China XD Plastics Co Ltd
Form 10-K
March 16, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016
or

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

For the transition period from _____ to _____

Commission File No. 001-34546

CHINA XD PLASTICS COMPANY LIMITED
(Exact name of registrant as specified in its charter)

Nevada	04-3836208
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
No. 9 Dalian North Road, Haping Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang Province, P. R. China	150060
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (86) 451-8434-6600

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2016 was approximately $56,694,725

As of March 10, 2017, there were 49,511,541 shares of common stock, par value US$0.0001 per share, outstanding.

Documents incorporated by reference: None.

CHINA XD PLASTICS COMPANY LIMITED
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
Table of Contents

1

PART I

ITEM 1. BUSINESS.

Our Business

China XD Plastics Company Limited ("China XD", "we", and the "Company", and "us" or "our" shall be interpreted accordingly) is one of the leading specialty chemical companies engaged in the research, development, manufacture and sale of modified plastics primarily for automotive applications in China and to a lesser extent, in Dubai, United Arab Emirates ("UAE"). Through our wholly-owned subsidiaries Heilongjiang Xinda Enterprise Group Company Limited ("HLJ Xinda Group"), Sichuan Xinda Enterprise Group Company Limited ("Sichuan Xinda"), and AL Composites Materials FZE ("Dubai Xinda"), we manufacture and sell polymer composite materials (a broader category including modified plastics), primarily for automotive applications. We develop our products using our proprietary technology through our wholly-owned research laboratory, Heilongjiang Xinda Enterprise Group Macromolecule Material Research Center Company Limited ("HLJ Xinda Group Material Research"). HLJ Xinda Group Material Research is a professional macromolecular material research and development institution and has 402 certifications from manufacturers in the automobile industry as of December 31, 2016. We are the only company certified as a National Enterprise Technology Center in modified plastics industry in Heilongjiang Province. Our research and development (the "R&D") team consists of 485 professionals and 19 consultants, including one consultant who is a member of Chinese Academy of Engineering. As a result of the combination of our academic and technological expertise, we have a portfolio of 438 patents, 26 of which we have obtained the patent registration in China and the applications for the remaining 412 of which are pending in China as of December 31, 2016.

Modified plastics are produced by changing the physical and/or chemical characteristics of ordinary resin materials. In order for plastics to be used to produce automobile parts and components, they must satisfy certain physical criteria in terms of mechanical functionality, stability under light and heat, durability, flame resistance, and environmental friendliness. Our unique proprietary formulas and processing techniques enable us to produce low-cost high-quality modified plastic materials, which have been certified by many of the major domestic and international automobile manufacturers in China. In addition, we also provide specially engineered plastics and environment-friendly plastics for use in oil-field equipment, mining equipment, vessel-propulsion systems and power station equipment.

China XD's primary end-market is the Chinese automotive industry that has been rapidly growing for the past few years where our modified plastics are used by our customers to fabricate the following auto components: exteriors (automobile bumpers, rearview and sideview mirrors, license plate parts), interiors (door panels, dashboard, steering wheel, glove compartment and safety belt components), and functional components (air conditioner casing, heating and ventilation casing, engine covers, and air ducts). Our specialized plastics are utilized in more than 29 automobile brands manufactured in China, including leading brands such as AUDI, Mercedes Benz, BMW, Toyota, Buick, Chevrolet, Mazda, Volvo, Ford, Citroen, Jinbei and VW Passat, Golf, Jetta, etc. As of December 31, 2016, 402 of HLJ Xinda Group's automotive-specific modified plastic products have been certified by one or more of the automobile manufacturers in China and are in commercial production. As of December 31, 2016, 212 of our products were in the process of product certification by automobile manufacturers. In addition, since the second quarter of 2016, the Company has resumed its presence in the Republic of Korea (the "ROK") by selling to the ROK customer primarily higher-end Plastic Alloy after the suspension of the sales to the ROK customer, which resumed our entry into the international market. As the account receivable balance was overdue, the Company suspended the sales to the ROK customer in 2017.

We operate three manufacturing bases in Harbin, Heilongjiang and one manufacturing base in Nanchong, Sichuan Province, in the People's Republic of China (the "PRC"). In addition, we completed and started the trial production in the plant in Dubai, UAE with additional 2,500 metric tons under 10 trial production lines targeting high-end products for the overseas markets. As of December 31, 2016, in domestic market, we had approximately 450,000 metric tons of production capacity across 134 automatic production lines utilizing German twin-screw extruding systems, automatic weighing systems and Taiwanese conveyer systems. Prior to December 2012, we had approximately 255,000 metric tons of annual production capacity across 58 automatic production lines utilizing German twin-screw extruding systems, automatic weighing systems and Taiwan conveyer systems. In December 2012, we further expanded our third production base in Harbin with additional 135,000 metric tons of annual production capacity, bringing total installed production capacity in our three production bases to 390,000 metric tons with additional 30 new production lines. In December 2013, we broke ground on the construction of our fourth production plant in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total domestic installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production plant. Sichuan Xinda has supplied to its customers since 2013, mainly backed by production capacity in our Harbin production plant. We installed 50 production lines with production capacity of 60,000 metric tons in the second half of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant, which is expected to be completed by the second quarter of 2017. In order to meet the increasing demand from our customer in the ROK and to develop potential overseas markets, Dubai Xinda obtained one leased property and two purchased properties, approximately 52,530 square meters in total, including one leased 10,000 square meters, and two purchased 20,206 and 22,324 square meters on January 25, 2015, June 28, 2016 and September 21, 2016, respectively, from Jebel Ali Free Zone Authority ("JAFZA") in Dubai, UAE, with constructed building comprising warehouses, offices and service blocks. In addition to the earlier 10 pilot production lines in Dubai Xinda, the Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons, targeting high-end products for the overseas market.

Our History

China XD, formerly known as NB Payphones Ltd. and NB Telecom, Inc., was originally incorporated under the laws of the state of Pennsylvania on November 16, 1999. On December 27, 2005, we migrated to the state of Nevada.

On December 24, 2008, we acquired Favor Sea Limited ("Favor Sea (BVI)"), a British Virgin Islands corporation, which is the holding company for Harbin Xinda Macromolecule Material Co., Ltd. ("Harbin Xinda") and Harbin Xinda's wholly-owned subsidiary, Harbin Xinda Macromolecule Material Research Institute ("Research Institute"). Harbin Xinda is a high-tech manufacturer and developer of modified plastics, which was established in September 2004 under the laws of the PRC. In December 2010, our management determined that the Research Institute could not meet the Company's development needs, including meeting the criteria to be a National Enterprise Technology Center. As a result, the Research Institute was deregistered.

On October 14, 2010, Harbin Xinda established Heilongjiang Xinda Software Development Company Limited ("Xinda Software") to develop software applications that provide certain standard and programmable technical services remotely. Xinda Software was deregistered on December 5, 2016.

On March 31, 2011, Harbin Xinda established a wholly-owned subsidiary, Harbin Xinda Macromolecule Material Testing Technical Co., Ltd. ("Xinda Testing"), to develop a nationally recognized testing laboratory and provide testing services of macromolecule materials, engineering plastics and other products.

In response to our rapid business expansion and in order to be eligible for beneficial tax policies for certain regions in China, we developed a group restructuring plan.

From August 2011 to December of 2012, Harbin Xinda established (i) Harbin Meiyuan Enterprise Management Service Company Limited ("Meiyuan Training") in Harbin to provide all year round training to both our existing and new employees, accommodate our customers and business partners as well as host industry conferences; and (ii) Heilongjiang Xinda Enterprise Group Technology Center Company Limited ("Xinda Group Technology Center") in Harbin to focus on long-term research and development projects. Meiyuan Training ceased business in the third quarter of 2016 and Xinda Group Technology Center was deregistered in 2016.

HLJ Xinda Group, a wholly-owned subsidiary of Xinda HK Company Limited and the proposed direct parent company of all of our PRC-based operating subsidiaries after the group restructuring was established in December 2011. Harbin Xinda Plastics Material Research Center Company Limited ("Xinda Material Research Center") was established in December 2011 to focus on research and development of products close to commercialization phase.

Xinda Group Material Research was established in December 2012.

During the year ended December 31, 2013, following the overall reorganization plan, the Company completed the deregistration of Haikou New Materials, Haikou Technical Center and Haikou Software and merged Xinda Testing and Xinda Material Research Center into Heilongjiang Xinda Enterprise Group Macromolecule Material Research Center Co., Ltd. ("Xinda Group Material Research") in 2013, whose major functions included technical support for our production bases, research and development of modified plastic products for applications in areas such as automotive, high-speed rail, aircraft and others, customer post-sales support, and collaboration with industry leading universities and institutions. Xinda Group Material Research was deregistered in 2016 as a result of group restructuring.

On March 19, 2013, HLJ Xinda Group established Sichuan Xinda, which subsequently established Sichuan Xinda Enterprise Group Meiyuan Training Center Co., Ltd. ("Sichuan Meiyuan"), Sichuan Xinda Enterprise Group Software Development Co., Ltd. ("Sichuan Software"), and Sichuan Xinda Enterprise Group Sales Co., Ltd ("Sichuan Sales") in April 2013, in order to expand our business in Southwest China. In 2016, Sichuan Meiyuan and Sichuan Software were deregistered and Sichuan Sales merged into Sichuan Xinda as a result of group restructuring.

On April 23, 2013, Xinda Holding (HK) Co, Ltd. ("Xinda Holding (HK)"), formerly known as Hong Kong Engineering Plastics Co., Ltd., set up Xinda (HK) International Trading Company Ltd ("Xinda (HK) Int'l Trading") for import and export business through Hong Kong. In February 2015, Xinda (HK) Int'l Trading was deregistered.

Heilongjiang Xinda Composite Material Co., Ltd. ("Xinda Composite") was established on November 27, 2013.

On January 8, 2014, Xinda Holding (HK) set up AL Composites Materials FZE ("Dubai Xinda") for international expansion business.

On March 5, 2014, Xinda Holding (HK) set up Xinda (HK) Trade Co., Ltd ("Xinda (HK) Trading") for import and export business through Hong Kong.

On June 17, 2014, Xinda Holding (HK) set up Xinda (Heilongjiang) Investment Co., Ltd. ("Heilongjiang Investment") for its domestic investment activities in PRC. On October 19, 2016, Heilongjiang Investment was deregistered.

On August 1, 2014, Heilongjiang Investment set up Nanchong Xinda Composite Materials Co., Ltd ("Nanchong Composite Materials") in order to expand our business in Southwest China and other regions in its proximity. In July 2015, Nanchong Composite Materials merged into Sichuan Xinda as part of the efforts to streamline the Company's management in Sichuan.

On November 12, 2014, Heilongjiang Investment set up Heilongjiang Xinda Meiyuan Tennis Club Co., Ltd. ("Meiyuan Tennis Club") in order to replace the Meiyuan Training.

On October 16, 2015, Xinda Holding (HK) set up Xinda CI (Beijing) Investment Holding Co., Ltd. ("Xinda Beijing Investment") in order to manage domestic companies in mainland China.

In 2016, as a result of group restructuring, Heilongjiang Investment and Meiyuan Tennis Club were dissolved.

4

On August 29, 2016, Xinda Holding US, a subsidiary of Xinda Holding (HK), was dissolved in New York.

Harbin Xinda Plastics New Materials Co., Ltd. ("Xinda Plastics New Materials") ceased business in the third quarter of 2016.

On September 5, 2016, Sichuan Xinda set up Chongqing Wanshengxiang Macromolecule Materials Co., Ltd. ("Chongqing Wanshengxiang") in order to engage in import and export business in the free-trade zone in Chongqing and to expand our business in Southwest China.

