$	US\$
Henan Derun Real Estate Co. Ltd (“Henan Derun”)	154,038,237	142,448,841
Zhengzhou Yongzhi Jianxin Meiyu Private Equity Fund (“Zhengzhou Yongzhi”)	25,095,284	22,973,322
Due from contractors	20,298,040	17,253,823
Due from Zijin Royal Palace	44,750,333	45,163,449
Others	54,008,203	155,673,690
Total	<u>298,190,097</u>	<u>383,513,125</u>

In December 2019, the Group agreed to provide Henan Derun financing using the prepayment and charge interest of 18% per annum commencing from the date of prepayment made to Henan Derun. In March 2020, the Group entered into an agreement with Henan Derun pursuant to which the above receivables shall be settled by Henan Derun’s transfer of certain parcels of land properties to a project company 80% owned by the Group and the Group will assume the bank loans of Henan Derun aggregating to US\$77.1 million which were pledged by such land properties. The Group evaluated the potential impairment and concluded that no impairment allowance is required because the estimated future undiscounted cash flow of the relevant land properties attributed to the Group exceeded the total amount of the above receivables and bank loans assumed by the Group. As of December 31, 2022, the prepayment is recorded as other receivables aggregating to US\$142.4 million (2021: US\$154.0 million).

In July 2020, the Company transferred Zhengzhou Modern City Shopping Mall originally held by the Company to a new subsidiary (“the Project Company”). The shopping mall was accounted for as property held for lease. In September 2020, the Company entered into a share purchase agreement with Zhengzhou Yongzhi to transfer its 98% equity interest in the Project Company for a consideration of US\$122,607,243. As of December 31, 2021, Zhengzhou Yongzhi has paid US\$98,085,794 to the Company and the change of business registration of the Project Company has been completed. According to the agreement, the remaining consideration of US\$25,095,284 should be paid before September 27, 2021. The balance is now overdue. The directors of the Company are of the view that no credit loss is required for the balance because the underground property right has not been transferred to the new Project Company, and the fair value of the underground property as appraised by an external valuer exceeded the outstanding balance receivable from Zhengzhou Yonzhi.

5. 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, 2021 and 2022:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
	US\$	US\$
Real estate properties development completed	500,875,235	830,840,167
Real estate properties under development	2,368,747,467	2,446,216,486
Total real estate properties development completed and under development	<u>2,869,622,702</u>	<u>3,277,056,653</u>

As of December 31, 2022, land use rights included in the real estate properties under development totaled US\$1,729,523,333 (2021: US\$1,544,418,492).

As of December 31, 2022, land use rights with an aggregate net book value of US\$424,482,379 (2021: US\$333,926,609) was pledged as collateral for certain bank loans and other debts.

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6. Real estate properties held for lease, net

The Group leases its owned buildings to various third parties including elementary schools, basement parking, kindergartens, parking facilities, clubhouses as well as a shopping mall. These leases are non-cancelable operating leases with remaining lease periods that vary from 25 days to 20 years. The leases may include minimum base rents with escalated contingent rent clauses.

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2022</u>
	US\$	US\$
Elementary schools	3,345,332	3,062,464
Basement parking	9,122,951	6,899,693
Kindergartens	9,326,258	4,174,550
Parking facilities	95,414,729	74,803,844
Clubhouses	8,410,108	7,698,981
Shopping mall	282,353,261	258,828,780
Residential properties	88,786,540	73,295,345
Total costs	496,759,179	428,763,657
Accumulated depreciation	(56,458,807)	(55,295,790)
Real estate properties held for lease, net	<u>440,300,371</u>	<u>373,467,867</u>

The Group has shopping mall equipment with gross amounts of US\$7,822,133 and US\$nil acquired under finance lease as of December 31, 2021 and 2022, respectively.

Depreciation expense for real estate properties held for lease for the year ended December 31, 2022 amounted to US\$7,709,696 (2021: US\$8,237,055).

As of December 31, 2022, US\$137,103,470 of real estate properties held for lease was pledged as collateral for certain bank loans and other debts (2021: US\$174,811,201).

As of December 31, 2022, minimum future rental income on non-cancellable leases (none of which contains any contingent rental clauses), in the aggregate and for each of the five succeeding fiscal years and thereafter, is as follows:

<u>Year</u>	<u>Amount</u> <u>US\$</u>
2023	18,534,367
2024	18,968,284
2025	17,469,596
2026	16,761,194
2027 and thereafter	104,164,174
Total	<u>175,897,614</u>

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7. Property and equipment, net

Property and equipment consisted of the following:

	December 31, 2021 US\$	December 31, 2022 US\$
Corporate aircraft	40,361,413	36,948,606
Vehicles	4,795,223	4,235,388
Furniture and fixtures	10,879,140	8,958,370
Office buildings	19,343,707	17,708,077
Total	75,379,483	67,850,441
Accumulated depreciation	(39,853,550)	(39,019,330)
Property and equipment, net	<u>35,525,933</u>	<u>28,831,111</u>

On October 23, 2012, the Group acquired a corporate aircraft owned by Minsheng Financial Leasing Co. Ltd. (“Minsheng”) under a finance lease. The lease has an eight-year term and expires on September 15, 2021 with 32 quarterly lease payments of US\$1,426,000. A deposit in the amount of US\$6.7 million may be used as full and final payment to Minsheng to purchase the corporate aircraft. On June 15, 2020, the Group terminated the previous agreement and signed a new leaseback agreement with Minsheng. The leaseback has a three-year term and expires on July 14, 2023 with 12 quarterly lease payment of US\$1,105,274.

Depreciation expense for property and equipment for the year ended December 31, 2022 amounted to US\$3,787,564 (2020: US\$4,696,140; 2021: US\$4,839,442).

Accumulated depreciation for property and equipment as of December 31, 2022 amounted to US\$39,019,330 (2020: US\$37,125,590; 2021: US\$39,853,550).

8. Long-term investments

As of December 31, 2021 and 2022, the long-term investments consisted of the following:

	Initial Cost US\$	Ownership	December 31, 2021 US\$
Nonmarketable equity securities			
Zhengzhou Lianhe Real Estate Co., Ltd.	241,648	1.85 %	313,691
Zhengzhou Taike Real Estate Co., Ltd.	738,073	3.75 %	784,228
Equity method investees			
Qingdao Huiju Zhihui City Industrial Development Co., Ltd.	523,459,957	49 %	539,866,587
Madison Developments Limited.	19,095,969	50 %	—
Wuhu Penghong Investment Center (Limited Partnership)	61,998,960	n/a	46,617,348
Suzhou Rongjingchen Real Estate Co., Ltd	42,041,464	24 %	16,646,705
Others	68,076,387	n/a	62,999,293
Total			<u>667,227,852</u>

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	<u>Initial Cost</u> US\$	<u>Ownership</u>	<u>December 31,</u> <u>2022</u> US\$
Nonmarketable equity securities			
Zhengzhou Lianhe Real Estate Co., Ltd.	241,648	1.85 %	287,167
Zhengzhou Taike Real Estate Co., Ltd.	738,073	3.75 %	—
Equity method investees			
Qingdao Huiju Zhihui City Industrial Development Co., Ltd.	523,459,957	49 %	—
Madison Developments Limited.	19,095,969	50 %	—
Wuhu Penghong Investment Center (Limited Partnership)	61,998,960	n/a	26,784,584
Suzhou Rongjingchen Real Estate Co., Ltd	42,041,464	24 %	19,078,393
Others	68,076,387	n/a	46,323,185
Total			<u>92,473,329</u>

Equity method investees

On April 19, 2017, the Company signed an agreement to acquire up to 70% equity interest of Qingdao Huiju Zhihui City Industrial Development Co., Ltd. (“Qingdao Huiju”), which is developing a real estate project in Qingdao city from Beijing Huiju Technology Industry Development Co., Ltd. (“Beijing Huiju”), a non-affiliated company for a consideration of US\$505.2 million. As of December 31, 2020, US\$505.2 million had been paid and a 49% equity interest has been transferred to the Company. Based on the articles of association, the Company cannot exercise control of Qingdao Huiju until it acquires the entire 70% equity interest, but has the ability to exercise significant influence over Qingdao Huiju’s operating and financial decisions and accounted for it as an equity method investment.

The Group initiated various legal actions against Beijing Huiju for, inter alia, (i) the transfer of the remaining 21% equity interest in Qingdao Huiju to the Group and appointment of directors into the board of Qingdao Huiju, (ii) refund of unauthorized transfer of cash of US\$98.7 million from Qingdao Huiju to Beijing Huiju, and (iii) return of business license and official seals of Qingdao Huiju to Qingdao Huiju. In March 2019, PRC local court held that Beijing Huiju shall refund the unauthorized cash transferred to Beijing Huiju to Qingdao Huiju and has frozen the cash of US\$98.7 million in Beijing Huiju’s bank account. In January 2020, local PRC court held that Beijing Huiju shall return the business license and official seals of Qingdao Huiju to Qingdao Huiju. On June 15, 2021, the PRC local court issued a final verdict that Beijing Huiju shall refund the unauthorized cash of US\$98.7 million. In January 2022, the China International Economic and Trade Arbitration Commission, or CIETAC, ruled that Beijing Huiju shall transfer the remaining 21% equity interest in Qingdao Huiju to the Group, that Beijing Huiju shall coordinate in completing the equity transfer registration formalities and confirmed that the Group has the right to appoint three directors onto the board of Qingdao Huiju. Based on independent legal advice and after due and careful enquiry, the directors of the Company are of the view that the above events shall have not any material adverse effect on the Group’s investment in and receivables from Qingdao Huiju.

In 2022, the enforcement status of the above award/judgements is that, (i) the change of equity registration formalities to has been completed by Beijing Huiju within the prescribed period provided by the CIETAC; (ii) Qingdao Huiju has received the refund of US\$98.7 million transferred by Beijing Huiju; and (3) Qingdao Huiju has collected the returned business license and official seals of Qingdao Huiju. Therefore, Qingdao Huiju has been consolidated in the Group’s financial statements since the year of 2022.

On September 4, 2017, the Company, with two non-affiliated companies, established a limited partnership, Wuhu Penghong Investment Center (Limited Partnership) (“Wuhu Penghong”), in which the Company and the other two partners each invested US\$30.6 million, US\$91.8 million and US\$3.1 million in cash, respectively, to invest in a real estate project. The other two partners hold substantive participating rights whereas the Company only exercises significant influence, and therefore, accounted for its investment in Wuhu Penghong under the equity method. In 2021, the Company further invested US\$31.4 million to Wuhu Penghong.

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

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In July 2019, the Company acquired a 24% equity interest in Suzhou Rongjingchen Real Estate Co., Ltd. (“Suzhou Rongjingchen”), which is developing a real estate project in Suzhou city from Suzhou Kaijingsheng Real Estate Co., Ltd., a non-affiliated company, for a consideration of US\$42.0 million. Based on the articles of association, the Company cannot exercise control of Suzhou Rongjingchen, but has the ability to exercise significant influence over Suzhou Rongjingchen’s operating and financial decisions and accounted for it as an equity method investment.

As of December 31, 2022, the Group’s investment in the investees in the aggregate exceeded its proportionate share of the net assets of the equity method investees by nil (2021: nil). This difference, if any, represents equity method goodwill and therefore, is not amortized. For the year ended December 31, 2022, the Group recognized its share of loss from its equity method investments of US\$26,167,050 (2020: income of US\$17,028,301; 2021: loss of US\$23,345,765). As of December 31, 2021 and 2022, there was no material impairment related to these investments.

Summarized combined financial information of the equity method investees is as follows:

	December 31,
	2022
	US\$
	(in thousands)
Current assets	948,517
Non-current assets	66,394
Current liabilities	529,077
Non-current liabilities	327,947
Non-controlling interest	1,379
Gross revenue	390,785
Gross profit	52,508
Loss from continuing operations	(12,922)
Net loss	(25,665)
Net loss attributable to the Company	(26,167)

The above summarized financial information represents the operating performance and financial position of the investees since they became equity method investees of the Group.

9. Acquisition of subsidiaries

2019 Acquisition Activity

In November 2019, the Group acquired Beijing Ruizhuo Xitou Development Co., Ltd. (“Xitou”), a related party, for a total consideration of US\$16,486,299, which was satisfied by the extinguishment of a pre-existing receivable (Note 18). Xitou is primarily engaged in provision of online platform services for real estate project financing purposes.

In November 2019, the Group acquired Beijing Ruizhuo Xichuang Technology Development Co., Ltd. (“Xichuang”), a related party, for a total consideration of US\$11,212,797, which was satisfied by the extinguishment of a pre-existing receivable (Note 18). Xichuang is primarily engaged in the provision of online platform services for sourcing, sale and purchase of real estate properties.

In November 2019, the Group acquired Beijing I-Journey Science and Technology Development Co., Ltd. (“I-Journey”), a related party, for a total consideration of US\$21,062,847, which was satisfied by the extinguishment of a pre-existing receivable (Note 18). I-journey is primarily engaged in the sale of household robots and provision of community cloud services.

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The acquisitions of Xitou, Xichuang and I-journey were in line with the Group's strategy to extend its business to provide real estate and property management related technology services. The above acquisitions were accounted for under the acquisition method of accounting with acquired assets and assumed liabilities recorded at their acquisition date fair values. The goodwill recognized upon the acquisitions amounting to US\$6,624,594, US\$5,159,916 and US\$12,927,103 respectively is primarily as a result of the excess of the acquisition considerations over the respective fair value of net identifiable assets acquired. The goodwill recognized in other non-current assets is attributable primarily to expected synergies and the assembled workforce. The goodwill is not deductible for tax purposes.

The operational results of Xitou, Xichuang and I-journey have been included in the Group's consolidated financial statements since November 30, 2019 ("Date of Acquisition"). The pro forma results of operations for the acquisitions have not been presented because the revenue and earnings generated before the acquisitions are immaterial.

The purchase price allocation for the acquisitions is primarily based on a valuation determined by the Group with the assistance of an independent third party valuation firm. The following table summarizes the fair values of the assets acquired and liabilities assumed on Date of Acquisition.

	<u>Xinruifeng subgroup</u>	<u>Xinhujin subgroup</u>	<u>Xinzhihui subgroup</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
Cash and cash equivalents	472,974	276,511	77,526	827,011
Intangible assets (1)				
Technology	9,446,403	5,877,125	6,249,820	21,573,348
Trade mark	—	—	2,623,205	2,623,205
Other current assets	262,373	164,373	691,872	1,118,618
Deferred tax assets	1,057,527	1,170,995	658,831	2,887,353
Other non-current assets	29,935	14,176	43,115	87,226
Goodwill	6,624,594	5,159,916	12,927,103	24,711,613
Current liabilities	(269,349)	(241,318)	(1,499,623)	(2,010,290)
Deferred tax liabilities	(1,057,527)	(1,170,995)	(658,831)	(2,887,353)
Non-controlling interest	(80,631)	(37,986)	(50,171)	(168,788)
Total Consideration	<u>16,486,299</u>	<u>11,212,797</u>	<u>21,062,847</u>	<u>48,761,943</u>

(1) Intangible assets acquired in 2019 have estimated useful lives between six and ten years.

(2) Xinruifeng, Xinhujin and Xinzhihui are parents of Xitou, Xichuang and I-journey, respectively.

There were no significant acquisitions of subsidiaries for the year ended December 31, 2021 and 2022.