On February 16, 2017, the Board has received a preliminary nonbinding proposal letter from the Chairman and Chief Executive Officer, Mr. Jie Han ("Mr. Han"), XD Engineering Plastics Company Limited ("XD Engineering"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Han, and MSPEA Modified Plastics Holding Limited, an affiliate of Morgan Stanley Private Equity Asia III, Inc. (collectively, the "Buyer Consortium"), to acquire all of the outstanding shares of common stock of the Company not already beneficially owned by the Buyer Consortium in a "going-private" transaction (the "Transaction") for US$5.21 per share of common stock in cash. The proposal letter states that the Buyer Consortium expects that the Board will appoint a special committee of independent directors to consider the proposal and make a recommendation to the Board. The proposal letter also states that the Buyer Consortium will not move forward with the proposed Transaction unless it is approved by such a special committee, and the proposed Transaction will be subject to a nonwaivable condition requiring approval by majority shareholder vote of shareholders other than the Buyer Consortium members. The Buyer Consortium currently beneficially owns approximately 74% of the issued and outstanding shares of common stock of the Company on a fully diluted and as-converted basis. The Board has established a special committee (the "Special Committee") of disinterested directors to consider the proposal The Special Committee is composed of the following independent directors of the Company: Mr. Lawrence W. Leighton, Mr. Feng Li, and Mr. Linyuan Zha, with Mr. Leighton serving as chairperson of the Special Committee. The Special Committee will be responsible for evaluating, negotiating and recommending to the Board any proposals involving a strategic transaction by the Company with one or more third parties. The Special Committee intends to retain advisors, including an independent financial advisor, to assist in the evaluation of the proposal and any additional proposals that may be made by the Buyer Consortium.

Corporate Structure

The corporate structure of the Company as of December 31, 2016 was as follows:

Our Industry

According to a research report prepared exclusively for the Company and issued by Frost & Sullivan in 2016, China is estimated to have consumed approximately 22.0 million Metric Tons ("MT") of modified plastic products in 2016, representing an increase of 12.8% compared to 2015. With China being the world's leading manufacturing center and with rising domestic individual consumption, we believe that demand for modified plastics from China will continue to increase in the foreseeable future. As shown in Figure 1, the market demand for modified plastics will reach 32.5 million MT in 2020, representing compound annual growth rates ("CAGR") of 10.2% and 10.9% by sales volume and revenues from 2016 to 2020. Currently, demand for our products is primarily driven by the Chinese automotive industry. In order for plastics to be used in automobile parts and components, they must satisfy specific physical criteria in terms of mechanical functionality, stability under light and heat, durability, flame resistance, and environmental friendliness. Modified plastics are usually found in interior materials, door panels, dashboards, mud flaps, chassis, bumpers, oil tanks, gas valves, grilles, unit heater shells, air conditioner shells, heat dissipating grids, wheel covers, and other components.

Figure 1: Analysis of Chinese Modified Plastics Market: Sales Volume and Revenue, China 2010-2020E

According to Frost & Sullivan's report, stimulated by the development of China's automotive industry, the Chinese automotive modified plastics market has experienced significant expansion from 2010 to 2015. with nearly a 34.2% growth in terms of revenue and sales volume during this period. Due to the drop of crude oil price since the latter half of 2014, market price of modified plastics has experienced an obvious decrease, which undulates sales revenue of the market in 2015. However the overall revenue of Chinese modified plastics has kept stable increase as the fast growing sales volume in different downstream application fields. The market demand is projected to reach 22.0 million MT in 2016. As illustrated in Figure 2, the Chinese automotive modified plastics market is expected to sustain rapid increase in terms of sales volume and revenues with CAGR of 12.8% and 13.4% from 2016 to 2020, respectively. Approximately 25.7% of the automotive modified plastic consumed in 2015 was imported from outside of the PRC or manufactured by multinational and joint venture companies. We believe that the demand for automotive modified plastic in China will grow continuously due to the fast growing Chinese automotive market, the increasing use per unit of plastic content in automobiles and favorable government incentives and regulations. Moreover, domestic producers will likely gain larger market share from imports as they are able to manufacture products with comparable quality at highly competitive prices and close proximity to their customers. We believe that the following are the key drivers for the automotive modified plastic industry in China.

Figure 2: Analysis of Chinese Automotive Modified Plastics Market: Sales Volume and Revenue (China), 2010-2020E
Source: Frost & Sullivan

According to the statistics by the China Association of Automobile Manufacturers ("CAAM") in 2015 China's production volume of automobiles increased from 18 units in 2010 to 24.5 million units in 2015. The market is expected to slightly slow down after several years' rapid growth, with a relatively high CAGR of 6.6% from 2016 to 2020. China has exceeded the United States to become the world's largest auto market as measured by the number of automobiles sold. We believe the growth momentum in China's auto sales will remain strong over the next four years. The automotive industry in China is still in its infancy with passenger car ownership of 118 vehicles per 1,000 inhabitants in 2015, which is significantly below Europe's average of 509 and United States' average of 789 according to National Bureau of Statistics, US Department of Energy, Eurosta, Frost & Sullivan.

The obvious gap of automotive ownership per 1,000 people among China, United States and Europe indicates that the Chinese automotive industry still has huge development potential. The gap is expected to be further narrowed with China's vehicle per 1,000 people growing to 196 in 2020.

Figure 3: Overview of Chinese Macro Economy:

Vehicle Per 1000 People Comparison (Units per 1,000 people), 2010-2020E

Source: National Bureau of Statistics, US Department of Energy, Eurosta, Frost and Sullivan

- According to the National Bureau of Statistics, the total number of Chinese automobile parts has experienced a rapid growth because of the economic development and the incentive policies issued by the government. The number kept a booming trend and increased from 78,020.0 thousand units in 2010 to 162,730.0 thousand units in 2015, and is forecasted to hit a record of 274,694.9 thousand units by 2020, with a CAGR of 10.8% from 2016 to 2020.
-

Figure 4: Overview of Chinese Macro Economy: Growth of Automotive Parts(China), 2010-2020E

Source: National Bureau of Statistics, Frost and Sullivan

•Rising personal income in China is one of the key drivers for the rapid growth of the Chinese automobile industry. As shown in Figure 5, China has achieved strong economic growth with nominal GDP increasing from approximately RMB 41,070.8 billion in 2010 to RMB 69,630.0 billion in 2015. And it is expected that China will maintain a steady economic growth during the period from 2016 to 2020. Per Capita Consumption Expenditure of Urban Household in China also shows a decent increase of 58.8 % from 2010 to 2015, and is forecasted to reach RMB 30,855.0 by the end of 2020. Moreover, cars have become more affordable in China as local or joint venture automobile manufacturers continuously expand their production to achieve economies of scale to lower production cost and source cheaper auto parts locally. Growing income and decreasing vehicle prices will continue to make car ownership more affordable for China's rising middle class.

Figure 5: Overview of Chinese Macro Economy and Chinese Auto Market: Growth of Nominal GDP and Per Capita Consumption Expenditure of Urban Household (China), 2010-2020E

Source: National Bureau of Statistics, International Monetary Fund, and Frost & Sullivan

Benefit and Increasing Use of Plastics in Automobiles

(1) Cost Reduction: The primary demand driver for modified automotive plastics arises out of the cost-reduction characteristics evidenced by the plastics material inclusion in the automobile manufacturing process. Modified plastics can deliver the same performance as metallic materials at approximately a tenth of the cost. In addition, modified plastics can substitute some kinds of more expensive engineering plastics. This benefit of modified plastics will become more significant with the increasing competition in automobile manufacturing industry to improve efficiency and reduce costs.

(2) Vehicle Emissions Reduction: Plastic components impact fuel efficiency by saving approximately 2.5 liters of fuel per kilograms ("kg") used (equivalent to 6 kg of CO2 emissions) over the lifetime of the vehicle. Automobile manufacturers have been reducing vehicle weights in an attempt to reduce emissions and increase efficiencies. Modified plastics reduce the weight of components by 40% compared with traditional metallic materials.

(3) Performance and Safety Improvement: The development of advanced plastics applications lead to the improvement in performance through reducing the number and weight of the vehicle parts, causing the fuel consumption per vehicle to drop significantly. In addition, the lower net weight of the vehicles improves handling performance and thereby eliminates the likelihood of losing control in case of emergency stops. The involvement of modified plastics in automotive applications results in significant improvement of the safety features of the vehicle parts, like seat belts, air bags, and air bag containers in the recent years.

(4) New Applications: Plastics reduce the number of the required parts used in automobile manufacturing and introduce new design possibilities. Conventional materials struggle to compete against this open innovation platform associated with the plastics industry. In addition, the performance benefits associated with plastic materials continue to create a competitive advantage for the plastics industry.

(5) Increasing Use of Plastics per Vehicle: Weight of modified plastics per vehicle in China continually increased from 2008 to 2012, and is forecasted to reach 169.8 kg by the end of 2017, with a growth rate of 40.2% as shown in Figure 6. Although the weight of modified plastics per vehicle in China will still be less than that in North America and Europe, the highest growth rate indicates the huge potential for market growth. In 2012, plastic use in China is estimated to be about 128.6 kg per vehicle, whereas models imported from Europe contain on average as much as 219 kg per vehicle. In addition, the Chinese government's goals regarding electric and hybrid vehicles may also push the market further as weight concerns are more important for these vehicles than for traditional passenger cars.

Figure 6: Comparison of Weight of Modified Plastics per Vehicle in China, North America, and Europe, 2008, 2012, 2017E

Source: Frost & Sullivan, American Chemistry Council's Plastics Industry Producers' Statistics Group

Increasing Substitution of Imports

Though China's automotive plastic market has been dominated by foreign or joint venture ("JV") companies, Chinese suppliers are continually gaining market share. It is estimated that automotive plastics imported and manufactured by multinational and JV companies accounted for 25.7% of the total China automotive plastic supply in 2015, decreasing from 35.4% in 2010 according to a report by Frost & Sullivan. Compared to foreign competitors including JV companies, local manufacturers can largely benefit from the lower cost and geographical convenience in China and their product sales can be customized with time-efficient after sales services and technical supports. As the local production capacity of both domestic and foreign companies has been expanding, share of imports and multiple national companies is expected to decrease to 15.7% by the end of 2020, while the share of domestic manufacturers is forecast to rise to 84.3% in 2020 as they expand at a greater rate than MNC and JV in China.

The financial crisis beginning in 2008 and the European debt crisis beginning in 2011 forced global automakers and suppliers to concentrate on their cost structure and pricing mechanisms. Many automakers accelerated cost reduction initiatives. Moving manufacturing operations to and sourcing raw materials from low cost regions have emerged as key measures to save costs. With its huge consumer market, low labor costs and high-quality manufacturing and logistics infrastructure, China is a location favored by global auto and component makers who source parts and components not only for their local operations in China but also for their global operations. As a result, we believe that China's local plastic suppliers will benefit from such global outsourcing trends and increasingly become a good substitute for expensive imported plastic products. JV manufacturers based in China in automotive plastics sector have been slow to invest and expand in China.

Favorable National Government Policies

In the past decade, the Chinese government has adopted a number of policies and initiatives intended to encourage the development of the Chinese modified plastics industry and stimulate the growth of the Chinese automobile industry.

Since 2000, modified plastics, including engineering plastics, have been categorized as a prioritized industrialization area by a series of government guidelines or development plans. Some of these policies include:

The 13th Five Year Plan for Development of Strategic Emerging Industries in China launched in 2016 included favorable policies toward advanced technologies in developing new aviation and space materials, encouraging the application of biodegradable plastics and the development of high-performance plastics used for additive manufacturing , as well as encouraging the development of new material industries

The "Made in China 2025" initiative launched on May 8, 2015 by State Council, encouraged development of new materials, energy-saving and new energy vehicles, power equipment, aerospace and aeronautical equipment, marine engineering and high-tech ships, modern railway equipment and agricultural machinery.

The "Development Plan of Additive Manufacturing (2015-2016)" initiative promulgated by the National Development and Reform Commission, Ministry of Industry and Information Technology and Ministry of Finance of People's Republic of China on February 28, 2015, advocated domestic production of several types of plastics with high heat resistance and high strength for additive manufacturing industry .

It was stated in the "Outline of China's Twelfth Five-year Plan (2011)" that new functional materials, advanced structural materials, common base materials, fiber of high performance and its compounded material are key development directions of new material industry.

It was stated in the "Catalogue for Guidance on Adjustment of Industrial Structure (2011)" promulgated by the National Development and Reform Commission on March 27, 2011, that the country is currently promoting (i) the development of production equipment of polycarbonate by the use of non-phosgene method, with annual output of 60000t/year and above, (ii) the production of engineering plastic including liquid crystalline polymer (LCP) and development and application of bleeding modification and alloying; (iii) the development and production of water – absorbed resin, conductible resin and biodegradable polymers; (iv) the development and production of new polyamide including nylon 11, nylon 1414 and nylon 46, nylon with long carbon chain and heat resistant nylon.

It was stated in the "Guidance on Key Areas of Industrialization of High Technology with Current Priority in Development (2011)" jointly promulgated by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Commerce and the State Intellectual Property Office on June 23, 2011 that modified technologies applied to general plastics, including new engineering plastics and plastic alloy, new special engineering plastics, fire resistant modified plastics, and modified technology of general plastics, are currently prioritized areas to develop and industrialize in China's macromolecule materials sector.

A series of modified plastics technologies have been listed in the "National Support for Key High-tech Fields" as stated in the Circular on the Issuance of the Administrative Measure for the Recognition of High-tech Enterprise jointly promulgated by the Ministry of Science and Technology, Ministry of Finance, the State Administration of Taxation in April 2008. These technologies include special engineering plastics, macromolecular compound or new synthetic modified, etc.

Determining the detailed standards for average fuel consumption for passenger car manufacturers: 1) In 2015 average fuel consumption for passenger car reach 0.069L per kilometer; 2) In 2020 average fuel consumption for passenger car reach 0.05L per kilometer. It will accelerate the automobile weight reduction progress.

In addition, with the Chinese government strongly encouraging the production of more fuel-efficient and environmentally friendly vehicles, as one means to help resolve the nation's worsening air pollution problem, especially in big cities, opportunities abound for suppliers of plastics materials and auto components.

We believe that the above government measures and programs will continue to accelerate the demand for automotive modified plastics in China.

Tightening Trend and Local Government Policies

Despite the favorable national government policies as set forth above, in the past couple of years, the Chinese government has implemented certain measures to control the pace of economic growth and discontinued certain stimulus measures implemented to deal with the recent global financial crisis, including incentives for consumers to purchase automobiles.

Since 2011, in order to resolve the extreme traffic congestion, Beijing government has been implementing a vehicle purchase quota policy, which limits the maximum vehicles sold in Beijing per month to 20,000. Other cities which have begun to show signs of traffic congestion have also begun to implement similar measures to control traffic congestion, including the limited automobile licenses policy implemented in Shanghai and Tianjin and the imposition of congestion charges in Shenzhen. The termination of nation-wide preferential policies can negatively affect consumer demand for new vehicles, and local restrictive measures over automobile purchases in major cities may result in the reduction in the sale of vehicles nationwide.

Our Products

Modified plastic is processed by adding chemical agents to basic plastics to generate or improve certain physical and/or chemical characteristics of plastic, such as heat resistance, hardness, tensile strength, wear resistance, and flame resistance. Based on the type of materials, our products include eleven categories: Modified Polypropylene (PP), Modified Acrylonitrile Butadiene Styrene (ABS), Modified Polyamide 66 (PA66), Modified Polyamide 6 (PA6), Modified Polyoxymethylenes (POM), Modified Polyphenylene Oxide (PPO), Plastic Alloy, Modified Polyphenylene Sulfide (PPS), Modified Polyimide (PI), Modified Polylactic acid (PLA) and Poly Ether Ether Ketone (PEEK).

Our products are organized into eleven product groups, based on their physical characteristics, as set forth below:

Product Group	Number of Products Certified	Characteristics	Automotive or Other Application
Modified Polyamide 66 (PA66)	39	Abrasive resistance, self-lubrication, high strength, high temperature resistance, and flame resistance	Roof handles, door knobs, transmission connection plates, fan shrouds, glovebox assembles, engine hoods, stents baffle blocks, trajectory, fasteners, etc.
Modified Polyamide 6 (PA6)	37	High temperature resistance, weather resistance, high strength	Inner door knobs, door knobs, hand shanks, transmission connection plates, visor bases, etc.
Plastic Alloy	145	High impact resistance, high temperature resistance, flame resistance, platable	Instrument panels, instrument frames, shields, automotive center stacks, speaker covers, grids, fog light shells, battery bases, seat armrests, luggage holders, etc.
Modified Polypropylene (PP)	158	Non-toxic, odorless, low density, insulated, and low moisture uptake	Instrument panels, inner panels, columns, bumpers, air conditioner shells, door knobs, mudguards, etc.
Modified Acrylonitrile butadiene styrene	20	High rigidity, low density, rigidity toughness balance,	Heat dissipating grids, steering wheel shells, cup holders, seal banks, instrument panels, inner door

(ABS)		slow burn, and corrosion resistance	knobs, wheel covers, etc.
Polyoxymethylenes (POM)	1	High strength, low moisture uptake, size stability, high glass, high temperature resistance, fatigue resistance	Heater fans, signal lamps switches, gas reseior covers, door knobs, hand shanks, fuel pumps, dynamic valves, accelerator pedals, rampetior elements, etc.
Polyphenylene Oxide (PPO)	1	High rigidity, flame retardant, abrasive resistance, pollution resistance, high temperature resistance	Battery plants, lamp holder insulation parts, anti freezer grids, booms, instrument panels, window frames, tool cabinet covers, handwheel boxes, heater holders, heater baffles, cooling system connections, pump strainer nets, ammeler frameworks, rearview, etc.

Modified Polyphenylene Sulfide (PPS)	1	High temperature resistance, corrosion resistance, radiation resistance, flame resistance, size stability	Air bleed control valves, pneumatic signal conditioners, sparks plug wire insulation covers, tachometer sensor covers, electrical pumps, fuel pump impellers and covers, air cylinder covers, water pump impellers, etc.
Modified Polylactic Acid (PLA)	-	Reproducible, good biological compatibility and totally degraded	Glove box handle, seat cover, rearview mirror shell, etc.
Modified Polyimide (PI)	-	Flame resistance, high strength, high temperature resistance, corrosion resistance	Compressor blade, piston ring, sealing washer, bushing, gear, brake block, etc.
PEEK*	N/A	Excellent mechanical and chemical resistance and temperature tolerance	Used in communications and transport electronics and electrical appliances, machinery, medical and analytical equipment
Total	402		

*PEEK is primarily used in applications that are unrelated to automotive applications, which does not require certifications and is in the product development stage.

Raw Materials

The principal raw materials used for the production of our modified plastic products are plastic resins such as polypropylene, ABS and nylon. Polypropylene is a chemical compound manufactured from petroleum. ABS is a common thermoplastic used to make light, rigid, molded products such as automotive body parts and wheel covers. Nylon is a thermoplastic silky material. Approximately 64.0% of our total raw materials purchased by volume are sourced from overseas petrochemical enterprises and 36.0% from domestic petrochemical enterprises during the year ended December 31, 2016.
The Company has one-year renewable contracts with its major suppliers, which are distributors of petrochemical enterprises. Because the raw materials used in our products are primarily petroleum products, the rise or fall in oil prices directly affects the cost of the raw materials. We attempt to mitigate the increase or decrease in our raw materials prices by appropriately raising or lowering the price for our products to pass the cost or savings to our customers as part of our pricing policy.

Because raw materials constitute a substantial part of the cost of our products, we seek to reduce costs by dealing with major suppliers. During the year ended December 31, 2016, the Company purchased approximately 67.3% of the Company's raw materials from five major suppliers. By dealing in large quantities with these major suppliers, we obtain reduced prices for raw materials, therefore reducing the cost of our products. If we were unable to purchase from these suppliers, we believe we would still have adequate sources of raw materials from other petrochemical distributors without material impact on the cost of our products.

Research and Development

HLJ Xinda Group and Sichuan Xinda were organized to provide us with ongoing additions to our technology through advanced development methods, which represent the key to our competitive strength and success. Our goal is to utilize our state-of-the-art methods, equipment and our technical expertise to produce plastics of the highest quality that are cost-efficient for our customers. Toward this end, we have staffed HLJ Xinda Group and Sichuan Xinda with 77 employees who have Ph.D. and/or Master's degrees, 364 employees who have Bachelor's degrees, and 44 employees with Associate Bachelor's degrees. In addition, we have 19 consultants, including one consultant who is a member of the Chinese Academy of Engineering. On average, our employees have been working in our industry for more than three years, and our key R&D employees have on average more than 10 years of experience in our industry.

To supplement the efforts of our HLJ Xinda Group and Sichuan Xinda, we have cooperated with a number of the leading technology institutions in China. Besides providing specialized research and development skills, these relationships help us formulate cutting-edge research programs aimed at developing new technologies and applications in plastics engineering.

In addition, Dubai Xinda focuses on more advanced research and development in high-end applications relative to our research and development efforts in China.
All our significant research and development activities are overseen by the members of our Scientific Advisory Board, which we have assembled from the leaders in China's chemical engineering industry. Currently, the members of the Scientific Advisory Board are:

Xigao Jian: Member of Chinese Academy of Engineering, Professor of Dalian University of Technology
Kai Zheng: Secretary General of China Engineering Plastics Industry Association
Chao Bi: Associate Professor of School of Mechanical and Electrical Engineering of Beijing University of Chemical Technology
Jian Yu: Professor of Institute of Polymer Science, Tsinghua University
Aimin Zhang: Professor of the State Key Laboratory of Polymer Materials Engineering Polymer Research Institute of Sichuan University
Dongbo Guan: Professor of School of Materials Science & Engineering, Jilin University
Zhigang Wang: Professor of School of Chemistry and Materials Science, University of Science and Technology of China
Chunze Yan: Associate professor of Huazhong University of Science and Technology
Guangming Li: Professor of Heilongjiang University
Qixin Zhuang: Professor of School of Materials Science and Engineering, East China University of Science and Technology
Guowei Jiang: Deputy Researcher of Changchun Institute of Applied Chemistry of the Chinese Academy of Sciences
Yan Jin: Professor of Beijing Research Institute of Chemical Engineering, China Petroleum Chemical Corporation
Jinyan Wang: Professor of Dalian University of Technology
Chao Wang: Assistant Researcher and Supervisor of Engineering Training Center, Harbin Engineering University
Haiqing Wang: Senior Lecturer of Shandong University

We host our annual seminar on the Development of the Macromolecule Materials Industry since 2008, during which we bring prominent industry-leading consultants to meet with our R&D staff. The annual seminar gives industry experts an opportunity to review and evaluate the Company's R&D initiatives in terms of technology advancement on the backdrop of government policies which support development of the modified plastics industry. During the seminar, industry experts assess the progress of the Company's R&D projects for the current year, and then evaluate the Company's R&D projects for the next year. Projects are reviewed in terms of overall strategy, alignment with government policies, market opportunities, efficient utilization of R&D and technical feasibility.

We have been certified as a National Level Enterprise Technology Center, the only institution certified as such in the modified plastics industry in Heilongjiang. This certification makes us eligible for participation of issuing modified plastics industry standards, certain tax and tariff relief for scientific research and development, certain funding designated for National Enterprise Technology Center and municipal subsidies and Postdoctoral and Academy Member Workstation in Heilongjiang Province.

Our research and development expenses were US$47,989,665, US$21,061,345, US$29,434,680 during the years ended December 31, 2016, 2015, and 2014, respectively.