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10. Short-term bank loans and other debt

Short-term bank loans and other debt represent amounts due to various banks and financial institutions that are due on the dates indicated below. Short-term bank loans and other debt at December 31, 2021 and 2022 consisted of the following:

	December 31, 2021 US\$	December 31, 2022 US\$
Loan from Hua Xia Bank Co., Ltd.		
Due July 10, 2022 at 7.00% per annum	4,391,675	4,020,331
Due June 11, 2022 at 7.00% per annum	12,547,642	11,486,661
Due March 30, 2022 at 8.00% per annum	6,273,821	5,743,331
Loan from Shenzhen Zhong'an Finance Leasing Co.,Ltd. at 5.89% per annum	1,568,455	—
Loan from Everbright Bank		
Due October 19, 2022 at 8.00% per annum	4,705,366	4,278,781
Loan from Henan Zhongyuan Microfinance Co., Ltd		
Due July 29, 2022, at 11.00% per annum	4,705,366	4,235,706
Loan from Beijing Zhongjin Chengkai Microfinance Co., Ltd		
Due April 29, 2022, at 15.60% per annum	1,239,080	—
Loan from Huaxia Pawnshop Co., Ltd		
Due June 9, 2022 at 30.00% per annum	326,239	—
Loan from Tianjin Guotou Rongshun Microfinance Co., Ltd		
Due September 26, 2022 at 9.60% per annum	964,600	—
Loan from Beijing Dingcheng Pawnshop Co., Ltd		
Due March 9, 2022 at 19.20% per annum	1,882,146	1,579,416
Loan from Bohai Bank Xi'an Branch		
Due September 2, 2022 at 7.80% per annum	1,568,455	—
Loan from Luso International Banking Ltd		
Due January 19, 2022, at 3.90% per annum	2,130,000	—
Due February 5, 2022, at 3.90% per annum	2,270,000	—
Loan from Bank of Zhengzhou		
Due March 28, 2022, at 6.50% per annum	54,895,932	50,254,143
Total short-term bank loans and other debt	<u>99,468,777</u>	<u>81,598,369</u>

As of December 31, 2022, US\$81,598,369 of the Group's short-term bank loans and other debt was denominated in RMB and were mainly secured by the Group's real estate properties development completed with net book value of US\$74,341,513 (2021: US\$87,535,195), land use right of US\$17,643,325 (2021: US\$19,272,974), real estate properties held for lease with net book value of US\$17,517,158 (2021: US\$19,135,154), and property and equipment with net book value of US\$8,612,681 (2021: US\$9,408,203). As of December 31, 2022, no short-term bank loans and other debt was denominated in U.S. dollar. As of December 31, 2021, US\$4,400,000 of the Group's short-term bank loans and other debt was denominated in U.S. dollar and secured by restricted cash of US\$4,626,943.

The weighted average interest rate on short-term bank loans and other debt as of December 31, 2022 was 7.26 % (2021: 7.32%).

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11. Long-term bank loans

Long-term bank loans as of December 31, 2021 and 2022 analyzed by final installment maturity dates consisted of the following:

	December 31, 2021	December 31, 2022
	US\$	US\$
Loan from ICBC		
Due July 23, 2022, at 4.75% per annum	260,364	—
Due April 13, 2022, at 9.80% per annum	13,068,369	—
Due April 13, 2022, at 9.80% per annum	6,507,393	—
Due April 13, 2022, at 9.80% per annum	6,535,753	—
Due December 22, 2023, at 4.75% per annum	—	11,927,462
Due December 22, 2023, at 4.75% per annum	—	5,921,257
Due December 22, 2023, at 4.75% per annum	—	5,911,323
	<u>26,371,879</u>	<u>23,760,042</u>
Loan from Bank of China		
Due March 19, 2022 at 5.225% per annum	16,782,471	14,358,326
Due October 31, 2022 at 4.75% per annum	7,826,392	6,446,889
	<u>24,609,063</u>	<u>20,805,215</u>
Loan from Ping An Bank Co., Ltd.		
Due March 18, 2022, at 6.5075% per annum	20,766,347	18,522,241
	<u>20,766,347</u>	<u>18,522,241</u>
Loan from Bank of Minsheng		
Due May 30, 2031, at 8.5% per annum	57,954,421	49,249,060
Due March 16, 2023 at 7.6% per annum	204,165,817	186,902,335
Due January 14, 2024 at 6.65% per annum	59,601,299	31,763,490
	<u>321,721,537</u>	<u>267,914,884</u>
Loan from Bank of Hengfeng		
Due August 23, 2023 at 8.25% per annum	93,009,396	—
Loan from Bank of Zhengzhou Co., Ltd		
Due March 26, 2022, at 7.000075% per annum	56,307,543	51,546,392
Due August 11, 2023 at 6.5% per annum	117,634,142	107,687,448
	<u>173,941,685</u>	<u>159,233,840</u>
Loan from Xiamen International Bank Co., Ltd		
Due February 20, 2023, at 10.00% per annum	9,410,731	7,179,163
Due April 30, 2023, at 6.80% per annum	4,234,829	3,158,832
	<u>13,645,560</u>	<u>10,337,995</u>
Loan from Bank of Guangzhou Co., Ltd		
Due September 3, 2024, at 7.30% per annum	106,759,164	89,999,679
Loan from Luso International Banking Ltd		
Due March 12, 2023, at 3.50% per annum	19,236,000	—
Due March 29, 2023, at 3.50% per annum	1,859,480	—
Due April 12, 2023, at 3.50% per annum	17,376,520	—
	<u>38,472,000</u>	<u>—</u>
Total	819,296,631	590,573,895
Less: current portion of long-term bank loans	<u>(325,219,756)</u>	<u>(443,970,822)</u>
Total long-term bank loans	<u>494,076,875</u>	<u>146,603,073</u>

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As of December 31, 2022, the contractual maturities of these loans are as follows:

<u>Year</u>	<u>Amount</u>
	<u>US\$</u>
2023	443,970,822
2024	106,112,592
2025	4,953,623
2026	5,384,372
2027 and thereafter	30,152,486
Less: current portion of long-term bank loans	(443,970,822)
Total: long-term bank loans	146,603,073

As of December 31, 2022, US\$590,573,895 of the Group's long term bank loans was denominated in RMB and were mainly secured by the Group's real estate properties under development with net book value of US\$176,282,157 (2021: US\$283,626,547), land use rights with net book value of US\$243,629,315 (2021: US\$270,020,262), the Group's real estate properties held for lease with net book value of US\$119,586,312 (2021: US\$135,459,260), and the property and equipment with net book value of US\$9,148,641 (2021: US\$9,993,667). As of December 31, 2022, no long term bank loans was denominated in U.S. dollar. As of December 31, 2021, US\$38,472,000 of the Group's long term bank loans was denominated in U.S. dollar and secured by restricted cash of US\$41,877,755.

The interest rates of these bank loans are adjustable based on the range of 100% to 211% of the PBOC prime rate. The weighted average interest rate on long-term bank loans as of December 31, 2022 was 7.46% (2021: 7.24%).

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12. Other long-term debt

As of December 31, 2021 and 2022, other long-term debt analyzed by final installment maturity dates consisted of the following:

	December 31, 2021	December 31, 2022
	US\$	US\$
Senior notes		
June 2022 Senior notes due on June 29, 2022 at 12.00% per annum	78,997,031	79,646,560
September 2023 Senior notes due on September 17, 2023 at 14.50% per annum	253,096,367	249,723,695
October 2023 notes due on October 15, 2023 at 14.20% per annum	132,576,797	131,475,779
January 2024 notes due on January 25, 2024 at 14.00% per annum	262,064,363	260,540,790
Corporate bonds		
Due November 13, 2025 at 8.35% per annum	27,747,400	25,257,603
Due January 4, 2026 at 8.35% per annum	15,347,334	14,049,622
Loan from Ping An Trust Co., Ltd		
Due May 31, 2022 at 12.80% per annum	35,603,934	20,898,544
Loan from China Huarong Asset Management Co., Ltd		
Due April 20, 2022 at 12.00% per annum	42,348,291	32,880,567
Due November 27, 2022 at 12.00% per annum	20,857,318	19,093,702
Loan from Chang An International Trust Co., Ltd		
Due December 10, 2023 at 9.00% per annum	169,393,164	155,069,925
Loan from Min Sheng Finance Lease Co., Ltd		
Due July 15, 2023 at 5.85% per annum	6,452,550	4,842,975
Loan from Daye Trust Co., Ltd		
Due August 31, 2022 at 11.50% per annum	94,107,314	86,149,958
Due October 16, 2022 at 14.50% per annum	34,506,015	28,716,653
Loan from Hubei Tian Qian Asset Management Co., Ltd		
Due July 14, 2022 at 13.00% per annum	35,989,774	22,973,322
Loan from China Minsheng Trust Co., Ltd		
Due January 22, 2023 at 10.00% per annum	15,684,552	—
Loan from Qingdao Xifa Commercial Factoring Co., Ltd		
Due June 20, 2023 at 9.00% per annum	—	43,074,979
Loan from Qingdao Haifa Finance Leasing Co., Ltd		
Due January 24, 2024 at 9.00% per annum	—	1,952,732
Loan from Qingdao West Coast Small Loan Co., Ltd		
Due January 24, 2024 at 9.00% per annum	—	4,307,498
Loan from Qingdao Rongfu Huijin Asset Management Co., Ltd		
Due May 20, 2024 at 9.00% per annum	—	35,895,816
Loan from Zhengzhou Jinshui Construction Comprehensive Development General Company		
Due August 30, 2025 at 2.80% to 3.00% per annum	—	7,753,496
Loan from China Development Bank Henan Branch		
Due August 30, 2025 at 2.80% to 7.00% per annum	—	85,575,625
Loan from Dalian Lvshunkou District State-owned Capital Investment and Operation Group Co., Ltd		
Due August 30, 2025 at 2.80% to 3.20% per annum	—	143,583
Loan from Kent EB-5 LLC		
Due January 23, 2022 at 5.95% per annum	41,928,898	—
Loan from 135-35 NORTHERN BLVD 1&2 LLC		
Due May 1, 2021 at 8.5% per annum	30,000,000	—
Loan from Ares Management		
Due January 12, 2024 at 10.05% per annum	120,000,000	82,144,392
Loan from Kriss Capital LLC		
Due April 4, 2023 at 7.50% per annum	—	36,137,739
Loan from Mezzanine Loan		
Due October 4, 2023 at 10.30% per annum	—	5,500,000
Loan from Mezzanine Loan		
Due October 4, 2023 at 10.30% per annum	—	34,425,000
Total principal of other long-term debt	1,416,701,102	1,468,230,517
Less: current portion of other long-term debt	(1,141,600,901)	(1,209,149,107)
Total other long-term debt	275,100,201	259,081,410

The June 2022, September 2023, October 2023 and January 2024 Senior Secured Notes are senior secured pari passu obligations of the Company.

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As of December 31, 2022, the contractual maturities of these debts are as follows:

Year	Amount US\$
2023	1,209,149,107
2024	203,088,187
2025	55,993,223
2026	—
2027 and thereafter	—
Less: current portion of other long term debt	(1,209,149,107)
Total: Other long-term debt	<u>259,081,410</u>

The Company did not made payments in full for June 2022 Senior Secured Notes of RMB545.3 million at maturity on June 29, 2022. The default in repayment triggered the default term of other senior notes. As a result, other long-term debt of US\$260,540,750 (2021: US\$394,641,160) was reclassified from non-current liability to current liability as of December 31, 2022.

As of December 31, 2022, US\$588,636,603 of the Group's other long-term debt was denominated in RMB and mainly secured by the Group's real estate properties under development with net book value of US\$336,107,945 (2021: US\$129,857,246), land use rights with net book value of US\$145,339,253 (2021: US\$44,633,373), real estate properties held for lease with net book value of US\$107,905,636 (2021: US\$20,216,787), real estate properties development completed with net book value of US\$54,777,898 (2021: US\$2,890,943), and property and equipment with net book value of US\$14,060,566 (2021: US\$18,050,265). As of December 31, 2022, US\$879,593,915 of the Group's other long-term debt, mainly consisted of the Senior Secured Notes, was denominated in U.S. dollar.

February 2021 Senior Secured Notes

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

The effective interest rate of February 2021 Senior Secured Notes is 8.68%.

The February 2021 Senior Secured Notes were issued pursuant to an indenture, dated February 28, 2017, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "February 2021 Indenture"). The Company's obligations under the February 2021 Indenture and the February 2021 Senior Secured Notes have been guaranteed by certain of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the "Subsidiary Guarantors") and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the February 2021 Indenture. The Company's obligations under the February 2021 Indenture and the February 2021 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

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

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

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the February 2021 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the February 2021 Secured Senior Notes.

The February 2021 Indenture contains certain covenants that, among others, restrict the Company's ability and the ability of the Company's Restricted Subsidiaries (as defined in the February 2021 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the February 2021 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company's Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the February 2021 Indenture) of 2.0 to 1.0.

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

From January 1, 2019 to December 31, 2019, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$10.6 million. The Company recognized gain on extinguishment of debt amounting to US\$1,126,617, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$1,246,256 and the loss from unamortized deferred debt issuance costs amounting to US\$119,639.

From January 1, 2020 to December 31, 2020, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$19 million. The Company recognized loss on extinguishment of debt amounting to US\$588,507, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$348,581 and the loss from unamortized deferred debt issuance costs amounting to US\$239,926.

On September 17, 2020, eligible holders of the February 2021 Senior Secured Notes in the aggregate principal amount of US\$20.0 million exchanged their notes for the September 2023 Senior Secured Notes. From January 1, 2021 to February 28, 2021, the Company redeemed the February 2021 Senior Secured Notes for a total principal amount of US\$20.0 million.

On February 28, 2021, the Company paid in full the principal amount plus accrued and unpaid interest.

November 2020 Senior Secured Notes

On November 22, 2017 and December 1, 2017, the Company issued an aggregate principal amount of US\$200,000,000 and US\$100,000,000 of the November 2020 Senior Secured Notes, respectively. The November 2020 Senior Secured Notes bear interest at 8.875% per annum payable semi-annually. Interest will be payable on May 22 and November 22 of each year, commencing May 22, 2018. The November 2020 Senior Secured Notes have a three year term maturing on November 22, 2020.

The effective interest rate of November 2020 Senior Secured Notes is 9.95%.

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The November 2020 Senior Secured Notes were issued pursuant to an indenture, dated November 22, 2017, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent (the “November 2020 Indenture”). The Company’s obligations under the November 2020 Indenture and the November 2020 Senior Secured Notes have been guaranteed by certain of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the November 2020 Indenture. The Company’s obligations under the November 2020 Indenture and the November 2020 Senior Secured Notes are secured by a pledge of the capital stock of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

At any time prior to November 22, 2020, the Company may at its option redeem the November 2020 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the November 2020 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any November 2020 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such November 2020 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such November 2020 Senior Secured Note, plus all required remaining scheduled interest payments due on such November 2020 Senior Secured Note through the maturity date of the November 2020 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the November 2020 Indenture) plus 100 basis points, over (B) the principal amount of such November 2020 Senior Secured Note on such redemption date.

At any time prior to November 22, 2020, the Company may redeem up to 35% of the aggregate principal amount of the November 2020 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 108.875% of the principal amount of the November 2020 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the November 2020 Senior Secured Notes issued on November 22, 2017 remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the November 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the November 2020 Secured Senior Notes.

The November 2020 Indenture, contains certain covenants that, among others, restrict the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the November 2020 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the November 2020 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company’s Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the November 2020 Indenture) of 2.0 to 1.0.

From January 1, 2019 to December 31, 2019, the Company redeemed the November 2020 Senior Secured Notes for a total principal amount of US\$0.9 million. The Company recognized gain on extinguishment of debt amounting to US\$38,136, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$47,200 and the loss from unamortized deferred debt issuance costs amounting to US\$9,064.

From January 1, 2020 to November 22, 2020, the Company redeemed the November 2020 Senior Secured Notes for a total principal amount of US\$45.8 million. The Company recognized loss on extinguishment of debt amounting to US\$216,290, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$42,214 and the loss from unamortized deferred debt issuance costs amounting to US\$174,076.

On November 22, 2020, the Company paid in full the principal amount plus accrued and unpaid interest.

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March 2020 Senior Secured Notes

On March 19, 2018, the Company issued an aggregate principal amount of US\$200,000,000 of the March 2020 Senior Secured Notes. The March 2020 Senior Secured Notes bear interest at 9.875% per annum payable semi-annually. Interest will be payable on March 19 and September 19 of each year, commencing September 19, 2018. The March 2020 Senior Secured Notes have a two year term maturing on March 19, 2020.