Intellectual Property

Patents

As a result of our collection of academic and technological expertise, we have 26 approved patents and 412 pending patent applications in China, as set forth in the following table:

No	Patent Name	Application No	Date	Status
1	A sprayed directly material used in car bumper	200810051570.8	December 10, 2008	Authorized
2	Supercritical fluid rapid diffusion synthesis of nano calcium carbonate enhanced microcrystalline polypropylene composites	200910073402.3	December 11, 2009	Authorized
3	A method for automotive interior low odor, low VOC, high performance polypropylene composites	201010258937.0	August 20, 2010	Authorized
4	A high heat-resistant PC / ASA alloy material and its preparation method	201010508149.2	October 15, 2010	Authorized
5	A preparation method of polylactic acid used in auto dashboard	201110035716.1	February 11, 2011	Authorized
6	A rapid detection method of the tensile property of modified PP used in auto specially by non-standard situation	201110094454.6	April 15, 2011	Authorized
7	A high-powered aircraft tail composite material and its preparation process	201110196209.6	July 13, 2011	Authorized
8	A preparation method of polypropylene resin foam particles with supercritical CO2 act	201110230302.4	August 12, 2011	Authorized
9	A high toughness, low warpage and high-mobility PET/PBT/PC alloy reinforced by glass fiber and its preparation method	201110235189.9	August 17, 2011	Authorized
10	A high impact and high heat-resistant flame retardant ABS composite material reinforce by glass fiber and its preparation process	201110268625.2	September 13, 2011	Authorized
11	A high-strength carbon fiber reinforced polyetheretherketone composite material and its preparation method	201210114931.5	April 20, 2012	Authorized
12	High performance halogen-free flame-retardant PC / ABS composite material and its preparation method	201210201826.5	June 19, 2012	Authorized
13	A high temperature conductive PPO/PA6 alloy material and its preparation method	201210241856.9	July 13, 2012	Authorized
14	High-performance, green flame retardant reinforced PA66 composites technology	201210260160.0	July 26, 2012	Authorized

15	An antistatic LSOH flame retardant PC / ABS alloy material and its preparation method	201210296750.9	August 20, 2012	Authorized
16	A free primer and sprayed directly on the bumper composites	201210306240.5	August 27, 2012	Authorized
17	An extrusion grade sisal fiber reinforced polypropylene composite material and its preparation process	201210357867.3	September 25, 2012	Authorized

18	A long glass fiber reinforced polypropylene material and its preparation method	201210362626.8	September 26, 2012	Authorized
19	A modified Kevlar fiber reinforced PA66 material and its preparation method	201210369747.5	September 29, 2012	Authorized
20	A glass fiber reinforced poly (ethylene terephthalate) / polycarbonate alloy	201210403197.4	October 22, 2012	Authorized
21	Graphene / polymer conductive composites	201210411231.2	October 25, 2012	Authorized
22	A production method of antimicrobial, hydrophilic polypropylene particle	201210411680.7	October 25, 2012	Authorized
23	A glass fiber, SiO2 enhanced toughening polyphenylene sulfide material and its preparation method	201210439116.6	November 7, 2012	Authorized
24	A applied to electrostatic spraying PPO/PA6 alloy material and its preparation method	201310367459.0	August 22, 2013	Authorized
25	A stereoscopic word based on 3D printing	201520229477.7	April 16, 2015	Authorized
26	A medical chest straps based on 3D printing technology and its preparation method	201510290769.6	June 1, 2015	Authorized
27	A molding method suitable PEEK	201010173663.5	May 17, 2010	Pending
28	A high notched impact PA / ASA alloy material and its preparation method	201010230061.9	July 19, 2010	Pending
29	A method for automotive interior matte, anti-scratch modified polypropylene composites	201010230064.2	July 19, 2010	Pending
30	A lower mold shrinkage ratio method of calcium carbonate / polypropylene nanocomposites	201010230088.8	July 19, 2010	Pending
31	Nano-ZnO filled with modified PEEK film and its preparation method	201010258955.9	August 20, 2010	Pending
32	A high impact and high flow PC / ASA alloy material and its preparation method	201010258950.6	August 20, 2010	Pending
33	A preparation method of SiO2/CaCO3 nano-composite particles modified polypropylene	201010282042.0	September 15, 2010	Pending
34	A microporous zeolite materials modified PEEK and its preparation method	201010282022.3	September 15, 2010	Pending

35	An anti-aging, anti-yellowing, low odor polypropylene composite material and its preparation method	201010508177.4	October 15, 2010	Pending
36	A alloy material of high-impact, high-brightness ASA	201010543439.0	November 15, 2010	Pending
37	A preparation method of the thermoplastic elastomers PP with high mobility and high resistance of deformation	201110035725.0	February 11, 2011	Pending
38	A preparation process of high weathering colour ASA resin	201110347336.1	February 11, 2011	Pending
39	A preparation method of polymer composites with high toughness	201110035736.9	February 11, 2011	Pending

40	A special material of cooling grille with high heat resistance and high weather resistance	201110094466.9	April 15, 2011	Pending
41	A preparation process of ABS alloy with high impact performance and high heat resistance	201110122586.5	May 12, 2011	Pending
42	A preparation process of centralized control method used in plastic production line	201110122566.8	May 12, 2011	Pending
43	A preparation method of easily dispersed and easily processing polyprolene composite material	201110158511.2	June 14, 2011	Pending
44	A preparation method of high heat-resistant and high rigid PLA composite material reinforced by fully biodegradable natural fiber	201110158512.7	June 14, 2011	Pending
45	A preparation process of the premixed screening system	201110158488.7	June 14, 2011	Pending
46	A rapid detection method of the impact property of modified plastics used in automobile specially	201110158528.8	June 14, 2011	Pending
47	A high toughness, low warpage and low mold temperature PET/PA6 alloy reinforced by glass fiber and preparation method	201110347339.5	November 7,2011	Pending
48	A high impact PA6 composite material with core-shell toughening and its preparation method	201110196226.X	July 13, 2011	Pending
49	A preparation method of the plastic production line with high performance and high homogeneity	201110233488.9	August 16, 2011	Pending
50	A preparation method of polylactic acid used composite material modified by hydroxyapatite with supercritical water act	201110268687.3	September 13, 2011	Pending
51	A high heat-resistant and high wear-resistant PEEX composite material and its preparation process	201110347338.0	January 10, 2011	Pending
52	A polypropylene composite material used in battery tank of new source of energy automobile and its preparation method	201110347320.0	November 7, 2011	Pending
53	A preparation method of glass fiber reinforced polyether ether ketone with high strength and high heat resistance	201110399890.4	December 5, 2011	Pending
54	A high toughness of polycarbonate blends material and its preparation method	201110319832.6	December 20, 2011	Pending
55	A high-impact, green flame retardant PC / ABS alloy material and its preparation process	201210122281.9	April 25, 2012	Pending

56	A preparation method for heat-resistant and easy processing of natural fiber reinforced polylactic acid composites	201210147444.9	May 14, 2012	Pending
57	A preparation method of high encapsulation efficiency and stable release polylactic lysozyme drug microsphere	201210295154.9	August 20, 2012	Pending
58	A Supercritical carbon dioxide reactor pressure method for preparing polypropylene foamed material	201210298694.2	August 22, 2012	Pending
59	An antimicrobial, dust suppression, halogen-free flame retardant ABS and its preparation process	201210305824.0	August 27, 2012	Pending

60	A preparation methods of ultra-hydrophobic microporous polymer film	201210358122.9	September 25, 2012	Pending
61	A flame-retardant glass fiber reinforced PA66 and its preparation method	201210370558.X	September 29, 2012	Pending
62	A method for preparing an enhanced flame retardant rigid polyurethane composites	201310467797.1	October 10, 2013	Pending
63	A MARINE with wear-resistant ultra high molecular weight polyethylene composites	201310468060.1	October 10, 2013	Pending
64	Preparation method of impact-resistant strain of modified polylactic acid material	201310468059.9	October 10, 2013	Pending
65	A method for preparing low temperature resistance, scratch-resistant zipper jacket compound for cars	201310468076.2	October 10, 2013	Pending
66	A free spray paint bumper with modified material and preparation method	201310468057.X	October 10, 2013	Pending
67	An environmentally friendly fire-retardant, high-performance EVA composite material and preparation method	201310467812.2	October 10, 2013	Pending
68	The chest protected belts	201220526299.0	October 15, 2012	Pending
69	A non-asbestos and non-metal materials brake pads composite material and its preparation method	201210395921.3	October 18, 2012	Pending
70	A high toughness wear-resistant fiberglass /PA6 composites for rail transit fasteners	201210396122.8	October 18, 2012	Pending
71	A wear-resistant, anti-static, flame retardant ultra-high molecular weight polyethylene composite material	201210402814.9	October 22, 2012	Pending
72	A high impact, high heat-resistant PC / PBT alloy material and its preparation process	201210403095.2	October 22, 2012	Pending
73	A continuous aramid fiber reinforced POM materials and preparation methods	201210411967.X	October 25, 2012	Pending
74	An alcohol solution PA66 material special for intake manifold and its preparation method	201210442251.6	November 8, 2012	Pending
75		201210472283.0		Pending

	A mechanical strength polypropylene power lithium battery separator and its preparation method		November 21, 2012	
76	An environmentally friendly self- aromatic polypropylene material and its preparation process	201210457403.X	November 15, 2012	Pending
77	A multilayer hot pressing method for preparing hydroxyapatite / polylactide composite	201210474211.X	November 21, 2012	Pending
78	Preparation of a glass fiber reinforced nylon 66 / nylon 6 Composites	201310185041.8	May 20, 2013	Pending
79	An environmentally friendly foam polypropylene material and preparation method	201310185228.8	May 20, 2013	Pending
80	An ramie fiber reinforced polypropylene composite material and its preparation process	201310185514.4	May 20, 2013	Pending

81	A high mobility of polyvinyl alcohol / lignin WPC	201310203047.3	May 28, 2013	Pending
82	One kind of resistance to warpage reinforced polyamide 6 material and preparation method	201310250426.8	June 24, 2013	Pending
83	Preparing a polyamide material reinforced with continuous glass fibers	201310250967.0	June 24, 2013	Pending
84	A low-cost method for preparing hydrophobic material of polypropylene	201310250185.7	June 24, 2013	Pending
85	A polypropylene self-luminous material and preparation method	201310250047.9	June 24, 2013	Pending
86	A preparation method of reinforced, flame-retardant ABS material	201310367420.9	August 22, 2013	Pending
87	One kind of aramid pulp-reinforced PA66 composite material and preparation method	201310367404.X	August 22, 2013	Pending
88	Preparation of a high-performance fiber-reinforced polyphenylene sulfide composites	201310372289.5	August 24, 2013	Pending
89	One kind of anti-alcohol solution, low warpage reinforced nylon66 composite material and preparation method	201310372282.3	August 24, 2013	Pending
90	A high-gloss, free paint, scratch-resistant alloy material and preparation method	201310372789.9	August 26, 2013	Pending
91	A preparation process of heat-stable flame retardant reinforced nylon composite material	201310413691.3	September 12, 2013	Pending
92	An anti-oxidation, high flow, flame retardant ABS and preparation process	201310413270.0	September 12, 2013	Pending
93	An flax noil fiber reinforced polypropylene composite material and its preparation process	201310413287.6	September 12, 2013	Pending
94	A Preparation of applying to charging pile casing PC / ABS alloy compound	201310414007.3	September 12, 2013	Pending
95	A no-spray, high durability, scratch-resistant, flame retardant ABS Preparation and Process	201310414024.7	September 12, 2013	Pending
96	An antistatic, low smoke, flame retardant PC / ABS alloy materials and preparing process	201310414847.X	September 13, 2013	Pending
97	A direct line of long glass fiber reinforced thermoplastic composite material and its preparation method	201310471859.6	October 12, 2013	Pending

98	A toughening wear-resistant alloy material and preparation method	201310556261.7	November 12, 2013	Pending
99	A high resistance temperature reinforced polyamide 6 material and preparation method	201310556569.1	November 12, 2013	Pending
100	Preparation of an aircraft engine surrounding high temperature polyimide composites	201310555389.1	November 12, 2013	Pending
99	A high resistance temperature reinforced polyamide 6 material and preparation method	201310556569.1	November 12, 2013	Pending
101	Preparation of a high strength of continuous glass fiber reinforced nylon 6 material	201310555451.7	November 12, 2013	Pending

20

102	A highly weather-resistant polypropylene self-luminous material and preparation method	201310555483.7	November 12, 2013	Pending
103	Method for preparing porous polymer composite superhydrophobic films	201310559589.4	November 13, 2013	Pending
104	A polypropylene foam material and preparation method	201310559024.6	November 13, 2013	Pending
105	One kind of aramid fiber / polyimide composite material and preparation method	201310559294.7	November 13, 2013	Pending
106	An alloy NiMoB modified talc enhanced Bumper material and its preparation method	201310559588.X	November 13, 2013	Pending
107	A silicone toughening polyphenylene sulfide material and its preparation method	201310560625.9	November 13, 2013	Pending
108	A high toughness, wear-resistant rail fasteners with glass / nylon 6 Composites	201310646768.1	December 6, 2013	Pending
109	A high-gloss, avoid spraying PTT / PMMA rearview mirror Compound and its production process	201310652729.2	December 6, 2013	Pending
110	A keyboard and mouse with anti-bacterial perspiration modified plastics and its preparation method	201310676101.6	December 13, 2013	Pending
111	A high-strength lightweight hollow glass microspheres toughening PP material and preparation method	201310721731.0	December 25, 2013	Pending
112	a method for producing a heatproof polyimide composite used for aircraft engine periphery	201410144739.X	April 12, 2014	Pending
113	Preparation method of a special fiber reinforced skis	201410144740.2	April 12, 2014	Pending
114	A 2D carbon fiber heating cloth	201410144738.5	April 12, 2014	Pending
115	The preparation method of a kind of special fiber cable oil and gas exploration	201410146070.8	April 14, 2014	Pending
116	A kind of thermoplastic carbon fiber property and its preparation method.	201410145300.9	April 14, 2014	Pending
117	a method for preparing super toughened polylactic acid base composite material	201410145345.6	April 14, 2014	Pending