The effective interest rate of March 2020 Senior Secured Notes is 11.34%.

The March 2020 Senior Secured Notes were issued pursuant to an indenture, dated March 19, 2017, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent (the “March 2020 Indenture”). The Company’s obligations under the March 2020 Indenture and the March 2020 Senior Secured Notes have been guaranteed by certain of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Ltd., South Glory International Ltd., Elite Quest Holdings Ltd. and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the March 2020 Indenture. The Company’s obligations under the March 2020 Indenture and the March 2020 Senior Secured Notes are secured by a pledge of the capital stock of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

At any time prior to March 19, 2020, the Company may at its option redeem the March 2020 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the March 2020 Senior Secured Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any March 2020 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such March 2020 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such March 2020 Senior Secured Note, plus all required remaining scheduled interest payments due on such March 2020 Senior Secured Note through the maturity date of the March 2020 Senior Secured Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the March 2020 Indenture) plus 100 basis points, over (B) the principal amount of such March 2020 Senior Secured Note on such redemption date.

At any time prior to March 19, 2020, the Company may redeem up to 35% of the aggregate principal amount of the March 2020 Senior Secured Notes with the net cash proceeds of one or more sales of our common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 109.875% of the principal amount of the March 2020 Senior Secured Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the March 2020 Senior Secured Notes issued on March 19, 2018 remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the March 2020 Senior Secured Notes under the requirements of ASC 815. The embedded redemption options and repurchase features did not qualify for derivative accounting because the embedded derivatives were considered clearly and closely related to the characteristics of the March 2020 Senior Secured Notes.

The March 2020 Indenture, contains certain covenants that, among others, restrict the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the March 2020 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, to sell assets (including limitations on the use of proceeds of asset sales), to grant liens on the collateral securing the March 2020 Senior Secured Notes or other assets, to make certain other payments or to engage in transactions with affiliates and holders of more than 10% of the Company’s Common Shares, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the March 2020 Indenture) of 2.0 to 1.0.

From January 1, 2019 to December 31, 2019, the Company redeemed the March 2020 Senior Secured Notes for a total principal amount of US\$75.7 million. The Company recognized loss on extinguishment of debt amounting to US\$563,941, consisting of the loss from unamortized deferred debt issuance costs amounting to US\$563,941.

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From January 1, 2020 to March 19, 2020, the Company redeemed the March 2020 Senior Secured Notes for a total principal amount of US\$11.7 million.

On March 19, 2020, the Company paid in full the principal amount plus accrued and unpaid interest.

October 2021 Senior Secured Notes

On April 15, 2019 and April 26, 2019, the Company issued Senior Notes with an aggregate principal amount of US\$300,000,000 due on October 15, 2021 (the “October 2021 Notes”). The October 2021 Notes bear interest at 14.2% per annum, payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing October 15, 2019. The October 2021 Notes have a two and a half year (thirty month) term maturing on October 15, 2021.

The October 2021 Notes were issued pursuant to an indenture, dated as of April 15, 2019, between the Company, the Subsidiary Guarantors (as defined below) and Citicorp International Limited, as trustee and shared security agent (the “October 2021 Indenture”). The Company’s obligations under the October 2021 Indenture and the October 2021 Notes are guaranteed initially by certain of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited, Elite Quest Holdings Limited and Xinyuan International (HK) Property Investment Co., Limited (the “Subsidiary Guarantors”) and will be guaranteed by such other future subsidiaries of the Company as is set forth in and in accordance with the terms of the October 2021 Indenture. The Company’s obligations under the October 2021 Indenture and the October 2021 Notes are secured by a pledge of the capital stock of the Company’s wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Limited.

At any time prior to October 15, 2021, the Company may at its option redeem the October 2021 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the October 2021 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. “Applicable Premium” means with respect to any October 2021 Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such Note, plus all required remaining scheduled interest payments due on such Note through the maturity date of the October 2021 Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate (as defined in the Indenture) plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time prior to October 15, 2021, the Company may redeem up to 35% of the aggregate principal amount of the October 2021 Notes with the net cash proceeds of one or more sales of the Company’s common shares in certain equity offerings, within a specified period after the equity offering, at a redemption price of 114.2% the principal amount of the October 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the October 2021 Notes issued on April 15, 2019 remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Following a Change of Control (as defined in the October 2021 Indenture), the Company must make an offer to purchase all outstanding October 2021 Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date.

The October 2021 Indenture contains certain covenants that, among others, restrict the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the October 2021 Indenture) to incur additional debt or to issue preferred stock, to make certain payments or investments, to pay dividends or purchase or redeem capital stock, sell assets, or make certain other payment, subject to certain qualifications and exceptions and satisfaction, in certain circumstances of specified conditions, such as a Fixed Charge Coverage Ratio (as defined in the October 2021 Indenture) of 2.0 to 1.0.

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From January 1, 2019 to December 31, 2019, the Company redeemed the October 2021 Senior Secured Notes for a total principal amount of US\$2.5 million. The Company recognized loss on extinguishment of debt amounting to US\$25,240, consisting of the gain from the difference between repurchase price and principal amount of the debt amounting to US\$52,500 and the loss from unamortized deferred debt issuance costs amounting to US\$77,740.

From January 1, 2020 to December 31, 2020, the Company redeemed the October 2021 Senior Secured Notes for a total principal amount of US\$5.5 million. The Company recognized loss on extinguishment of debt amounting to US\$176,209, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$176,209.

On September 17, 2020, eligible holders of the October 2021 Senior Secured Notes in the aggregate principal amount of US\$38.0 million exchanged their notes for the September 2023 Senior Secured Notes.

On January 25, 2021, eligible holders of the October 2021 Senior Secured Notes in the aggregate principal amount of US\$25.0 million exchanged their notes for the January 2024 Senior Secured Notes.

On October 15, 2021, eligible holders of the October 2021 Notes in the aggregate principal amount of US\$207,680,000 exchanged their notes and the Company delivered the October 2023 Senior Secured Notes in the aggregate principal amount of US\$205,401,000 due on October 15, 2023 and US\$19,101,080 in cash consideration in full satisfaction of the exchange consideration to those eligible holders. At the same time, all the remaining October 2021 Senior Secured Notes that have not been validly tendered and accepted for exchange were redeemed at maturity in full.

June 2022 Senior Secured Notes

On July 3, 2020 and August 6, 2020, the Company issued an aggregate principal amount of RMB514.5 million (US\$75 million) of the June 2022 Senior Secured Notes. The June 2022 Senior Secured Notes bear interest at 12.00% per annum payable semi-annually. Interest will be payable on December 29 and June 29 of each year, commencing December 29, 2020. The June 2022 Senior Secured Notes have a two years term maturing on June 29, 2022.

The effective interest rate of June 2022 Senior Secured Notes is 15.69%.

The June 2022 Senior Secured Notes were issued pursuant to an indenture, dated June 29, 2020, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent (the “June 2022 Indenture”). The Company’s obligations under the June 2022 Indenture and the June 2022 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 2022 Indenture. The Company’s obligations under the June 2022 Indenture and the June 2022 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 June 29, 2022, the Company may at its option redeem the June 2022 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the June 2022 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 June 2022 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such June 2022 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such June 2022 Senior Secured Note, plus all required remaining scheduled interest payments due on such June 2022 Senior Secured Note through the maturity date of the June 2022 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 June 2022 Indenture) plus 100 basis points, over (B) the principal amount of such June 2022 Senior Secured Note on such redemption date.

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At any time prior to June 29, 2022, the Company may redeem up to 35% of the aggregate principal amount of the June 2022 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 112% of the principal amount of the June 2022 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 2022 Senior Secured Notes issued on June 29, 2020 remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the June 2022 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 2022 Senior Secured Notes.

The June 2022 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 June 2022 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 2022 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 2022 Indenture) of 2.0 to 1.0.

September 2023 Senior Secured Notes

On September 17, 2020, the Company issued an aggregate principal amount of US\$300 million of the September 2023 Senior Secured Notes. The September 2023 Senior Secured Notes bear interest at 14.50% per annum payable semi-annually. Interest will be payable on March 17 and September 17 of each year, commencing March 17, 2021. The September 2023 Senior Secured Notes have a three years term maturing on September 17, 2023.

The effective interest rate of September 2023 Senior Secured Notes is 15.69%.

The September 2023 Senior Secured Notes were issued pursuant to an indenture, dated September 17, 2020, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "September 2023 Indenture"). The Company's obligations under the September 2023 Indenture and the September 2023 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 September 2023 Indenture. The Company's obligations under the September 2023 Indenture and the September 2023 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 September 17, 2023, the Company may at its option redeem the September 2023 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the September 2023 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 September 2023 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such September 2023 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such September 2023 Senior Secured Note, plus all required remaining scheduled interest payments due on such September 2023 Senior Secured Note through the maturity date of the September 2023 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 September 2023 Indenture) plus 100 basis points, over (B) the principal amount of such September 2023 Senior Secured Note on such redemption date.

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At any time prior to September 17, 2023, the Company may redeem up to 35% of the aggregate principal amount of the September 2023 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 114.5% of the principal amount of the September 2023 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 September 2023 Senior Secured Notes issued on September 17, 2020 remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the September 2023 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 September 2023 Senior Secured Notes.

The September 2023 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 September 2023 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 September 2023 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 September 2023 Indenture) of 2.0 to 1.0.

From January 1, 2020 to December 31, 2020, the Company redeemed the September 2023 Senior Secured Notes for a total principal amount of US\$1 million. The Company recognized loss on extinguishment of debt amounting to US\$7,334, consisting of the loss from the difference between repurchase price and principal amount of the debt amounting to US\$7,334.

From January 1, 2021 to December 31, 2021, the Company redeemed the September 2023 Senior Secured Notes for a total principal amount of US\$41.2 million.

From January 1, 2022 to December 31, 2022, the Company redeemed the September 2023 Senior Secured Notes for a total principal amount of US\$3.5 million.

January 2024 Senior Secured Notes

On January 25, 2021 and February 9, 2021, the Company issued a collective aggregate principal amount of US\$270 million of the January 2024 Senior Secured Notes. The January 2024 Senior Secured Notes bear interest at 14.0% per annum payable semi-annually. Interest will be payable on July 25 and January 25 of each year, commencing July 25, 2021. The January 2024 Senior Secured Notes have a three years term maturing on January 25, 2024.

The effective interest rate of January 2024 Senior Secured Notes is 14.49%.

The January 2024 Senior Secured Notes were issued pursuant to an indenture, dated January 25, 2021, between the Company, the "Subsidiary Guarantors" identified below and Citicorp International Limited, as trustee and collateral agent (the "January 2024 Indenture"). The Company's obligations under the January 2024 Indenture and the January 2024 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 January 2024 Indenture. The Company's obligations under the January 2024 Indenture and the January 2024 Senior Secured Notes are secured by a pledge of the capital stock of the Company's wholly-owned subsidiaries, Xinyuan Real Estate, Ltd., Xinyuan International Property Investment Co., Ltd., Victory Good Development Limited, South Glory International Limited and Elite Quest Holdings Ltd.

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At any time prior to January 25, 2024, the Company may at its option redeem the January 2024 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the January 2024 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 January 2024 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such January 2024 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such January 2024 Senior Secured Note, plus all required remaining scheduled interest payments due on such January 2024 Senior Secured Note through the maturity date of the January 2024 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 January 2024 Indenture) plus 100 basis points, over (B) the principal amount of such January 2024 Senior Secured Note on such redemption date.

At any time prior to January 25, 2024, the Company may redeem up to 35% of the aggregate principal amount of the January 2024 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 114% of the principal amount of the January 2024 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 January 2024 Senior Secured Notes issued on January 25, 2021, remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the January 2024 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 January 2024 Senior Secured Notes.

The January 2024 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 January 2024 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 January 2024 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 January 2024 Indenture) of 2.0 to 1.0.

From January 1, 2021 to December 31, 2021, the Company redeemed the January 2024 Senior Secured Notes for a total principal amount of US\$5.5 million.

From January 1, 2022 to December 31, 2022, the Company redeemed the January 2024 Senior Secured Notes for a total principal amount of US\$4.82 million.

October 2023 Senior Secured Notes

On October 15, 2021, eligible holders of the October 2021 Notes in the aggregate principal amount of US\$207.68 million exchanged their notes and the Company delivered the October 2023 Senior Secured Notes in the aggregate principal amount of US\$205.4 million due on October 15, 2023 and US\$19.1 million in cash consideration in full satisfaction of the exchange consideration to those eligible holders. The October 2023 Senior Secured Notes bear interest at 14.2% per annum payable semi-annually. Interest will be payable on April 15 and October 15 of each year, commencing April 15, 2022. The October 2023 Senior Secured Notes have a two years term maturing on October 15, 2023.

The effective interest rate of October 2023 Senior Secured Notes is 16.65%.

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The October 2023 Senior Secured Notes were issued pursuant to an indenture, dated October 15, 2021, between the Company, the “Subsidiary Guarantors” identified below and Citicorp International Limited, as trustee and collateral agent (the “October 2023 Indenture”). The Company’s obligations under the October 2023 Indenture and the October 2023 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 October 2023 Indenture. The Company’s obligations under the October 2023 Indenture and the October 2023 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 October 15, 2023, the Company may at its option redeem the October 2023 Senior Secured Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the October 2023 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 October 2023 Senior Secured Note at any redemption date, the greater of (i) 1.00% of the principal amount of such October 2023 Senior Secured Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such October 2023 Senior Secured Note, plus all required remaining scheduled interest payments due on such October 2023 Senior Secured Note through the maturity date of the October 2023 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 October 2023 Indenture) plus 100 basis points, over (B) the principal amount of such October 2023 Senior Secured Note on such redemption date.

At any time prior to October 15, 2023, the Company may redeem up to 35% of the aggregate principal amount of the October 2023 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 114.5% of the principal amount of the October 2023 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 October 2023 Senior Secured Notes issued on October 15, 2021, remains outstanding after each such redemption.

The Company has evaluated and determined that there was no embedded derivative requiring bifurcation from the October 2023 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 October 2023 Senior Secured Notes.

The October 2023 Indenture, contains certain covenants that, among others, restrict the Company’s ability and the ability of the Company’s Restricted Subsidiaries (as defined in the October 2023 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 October 2023 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 October 2023 Indenture) of 2.0 to 1.0.

From January 1, 2021 to December 31, 2021, the Company redeemed the October 2023 Senior Secured Notes for a total principal amount of US\$66.1 million.

From January 1, 2022 to December 31, 2022, the Company redeemed the October 2023 Senior Secured Notes for a total principal amount of US\$2.5 million.

Onshore Corporate Bonds

On December 28, 2015, Xinyuan China 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.

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From November 19, 2018 to November 30, 2018, the Company redeemed the First Tranche Bonds for a total principal amount of RMB0.6 billion (US\$87 million). The Company recognized loss on extinguishment of debt amounting to US\$6,518,487, consisting of both the debt redemption price amounting to US\$6,509,574 and unamortized deferred debt issuance costs amounting to US\$8,913.

From August 14, 2019 to November 12, 2019, the Company redeemed the First Tranche Bonds for a total principal amount of RMB0.4 billion (US\$57 million). The Company recognized loss on extinguishment of debt amounting to US\$1,484, consisting of both the debt redemption price amounting to US\$175 and unamortized deferred debt issuance costs amounting to US\$1,659.

On January 27, 2016, Xinyuan China 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.

From December 14, 2018 to December 21, 2018, the Company redeemed the Second Tranche Bonds for a total principal amount of RMB0.4 billion (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$4,775,500, consisting of both the debt redemption price amounting to US\$4,773,284 and unamortized deferred debt issuance costs amounting to US\$2,216.

From June 21, 2019 to August 12, 2019, the Company redeemed the Second Tranche Bonds for a total principal amount of RMB90 million (US\$13 million). The Company recognized gain on extinguishment of debt amounting to US\$127,864, consisting of both the debt redemption price amounting to US\$128,426 and unamortized deferred debt issuance costs amounting to US\$562.

From February 15, 2020 to November 30, 2020, the Company redeemed the remaining amount of Second Tranche Bonds for a total principal amount of RMB210 million (US\$30 million).

On March 14, 2016, Xinyuan China 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.

From March 14, 2019 to August 14, 2019, the Company redeemed the Third Tranche Bonds for a total principal amount of RMB497.9 million (US\$71 million). The Company recognized loss on extinguishment of debt amounting to US\$743,034, consisting of both the debt redemption price amounting to US\$740,934 and unamortized deferred debt issuance costs amounting to US\$2,100.

From February 15, 2020 to November 30, 2020 the Company redeemed the remaining amount of the Third Tranche Bonds for a total principal amount of RMB2.1 million (US\$0.3 million).

The above three tranches of onshore corporate bonds were issued at par. Upon the third anniversary of the issuance of each tranche of bonds, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company’s announcement of whether it intends to adjust the interest rate. On December 28, 2018, Xinyuan China adjusted the annual interest rate of the First Tranche Bonds to 8.2% from 7.5%.

On August 15, 2016, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB1.5 billion (US\$216 million) due on August 15, 2019 (the “New Tranche”) at a coupon rate of 7.5% per annum payable annually. Interest is payable on August 15 of each year, commencing August 15, 2017.

On April 7, 2017, Xinyuan China issued a new second tranche of onshore corporate bonds with an aggregate principal amount of RMB1.13 billion (US\$173 million) due on April 7, 2020 (the “2017 Tranche”) at a coupon rate of 8.2% per annum payable annually. Interest is payable on April 7 of each year, commencing April 7, 2018.

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Upon the first anniversary of the issuance of the New Tranche and 2017 Tranche, respectively, Xinyuan China may adjust the applicable coupon rate and the holders have the right within a specified time period to require the Company to repurchase the bonds following the Company's announcement of whether it intends to adjust the interest rate. On August 15, 2017, Xinyuan China adjusted the annual interest rate of the New Tranche Bonds to 8.2% from 7.5%. The annual interest rate of the 2017 Tranche Bonds remained unchanged, at 8.2%.

From August 1, 2018 to August 3, 2018, the Company redeemed the New Tranche for a total principal amount of RMB1.05 billion (US\$153 million). The Company recognized loss on extinguishment of debt amounting to US\$5,989,710, consisting of both the debt redemption price amounting to US\$5,710,866 and unamortized deferred debt issuance costs amounting to US\$278,844.

On August 15, 2019, the Company redeemed the New Tranche for a total principal amount of RMB0.45 billion (US\$64 million).

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

On April 7, 2019, the Company redeemed the remaining amount of RMB0.63 billion (US\$90 million) 2017 Tranche, recognizing loss on extinguishment of debt amounting to US\$1,535,132 in 2019, consisting of the debt redemption price amounting to US\$1,535,132.

On September 20, 2018, Xinyuan China issued a new tranche of onshore corporate bonds with an aggregate principal amount of RMB600 million (US\$87 million) due on September 21, 2020 (the "2018 Tranche") at a coupon rate of 8.5% per annum payable annually. Interest is payable on September 21 of each year, commencing September 21, 2019. The above tranches of onshore corporate bonds were issued at par.

On September 21, 2018, the Company redeemed the 2018 Tranche for a total principal amount of RMB400 million (US\$58 million). The Company recognized loss on extinguishment of debt amounting to US\$3,599,937, consisting of both the debt redemption price amounting to US\$3,291,086 and unamortized deferred debt issuance costs amounting to US\$308,851.

From August 26, 2019 to September 23, 2019, the Company redeemed the 2018 Tranche for a total principal amount of RMB76 million (US\$11 million). The Company recognized loss on extinguishment of debt amounting to US\$20,958, consisting of unamortized deferred debt issuance costs amounting to US\$20,958.

From February 15, 2020 to November 30, 2020, the Company redeemed the remaining amount of the 2018 Tranche for a total principal amount of RMB124 million (US\$18 million). The Company recognized gain on extinguishment of debt amounting to US\$132,897, consisting of both the debt redemption price amounting to US\$164,060 and unamortized deferred debt issuance costs amounting to US\$296,957.

On January 4, 2019, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB600 million (US\$87 million) due on January 4, 2022 (the "2019 Tranche") at a coupon rate of 8.5% per annum payable annually. Interest is payable on January 4 of each year, commencing January 4, 2020.

From January 4, 2019 to June 21, 2019, the Company redeemed the 2019 Tranche for a total principal amount of RMB591 million (US\$85 million). The Company recognized loss on extinguishment of debt amounting to US\$1,894,262 in 2019, consisting of both the debt redemption price amounting to US\$1,428,945 and unamortized deferred debt issuance costs amounting to US\$465,317.

From February 15, 2020 to November 30, 2020, the Company redeemed the remaining amount of the 2019 Tranche for a total principal amount of RMB9 million (US\$1.3 million). The Company recognized loss on extinguishment of debt amounting to US\$303,532, consisting of both the debt redemption price amounting to US\$165,243 and unamortized deferred debt issuance costs amounting to US\$138,289.

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On April 1, 2019, Xinyuan (China) Real Estate, Ltd. issued another new tranche of the onshore corporate bonds with an aggregate principal amount of RMB980 million (US\$146 million) due on April 1, 2024 (the “2019 First Tranche Bonds”) at a coupon rate of 8.4% per annum payable annually. Interest is payable on April 1 of each year, commencing April 1, 2020.

From April 1, 2019 to June 21, 2019, the Company redeemed the 2019 First Tranche Bonds for a total principal amount of RMB637 million (US\$91 million). The Company recognized loss on extinguishment of debt amounting to US\$3,977,493 in 2019, consisting of both the debt redemption price amounting to US\$3,494,668 and unamortized deferred debt issuance costs amounting to US\$482,825.

From February 15, 2020 to November 30, 2020, the Company redeemed the remaining amount of the 2019 First Tranche Bonds for a total principal amount of RMB343 million (US\$49 million). The Company recognized loss on extinguishment of debt amounting to US\$423,011, consisting of both the debt redemption price amounting to US\$72,640 and unamortized deferred debt issuance costs amounting to US\$350,371.

On November 12, 2020, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB900 million (US\$130 million) due on November 13, 2025 (the “2020 Tranche”) at a coupon rate of 8.35% per annum payable annually. Interest is payable on November 13 of each year, commencing November 13, 2020.

On November 30, 2020, the Company redeemed the 2020 Tranche for a total principal amount of RMB646 million (US\$94 million). The Company recognized loss on extinguishment of debt amounting to US\$261,320, consisting of both the debt redemption price amounting to US\$492 and unamortized deferred debt issuance costs amounting to US\$260,828.

From January 1, 2021 to December 31, 2021, the Company redeemed the 2020 Tranche for a total principal amount of RMB77.1 million (US\$12 million).

From January 1, 2022 to December 31, 2022, the Company did not made redemption for the 2020 Tranche.

On January 7, 2021, Xinyuan (China) Real Estate, Ltd. issued a new tranche of the onshore corporate bonds with an aggregate principal amount of RMB500 million (US\$78 million) due on January 7, 2026 (the “2021 Tranche”) at a coupon rate of 8.35% per annum payable annually. Interest is payable on January 7 of each year, commencing January 7, 2021.

From January 1, 2021 to December 31, 2021, the Company redeemed the 2021 Tranche for a total principal amount of RMB402.2 million (US\$62 million).

From January 1, 2022 to December 31, 2022, the Company did not made redemption for the 2021 Tranche.

13. Leases

Lessee

The Group has operating and finance leases, which primarily consist of office space and equipment. The Group’s leases include options to extend the lease term. The Group’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Group has operating leases for office and dormitories in the United States and China. The leases have remaining lease terms of up to 2 years.

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Leases recorded on the consolidated balance sheets are summarized as follows:

	December 31, 2021 US\$	December 31, 2022 US\$
Lease Assets		
Finance lease assets		
Property and equipment, net	18,050,265	—
Real estate properties held for lease, net	7,542,875	—
Total	25,593,140	—
Operating lease ROU assets	3,147,381	5,707,986
Lease Liabilities		
Current		
Current portion of finance lease	5,557,782	—
Current portion of operating lease	2,061,541	3,780,853
Total	7,619,323	3,780,853
Non-current		
Finance lease, net of current portion	—	—
Operating lease, net of current portion	1,286,250	3,310,116
Total	1,286,250	3,310,116

The components of lease expenses recognized are as follows:

	Year ended December 31, 2021 US\$	Year ended December 31, 2022 US\$
Operating lease cost:		
Operating lease cost	5,384,851	3,497,729
Short-term lease cost	2,612,901	710,161
Finance lease cost:		
Amortization of finance lease assets	2,690,976	—
Interest on the lease liabilities	501,037	69,672
Total lease cost	11,189,765	4,277,562

Supplemental cash flow information related to leases was as follows:

	Year ended December 31, 2021 US\$	Year ended December 31, 2022 US\$
Operating cash flows for operating leases	4,485,361	3,996,599
Operating cash flows for finance leases	16,222	—
Financing cash flows for finance leases	1,369,861	—

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Maturities of lease liabilities are as follows:

	December 31, 2022	
	Finance Leases US\$	Operating Leases US\$
Year ending December 31, 2023	—	3,776,934
Year ending December 31, 2024	—	3,555,049
Year ending December 31, 2025	—	296,254
Year ending December 31, 2026	—	—
Total lease payments	—	7,628,236
Less: imputed interest	—	(537,267)
Present value of lease liabilities	—	7,090,969

Other supplemental information related to lease terms and discount rates are summarized below:

	December 31, 2021	December 31, 2022
Weighted-average remaining lease term (years)		
Operating leases	1.69	2.03
Finance leases	0.72	—
Weighted-average discount rate		
Operating leases	6.61 %	7.42 %
Finance leases	6.95 %	—

14. Customer deposits

Advances for real estate properties comprise sales proceeds received from customers for the pre-sale of residential units in PRC. Advances for real estate properties are typically funded up to 40% - 80% by mortgage loans made by banks to the customers. The Group holds certain cash balances in restricted cash accounts at the relevant banks (Note 2 (f)). The Group, in return, has a right to withhold transfer of title to the customer until outstanding amounts are fully settled.

	December 31, 2021 US\$	December 31, 2022 US\$
Advances for real estate properties	2,372,468,138	1,866,575,083
Add: increase in revenue recognized in excess of amounts received from customers	26,302,454	—
Less: recognized as progress billings	(1,236,340,124)	(586,058,078)
Customer deposits (Note 2(i))	1,162,430,468	1,280,517,005

15. Income taxes

(a) Corporate income tax ("CIT")

Under the current law of the Cayman Islands, the Company is not subject to income tax and withholding tax.

The Company's PRC subsidiaries are subject to income tax at the statutory rate of 25% in accordance with PRC corporate income tax laws and regulations. Further, under the same tax laws and regulations, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaties with certain jurisdictions.

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The Company's HK subsidiaries are subject to income tax at the statutory rate of 16.5% in accordance with the HK profits tax laws and regulations. The Company did not make any provisions for Hong Kong Profits Tax as there were no assessable profits arising in or derived from Hong Kong for any of the periods presented. Under the Hong Kong tax law, the Company's HK subsidiaries are exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

The Company's US subsidiaries are subject to income tax at the statutory rate of 21% in accordance with US corporate income tax laws and regulations. Dividends and interests paid by US enterprises to non-US tax resident enterprises are subject to US withholding tax of 30%.

Income before income tax expense consist of:

	Year ended December 31,		
	2020 US\$	2021 US\$	2022 US\$
PRC	162,967,377	(274,761,993)	(33,822,942)
Non-PRC	(95,392,067)	(145,780,649)	(215,618,321)
Total	<u>67,575,310</u>	<u>(420,542,642)</u>	<u>(249,441,263)</u>

Income tax expense for the years ended December 31, 2020, 2021 and 2022 is summarized as follows:

	Year ended December 31,		
	2020 US\$	2021 US\$	2022 US\$
Current:			
CIT tax (benefit)/expense	(21,471,662)	15,227,110	42,948,974
Land Appreciation Tax ("LAT") expense	90,907,634	39,101,310	26,862,350
Deferred tax expense/(benefit)	65,623,218	(61,608,948)	(60,569,862)
Income tax expense/(benefit)	<u>135,059,190</u>	<u>(7,280,528)</u>	<u>9,241,462</u>

The Group's income tax expense differs from the tax expense computed by applying PRC statutory CIT rate of 25% for the years ended December 31, 2020, 2021 and 2022 as follows:

	Year ended December 31,		
	2020 US\$	2021 US\$	2022 US\$
CIT at rate of 25%	16,893,828	(105,135,661)	(62,360,316)
Tax effect of non-taxable income	—	(3,729,808)	(20,815,682)
Tax effect of non-deductible expenses	18,115,751	55,981,806	8,849,339
LAT expense	90,907,634	39,101,310	26,862,350
CIT benefit of LAT	(22,726,908)	(9,775,327)	(6,715,587)
Changes in valuation allowance	5,463,801	13,925,825	31,860,999
International rate differences	15,736,526	14,983,887	42,918,080
Dividend and interest withholding taxes	13,132,901	(17,148,376)	889,259
Adjustment of estimated income tax accruals	(2,850,373)	3,085,497	(8,220,977)
Others	386,030	1,430,320	(4,026,003)
Income tax expense/(benefit)	<u>135,059,190</u>	<u>(7,280,528)</u>	<u>9,241,462</u>

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(b) Unrecognized tax benefit

The following table summarizes the activities related to the Group's unrecognized tax benefits:

	2020	2021	2022
	US\$	US\$	US\$
Balance at January 1	73,605,084	101,198,970	130,560,908
Additions for tax positions of current year	26,350,344	29,025,853	6,295,454
Reclassification from prior year tax payable	14,361,802	—	—
Reductions for tax positions of prior years	(13,118,260)	—	—
Movement in current year due to foreign exchange rate fluctuation	—	336,085	(1,294,287)
Balance at December 31	<u>101,198,970</u>	<u>130,560,908</u>	<u>135,562,075</u>

The movement in the liability for unrecognized tax benefits in 2021 included an amount of US\$25,287,932 and related late payment interest of US\$3,128,988 which were due to deemed interest income from subsidiaries of the Company during the year, related late payment interests of US\$608,933, which were due to an uncertain tax position in respect of an investment loss deduction claimed in the 2018 tax return filed in 2019.

The movement in the liability for unrecognized tax benefits in 2022 included an amount of US\$10,042,468 and write off related late payment interest of US\$4,304,458, which were due to deemed interest income from subsidiaries of the Company during the year, related late payment interests of US\$557,444, which were due to an uncertain tax position in respect of an investment loss deduction claimed in the 2018 tax return filed in 2019.

As of December 31, 2021 and 2022, unrecognized tax benefits of US\$13,678,371 and US\$13,279,620, 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, 2022. It is possible that the amount of uncertain tax positions will change in the next twelve months, however, an estimate of the range of the possible outcomes cannot be made at this time.

The Group's income tax returns for fiscal year 2009 through fiscal year 2022 remain open to potential examination. In addition, local tax authorities may exercise broad discretion in applying the tax law, thus potentially exposing the subsidiaries to audits of tax years outside the general statute of limitations.

(c) LAT

LAT is applicable at progressive tax rates ranging from 30% to 60% on the appreciation of land values, with an exemption provided for the sales of ordinary residential properties if the appreciation values do not exceed certain thresholds specified in the relevant tax laws.

For all periods presented, the Group has made provision for LAT with respect to properties sold up to the respective reporting date in accordance with the requirements set forth in the relevant PRC tax laws and regulations.