118	Preparation method of a glass fiber reinforced polylactic acid base composite material	201410145388.4	April 14, 2014	Pending
119	a method for producing a heatproof polyimide composite	201410205669.4	May 16, 2014	Pending
120	Oil and gas exploration prepared by weaving method of special fiber cable	201410205870.2	May 16, 2014	Pending
121	A high toughness flame retardant PLA/PC alloy	201410206092.9	May 16, 2014	Pending
122	Preparation method of PBO fiber reinforced skis	201410205670.7	May 16, 2014	Pending
123	A thermosetting carbon fiber prepreg and its preparation method	201410205668.X	May 16, 2014	Pending

124	An advantage of specially coupling treated carbon fibers reinforced PEEK	201410262651.8	June 13, 2014	Pending
125	A high dimensional stability excellent abrasion resistance PEEK valve composite	201410262638.2	June 13, 2014	Pending
126	The preparation method of a high-strength PEEK composites	201410262746.X	June 13, 2014	Pending
127	High thermal conductivity high heat resistance carbon fiber heating cloth	201410262691.2	June 13, 2014	Pending
128	Preparation of low temperature resistance special fiber reinforced skis	201410262850.9	June 14, 2014	Pending
129	A Method for preparing high performance PEEK/long glass fiber composites	201410263606.4	June 16, 2014	Pending
130	The preparation method of a kind of long glass fiber reinforced polypropylene	201410264159.4	June 16, 2014	Pending
131	a method for producing a polyimide composite	201410326840.7	July 10, 2014	Pending
132	Preparation of Carbon Fiber Reinforced PI Composite Material	201410326641.6	July 10, 2014	Pending
133	Preparation of a high tensile strength of	201410326616.8	July 10, 2014	Pending

	PEEK composites			
134	Preparation of one kind of ultra light and thin fiber reinforced skids	201410326799.3	July 10, 2014	Pending
135	The preparation method of glass fiber reinforced polypropylene	201410365812.6	July 29, 2014	Pending
136	The preparation method of large tow carbon fiber cable	201410363355.7	July 29, 2014	Pending
137	A toughening polylactic and acid and its preparation method	201410362495.2	July 29, 2014	Pending
138	The preparation of a high-strength high-temperature polyimide composites	201410413832.6	August 21, 2014	Pending
139	A high-heat-resistant, excellent in abrasion resistance sheet composite PEEK valve	201410413379.9	August 21, 2014	Pending
140	A preparation method of PEAK modified epoxyresin system/carbon fiber cable	201410413361.9	August 21, 2014	Pending
141	A high transparent heat-proof polylactic acid based composite material of the preparation method	201410413616.1	August 21, 2014	Pending
142	Preparation of PI composite material by coupling agent treated glass fiber	201410481809.0	September 22, 2014	Pending
143	A preparation method of poly(lacticacid)/starch composite foams	201410489544.9	September 22, 2014	Pending

144	New type of composite carbon fiber heating cloth	201410481306.3	September 24, 2014	Pending
145	A modified high-performance carbon fiber composite materials	201410747395.1	December 10, 2014	Pending
146	A kind of 3D printing poly lactic acid/leather powder composite materials and its preparation method	201410690528.6	November 27, 2014	Pending

147	A kind of biodegradable polymer-docetaxel bonding medicine and its preparation method	201410690529.0	November 27, 2014	Pending
148	A preparation method of polyimide composite material	201410691532.4	November 27, 2014	Pending
149	A preparation method of high toughness biodegradable polylactic acid foam plastics	201410691587.5	November 27, 2014	Pending
150	A preparation of antibacterial polylactic acid fiber	201410691901.X	November 27, 2014	Pending
151	A kind of poly lactic acid preparation method of lactide ring-opening polymerization	201410697015.8	November 28, 2014	Pending
152	A modification of PLA material and its preparation method	201410697822.X	November 28, 2014	Pending
153	A method of preparing high strength PLA composites	201410697790.3	November 28, 2014	Pending
154	A kind of twin screw reactive extrusion method ring opening polymerization preparation of PLA	201410697838.0	November 28, 2014	Pending
155	A method of preparing high toughness PLA composites	201410697801.8	November 28, 2014	Pending
156	A kind of organic molecule catalytic method for preparation of poly lactic acid	201410703493.5	November 30, 2014	Pending
157	A surface treatment of carbon fiber reinforced thermoplastic polyimide composites	201410703815.6	November 30, 2014	Pending
158	A carbon fiber-reinforced thermoplastic polyimide composites	201410703816.0	November 30, 2014	Pending
159	A preparation method of the high toughness, high mobility PLA/PP Alloy	201410704664.6	December 4, 2014	Pending
160	A preparation method of the natural fiber/polylactic acid based composite materials	201410704612.9	December 4, 2014	Pending
161	A preparation method of the high toughness ABS/PLA-based alloys	201410704588.9	December 4, 2014	Pending
162		201410729719.9		Pending

	Nanoparticles/CF hybrid reinforced PEEK composite material and its preparation method		December 5, 2014	
163	Method for preparing thermoplastic polyimide composites	201410730324.0	December 5, 2014	Pending
164	Boron fiber reinforced polyimide	201410730235.6	December 5, 2014	Pending
165	A method of preparation of carbon fiber prepreg reinforced skis	201410729635.5	December 5, 2014	Pending
166	High mobility TLCP/PES/PEEK composite material and its preparation method	201410729614.3	December 5, 2014	Pending
167	An PEEK/BaSo4 composite material and its preparation method	201410730260.4	December 5, 2014	Pending
168	Foamed PP and graphite fiber composites preparation methods of enhancement of skis	201410729634.0	December 5, 2014	Pending

169	Method for increasing the compatibility of PPS/PEEK composite materials	201410730258.7	December 5, 2014	Pending
170	A compressor valve plate with a modified material and the method	201410733902.6	December 8, 2014	Pending
171	An automobile air conditioner drive gear with the modified materials and the method	201410733905.X	December 8, 2014	Pending
172	Method for preparing high toughness of polycarbonate/polylactic acid-based alloys	201410733882.2	December 8, 2014	Pending
173	A preparation method of high performance PEEK/carbon fiber composite material	201410747379.2	December 10, 2014	Pending
174	A preparation method of PEEK composite material	201410746978.2	December 10, 2014	Pending
175	A ternary no return toughening copolymer of polylactic acid composite material and its preparation method	201410747386.2	December 10, 2014	Pending
176	Sensor with high-performance fiber-reinforced PPS composites	201410747061.4	December 10, 2014	Pending
177	Glass fiber modified wearable Polyimide	201410747053.X	December 10, 2014	Pending
178	An advantage of specially prepared by coupling treatment sio2 reinforced PEEK	201410747062.9	December 10, 2014	Pending
179	A high-mobility PVA/wood flour composite biomass	201410747054.4	December 10, 2014	Pending
180	One kind of thermal evaporation method graphene Gec	201410746877.5	December 10, 2014	Pending
181	A highly heat-resistant polylactic acid/Wood Flour Composites	201410747097.2	December 10, 2014	Pending
182	Preparation of an enhanced flame retardant polyurethane composites	201410747055.9	December 10, 2014	Pending
183	A process for producing fiber reinforced PA6 dedicated 3D printing materials processing using a special method	201410747082.6	December 10, 2014	Pending
184	A preparation method of low warpage ABS special 3D printing materials	201410746979.7	December 10, 2014	Pending

185	A preparation method of impact-resistant strain of modified polylactic acid materials	201410747377.3	December 10, 2014	Pending
186	A preparation method of chemical vapor deposition method graphene films	201410747180.X	December 10, 2014	Pending
187	A process for producing acrylic polyurethane high-solids coatings	201410747079.4	December 10, 2014	Pending
188	The use of core-shell particles toughening PC and PBT resin	201410747406.6	December 10, 2014	Pending
189	A high strength, high modulus of PEEK composite material and preparation method	201410747376.9	December 10, 2014	Pending
190	A kind of microfluids device prepared by the technology of 3D-printing	201410747264.3	December 10, 2014	Pending

191	A high-retardant polyvinyl alcohol/Wood Flour Composites biomass	201410746938.8	December 10, 2014	Pending
192	A method of processing aids (ACR) improved PVC materials	201410746804.6	December 10, 2014	Pending
193	A preparation method of polylactic acid film	201410746939.2	December 10, 2014	Pending
194	A kind of suitable for 3D printing chest straps of polylactic acid materials and its preparation method	201510089885.1	February 28, 2015	Pending
195	A kind of alloy material for 3D printing	201510179994.2	April 16, 2015	Pending
196	A method of preparation of water-soluble PLA support material for 3D printing	201510180141.0	April 17, 2015	Pending
197	A kind of high performance PEEK/chopped carbon fiber composite material and the preparation method	201510180750.6	April 17, 2015	Pending
198	The preparation method of a high toughness polylactic acid based composite material	201510180761.4	April 17, 2015	Pending
199	A nylon base composite material for medical strap by 3D printing and the preparation method	201510180170.7	April 17, 2015	Pending
200	A preparation method of 3D printing support material of PVA with amylum filled	201510342646.2	June 19, 2015	Pending
201	A preparation method of ASA composite materials for 3D printing	201510342647.7	June 19, 2015	Pending
202	A kind of PBT/carbon fiber composite material and its preparation method	201510343448.8	June 20, 2015	Pending
203	A kind of anionic catalytic method for preparation of PLA	201510343470.2	June 20, 2015	Pending
204	A kind of suitable for 3D printing flexible material and its preparation method	201510343479.3	June 20, 2015	Pending
205	A gear assembly line pen container	201510372972.8	July 1, 2015	Pending
206	A 3D printing PA-12 composite materials and preparation methods	201510425924.0	July 21, 2015	Pending

207	A kind Of PC/ABS alloy for 3D printing	201510425922.1	July 21, 2015	Pending
208	A kind Of chitosan fill the PVA support materials for 3D printing	201510425923.6	July 21, 2015	Pending
209	A preparation methods of PA-12 composite materials for 3D printing	201510425925.5	July 21, 2015	Pending
210	A preparation methods of ASA composite materials for 3D printing	201510426034.1	July 21, 2015	Pending
211	A PCL materials for 3D printing	201510426518.6	July 21, 2015	Pending
212	A PLA/carbon fiber composite materials for 3D printing	201510444970.5	July 27, 2015	Pending
213	A ABS/carbon fiber composite materials for 3D printing	201510444857.7	July 27, 2015	Pending