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(d) Deferred tax

The tax effects of temporary differences that give rise to the Group's deferred tax assets and liabilities as of December 31, 2021 and 2022 are as follows:

	<u>December 31,</u> <u>2021</u> US\$	<u>December 31,</u> <u>2022</u> US\$
Deferred tax assets:		
Tax loss carried forward	84,046,761	94,579,348
Accruals and provisions	122,633,112	122,380,636
Capitalized expenses	77,494,494	78,506,854
Revenue recognition at a point in time less tax paid under deemed profit method	27,312,910	(28,086,617)
Revenue recognition of real estate lease income on a straight-line basis	7,144,670	322,923
Deemed interest expense	105,354,177	115,181,923
Operating lease liability	836,948	1,772,742
Less: Valuation allowance	(24,633,671)	(18,168,615)
Total deferred tax assets, net of valuation allowance	<u>400,189,401</u>	<u>366,489,194</u>
Deferred tax liabilities:		
Revenue recognition over time	(192,007,773)	(149,855,853)
Taxable temporary differences arising from asset acquisitions	(202,527,316)	(294,617,076)
Dividend and interest withholding taxes	(45,159,004)	(46,048,264)
Operating lease right-of-use assets	(786,845)	(1,426,996)
Total deferred tax liabilities	<u>(440,480,938)</u>	<u>(491,948,189)</u>

Certain of the Company's PRC subsidiaries have PRC tax net operating loss carry forwards of US\$361.6 million (2021: US\$314.3 million) which will expire in one to ten years, if unutilized. Losses incurred in the U.S. amounting to US\$10.3 million (2021: US\$10.3 million) can be carried forward for 20 years, and US\$11.2 million (2021: US\$11.2 million) have an indefinite carryforward period.

During 2021 and 2022, the Company has considered its operational funding needs, future development initiatives and its dividend distribution plan and is permanently reinvesting all but US\$451.6 million and US\$459.5 million of its PRC subsidiaries earnings as at December 31, 2021 and 2022 respectively. Accordingly, the Company accrued deferred income tax liabilities of US\$45.2 million and US\$45.9 million for the withholding tax liability associated with the distribution of retained earnings that are not permanently reinvested as at December 31, 2021 and 2022, respectively. As of December 31, 2021 and 2022, the total amount of undistributed earnings from the Company's PRC subsidiaries that are considered to be permanently reinvested were nil, and the related unrecognized deferred tax liabilities were approximately nil. The Company's remaining subsidiaries do not have retained earnings for all the periods presented.

In assessing the ability to realize the deferred tax assets, the Group has considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Accordingly, the Group recorded valuation allowances amounting US\$24,633,671 and US\$18,168,615 as of December 31, 2021 and 2022, respectively.

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16. Share-based compensation

As of December 31, 2022, the Company primarily has four share-based compensation plans under which awards may be granted to both employees and non-employees, namely, the 2007 Long Term Incentive Plan (the “2007 Plan”), 2015 Long Term Incentive Plan (the “2015 Plan”), 2014 Restricted Stock Unit Plan (the “2014 RSU Plan”) and 2020 Restricted Stock Unit Plan (the “2020 RSU Plan”). On January 31, 2019, Xinyuan Property Management Service (Cayman) Ltd., a subsidiary of the Company, approved a restricted share award scheme (the “Scheme”). On September 28, 2019, the Company approved the employee stock option plan of Xinchuang Technology Co. Ltd. (“Xinchuang Technology”). Compensation cost of US\$568,047 (2020: US\$4,511,190; 2021: US\$3,413,610) was recorded in general and administrative expenses with a corresponding credit to additional paid-in capital in the year ended December 31, 2022. The compensation cost is primarily regarded as a permanent difference for income tax purposes as relevant equity awards were mainly granted by the Company and a subsidiary, which are 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 and 2020 RSU plan.

2007 Plan

In November 2007, the Company adopted the 2007 Plan which provides for the grant of options, restricted shares, restricted stock units, stock appreciation rights and other stock-based awards to purchase its common shares. The maximum aggregate number of common shares which may be issued pursuant to all awards, including options, is 10 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

Under the 2007 Plan, the Company granted share options with service conditions to purchase common shares to employees, at an exercise price ranging from US\$1.085 to US\$1.81 per option. These options have a weighted average grant date fair value of US\$0.36 ~ US\$0.61 per option and the total expected compensation cost has considered the expected forfeitures. These options generally have vesting periods based on length of service of 36 months and will expire no later than 2025.

2015 Plan

In June 2015, the Company approved the 2015 Plan to provide grant of options to purchase shares of Company stock with maximum aggregate number of 20 million common shares, subject to adjustment to account for changes in the capitalization of the Company.

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.

No options were granted during the years ended December 31, 2021 and 2022, for 2007 Plan and 2015 Plan.

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Assumptions

The fair value of each option is estimated on the date of grant using the Dividend Adjusted Black-Scholes option-pricing model that uses the assumptions noted below.

	Options Granted in 2015 Under the 2007 Plan	Options Granted in 2015 Under the 2015 Plan
Average risk-free rate of return	1.82-1.92 %	1.57-1.92 %
Expected term	6 Years	6 Years
Volatility rate	46.3-55.2 %	55.0-55.9 %
Dividend yield	5 %	5 %

The risk-free rate for periods within the expected life of the option is based on the implied yield rates of U.S treasury yield curve in effect at the time of grant. The expected life of options represents the period of time the granted options are expected to be outstanding. The Company had limited historical exercise data. Therefore, the expected life was estimated as the average of the contractual term and the vesting period. The dividend yield was based on the Company's dividend distribution plan. The expected volatility was based on the historical daily stock price of the Company, annualized.

Share Option Activity

As of January 1, 2021, all options granted under 2007 Plan were fully vested. 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, 2022				
1.64 (exercise price)	100,000	1.64	0.87	—
1.21 (exercise price)	39,400	1.21	2.50	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	100,000	1.64	—	—
Outstanding and Exercisable, December 31, 2022				
1.21 (exercise price)	39,400	1.21	1.50	—

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\$0.20 per common share as of December 31, 2022 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, 2022. As of December 31, 2022, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2007 Plan. Total fair value of options vested was nil during the year ended December 31, 2020, 2021 and 2022, respectively.

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As of January 1, 2021, all options granted under 2015 Plan were fully vested, with no option exercised or forfeited during 2022. There were no new options granted during the year ended December 31, 2022. The following table is a summary of the Company's share option activity under the 2015 Plan (in US\$, except options):

<u>Options Under the 2015 Plan</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, January 1, 2022				
1.71(exercise price)	2,796,734	1.71	3.50	—
Outstanding and Exercisable, December 31, 2022				
1.71(exercise price)	2,796,734	1.71	2.50	—

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\$0.20 per common share as of December 31, 2022 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, 2022. As of December 31, 2022, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted to employees, under the 2015 Plan. Total fair value of options vested was nil during the year ended December 31, 2020, 2021 and 2022, 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. Repurchased shares were granted to certain employees and awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

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

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

On July 27, 2017, under the 2014 RSU Plan, the Company deposited US\$3,485,952 into the trust. The trustee has not used the funds to acquire any common shares from the open market as of December 31, 2017. The awards vest ratably over a three year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method. The trustee has used the funds to acquire 1,356,584 common shares from the open market as of December 31, 2018.

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On July 30, 2018, under the 2014 RSU Plan, the Company deposited US\$3,976,660 into the trust. The trustee has used the funds to acquire 1,732,466 common shares from the open market as of December 31, 2018. The awards vest ratably over a three-year service vesting period. The aggregate fair value of the restricted shares granted at the grant date shall be recognized as compensation expense using the straight-line method.

On August 30, 2019, under the 2014 RSU Plan, the Company deposited US\$2,912,539 into the trust. The trustee has used the funds to acquire 1,438,076 common shares from the open market as of December 31, 2019. 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.

No restricted shares were granted during the years ended December 31, 2020, 2021 and 2022 under the 2014 RSU plan.

2020 RSU Plan

On June 30, 2020, the Board of Directors approved the 2020 RSU Plan, which is administered by the Compensation Committee of the Board of Directors. The 2020 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 2020 RSU Plan participants in connection with RSUs granted under the 2020 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.

Other awards

On September 28, 2019, the Board of Directors of the Company approved the employee stock option plan of Xinchuang Technology Co., Ltd. ("Xinchuang Technology"), a subsidiary of the Company. Under the plan, the Company reserved 150 million shares, representing 30% of Xinchuang Technology's issued capital for purpose of providing share option awards to the Company's senior management and employees. In November 2019, the Company granted a total of 100 million share options to certain employees of the Group with an exercise price of US\$0.14 (RMB1). The options become vested in 5 tranches subject to achievement of certain performance conditions as follows: (i) 5% on the grant date with no performance condition; (ii) 5% for each of the first, second, and third anniversary of the grant date, respectively; and (iii) the remaining 80% shall vest upon the completion of the initial public offering of Xinchuang. The total fair value of the share options granted in October 2019 is US\$3.5 million, which shall be recognized as compensation expense using the accelerated method. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of Xinchuang Technology. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by the Group with best estimates.

As of December 31, 2022, there were no shares expired and the expense recognized is immaterial (2020: nil, 2021: nil).

Xinyuan Property Management Service (Cayman) Ltd., a subsidiary of the Company, operates a restricted share award scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants (the "Participants") who contribute to the success of its operations. The Participants of the Scheme include its directors and senior executives. The Scheme was adopted by its board on January 31, 2019 (the "Adoption Date"). Pursuant to the Scheme, an award of 56,250 restricted shares (subdivided into 56,250,000 restricted shares in August 2019), representing 15% of its share capital, was granted to the Participants with a total exercise price at an aggregate consideration of US\$1,204,094 (RMB8,400,000).

The consideration was fully settled in cash upon the issuance of restricted shares. The restricted shares vest in three tranches of 2%, 18% and 80% on January 1, 2020, January 1, 2021 and January 1, 2022, respectively, in accordance with certain vesting conditions, that is, a performance condition based on the completion of an IPO. The compensation cost was recognized using accelerated method.

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On June 14, 2019, Mr. Zhang Lizhou (one of the participants) resigned as an executive director. Upon the resignation of Mr. Zhang Lizhou, the Company repurchased the 18,750 shares granted to him at a consideration of US\$401,365 (RMB2,800,000) which was equal to the amount paid by Mr. Zhang Lizhou to the Company at the issuance date. The remaining settled aggregate consideration of US\$802,729 (RMB5,600,000) according to the Scheme was recognized as liability because the restricted shares will be repurchased by the Company at the original amount paid by participants upon the termination of employment.

The aggregate fair value of the restricted shares granted at the grant date amounting to US\$4,931,051 (RMB34,400,000) is recognized as compensation expense using the accelerated method. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of Xinyuan Property Management Service (Cayman) Ltd. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by the Group using its best estimates.

As of December 31, 2022, there were no shares vested or expired and the Group recognized expense relating to the Scheme of US\$nil (2020: US\$2,031,330; 2021: US\$1,788,297) in the Consolidated Statements of Comprehensive Income during the period.

17. Other payables and accrued liabilities

The components of other payables and accrued liabilities are as follows:

	December 31, 2021	December 31, 2022
	US\$	US\$
Contract deposit	324,844,088	172,775,614
Accrued expenses	94,297,276	72,958,539
Deed tax and maintenance fund withheld for customers	28,848,564	14,739,762
Bidding deposit	3,947,876	3,665,749
Welfare payable	1,620,508	1,483,484
Other tax payable	18,620,109	24,924,141
Accrued aircraft operating expense	332,339	1,381,785
Accrued interest expense	32,363,632	153,330,358
Purchase consideration payable for asset acquisitions and business combinations	39,169,122	31,108,067
Others	11,133,179	13,255,294
Total	<u>555,176,693</u>	<u>489,622,793</u>

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18. Related party and employee transactions

(a) Amounts due from related parties

	December 31, 2021 US\$	December 31, 2022 US\$
Current:		
Henan Hongguang Olympic Real Estate Co., Ltd.	95,078,214	87,047,162
Qingdao Huiju	10,035,794	—
Guangzhou Huanglong Information Technology Co., Ltd.	47,953,453	29,937,746
Xinzheng Meihang Network Technology Co., Ltd.	2,854,538	—
Madison Development Limited	33,768,281	8,539,686
Suzhou Wanzhuo's non-controlling interest holders	32,032,079	29,323,571
Taicang Pengchi's non-controlling interest holders	22,194,420	23,892,970
Suzhou Rongjingchen Real Estate Co., Ltd.	22,141,569	20,269,362
Others	5,509,136	4,708,561
Total current amounts due from related parties	<u>271,567,484</u>	<u>203,719,058</u>
Non current:		
Xinzheng Meihang Network Technology Co., Ltd.	—	1,065,531
Suzhou Yefang's non-controlling interest holders	12,546,073	11,485,225
Others	2,736,955	2,505,528
Total non-current amounts due from related parties	<u>15,283,028</u>	<u>15,056,284</u>
Total	<u><u>286,850,512</u></u>	<u><u>218,775,342</u></u>

As of December 31, 2021, the balances due from Qingdao Huiju, the Company's equity method investee in 2021, are related to advances for operational needs without any fixed payment terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year. Qingdao Huiju has been consolidated in the Group's financial statements since the year of 2022.

As of December 31, 2022, the balances due from Guangzhou Huanglong Information Technology Co., Ltd., a wholly-owned subsidiary of the Company's equity method investee, are related to advances for operational needs without any fixed payment terms. This balance is unsecured, bears no interest and expected to be repaid in one year.

Henan Hongguang Olympic Real Estate Co., Ltd. ("Henan Hongguang") is the non-controlling shareholder of Henan Renxin (Note1), one of the Company's subsidiaries. As of December 31, 2022, the balance due from Henan Hongguang is related to advances for operational needs without any fixed payment terms. This balance is unsecured, bears no interest, and is expected to be repaid in one year.

Xinzheng Meihang Network Technology Co., Ltd. ("Meihang") is the non-controlling shareholder of Zhengzhou Hangmei Technology Development Co., Ltd. ("Zhengzhou Hangmei"), one of the Company's subsidiaries. As of December 31, 2021, the balance due from Meihang was US\$2,854,538, which have a three year payment term, and bear interest at 11.5%. In 2020, Meihang together with Zhengzhou Hangmei entered into an agreement with the Company in which all parties had agreed that the interest relating to the payable balance to be ceased from accrual thereafter. The Company settled the remaining balance in 2022.

As of December 31, 2022, the balance due from Madison Development Limited, an equity method investee, amounting to US\$8,539,686 is related to advances for operational needs. This balance is unsecured, bears interest at 15%, and has no fixed repayment term. Accrued interest amounted to US\$624,125 as of December 31, 2022.

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On September 12, 2017, the Company sold 80% of its equity interest in Suzhou Wanzhuo to four non-affiliated passive investors for an aggregate cash consideration of US\$23,687,327. Pursuant to the updated articles of association, the Company still exercises control over the relevant principal activities of Suzhou Wanzhuo and therefore, continues to consolidate it in its financial statements. As of December 31, 2022, the balances due from the non-controlling interest holders amounting to US\$29,323,571 are related to advances for working capital funds. The balances are in the form of an unsecured interest bearing loan, which has no fixed payment terms, and bears interest at 4.75%. Accrued interest is immaterial as of December 31, 2022.

On December 1, 2017, the Company together with seven other non-affiliated companies acquired 100% of Taicang Pengchi for an aggregate cash consideration of US\$28,836,311. The Company accounted for the acquisition of Taicang Pengchi as an asset acquisition because the only asset of Taicang Pengchi is the land. Pursuant to the articles of association, the Company exercises control over the relevant significant activities of Taicang Pengchi and therefore, consolidates it in its financial statements. As of December 31, 2022, the balance due from the non-controlling interest holders amounting to US\$23,892,970 are related to advances for working capital funds. The balances are in the form of an unsecured interest bearing loan, which has no fixed payment terms, and bears no interest.

As of December 31, 2022, the balance due from Suzhou Yefang amounting to US\$11,485,225 is related to advances for working capital funds. This balance is unsecured, bears no interest, and is expected to be repaid over one year.

In evaluating the collectability of the amounts due from related parties balance, the Group considers many factors, including the related parties' repayment history and their credit-worthiness. An allowance for doubtful accounts is made when collection of the full amount is no longer probable. For the periods presented, based on management's evaluation, no allowance of credit loss was provided.