214	A low-cost PEEK composite materials	201510442250.5	July 27, 2015	Pending
215	A kind of flame retardant PEK-C composite materials	201510442249.2	July 27, 2015	Pending
216	The preparation method of PLA composites with higher strength	201510513220.9	August 20, 2015	Pending
217	High flexibility and heat resistance of modified PLA material and its preparation method	201510513331.X	August 20, 2015	Pending
218	The preparation method of high toughness PLA composites	201510513381.8	August 21, 2015	Pending
219	A low hardness material for 3D printing and its preparation method	201510513507.1	August 21, 2015	Pending
220	A kind of high toughness ABS/PLA base alloy and its preparation method	201510513987.1	August 21, 2015	Pending
221	A preparation methods of PLA/carbon fiber composite cable	201510513965.5	August 21, 2015	Pending
222	A kind of high toughness PC/PLA base alloy and its preparation method	201510513964.0	August 21, 2015	Pending
223	A PLA/PCL materials for 3D printing	201510513963.6	August 21, 2015	Pending
224	A preparation methods of biodegradable PP composite materials	201510516595.0	August 21, 2015	Pending
225	A kind of twin screw reactive extrusion method ring opening polymerization preparation of PLA	201510516697.2	August 21, 2015	Pending
226	A 3D printing with PLA wood plastic composite material and its preparation method	201510516892.5	August 22, 2015	Pending
227	A kind of biodegradable plastic material	201510516891.0	August 22, 2015	Pending
228	A water-soluble 3D printing support material and its preparation method	201510517574.0	August 22, 2015	Pending
229	A kind of modified carbon fiber reinforced PEK-C composite materials	201510518210.4	August 24, 2015	Pending
230	The preparation method of PLA by catalytic organic molecules	201510529386.x	August 26, 2015	Pending
231	A kind of alloy material for 3D printing	201510529324.9	August 26, 2015	Pending
232	The preparation method of PLA by glue lactide ring-opening polymerization	201510529229.9	August 26, 2015	Pending
233	A PLA/PCL based materials for 3D printing	201510596497.2	September 19, 2015	Pending

234	A kind of PC/PLA alloy for 3D printing	201510596496.8	September 19, 2015	Pending
235	A preparation methods of PA-12 composite materials for 3D printing	201510596494.9	September 19, 2015	Pending
236	A straw filling masterbatch for car and its preparation method	201510596493.4	September 19, 2015	Pending

237	A kind of flame retardant straw man-made composite panels and its preparation method	201510598097.5	September 21, 2015	Pending
238	A kind of injection molding with straw powder/PP composite wood plastic material	201510598151.6	September 21, 2015	Pending
239	A free aldehyde a two-component straw green adhesive and its preparation method	201510598096.0	September 21, 2015	Pending
240	A radiation-hardened PEK-C composite materials	201510598127.2	September 21, 2015	Pending
241	A highly transparent and heat resistant PLA based composite materials and preparation methods	201510605550.0	September 22, 2015	Pending
242	A long natural fiber/PLA based composite materials and preparation methods	201510605549.8	September 22, 2015	Pending
243	A high toughness, high liquidity PLA/PP alloy and its preparation method	201510605551.5	September 22, 2015	Pending
244	A kind of chemical modification of two-component straw without adhesive and its preparation method	201510606502.3	September 23, 2015	Pending
245	A filler masterbatch containing straw fiber and its preparation method	201510620223.2	September 26, 2015	Pending
246	A kind of high toughness of polyolefin/PLA based alloy material and its preparation method	201510620222.8	September 26, 2015	Pending
247	A straw in organic resin environmental protection plastic masterbatch and preparation method	201510620187.X	September 26, 2015	Pending
248	A straw combined with compound wood plastic material and its preparation method	201510621223.4	September 28, 2015	Pending
249	A kind of SEBS compound materials for 3D printing and preparation methods	201510625700.4	September 29, 2015	Pending
250	A 3D printing in toughening PLA material	201510678609.9	October 21, 2015	Pending
251	A 3D printing with imitation wood material and its preparation method	201510678582.3	October 21, 2015	Pending
252	A shock profile ASA modification and preparation method	201510678508.1	October 21, 2015	Pending

253	A kind of suitable for 3D printing PP/SEBS composite materials	201510678417.8	October 21, 2015	Pending
254	A weather resistance type ASA material preparation method	201510682952.0	October 22, 2015	Pending
255	A 3D printing with PA-12/carbon fiber composite material preparation method	201510774246.9	November 14, 2015	Pending
256	A PEEK composites used for 3D printing	201510776191.5	November 16, 2015	Pending
257	A 3D printing use environmental protection material and its preparation method	201510781986.5	November 17, 2015	Pending
258	A 3D printing to strengthen PLA material	201510781729.1	November 17, 2015	Pending

259	A 3D printing for PVA/PLA composite materials	201510781822.2	November 17, 2015	Pending
260	Carbon fiber reinforced polylactic acid/hydroxyapatite composite material preparation method	201510781758.8	November 17, 2015	Pending
261	A PLA/PCL composite materials for 3D printing fixed with chest photo	201510781757.3	November 17, 2015	Pending
262	A carbon fiber thermoplastic composites material and its preparation method	201510802664.4	November 20, 2015	Pending
263	A kind of plant fiber modified PP composite material and its preparation process	201510801217.7	November 20, 2015	Pending
264	A straw biodegradable green tableware and its preparation method	201510800686.7	November 20, 2015	Pending
265	A straw packaging products and its preparation method	201510800422.1	November 20, 2015	Pending
266	A long natural fiber/polylactic acid based composite material preparation method	201510807808.5	November 23, 2015	Pending
267	A preparation method of high	201510949307.0	December 20, 2015	Pending

	strength and biodegradable PLA composite material			
268	A high-performance PLA and its preparation method	201510949312.1	December 20, 2015	Pending
269	A kind of biodegradable recycling PLA material and its preparation method	201510949306.6	December 20, 2015	Pending
270	A kind of inorganic filler biodegradable 3D printing consumables and its preparation method	201510949636.5	December 20, 2015	Pending
271	A low-cost biodegradable 3D printing consumables and its preparation method	201510949637.x	December 20, 2015	Pending
272	A kind of biodegradable 3D printing reinforced material and its preparation method	201510949653.9	December 20, 2015	Pending
273	A biodegradable 3D printing alloy material and its preparation method	201510949651.x	December 20, 2015	Pending
274	A synthetic PLA composite and its preparation method	201510994685.0	December 30, 2015	Pending
275	The preparation method of high toughness PLA composites	201510994684.6	December 30, 2015	Pending
276	A kind of high strength polypropylene fiber and its manufacturing	201510994680.8	December 30, 2015	Pending

	method			
277	The method of preparation of polypropylene fiber	201510994693.5	December 30, 2015	Pending
278	The preparation method of the high toughness PP composites	201510994695.4	December 30, 2015	Pending
279	Carbon fiber reinforced polylactic acid/hydroxyapatite composite material preparation method	201510994697.3	December 30, 2015	Pending
280	The preparation method of PLA/PP bicomponent fiber filtering material and products	201510994720.9	December 30, 2015	Pending

281	A kind of carbon fiber reinforced halogen-free flame retardant PA66 composite materials and preparation methods	201510995630.1	December 30, 2015	Pending
282	A kind of high toughness polylactic acid based composite material preparation method	201510995642.4	December 30, 2015	Pending
283	Carbon fiber reinforced halogen-free flame retardant PBT composite material and its preparation method	201510995644.3	December 30, 2015	Pending
284	A kind of starch based biodegradable plastics and its preparation method	201510995643.9	December 30, 2015	Pending
285	A highly transparent heat-proof PLA based composite material preparation method	201510995641.X	December 30, 2015	Pending
286	A kind of human pipeline support for controllable safety PLA/PCL composite material	201610068028.8	February 2, 2016	Pending
287	A kind of wood material for 3D printing and its preparation method	201610068060.6	February 2, 2016	Pending
288	A kind of PBS/PHB material for 3D printing and its preparation method	201610068519.2	February 2, 2016	Pending
289	A preparation method of high toughness PP wood plastic composite materials	201610068969.1	February 2, 2016	Pending
290	A kind of glass fiber reinforced polyetheretheketone 3D printing supplies and preparation method thereof	201610069556.5	February 2, 2016	Pending
291	A kind of biodegradable polylactic acid protection film and its preparation method	201610070678.6	February 2, 2016	Pending
292	A kind of straw degradable plastic film and its preparation method	201610070677.1	February 2, 2016	Pending
293	A poly lactic acid/starch/straw powder bio based biodegradable composite material and its preparation method	201610070676.7	February 2, 2016	Pending
294	A kind of modified PET material and its preparation method	201610071902.3	February 3, 2016	Pending
295	A kind of environmental protection type plastic pipe and its preparation method	201610073495.X	February 3, 2016	Pending
296	The medical adjustable chest abdomen fixing belt based on FDM printing technology	201610073497.9	February 3, 2016	Pending

297	An enhanced impact modification of polylactic acid material and its preparation method	201610072317.5	February 3, 2016	Pending
298	A shape of thermotropic polymers material with memory	201610117090.1	March 2, 2016	Pending
299	A kind of low cost straw polyethylene film and its preparation method	201610117151.4	March 2, 2016	Pending
300	Preparation method of wood plastic composite materials PP	201610117088.4	March 2, 2016	Pending
301	A kind of degradable plastic film and its preparation method	201610117087.X	March 2, 2016	Pending
302	A kind of biodegradable toughening heat-resistant polylactic acid modified resin and its preparation method	201610117085.0	March 2, 2016	Pending

303	A preparation method and application of glass fiber reinforced polylactic acid composite material	201610117084.6	March 2, 2016	Pending
304	A kind of automobile sheet with the 3D printing technology	201610117083.1	March 2, 2016	Pending
305	A kind of environmental protection engineering plastics for plate	201610117082.7	March 2, 2016	Pending
306	A kind of environmental protection engineering plastics for automobile	201610117081.2	March 2, 2016	Pending
307	A kind of preparation of the 3D printing technology based on medical lesions	201610117080.8	March 2, 2016	Pending
308	A kind of PA-12 wood plastic composite powder for 3D printing and its preparation method	201610117079.5	March 2, 2016	Pending
309	A kind of PBS/carbon material composite wire used for 3D printing and its preparation method	201610117815.7	March 3, 2016	Pending
310	A kind of shape memory polymer material of poly and its preparation method	201610205124.2	April 6, 2016	Pending
311	Method for preparing poly lactic acid foaming material by supercritical carbon dioxide autoclave pressure method	201610205122.3	April 6, 2016	Pending
312	A kind of degradable straw polyethylene film and the preparation method thereof	201610206640.7	April 6, 2016	Pending
313	A kind of high transparent heat-resistant polylactic acid composite material preparation method	201610206661.9	April 6, 2016	Pending
314	A kind of Environment friendly type poly lactic acid film and the preparation method thereof	201610207898.9	April 6, 2016	Pending
315	A starch based degradable biological plastic PP and the preparation method thereof	201610208232.5	April 6, 2016	Pending
316	A kind of heat resistant PEEK composite material	201610208393.4	April 6, 2016	Pending
317	A kind of PA12/PA6 alloy material powder for 3D printing	201610208432.0	April 6, 2016	Pending
318	A preparation of the 3D printing technology of medical equipment based on the elbow	201610208548.4	April 6, 2016	Pending

319	A kind of PBS/PBC printing 3D material and the preparation method thereof	201610209276.X	April 7, 2016	Pending
320	A kind of environmental protection engineering plastic for pipe	201610208583.6	April 7, 2016	Pending
321	A kind of Glass fiber reinforced 3D printing plate	201610209379.6	April 7, 2016	Pending
322	A kind of environmental protection engineering plastic for pipe	201610283803.1	May 4, 2016	Pending
323	A kind of environmental protection engineering plastic for plate	201610286257.7	May 4, 2016	Pending

324	A kind of environmental protection engineering plastic for automobile	201610286746.2	May 4, 2016	Pending
325	A kind of long fiber reinforced nylon composite material and the preparation method thereof	201610288368.1	May 5, 2016	Pending
326	A kind of preparation method of high toughness PP wood plastic composite materials	201610287792.4	May 5, 2016	Pending
327	A kind of Environment friendly polyethylene film and its preparation method	201610290594.3	May 5, 2016	Pending
328	Thermally conductive PBT composite material with shielding function and its preparation method	201610291019.5	May 5, 2016	Pending
329	A kind of degradable shape memory lumen inner bracket and the preparation method thereof	201610291432.1	May 5, 2016	Pending
330	A kind of biodegradable plastic materials PLA	201610291430.2	May 5, 2016	Pending
331	A carbon fiber composite material suitable for 3D printing	201610291577.1	May 6, 2016	Pending
332	A kind of wood material for 3D printing and preparation method thereof	201610291576.7	May 6, 2016	Pending
333	A kind of special material for 3D printing lamp	201610291575.2	May 6, 2016	Pending
334	A kind of PA12/PA66 alloy material powder for 3D printing	201610381000.X	June 1, 2016	Pending
335	A kind of PBS/C printing 3D material and preparation method thereof	201610380995.8	June 1, 2016	Pending

336	A kind of environmental protection material for 3D printing and the preparation method thereof	201610380993.9	June 1, 2016	Pending
337	A kind of PBT composite flame retardant material and its preparation method	201610380999.6	June 1, 2016	Pending
338	A kind of preparation method of talc PP composite wood	201610380997.7	June 1, 2016	Pending
339	A kind of anti bending PEEK composite material	201610381001.4	June 1, 2016	Pending
340	A kind of environmental protection engineering plastic for automobile	201610381002.9	June 1, 2016	Pending
341	A kind of flexible material suitable for 3D printing chest and abdomen fixing band and the preparation method thereof	201610380992.4	June 1, 2016	Pending
342	A method for preparing medical lactide	201610380998.1	June 1, 2016	Pending
343	A kind of functional type polyethylene film material and preparation method thereof	201610381752.6	June 1, 2016	Pending
344	A kind of high performance long fiber reinforced nylon composite material and the preparation method thereof	201610381709.X	June 3, 2016	Pending
345	A kind of full biological degradation heat resistant poly lactic acid foaming material and the preparation method thereof	201610381706.6	June 3, 2016	Pending

346	A kind of preparation method of rice husk powder / Talc Composite Reinforced starch based degradable plastics	201610293135.0	June 5, 2016	Pending
347	A kind of nylon reinforced 3D material special material and the preparation method thereof	201610293621.2	June 5, 2016	Pending
348	A kind of preparation method of straw powder filled PP composite material	201610294471.7	June 5, 2016	Pending
349	A kind of low cost and high heat-resistant PEEK composites	201610515565.2	July 4, 2016	Pending
350	An amphiphilic polymer based on oil phase inverse microemulsion preparation method	201610516931.6	July 4, 2016	Pending
351	A PBT/PC insulating thermal conductive composite materials	201610516932.0	July 4, 2016	Pending
352	A continuous glass fiber reinforced nylon material and its preparation method	201610515566.7	July 4, 2016	Pending
353	A preparation method of flax fiber wood plastic PP composites	201610515567.1	July 4, 2016	Pending
354	A high performance with environmental protection engineering plastic pipes	201610519136.2	July 5, 2016	Pending
355	A straw plastic film and its preparation method	201610516933.5	July 5, 2016	Pending
356	A heat-resistant environmental engineering plastics	201610519137.7	July 5, 2016	Pending
357	A uniform bubble hole high cushioning foaming materials preparation methods of PLA	201610516835.1	July 5, 2016	Pending
358	A 3D printing with ABS material and its preparation method	201610536415.X	July 11, 2016	Pending
359	A kind of toughening for 3D printing plate material	201610536433.8	July 11, 2016	Pending
360	A 3D printing chest straps of PLA/POE composite materials	201610542588.2	July 12, 2016	Pending
361	A kind of plant fiber filling modified polypropylene composite material and the preparation method thereof	201610591739.3	July 26, 2016	Pending
362	A kind of can be used for 3D printing enhanced toughening nylon material and the preparation method thereof	201610593945.8	July 27, 2016	Pending
363		201610443577.9		Pending

	A kind of special material for 3D ABS/PC consumable material and the preparation method thereof		August 6, 2016	
364	A kind of special material of modified nylon 3D consumable material and the preparation method thereof	201610442209.2	August 6, 2016	Pending
365	An application on starch based biodegradable plastic food packaging	201610442190.1	August 6, 2016	Pending
366	A kind of 3D printing neck gear nylon base composite material and its preparation method	201610680095.5	August 18, 2016	Pending
367	A 3D printing in toughening PLA material	201610680636.4	August 18, 2016	Pending

368	A supercritical CO2 micro foaming polylactic acid/wood powder composite materials	201610680071.X	August 18, 2016	Pending
369	A kind of super toughness plank with environmental protection engineering plastic	201610680093.6	August 18, 2016	Pending
370	The treatment a lung targeted therapy drugs preparation of PLGA microspheres	201610680058.4	August 18, 2016	Pending
371	An efficient composite PBT guide the cooling material and its preparation method and application	201610680624.1	August 18, 2016	Pending
372	A high-performance automotive environmental protection engineering plastics	201610680094.0	August 18, 2016	Pending
373	A kind of biomass polyethylene film and its preparation method	201610680625.6	August 18, 2016	Pending
374	A kind of suitable for 3D printing carbon fiber composite materials	201610680068.8	August 18, 2016	Pending
375	A kind of selective laser sintering of 3D printing with PA-12 composite powder	201610680072.4	August 18, 2016	Pending
376	A kind of flax fiber and rise husk powder preparation methods of wood plastic PP composites	201610680069.2	August 18, 2016	Pending
377	A kind of long fiber reinforced PP/nylon composite material and its preparation method	201610680642.X	August 18, 2016	Pending
378	A plant fiber reinforced different type polypropylene compound with the preparation of composite materials	201610711148.5	August 24, 2016	Pending
379	A kind of material can be used to increase manufacturing polyamide 6 modified material and the preparation method thereof	201610714901.6	August 25, 2016	Pending
380	A PLA material for 3D printing and its preparation	201610826923.1	September 18, 2016	Pending
381	A kind of impact resistance PEEK composites	201610827117.6	September 18, 2016	Pending
382	A preparation method of PLA by the lactide	201610826893.4	September 18, 2016	Pending
383	A KT-1 as compatibilizer modified polypropylene composite material	201610827269.6	September 18, 2016	Pending

384	A TPU material for 3D printers and its preparation method	201610828189.2	September 19, 2016	Pending
385	A 3D printing wood plastic composite material	201610829085.3	September 19, 2016	Pending
386	A kind of thermal insulation flame retardant performance enhancing PBT plastics and its preparation method	201610829136.2	September 19, 2016	Pending
387	A kind of thermoplastic starch/PLA foam and its production method	201610826922.7	September 19, 2016	Pending
388	A material can be used to increase manufacturing preparation methods of toughening nylon materials	201610829480.1	September 19, 2016	Pending
389	A SLS3D printing PA-12/GB composite material	201610831955.0	September 20, 2016	Pending

390	A permanent plastic tubing special material and its preparation method	201610831634.0	September 20, 2016	Pending
391	Toughening endurance of biodegradable polylactic acid modified resin and preparation method	201610831721.6	September 20, 2016	Pending
392	A newtype of PLA membrane material and its preparation method	201610832327.4	September 20, 2016	Pending
393	A long glass fiber reinforced nylon material preparation and mechanical properties of research	201610831722.0	September 20, 2016	Pending
394	A kind of material can be used to increase manufacturing ASA/PC alloy and the preparation method thereof	201610875348.4	October 8, 2016	Pending
395	A high modulus fiber/polypropylene composite material preparation method	201610874802.4	October 8, 2016	Pending
396	A multi-segmented polyurethane shape memory polymer material and its preparation method	201610909927.6	October 19, 2016	Pending
397	A polymer gene drug carrier and its preparation method	201610909926.1	October 19, 2016	Pending
398	A modified poly lactic and preparation method thereof	201610909903.0	October 19, 2016	Pending
399	One Kind of Environmental Engineering Plastics for Lightweight Automobile	201610909759.0	October 19, 2016	Pending
400	A Method of Preparation of PC/ABS for 3D Printing	201610909754.8	October 19, 2016	Pending
401	A Method for preparing PP/SEBS for Rapid prototyping	201610909905.x	October 19, 2016	Pending
402	A Method of Preparation of High-rigidity Engineering Plastics for Pipe	201610909762.2	October 19, 2016	Pending
403	A Method for Preparing Environmental Engineering Plastics for High-strength Pipe	201610909760.3	October 19, 2016	Pending
404	The invention relates to an environment - friendly film adsorption traditional tableware process and its preparation method	201610910743.1	October 20, 2016	Pending
405	Preparation of continuous glass fiber reinforced nylon composite materials	201610916278.2	October 21, 2016	Pending

406	The invention relates to an environment - friendly film adsorption hollowing tableware process and its preparation method	201610941346.0	November 2, 2016	Pending
407	Environmental protection engineering plastic for weather resistant automobile	201610943159.6	November 2, 2016	Pending
408	An eco-friendly tableware traditional film adsorption process for its preparation	201610943233.4	November 2, 2016	Pending
409	A kind of material can be used to increase manufacturing ABS/PC alloy modified material	201610940316.8	November 2, 2016	Pending
410	A moderate melt index of plant fiber filling modification of polypropylene composites	201610940204.2	November 2, 2016	Pending
411	A short cut glass fiber reinforced nylon material and its preparation method	201610940275.2	November 2, 2016	Pending

412	Preparation of continuous glass fiber reinforced nylon composite materials	201610960086.1	November 5, 2016	Pending
413	PA12/PA6/GB Alloy Material for SLS 3D Printing	201610961256.8	November 5, 2016	Pending
414	Heat conductive flame retardant poly ethylene terephthalate and preparation method thereof	201610971556.4	November 7, 2016	Pending
415	A kind of shape memory polyurethane polymer materials and its synthesis process	201610971345.0	November 7, 2016	Pending
416	A kind of containing folic acid targeted polymer drug carrier and its preparation method	201610971300.3	November 7, 2016	Pending
417	A Kind Composite Of PLA/TPU for 3D printing	201610971583.1	November 7, 2016	Pending
418	A kind of PEEK/PES composite material	201610999301.9	November 15, 2016	Pending
419	A low hardness composite material for rapid prototyping and the preparation method	201611001390.x	November 17, 2016	Pending
420	A hydrolysis modified poly lactic fiber and the preparation method	201610998812.9	November 21, 2016	Pending
421	An environmental wood material for 3D printing and its preparation method	201610999438.4	November 21, 2016	Pending
422	A high performance fiber modified polypropylene composite material and its preparation method	201611088126.4	December 1, 2016	Pending
423	A car interior with environmentally friendly scratch resistant polypropylene materials and preparation method	201611088117.5	December 1, 2016	Pending
424	A kind of material can be used to increase manufacturing nylon material and the preparation method thereof	201611088041.6	December 1, 2016	Pending
425	A shock polylactic acid material preparation method	201611115340.4	December 7, 2016	Pending
426	A Method for Preparing Environmental Engineering Plastics for Weather resistance Pipe	201611116482.2	December 7, 2016	Pending
427	A Method of Preparation of Abrasion resistance Engineering Plastics for Pipe	201611115376.2	December 7, 2016	Pending

428	A kind of glass fiber reinforced PEEK/PES composite material	201611122470.2	December 7, 2016	Pending
429	An environment - friendly Wood-plastic Composite for 3D printing	201611114397.2	December 7, 2016	Pending
430	An easy separation and environmental protection film is used for absorbing the hollow type tableware and the preparation method	201611149005.6	December 14, 2016	Pending
431	Preparation of high content glass fiber reinforced nylon-66 composite materials	201611149148.7	December 14, 2016	Pending

432	A modified ABS Resin for 3D Printing and Preparation Method	201611149042.7	December 14, 2016	Pending
433	A kind of fiber reinforced composite materials for 3D printing	201611149031.9	December 14, 2016	Pending
434	Polypyrrolidone type of polymeric drug carrier micelles	201611149041.2	December 14, 2016	Pending
435	A PBT heat conduction and heat resisting material for an LED lamp socket	201611149004.1	December 14, 2016	Pending
436	A catalyst with double function activation properties of PLA and preparation method	201510949309.x	December 20,2015	Pending
437	A high flexibility and heat resistance of PLA modified material and its preparation method	201510949313.6	December 20,2015	Pending
438	A kind of biodegradable 3D printing toughening material and its preparation method	201510949638.4	December 20,2015	Pending

Trademark

We own the trademarks for our graphic logo and Chinese characters of "Xinda", which we use in packaging our products and marketing.

Certification Process

To meet the requirements of an automobile manufacturer, products used as component parts must pass a rigorous certification process by the manufacturer's technological quality assurance department before they can be approved for and used in production. The certification process consists of three stages.

First, the automobile manufacturer reviews the manufacturer of modified plastics. The examination involves assessment of the operation history of the modified plastics manufacturer, their experience in providing component services, the specialization of their factory equipment, their research and development capacity and quality assurance systems. The manufacturer's operations need to meet the requirements of the automobile manufacturer. Once the initial review is passed, the modified plastics manufacturer will obtain a qualification as an automobile component manufacturer. This initial stage takes approximately sixteen to twenty two months to complete.