(b) Amounts due to related parties

	December 31, 2021 US\$	December 31, 2022 US\$
Current:		
Suzhou Yefang's non-controlling interest holders	1,771,522	1,538,601
Suzhou Wanzhuo's non-controlling interest shareholders	2,961,668	2,711,240
Xinzheng Meihang Network Technology Co., Ltd.	2,694,286	—
Henan Qingning Apartment Management Co., Ltd.	12,045,693	9,984,106
Suzhou Kairongchen Real Estate Co., Ltd.	44,995,530	41,190,880
Others	12,593,656	11,195,093
Total current amounts due to related parties	<u>77,062,355</u>	<u>66,619,920</u>
Non current:		
Henan Qingning Apartment Management Co., Ltd.	10,979,186	—
Total	<u>88,041,541</u>	<u>66,619,920</u>

As of December 31, 2021 and 2022, the remaining advance to Suzhou Wanzhuo's non-controlling interest shareholders amounting to US\$2,961,668 and US\$2,711,240, respectively, are for shareholder service.

On June 6, 2018, the Company together with 4 other non-affiliated companies acquired 100% of Suzhou Yefang for an aggregate cash consideration of US\$15,615,240. The Company accounted for the acquisition of Suzhou Yefang as an asset acquisition because the only asset of Suzhou Yefang is the land. Pursuant to the articles of association, the Company exercises control over the relevant significant activities of Suzhou Yefang and therefore, consolidates it in its financial statements. As of December 31, 2022, the Company repaid the entire payable to its non-controlling shareholders except for accrued interest amounted to US\$1,538,601.

Meihang is the non-controlling shareholder of Zhengzhou Hangmei, one of the Company's subsidiaries. As of December 31, 2021, Meihang advanced US\$2,694,286 of working capital funds to Zhengzhou Hangmei in the form of an unsecured interest 10% bearing loan with a three year payment term.

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In 2020, Meihang together with Zhengzhou Hangmei and entered into an agreement with the Company in which all parties had agreed that the interest relating to the payable balance to be ceased from accrual thereafter. The Company settled the remaining balance in 2022.

(c) Amounts due from employees

	<u>December 31,</u> <u>2021</u> US\$	<u>December 31,</u> <u>2022</u> US\$
Advances to employees	<u>1,550,469</u>	<u>1,466,055</u>

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

In 2018, the Company sold a small percentage of the equity interests (ranging from 0.50% to 5.54%) in eight real estate project companies to senior management and employees for a total consideration of US\$8,720,772. In 2019, the Company sold an additional percentage of the equity interests in the eight real estate project companies to senior management and employees for a total consideration of US\$604,914 and the total sold equity interests ranges from 0.57% to 5.59% as of December 31, 2019. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

In 2019, the Company sold 6.03% of the equity interests in one real estate project company to senior management and employees for a total consideration of US\$1,300,135. According to the equity transfer agreement, the Company is obligated to repurchase the equity interest back from management. Therefore, the non-controlling interest is mandatorily redeemable and is accounted for as a liability.

For the year ended December 31, 2022, total directors' remuneration amounted to US\$4,012,619 (2020: US\$6,447,214; 2021: US\$6,245,522).

19. Equity

- (i) As at December 31, 2022, the Company's authorized share capital was 500 million common shares, par value US\$0.0001 per share (December 31, 2021: 500 million common shares).
- (ii) During the year ended December 31, 2022, no common shares were repurchased.
- (iii) During the year ended December 31, 2022, no dividend was distributed.
- (iv) During the year ended December 31, 2022, treasury shares remain unchanged.

All other equity transactions have been disclosed in consolidated statement of changes in shareholders' equity.

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20. Loss per share

Basic and diluted net loss per share for each period presented are calculated as follows:

	December 31,		
	<u>2020</u>	<u>2021</u>	<u>2022</u>
	US\$	US\$	US\$
<u>Numerator:</u>			
Net loss attributable to Xinyuan Real Estate Co., Ltd. Shareholders - basic and diluted	(81,040,908)	(417,307,378)	(263,353,561)
<u>Denominator:</u>			
Weighted average number of shares outstanding-basic*	107,558,506	107,283,420	107,849,225
Stock options	10,674	—	—
Restricted stock units	—	—	—
Weighted average number of shares outstanding-diluted	<u>107,569,181</u>	<u>107,283,420</u>	<u>107,849,225</u>
Basic loss per share	(0.75)	(3.89)	(2.44)
Diluted loss per share	<u>(0.75)</u>	<u>(3.89)</u>	<u>(2.44)</u>

* 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, 2022, nil (2020: nil; 2021: nil) stock options, and nil (2020: 803,427; 2021: 81,035) RSUs were excluded from the calculation of earnings per share, respectively, because their effect would be anti-dilutive.

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21. Segment reporting

The Group's long-lived assets and revenue are mainly located in and derived from 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 geographical basis as property development projects undertaken within a region having similar expected economic characteristics, type of properties offered, customers and market and regulatory environment. The Group's reportable operating segments are comprised of Henan Region, Shandong Region, Shanghai Region (including Shanghai and Jiangsu Province), Sichuan Region, Beijing Region (including Beijing and Tianjin), Hainan Region, Hunan Region, Shaanxi Region, Guangdong Region, Hubei Region, and Liaoning Region in PRC; and the United States.

Each geographic operating segment is principally engaged in the construction and development of residential real estate units. The "property management" category relates to property management services. The "other" category relates to investment holdings, 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, and fixtures and furniture.

No single customer accounted for more than 10% of net sales for the years ended December 31, 2020, 2021 and 2022.

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Summary information by operating segment is as follows:

December 31, 2020	Henan	Shandong	Shanghai	Sichuan	Beijing	Hainan	Hunan	Shaanxi	United States	Guangdong	Hubei	Liaoning	Property Management	Others	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net real estate sales	766,314,384	285,706,736	120,260,357	222,959,432	62,401,289	10,084,944	27,721,542	10,991,930	927,700	47,787,761	—	49,168,045	567,819	—	1,604,891,939
Real estate lease income	26,054,475	(965,131)	772,402	379,175	695,548	—	741,527	2,353,682	4,723,438	—	—	—	—	37,369	34,792,485
Real estate management services income	7,606,378	—	—	—	—	—	—	2,358,631	—	—	—	—	81,243,298	—	91,208,307
Other revenue	(1,004,342)	127,190	3,068,486	511,576	2,144,591	7,288	526,852	(116,072)	605,337	—	—	—	7,236,334	1,763,220	14,870,460
Total revenue	798,970,895	284,868,795	124,101,245	223,850,183	65,241,428	10,092,232	28,989,921	15,588,171	6,256,475	47,787,761	—	49,168,045	89,047,451	1,800,589	1,745,763,191
Cost of real estate sales	(639,601,377)	(260,651,654)	(93,074,146)	(214,523,020)	(45,575,813)	(5,503,574)	(4,404,236)	(14,731,175)	(778,663)	(34,034,932)	(23,616)	(38,572,816)	(505,804)	—	(1,351,980,826)
Cost of real estate lease income	(27,204,779)	(292,726)	(736,537)	(606,323)	(805,353)	(44,900)	(1,046,888)	(1,623,994)	(3,740,076)	—	(19,723)	—	—	(798)	(36,122,097)
Cost of real estate management services	(6,675,680)	—	—	(13,189)	—	—	(4,957)	(1,707,785)	—	—	—	—	(47,036,367)	—	(55,437,978)
Other costs	(1,145,928)	(39,105)	(123,291)	(111,879)	(711,424)	(226)	(272,479)	—	—	(2,152)	—	—	(6,885,687)	(463,371)	(9,755,542)
Total cost of revenue	(674,627,764)	(260,983,485)	(93,933,974)	(215,254,411)	(47,092,590)	(5,548,700)	(5,728,560)	(18,062,954)	(4,518,739)	(34,037,084)	(43,339)	(38,572,816)	(54,427,858)	(464,169)	(1,453,296,443)
Gross profit	124,343,131	23,885,310	30,167,271	8,595,772	18,148,838	4,543,532	23,261,361	(2,474,783)	1,737,736	13,750,677	(43,339)	10,595,229	34,619,593	1,336,420	292,466,748
Operating expenses	(59,958,497)	(15,211,169)	(10,679,950)	(7,677,029)	(73,902,008)	(1,355,382)	(1,608,076)	(4,061,452)	(6,198,996)	(3,423,234)	(1,391,277)	(4,897,483)	(9,390,896)	(27,707,634)	(227,463,083)
Gain on disposal of property held for lease	82,805,785	—	—	—	—	—	—	—	—	—	—	—	—	—	82,805,785
Operating income/(loss)	147,190,419	8,674,141	19,487,321	918,743	(55,753,170)	3,188,150	21,653,285	(6,536,235)	(4,461,260)	10,327,443	(1,434,616)	5,697,746	25,228,697	(26,371,214)	147,809,450
Interest income	23,921,003	1,919,529	2,068,141	1,288,256	103,788	4,817	38,096	8,130	41,143	44,417	885	31,849	755,677	3,179,879	33,405,610
Interest expense	(14,568,255)	(3,043,955)	(987,612)	(18,381,805)	(3,659,832)	—	—	—	(5,316,337)	—	—	—	(5,708)	(83,523,901)	(129,487,405)
Net realized gain on short-term investments	183,450	—	—	—	—	—	—	—	—	—	—	—	—	4,869,494	5,052,944
Share of (loss)/gain in an equity investee	(3,539,268)	11,483,448	7,795,833	—	—	—	—	67,698	—	(1,602,617)	—	—	(152,121)	2,975,328	17,028,301
Loss on extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,843,306)	(1,843,306)
Exchange gains/(loss)	1,987,139	—	—	—	—	—	—	—	—	—	—	—	100,523	(5,181,569)	(3,093,907)
Other income/(loss)	(4,041,056)	90,325	(415,481)	(8,773)	684,530	43,136	43,576	289,746	—	52,058	12,620	7,341	934,711	1,010,890	(1,296,377)
Income/(loss) before income taxes	151,133,432	19,123,488	27,948,202	(16,183,579)	(58,624,684)	3,236,103	21,734,957	(6,170,661)	(9,736,454)	8,821,301	(1,421,111)	5,736,936	26,861,779	(104,884,399)	67,575,310
Income tax (expense)/benefit	(36,907,073)	(12,299,796)	(39,723,025)	2,875,576	(8,431,043)	(4,482,485)	(14,391,424)	589,659	—	(9,482,301)	(2,458,177)	(2,591,042)	(8,191,925)	433,866	(135,059,190)
Net income/(loss)	114,226,359	6,823,692	(11,774,823)	(13,308,003)	(67,055,727)	(1,246,382)	7,343,533	(5,581,002)	(9,736,454)	(661,000)	(3,879,288)	3,145,894	18,669,854	(104,450,533)	(67,483,880)
Depreciation and amortization	5,814,086	887,005	2,556,696	631,421	5,832,130	56,888	174,291	20,375	46,680	17,042	1,234,539	232,220	—	—	17,503,373
Capital expenditure	8,655,565	—	15,874	5,106	716,935	—	—	—	—	—	—	376,871	1	—	9,770,352
Real estate properties completed and under development	897,218,594	240,527,766	215,890,331	547,932,945	378,408,484	2,162,115	12,433,669	224,821,947	283,124,970	395,376,646	165,423,590	52,622,159	—	33,885,876	3,449,829,092
Real estate properties held for lease	74,613,257	7,126,028	35,512,059	36,262,110	8,438,206	—	66,684,905	96,083,662	157,975,249	—	—	—	—	412,731	483,108,207
Total long-lived assets	526,045,585	553,491,246	133,733,839	46,741,993	50,734,107	5,863,831	75,248,369	105,461,495	171,374,723	23,549,642	566,337	930,819	9,062,110	365,609,346	2,068,413,442
Total assets	2,838,641,480	602,982,670	751,266,943	734,426,656	473,659,055	23,560,573	92,009,978	362,198,503	474,896,649	478,343,726	175,174,331	73,164,781	160,332,607	428,665,624	7,669,323,576

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

December 31, 2021	Henan	Shandong	Shanghai	Sichuan	Beijing	Hainan	Hunan	Shaanxi	United States	Guangdong	Hubei	Liaoning	Property Management	Others	Consolidated
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net real estate sales	338,195,148	174,353,777	135,072,403	128,609,911	313,960,495	—	8,271,910	166,007,116	23,325,750	68,681,906	118,952	35,642,637	—	—	1,392,240,005
Real estate lease income	9,344,804	665,170	1,339,557	532,240	371,919	—	1,223,472	3,251,637	2,980,504	—	13,482	—	—	58,559	19,781,344
Real estate management services income	6,746,892	—	—	—	—	—	—	2,793,044	—	—	—	—	100,282,270	—	109,822,206
Other revenue	2,851,496	16,356	2,030,340	121,935	2,851,344	413	838,306	—	3,107,481	507,500	—	52,439	1,796,616	—	14,174,226
Total revenue	357,138,340	175,035,303	138,442,300	129,264,086	317,183,758	413	10,333,688	172,051,797	29,413,735	69,189,406	132,434	35,695,076	102,078,886	58,559	1,536,017,781
Cost of real estate sales	(369,888,568)	(176,289,676)	(125,086,848)	(163,249,870)	(250,046,777)	—	(9,214,046)	(142,797,184)	(32,460,834)	(58,588,051)	(25,726)	(31,696,836)	—	—	(1,359,344,416)
Cost of real estate lease income	(15,658,378)	(611,378)	(193,442)	(404,647)	(542,152)	—	(1,206,177)	(62,840)	(3,740,076)	—	—	—	—	(19,090)	(22,438,180)
Cost of real estate management services	(3,708,523)	—	—	—	—	—	—	(4,321,229)	—	—	—	—	(65,948,453)	—	(73,978,205)
Other costs	(1,320,332)	(16,170)	(111,927)	(1,354,318)	(5,762,646)	—	(742,247)	—	—	(2,172,592)	—	(61,703)	(778,129)	—	(12,320,064)
Total cost of revenue	(390,575,801)	(176,917,224)	(125,392,217)	(165,008,835)	(256,351,575)	—	(11,162,470)	(147,181,253)	(36,200,910)	(60,760,643)	(25,726)	(31,758,539)	(66,726,582)	(19,090)	(1,468,080,865)
Gross profit	(33,437,461)	(1,881,921)	13,050,083	(35,744,749)	60,832,183	413	(828,782)	24,870,544	(6,787,175)	8,428,763	106,708	3,936,537	35,352,304	39,469	67,936,916
Operating expenses	(67,226,888)	(10,880,365)	(19,136,811)	(8,500,877)	(80,605,508)	(310,883)	(1,059,651)	(9,182,945)	(7,223,166)	(10,540,700)	(1,273,031)	(4,700,371)	(8,869,355)	(24,468,860)	(253,979,411)
Impairment losses on goodwill and intangible assets	—	—	—	—	—	—	—	—	—	—	—	—	—	(18,651,259)	(18,651,259)
Operating (loss) /income	(100,664,349)	(12,762,286)	(6,086,728)	(44,245,626)	(19,773,325)	(310,470)	(1,888,433)	15,687,599	(14,010,341)	(2,111,937)	(1,166,323)	(763,834)	26,482,949	(43,080,650)	(204,693,754)
Interest income	18,709,958	(126,051)	348,282	728,264	249,117	25,957	7,576	254,323	1,610	33,242	202	23,321	2,421,863	5,619,160	28,296,824
Interest expense	(12,070,505)	(5,794,489)	(910,853)	(26,416,301)	(2,078,190)	—	—	(8,046,152)	(15,736,448)	(358,532)	—	—	(64,549)	(111,922,753)	(183,398,772)
Net realized loss on short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—	(30,203,357)	(30,203,357)
Share of (loss)/gain in an equity investee	1,090,507	(1,873,472)	1,052,997	—	—	—	—	—	—	(4,010,602)	—	—	(1,004,547)	(18,600,648)	(23,345,765)
Exchange (loss) /gains	(20,163,471)	—	(21)	—	—	—	—	—	—	—	—	—	(203,338)	10,659,367	(9,707,463)
Other (loss) /income	(2,110,256)	3,336,726	144,617	138,413	(644,101)	(36,650)	205,877	381,157	17,770	(1,434,297)	1,789	(46,098)	942,072	1,612,626	2,509,645
(Loss) /income before income taxes	(115,208,116)	(17,219,572)	(5,451,706)	(69,795,250)	(22,246,499)	(321,163)	(1,674,980)	8,276,927	(29,727,409)	(7,882,126)	(1,164,332)	(786,611)	28,574,450	(185,916,255)	(420,542,642)
Income tax benefit/(expense)	43,657,150	(3,885,809)	(4,274,715)	12,936,548	(21,349,169)	1,431,319	(3,023,380)	(9,366,699)	(144,962)	(1,674,207)	(1,926,116)	(1,471,006)	(4,832,629)	1,204,203	7,280,528
Net income/(loss)	(71,550,966)	(21,105,381)	(9,726,421)	(56,858,702)	(43,595,668)	1,110,156	(4,698,360)	(1,089,772)	(29,872,371)	(9,556,333)	(3,090,448)	(2,257,617)	23,741,821	(184,712,052)	(413,262,114)
Depreciation and amortization	6,842,628	914,765	198,149	1,130,049	3,942,986	—	—	1,934,681	1,037,064	12,193	48,721	19,401	526,727	1,660,151	18,267,515
Capital expenditure	1,965,626	—	—	5,261	1,076,187	—	—	576	241,312	—	—	17,091	668,407	(3,869,649)	104,811
Real estate properties completed and under development	909,477,150	116,698,109	105,042,744	527,858,832	173,273,166	—	3,312,065	45,339,962	307,041,456	398,158,018	190,450,736	59,279,630	—	33,690,834	2,869,622,702
Real estate properties held for lease	72,022,044	4,133,570	36,147,355	36,470,962	8,510,518	—	59,903,607	96,574,698	126,157,420	—	—	—	—	380,197	440,300,371
Total long-lived assets	431,132,864	517,720,952	138,953,401	49,540,764	46,722,553	5,813,925	75,895,086	107,098,269	139,099,651	53,982,579	920,192	773,073	15,628,394	77,178,239	1,660,459,942
Total assets	2,279,523,193	416,680,530	600,814,871	710,687,239	313,031,361	11,747,496	82,923,478	289,048,826	468,517,290	568,073,393	196,509,533	69,505,369	176,825,788	262,390,923	6,446,279,290

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

December 31, 2022	Henan US\$	Shandong US\$	Shanghai US\$	Sichuan US\$	Beijing US\$	Hainan US\$	Hunan US\$	Shaanxi US\$	United States US\$	Guangdong US\$	Hubei US\$	Liaoning US\$	Property Management US\$	Others US\$	Consolidated US\$
Net real estate sales	133,906,983	152,896,390	3,056,829	93,804,069	142,331,456	—	(1,058,911)	191,013,871	58,007,780	34,659,102	564,076	231,278	—	—	809,412,923
Real estate lease income	7,268,773	1,530,316	2,080,042	416,589	177,246	—	1,162,618	2,349,797	4,041,509	1,727,356	—	—	—	28,366	20,782,612
Real estate management services income	4,448,994	—	—	—	—	—	—	1,833,511	—	—	—	—	99,177,566	—	105,460,071
Other revenue	7,894,262	8,316	552,228	(35,831)	1,727,882	—	904,831	446	—	805,323	—	149,812	2,349,298	—	14,356,567
Total revenue	153,519,012	154,435,022	5,689,099	94,184,827	144,236,584	—	1,008,538	195,197,625	62,049,289	37,191,781	564,076	381,090	101,526,864	28,366	950,012,173
Cost of real estate sales	(134,259,620)	(171,319,778)	(7,306,487)	(87,599,735)	(110,230,204)	—	943,112	(156,675,331)	(75,759,072)	(25,841,656)	(21,408)	(286,074)	—	—	(768,356,253)
Cost of real estate lease income	(9,680,982)	(852,927)	(778,313)	(219,502)	(365,600)	—	(363,485)	128,004	(2,081,799)	(6,023,790)	—	—	—	(49,559)	(20,287,953)
Cost of real estate management services	(5,631,437)	—	3,188,299	—	—	—	—	(3,694,930)	—	—	—	—	(73,471,668)	—	(79,609,736)
Other costs	(1,031,030)	—	617,889	(924,057)	(5,578,881)	—	(710,529)	—	—	(882,999)	—	(19,164)	—	—	(9,802,123)
Total cost of revenue	(150,603,069)	(172,172,705)	(4,278,612)	(88,743,294)	(116,174,685)	—	(130,902)	(160,242,257)	(77,840,871)	(32,748,445)	(21,408)	(305,238)	(74,745,020)	(49,559)	(878,056,065)
Gross profit	2,915,943	(17,737,683)	1,410,487	5,441,533	28,061,899	—	877,636	34,955,368	(15,791,582)	4,443,336	542,668	75,852	26,781,844	(21,193)	71,956,108
Operating expenses	(11,698,488)	(13,408,341)	(3,366,711)	(3,728,249)	(42,774,682)	(47,094)	(1,242,859)	(5,165,593)	(17,406,597)	(3,297,920)	(1,331,279)	(2,089,948)	(9,376,483)	(12,111,766)	(127,046,010)
Gain on disposal of property held for lease	2,650,215	397,708	2,150,988	—	—	—	—	—	—	—	—	—	—	488,401	5,687,312
Operating income/(loss)	(6,132,330)	(30,748,316)	194,764	1,713,284	(14,712,783)	(47,094)	(365,223)	29,789,775	(33,198,179)	1,145,416	(788,611)	(2,014,096)	17,405,361	(11,644,558)	(49,402,590)
Interest income	1,602,637	280,967	656,403	250,397	1,093,214	145	3,073	667,222	701	31,785	78	1,283	1,449,210	2,170,212	8,207,327
Interest expense	(13,389,344)	(1,818,414)	(99,438)	(24,130,024)	(962,042)	—	—	(4,726,423)	(15,815,618)	—	—	—	(69,672)	(96,997,436)	(158,008,411)
Net realized gain on short-term investments	—	—	—	—	463	—	—	—	—	—	—	—	—	(71,675,917)	(71,675,454)
Share of (loss) /gain in an equity investee	(3,718,820)	—	3,784,015	—	—	—	—	—	—	(15,920,880)	—	—	(810,983)	(9,499,870)	(26,166,538)
Gain on extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,620,914
Exchange gains	45,800,405	—	—	—	—	—	—	—	—	—	—	—	—	(699,044)	39,952,338
Other income/(expense)	(1,587,295)	17,236	(19,220)	277,819	420,916	325	187,576	49,144	(36,029)	99,781	(8,098)	(1,452,134)	881,696	(800,566)	(1,968,849)
Income/(loss) before income taxes	22,575,253	(32,268,527)	4,516,524	(21,888,524)	(14,160,232)	(46,624)	(174,574)	25,779,718	(49,049,125)	(14,643,898)	(796,631)	(3,464,947)	18,156,568	(183,976,244)	(249,441,263)
Income tax benefit/(expense)	(12,780,775)	22,127,223	(3,927,044)	(2,443,468)	(4,379,784)	463	174,167	(2,378,418)	1,206,732	(2,377,772)	(1,359,448)	(485,277)	(1,482,371)	(1,135,690)	(9,241,462)
Net income/(loss)	9,794,478	(10,141,304)	589,480	(24,331,992)	(18,540,016)	(46,161)	(407)	23,401,300	(47,842,393)	(17,021,670)	(2,156,079)	(3,950,224)	16,674,197	(185,111,934)	(258,682,725)
Depreciation and amortization	5,516,725	874,640	647,400	1,095,409	1,162,790	—	—	1,832,811	612,887	—	23,806	13,918	533,861	853,960	13,168,207
Capital expenditure	5,221,417	803	—	—	1,577	—	—	—	(63)	—	4,186	—	8,455	—	5,236,375
Real estate properties completed and under development	1,159,231,389	412,162,579	100,867,987	577,969,652	45,945,861	—	4,995,367	35,489,672	266,654,891	395,241,531	191,185,397	53,684,534	—	33,627,793	3,277,056,653
Real estate properties held for lease	48,958,513	2,434,604	32,354,424	32,786,449	7,676,329	—	54,293,887	86,799,863	107,905,636	—	—	—	—	258,162	373,467,867
Total long-lived assets	386,224,257	13,434,007	133,703,563	49,512,464	24,828,219	5,774,972	68,720,346	96,615,555	118,812,943	34,008,878	769,742	857,181	7,209,649	20,599,425	961,071,201
Total assets	2,270,506,759	259,228,051	540,587,961	709,048,905	240,590,331	11,212,039	78,448,652	323,750,877	404,653,727	499,695,879	197,190,024	61,041,098	147,478,659	106,845,365	5,850,278,327

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

22. Commitments and contingencies

Other commitments

As of December 31, 2022, the Group had outstanding commitments with respect to non-cancellable construction contracts for real estate development and land use rights purchases as follows:

	<u>Amount</u>
	<u>US\$</u>
2023	532,677,457
2024	319,991,685
2025	174,200,852
2026	105,771,513
2027 and thereafter	39,234,387
Total	<u>1,171,875,894</u>

Contingencies

As of December 31, 2022, the Group provided guarantees of US\$2,110,456,012 (2020: US\$2,306,911,350; 2021: US\$2,156,348,238), 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 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\$4,557,522, US\$3,723,398 and US\$4,068,840 to satisfy guarantee obligations related to customer defaults for the years ended December 2020, 2021 and 2022, 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.

At December 31, 2022, the Group provided financial guarantees for bank loans of four of its equity method investees. The Group could incur losses in the event of defaults under or foreclosure of these loans and its maximum exposure to credit losses is US\$226,755,305 (2021: US\$284,329,564). The fair value of the guarantees is not significant and the Group considers that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding bank loans together with the accrued interest and penalty and therefore, no provision has been made for the guarantees in the consolidated financial statements.

23. Concentration of risk

The Group's financial instruments potentially subject to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, other receivables and amounts due from related parties. As of December 31, 2021 and 2022, substantially all of the Group's cash and cash equivalents and restricted cash were held in major financial institutions located in China, Hong Kong SAR and the United States, which management consider being of high credit quality. In the event of bankruptcy of one of these financial institutions, the Group may not be able to claim its cash and demand deposits back in full. The Group continues to monitor the financial strength of the financial institutions. The Group does not have requirement for collateral for the balance of other receivables and amounts due from related parties while considers various factors in establishing, monitoring the financial instruments, including the aging of receivables and aging trends, customer creditworthiness, repayment history and creditworthiness.

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

The Group's operations are conducted mainly in 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 PRC and by the general state of PRC economy.

The Group's operations in 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 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, 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 15.9% appreciation of the RMB against the US\$ from July 21, 2005 to December 31, 2022.

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 provides guarantees to mortgage lending banks in respect of the mortgage loans provided to the purchasers of its 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 the Group repays 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 the Group and, after the registration of the mortgage, the Group will have full recourse to the property. In line with industry practice, the Group does not conduct independent credit checks on its customers but relies on the credit checks conducted by the mortgagee banks.

As of December 31, 2022, the Group had outstanding guarantees of mortgages in the principal amount of US\$2,110.5 million. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the mortgage lending bank may require the Group to repay the outstanding amount under the loan plus any accrued interest. In this event, although the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by it to the bank, there can be no assurance that the property could be sold at a price equal to or greater than the amount paid on the defaulting purchaser's outstanding loan amount and any accrued interest thereon. The Group paid US\$4.1 million to satisfy guarantee obligations related to customer defaults for the year ended December 31, 2022.

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, 2021 and 2022, there is no concentration of credit risk with respect to receivables and the Group does not have a significant exposure to any individual debtor.

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

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 shall not be considered when recognizing revenue on an over time basis (Note 2(i) for further detail). As a result, sales contracts of 570 apartments were excluded when determining revenue to be recognized in 2022.

In addition, no single customer or supplier accounted for more than 10% of revenue or project expenditures for the years ended December 31, 2020, 2021 and 2022.

24. Non-controlling interests

As of December 31, 2021, the non-controlling interests consisted of the following:

	<u>Ownership</u>	<u>December 31, 2021</u> US\$
Shaanxi Zhongmao Economy Development Co., Ltd.	34.02 %	—
Xinyuan Property Management Service (Cayman) Ltd.	47.14 %	(72,201,420)
Taicang Pengchi Real Estate Co., Limited. (Note 18 (a))	83.00 %	(36,937,776)
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. (Note 18 (a.b))	80.00 %	(40,429,789)
Henan Renxin Real Estate Co., Ltd.	49.00 %	—
Suzhou Yefang Real Estate Co., Limited. (Note 18(a.b))	79.99 %	(12,542,785)
Zhengzhou Xinhe Real Estate Co., Ltd	20.00 %	756,256
Others		2,224,788
Total		<u>(159,130,726)</u>

As of December 31, 2022, the non-controlling interests consisted of the following:

	<u>Ownership</u>	<u>December 31, 2022</u> US\$
Shaanxi Zhongmao Economy Development Co., Ltd.	34.02 %	—
Xinyuan Property Management Service (Cayman) Ltd.	40.53 %	(78,177,157)
Taicang Pengchi Real Estate Co., Limited. (Note 18 (a))	83.00 %	(33,861,921)
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd. (Note 18 (a.b))	80.00 %	(36,302,338)
Henan Renxin Real Estate Co., Ltd.	49.00 %	—
Suzhou Yefang Real Estate Co., Limited. (Note 18(a.b))	79.99 %	(11,482,112)
Zhengzhou Xinhe Real Estate Co., Ltd	20.00 %	1,650,839
Others		5,498,759
Total		<u>(152,673,930)</u>

25. Subsequent events

The Group has evaluated subsequent events through the date the consolidated financial statements are issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

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

26. Condensed financial information of the Company

The condensed financial statements of Xinyuan Real Estate Co., Ltd. have been prepared in accordance with U.S. GAAP. Under the PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer certain of their net assets to the Company in the form of dividend payments, loans or advances. The amounts restricted include paid-in capital and statutory reserves, as determined pursuant to PRC generally accepted accounting principles, totaling US\$856,960,327 as of December 31, 2022 (2021: US\$962,881,800).

Condensed Balance Sheets

	December 31	
	2022	2021
	US\$	US\$
ASSETS		
Current assets		
Cash and cash equivalents	160,209	2,794,414
Short-term investments	70,875,668	946,076
Other receivables	21,248	1,037,835
Due from subsidiaries	49,101,879	49,101,879
Total current assets	120,159,004	53,880,204
Investments in subsidiaries	1,163,420,854	1,008,221,487
TOTAL ASSETS	1,283,579,858	1,062,101,691
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
PRC income tax payable	13,388	13,388
PRC other tax payable	902,190	902,190
Other payable and accrued liabilities	35,216,403	88,642,571
Current portion of long-term bank loan and other debt	726,734,558	721,386,784
Due to subsidiaries	266,089,765	320,978,971
Payroll and welfare payables	525,043	64,888
Total current liabilities	1,029,481,347	1,131,988,792
Other long-term debt	—	—
Total liabilities	1,029,481,347	1,131,988,792
Shareholders' equity		
Common shares, \$0.0001 par value:		
Authorized-500,000,000 shares, issued and outstanding 108,029,257 shares as of December 31, 2022 (2021: 107,757,721 shares)	16,415	16,415
Treasury shares	(116,061,577)	(116,061,577)
Additional paid-in capital	544,386,509	544,954,556
Retained earnings	(174,242,836)	(498,796,495)
Total shareholders' equity	254,098,511	(69,887,101)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,283,579,858	1,062,101,691

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 Comprehensive Loss

	Year ended December 31,		
	2020	2021	2022
	US\$	US\$	US\$
General and administrative expenses	(7,441,398)	(4,965,230)	(4,993,180)
Operating loss	(7,441,398)	(4,965,230)	(4,993,180)
Interest expense	(112,975,103)	(121,289,406)	(107,459,673)
Interest income	599,544	545,599	1,139
Net gain on debt extinguishment	—	—	9,620,914
Gain/(loss) on short-term investments	(27,077)	(1,627,139)	(68,931,940)
Other expenses/(income)	(4,277,443)	(878,154)	1,395,668
Equity in profit/(loss) of subsidiaries, net	43,080,569	(289,093,048)	(92,986,489)
Loss from operations before income taxes	(81,040,908)	(417,307,378)	(263,353,561)
Income taxes	—	—	—
Net loss attributable to common shareholders	(81,040,908)	(417,307,378)	(263,353,561)
Other comprehensive income/(loss), net of tax of nil			
Foreign currency translation adjustments	67,283,263	17,818,154	(56,538,757)
Comprehensive loss attributable to shareholders	<u>(13,757,645)</u>	<u>(399,489,224)</u>	<u>(319,892,318)</u>

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

Condensed Statements of Cash Flows

	Year ended December 31,		
	2020	2021	2022
	US\$	US\$	US\$
Cash flows from operating activities:			
Net loss	(81,040,908)	(417,307,378)	(263,353,561)
Adjustment to reconcile net loss to net cash used in operating activities:			
Equity in (profit)/loss of subsidiaries, net	(43,080,570)	289,093,048	92,986,489
Stock based compensation expense	2,848,897	1,625,318	568,046
Loss on short-term investments	—	1,627,139	68,931,940
Proceeds from disposal of short-term investments	—	—	359,025
Amortization of deferred charges	6,024,220	—	5,472,222
Loss/(gain) on extinguishment of debt	5,583,578	—	(9,620,914)
Other receivables	(178,566)	168,246	634,819
Other current assets	77,648	—	—
Other payable and accrued liabilities	7,281,565	4,000,802	53,426,168
Payroll and welfare payables	402,431	1,363,218	(460,150)
Net cash used in operating activities	<u>(102,081,705)</u>	<u>(119,429,607)</u>	<u>(51,055,916)</u>
Cash flows from investing activities:			
Investment in short-term investments	—	(72,502,807)	—
Net cash used in investing activities	<u>—</u>	<u>(72,502,807)</u>	<u>—</u>
Cash flows from financing activities:			
Changes in due from subsidiaries	224,773,858	447,436,262	54,889,206
Proceeds from short-term bank loans	28,080,000	—	—
Repayment of current portion of long-term bank loan and other long-term debt	—	(128,520,000)	—
Proceeds from long-term bank loans	—	—	—
Proceeds from other long-term debts	378,852,273	270,000,000	—
Repayment of other long-term debts	(508,900,000)	(390,958,220)	(1,199,086)
Purchase of treasury shares	(2,483,896)	—	—
Dividends to shareholders	(14,284,148)	(4,055,664)	—
Payment of financing cost	(7,141,511)	(4,272,797)	—
Proceeds from exercise of stock options	134,790	—	—
Net cash provided by financing activities	<u>75,953,366</u>	<u>189,629,581</u>	<u>53,690,120</u>
Net (decrease)/increase in cash and cash equivalents	<u>(26,128,339)</u>	<u>(2,302,833)</u>	<u>2,634,204</u>
Cash and cash equivalents, at the beginning of the year	<u>28,591,381</u>	<u>2,463,042</u>	<u>160,210</u>
Cash and cash equivalents, at end of the period	<u><u>2,463,042</u></u>	<u><u>160,209</u></u>	<u><u>2,794,414</u></u>

(a) Basis of presentation

In the company-only financial statements, the Company's investment in subsidiaries is stated at cost plus its equity interest in undistributed earnings of subsidiaries since inception. The company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in ASC 323. 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.

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

(b) Related party transactions

As of December 31, 2022, the Company had US\$320,978,971 (2021: US\$266,089,765) due to 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 balances on demand.

In 2013, the Company also entered into a separate loan facility agreement with XIN Development Group International Inc. Pursuant to the agreement, the Company will provide a loan facility to XIN Development for the period from July 1, 2013 to January 18, 2018 amounting to US\$50,000,000 at 17.5% per annum. As of December 31, 2022, the Company has US\$116,656,089 (2021: US\$116,656,089) including accrued interest of US\$67,554,210 (2021: US\$67,554,210), due from XIN Development under this loan facility.

(c) Commitments

Except for those disclosed in the Company's condensed financial information, the Company does not have significant commitments or long-term obligations as of the period end presented.

Xinyuan Real Estate Co., Ltd.

List of Subsidiaries as of December 31, 2022

Company Name	Jurisdiction of Incorporation
Xinyuan International Property Investment Co., Ltd.	Cayman Islands
Xinyuan International (HK) Property Investment Co., Ltd.	Hong Kong
XIN Development Group International Inc.	United States
Xinyuan Real Estate, Ltd.	Cayman Islands
XIN Development Management East, LLC	United States
XIN NY Holding, LLC	United States
421 Kent Development, LLC	United States
Xinyuan Sailing Co., Ltd.	Hong Kong
AWAN Plasma Sdn Bhd	Malaysia
XIN Eco Marine Group Properties Sdn Bhd	Malaysia
Zhengzhou Jiasheng Real Estate Co., Ltd.	China
Xinyuan (China) Real Estate, Ltd.	China
Henan Xinyuan Real Estate Co., Ltd.	China
Qingdao Xinyuan Xiangrui Real Estate Co., Ltd.	China
Shandong Xinyuan Real Estate Co., Ltd.	China
Xinyuan Property Management Service (Cayman) Ltd.	Cayman Islands
Xinyuan Property Management Service (BVI) Ltd.	British Virgin Islands
Xinyuan Property Management Services (HK) Limited	Hong Kong
Xinyuan Science and Technology Service Group Co., Ltd.	China
Mingyuan Landscape Engineering Co., Ltd.	China
Henan Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Suzhou Xinyuan Real Estate Development Co., Ltd.	China
Anhui Xinyuan Real Estate Co., Ltd.	China
Kunshan Xinyuan Real Estate Co., Ltd.	China
Xinyuan Real Estate (Chengdu) Co., Ltd.	China
Xuzhou Xinyuan Real Estate Co., Ltd.	China
Henan Xinyuan Jiye Real Estate Co., Ltd.	China
Beijing Xinyuan Wanzhong Real Estate Co., Ltd.	China
Xinyuan Renju (Beijing) Asset Management Co., Ltd.	China
Beijing Xinyuan Priority Real Estate Consulting Co., Ltd.	China
Henan Xinyuan Priority Commercial Management Co., Ltd.	China
Suzhou Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Jiangsu Jiajing Real Estate Co., Ltd.	China
Xingyang Xinyuan Real Estate Co., Ltd.	China
Jinan Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Sanya Beida Science and Technology Park Industrial Development Co., Ltd.	China
Chengdu Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Tianjin Xinyuan Real Estate Co., Ltd.	China
Xi'an Yinghuai Square Commerce Management Co., Ltd.	China
Changsha Xinyuan Wanzhuo Real Estate Co., Ltd.	China
Shanghai Junxin Real Estate Co., Ltd.	China
Beijing Yinghuai Commerce and Trade Co., Ltd.	China
Beijing Xinhe Investment Development Co., Ltd.	China
Henan Yinghuai Commerce and Trade Co., Ltd.	China
Henan Xinyuan Guangsheng Real Estate Co., Ltd.	China
Shanghai Hexinli Property Management Center. (Limited partnership)	China

Shandong Xinyuan Renju Real Estate Co., Ltd.	China
Shaanxi Zhongmao Economy Development Co., Ltd.	China
421 Kent Holding Co, Ltd.	United States
Hudson 888 Owner LLC	United States
XIN Manhattan Holding LLC	United States
Hudson 888 Holding LLC	United States
Shenzhen Xinchuang Investment Consulting Co., Ltd.	China
Henan Xinyuan Quansheng Real Estate Co., Ltd.	China
Zhengzhou Shengdao Real Estate Co., Ltd.	China
Henan Xinyuan Shunsheng Real Estate Co., Ltd.	China
Hunan Erli Real Estate Co., Ltd.	China
XIN Queens Holding LLC	United States
Queens Theatre Holdco LLC	United States
Queens Theatre Owner LLC	United States
Zhengzhou Xinnan Real Estate Co., Ltd.	China
Xinyan Investment Management Co., Limited.	China
Hunan Xintian Real Estate Co., Ltd.	China
Zhengzhou Hangmei Technology Development Co., Ltd.	China
Zhengzhou Hangmei Zhengxing Technology Co., Ltd.	China
Xi'an Dingrun Real Estate Co., Ltd.	China
Zhengzhou Kangshengboda Real Estate Co., Ltd.	China
Zhuhai Prince Real Estate Co., Ltd.	China
Henan Renxin Real Estate Co., Ltd.	China
Xinchuang Technology Co., Ltd.	China
Hangzhou Huiyuan Investment Management Partnership Enterprise. (Limited partnership)	China
Guangdong Xinyuan Real Estate Co., Ltd.	China
Taicang Pengchi Real Estate Co., Limited.	China
Khorgos XinYan Enterprise Management Consulting Co., Ltd.	China
Jinan Xinyuan Quansheng Real Estate Co., Ltd.	China
Suzhou Yuxi Real Estate Co., Limited.	China
Xinchuang Sailing (Dalian) Healthy Technology Industrial Investment Co., Ltd.	China
Dalian Xinyi Renju Industrial Co., Ltd.	China
Jiangxi Xinkai Renju Management Consulting Service., Ltd.	China
Beijing Xinyuan Huicheng Technology Development Co., Ltd.	China
Suzhou Yefang Real Estate Co., Limited.	China
Chengdu Xinyuan Renju Enterprise Management Co., Ltd.	China
Chengdu Guohongteng Real Estate Co., Ltd.	China
Qingdao Keda Real Estate Co., Ltd.	China
Wuhan Yinghexin Real Estate Co., Ltd.	China
Henan Xinyuan Property Management Co., Ltd.	China
Wuhu Xinyansuifeng NO.1 Investment Center (Limited partnership)	China
Zhuhai Xinyuan Real Estate Co., Ltd.	China
Jinan Renju Building Material Co., Ltd.	China
Dalian Xinyi Yaju Real Estate Co., Ltd.	China
Guangdong Xinchuang Kechuangzhigu Development Co., Ltd.	China
Jiangxi Xinyuan Heju Enterprise Management Consulting Service Co., Ltd.	China
Beijing I-Journey Science and Technology Development Co., Ltd.	China
Beijing Ruizhuo Xichuang Technology Development Co., Ltd.	China
Beijing Ruizhuo Xitou Development Co., Ltd.	China
Beijing Future Xinzhihui Technology Development Center (Limited Partnership)	China
Beijing Future Xinhujin Technology Development Center (Limited Partnership)	China
Beijing Future Xinruifeng Technology Development Center (Limited Partnership)	China

Beijing Ruihao Rongtong Real Estate Co., Ltd.	China
Beijing Yuzhouyun Technology Development Center (Limited partnership)	China
Henan Xintuo Real Estate Co. Ltd.	China
Zhengzhou Xinhe Real Estate Co., Ltd	China
Zhengzhou Xinying Real Estate Co., Ltd.	China
Zhengzhou Xinyuan Xinsheng Business Management Co. Ltd.	China
Dalian Xinsheng Industrial Co., Ltd.	China
Guoxin Chuangxiang (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership)	China
Guoxin Chuangzhi (Tianjin) Enterprise Management Consulting Partnership (Limited Partnership)	China
Beijing Ruizhuo Xihui Technology Development Centre Co., Ltd.	China
Chongqing Heavy Duty Vehicle Group Hong Property LLC Wulong Branch	China
Henan Rongyao Catering Service Co., Ltd.	China
Henan Xinzhiyang Electronic Technology Co., Ltd.	China
Zhengzhou Branch of Xinyuan Technology Service Group Co., Ltd.	China
Henan Xinyuan Property Service Co., Ltd.. Xincal Branch	China
Zhengzhou Shengxin Landscape Engineering Co., Ltd.	China
Henan Xinyuan Property Service Co., Ltd.. Runan Branch	China
Dalian Branch of Xinyuan Technology Service Group Co., Ltd.	China
Guangzhou Yuesheng Commercial Service Co., Ltd.. Zhengzhou Branch	China
Henan Kai Dao real Estate Brokerage Co., Ltd.	China
Shanghai Xinqiao Trading Co., Ltd.	China
Hainan Xinyuan Heju Enterprise Management Consulting Service Co., Ltd.	China
Jinan Xinyuan Commercial Management Co., Ltd.	China
Guangzhou Xinyuan Commercial Management Co., Ltd.	China
Henan Xinyuan Hongsheng Commercial Management Co., Ltd.	China
Qingdao Huiju Zhihui City Industrial Development Co., Ltd.	China

*The list does not include various new entities created by Xinyuan Real Estate Co., Ltd. that are being held for future ventures.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yong Zhang, certify that:

1. I have reviewed this Annual Report on Form 20-F of Xinyuan Real Estate Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 30, 2023

/s/ Yong Zhang

Yong Zhang

Chairman and Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Yu (Brian) Chen, certify that:

1. I have reviewed this Annual Report on Form 20-F of Xinyuan Real Estate Co., Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 30, 2023

/s/ Yu (Brian) Chen

Yu (Brian) Chen

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 18 U.S.C. § 1350, the undersigned officer of Xinyuan Real Estate Co., Ltd. (the “Company”), hereby certifies that the Company’s Annual Report on Form 20-F for the year ended December 31, 2022 (the “Report”) complies with the requirements of Section 13(a) or 15(d), as applicable, of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yong Zhang

Yong Zhang

Chairman and Chief Executive Officer

(Principal Executive Officer)

May 30, 2023

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C § 1350 and will not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. § 1350, the undersigned officer of Xinyuan Real Estate Co., Ltd. (the "Company"), hereby certifies that the Company's Annual Report on Form 20-F for the year ended December 31, 2022 (the "Report") complies with the requirements of Section 13(a) or 15(d), as applicable, of the Exchange Act and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Yu (Brian) Chen

Yu (Brian) Chen

Chief Financial Officer

(Principal Financial Officer)

May 30, 2023

The foregoing certification is being furnished solely pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C § 1350 and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-152637) pertaining to Xinyuan Real Estate Co., Ltd. 2007 Equity Incentive Plan and 2007 Long Term Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-198525) pertaining to Xinyuan Real Estate Co., Ltd. 2014 Restricted Stock Unit Plan,
- (3) Registration Statement (Form S-8 No. 333-205371) pertaining to Xinyuan Real Estate Co., Ltd. 2015 Stock Option Plan, and
- (4) Registration Statement (Form S-8 No. 333-239620) pertaining to Xinyuan Real Estate Co., Ltd. 2020 Restricted Stock Unit Plan;

of our reports dated July 29, 2022, with respect to the consolidated financial statements of Xinyuan Real Estate Co., Ltd. and the effectiveness of internal control over financial reporting of Xinyuan Real Estate Co., Ltd. included in this Annual Report (Form 20-F) of Xinyuan Real Estate Co., Ltd. for the year ended December 31, 2022.

/s/ Union Power HK CPA Limited

Hong Kong

May 30, 2023

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos: 333-152637, 333-198525, 333-205371, 333-239620) of our reports dated May 30, 2023, with respect to our audit of the consolidated financial statements of Xinyuan Real Estate Co., Ltd. (the "Company") and the effectiveness of internal control over financial reporting of the Company, appearing in this Annual Report on Form 20-F for the year ended December 31, 2022. Our report on the Company's financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Assenture PAC
Singapore
May 30, 2023

May 30, 2023

Securities and Exchange Commission
100F Street, N.E.
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated May 30, 2023, of Xinyuan Real Estate Co., Ltd and are in agreement with statements contained in the first to eleventh paragraphs with reference to us therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Union Power HK CPA Limited

Hong Kong