Second, the automobile manufacturer and the manufacturer of modified plastics reach an understanding about a product specification. The modified plastics manufacturer provides product research and development materials to the automobile manufacturer for inspection. The automobile manufacturer tests the product specification according to its standards and, if results are satisfactory, the modified plastics manufacturer obtains a product specification certification and enters the product certification stage. The second stage takes approximately eight months to complete.

Third, the parties complete technology R&D tests and perform automobile component finished parts tests. The product undergoes additional testing by the automobile manufacturer and is used in road tests. This stage takes approximately five to fifteen months depending on whether the car model is an existing model or a new model. At the conclusion of the third stage, the modified plastics manufacturer receives a product certification from the automobile manufacturer.

We believe that the necessity, rigorousness, complexity and duration of the certification process make it difficult for outside competitors to enter the field in a short period of time. We have 402 certifications from automobile manufacturers as of December 31, 2016, which we believe is currently one of the largest portfolios of product certifications in the Chinese automobile modified plastics industry.

Sales and Marketing

Currently, our sales network focuses on the northeastern, northern, eastern and southwestern regions of China. We primarily sell to end customers through our approved distributors. To a less extent, we also sell directly to end customers. A typical customer development cycle starts when our R&D staff develops customized products for new end customers and obtains product certifications. These end customers are usually major automobile parts manufacturers who can only source from suppliers like China XD with product certifications granted by major automobile manufacturers. After we established relationships with these end customers and began to have large volume of transactions with them, we assign end customers to our approved distributors according to our internal policies. We also acquired end customers with our existing certifications from time to time. In 2016, approximately 90.4% of our sales were generated from approved distributors.

We enter into distribution agreements with local distributors in areas where large automobile manufacturers are located. The distribution agreements usually have a term of one year, during which period we can enter into distribution agreements with other distributors for our products. The distributors are responsible for marketing and distributing our products. Through the established sales channels, we can quickly respond to local market demand, address customer needs, enhance our ability to provide technical support and after-sales services, and lower our marketing expenses. Our general credit term with our distributors is three months and our collection of payment from distributors is not contingent upon their cash collection from end customers. We manufacture products according to orders received from our distributors and maintain a certain quantity of raw materials based on our experience and the distributors order patterns. By doing this we hope to ensure the smooth implementation of the production plan of major automobile manufacturers and avoid risks of inventory shortage. We do not provide the distributors nor end customers with the right of return, price protection or any other concessions. We allow for an exchange of products or return only if the products are defective.

We have been actively extending our distribution network to 16 distributors in 2016 and we believe we have good relationships with our distributors. We believe that we have been able to secure and maintain strong relationships with end customers due to our existing certifications, advanced technologies and high product quality, which establish a higher barrier to entry for others. Most of the end customer relationships will be developed through our own R&D and sales force and maintained by our R&D and sales professionals and our distributors. According to our distribution contracts, our distributors are prohibited from selling our competitors' products and required to use the product certificate, brand name and package standards set by us during the distribution period. After the expiration of the distribution contracts in absence of renewal, we retain the customer relationships with end customers.

While the pricing volatility of our raw materials is a primary cause of cost variations in our products, we are generally able to pass the cost of price changes in our raw materials to our customers, although there are timing delays of varying lengths depending upon volatility of raw material prices, the type of products, competitive conditions and individual customer arrangements.

We sell our products substantially through approved distributors in the PRC. Our sales to our distributors are highly concentrated but have been gradually diversified in recent years. Sales to major distributors and direct customer, which individually exceeded 10% of our revenues, accounted for approximately 70.4%, 84.7%, 86.7% of our revenues for the years ended December 31, 2016, 2015 and 2014, respectively. We expect to reduce our distributor concentration over time, although revenues from these distributors are expected to continue to represent a substantial portion of our revenue in the future. Further information about our major distributors and the director customer, which individually exceeded 10% of our revenues, for the years ended December 31, 2016, 2015 and 2014, is set forth in Note 1 of the notes to the consolidated financial statements of this Annual Report on Form 10-K.

We have initiated our marketing efforts to develop new customers outside of China, in particular those in the Korean market. We have started offering certain high-end products, such as PA66 and long-chain Plastic Alloy, most manufactured in Heilongjiang plants and a small portion manufactured in Dubai plant since the second quarter of 2014. In January 2015, we completed and run the trial production in the plant in Dubai, UAE with additional 2,500 metric tons targeting high-end products for the overseas markets. During the second quarter of 2016, we resumed entry into ROK market by selling to the ROK customer. We plan to serve customers in oversea markets from our Dubai Xinda plant. In order to meet the increasing demand from our customer in the ROK and to develop potential overseas markets, Dubai Xinda obtained one leased property and two purchased properties, approximately 52,530 square meters in total from Jebel Ali Free Zone Authority ("JAFZA") in Dubai, UAE, with constructed building comprising warehouses, offices and service blocks. In addition to the earlier 10 trial production lines in Dubai Xinda, the Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons,

targeting high-end products for the overseas market. The Company expects to expand the international markets into Middle East and Europe. Information about geographic revenue is set forth in Note 24 of the notes to the consolidated financial statements of this Annual Report on Form 10-K.

Competition

The PRC automotive modified plastics industry is growing rapidly and highly fragmented with the top three domestic producers occupying less than approximately 26.6% of the market shares in 2013 according to Frost & Sullivan's report. According to Frost & Sullivan's report, in terms of sales volume and production capacity, we are one of the leading domestic specialized manufacturers of modified plastic for automobile parts in China, with a market share of approximately 8.2% in 2015 and 9.5% in 2014. In 2016, our sales volume of automotive plastics was approximately 400,316 MT. As of December 31, 2016, our annual production capacity of automotive plastics was 452,500 MT

In 2014, the Company developed a customer from the ROK by the sales of mainly higher-end polymer composite materials. Our competitors in the ROK are mostly global brand name companies. Due to our high quality standard and competitive pricing, we are able to compete in and penetrate markets outside of China.

Currently, the Company's primary Chinese competitor in the automobile industry is Guangzhou Kingfa Science & Technology Co., Ltd. ("Guangzhou Kingfa"). Guangzhou Kingfa entered the automotive modified plastics market in 2006 and had a sales volume of 361,000 MT in 2016 , according to the research report by Frost and Sullivan. Guangzhou Kingfa has the largest capacity expansion with 1.51 million MT annual capacity at the end of 2015 based on Guangzhou Kingfa's public disclosure. Frost and Sullivan's report, but its utilization rate of production capacity is expected to be lower than that of China XD based on Frost & Sullivan's report. Guangzhou Kingfa has much larger financial resources than HLJ Xinda Group and Sichuan Xinda. However, we believe that it is less focused in automotive sector and currently holds fewer number of product certifications for automotive modified plastic to the automobile industry compared to HLJ Xinda Group and Sichuan Xinda. Another top domestic manufacturer of modified plastic is Shanghai Pret Composites Co., Ltd. ("Shanghai Pret"), which focuses on the production of automotive plastics. It had a sales volume of 155,600MT and 136,600 MT in 2015 and 2014, respectively, according to a report by Frost and Sullivan.

Historically, the Chinese auto market predominantly used modified plastics manufactured overseas or in factories controlled by foreign companies, such as manufacturers from Germany, the US, the Netherlands and Japan. Although China's automotive plastic market has been dominated by foreign or JV players, Chinese suppliers are continuing to gain market share. It is estimated that automotive plastics imported or manufactured by multinational and JV companies accounted for approximately 25.7% of the total China automotive plastic supply in 2015, decreased from 35.4% in 2010. JV manufacturers based in China in automotive plastics sector have been slow to invest and expand in China. Compared to non-domestic competitors including JV manufacturers, domestic manufacturers can benefit from the lower costs and geographical proximity in China. As local players continue to invest in research and development, enhance product quality and improve management skills, we believe that domestic production of automotive plastics will compete very favorably with the foreign competitors in terms of price, quality, services and delivery times and continue to replace imported plastics.

Our Competitive Strengths

We believe that the following competitive strengths continue to enable us to compete effectively in the automotive modified plastics market in the PRC:

Leading Market Position with High Barrier to Entry. We believe that we are one of the China's leading specialized manufacturers of modified plastic for automobile parts in terms of sales volume and production capacity, with a market share of approximately 8.2% in 2015. The PRC automotive modified plastics industry is growing rapidly and is highly fragmented with the top three domestic producers occupying less than approximately 25.4% of the market shares in 2015. We installed 50 new product lines in 2012 and 2013, which are utilized primarily for the manufacture of higher value-added modified plastics products. The lines increased the Company's total production capacity by 135,000 MT to 390,000 MT per annum. We installed 50 production lines with production capacity of 60,000 metric tons in the second half year of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant to be expected to be completed by the end of the second quarter of 2017. In addition, we completed and run the trial production in the plant in Dubai, UAE with additional 2,500 metric tons targeting high-end products for the overseas markets. In order to meet the increasing demand from our customer in the ROK and to develop potential overseas markets, Dubai Xinda obtained one leased property and two purchased properties, approximately 52,530 square meters in total, including one leased 10,000 square meters, and two purchased 20,206 and 22,324 square meters on January 25, 2015, June 28, 2016, and September 21, 2016, respectively, from Jebel Ali Free Zone Authority ("JAFZA") in Dubai, UAE, with constructed building comprising warehouses, offices and

service blocks. In 2016, our sales volume of automotive plastics was approximately 400,316 MT, representing an increase of 20.5% compared to that in 2015 mostly due to the recovery of the auto industry in China. As of December 31, 2016, our annual production capacity of automotive plastics was 452,500 MT. In addition to the earlier 10 trial production lines in Dubai Xinda, the Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons, targeting high-end products for the overseas market. We believe our leading market position allows us to successfully compete with other foreign and domestic modified plastic manufacturers in the market. Being one of the leading specialized manufacturers of automotive modified plastics in China, we believe we are well-positioned to not only grow with the increasing market demand but increase market share by replacing smaller and less efficient modified plastic manufacturer.

In addition, as a result of our consistent research and development efforts, we have 402 product certifications from major automotive manufacturers in the PRC as of December 31, 2016, which we believe is among the largest numbers of product certifications by any domestic player in China's automotive plastics industry. Strict certification requirements and long certification periods result in high barriers to entry. Our current or potential competitors are required to obtain relevant product certifications from automotive manufacturers in order to compete with us. Each certification normally takes over two years to complete, and as a result, automotive manufacturers are reluctant to replace suppliers like us who have already received necessary certifications and proven consistent product quality. We believe that having one of the largest portfolios of product certifications in China allows us to strengthen our competitive position.

Long-Term Relationships with Reputable End Users. Our senior management has been involved in the business of modified plastics since 1985. We benefit from the industry connections and experience of our senior management, which have enabled us to establish long-term customer relationships and strong industry recognition. We are a qualified provider of high-quality automotive plastics, and have sold our products through plastic auto part manufacturers to many leading automotive manufacturers in China. Currently, our modified plastics are utilized in more than 29 automobile brands and over 92 automobile models manufactured in China, including AUDI, Mercedes Benz, BMW, Toyota, Buick, Chevrolet, Mazda, Volvo, Ford, Citroen, Jinbei and VW Passat, Golf, Jetta, etc.. We believe that our brand and our products are well recognized and respected in China's automotive modified plastics market.

Manufacturing facilities are critical to the quality of products. We have in the past invested substantial time and resources in building state-of-the-art production lines to enhance our product quality. Our facilities have maintained ISO/TS16949, a certification of quality management systems specific to the automotive industry.

Strong Customer-Oriented R&D Capabilities. The modified plastics industry is characterized by rapid development and increasing demand for high quality products. We have strong R&D capabilities that allow us to have successfully passed OEM automakers' certification processes in the past and continually introduce new and high quality products to the market. Compared to international plastic supply models, which target larger scale applications of common plastics and involve less customization and specialization, we provide customer-oriented product development through our certification process. By working closely with our customers, we are able to adjust our product features to better satisfy the specific needs of each customer. To achieve this, we have staffed our R&D team with professionals, of whom 77 have Ph.D. and/or Master's degrees. On average, our R&D employees have worked with us for more than three years, and some key experts have more than 10 years of experience in our industry. We have also cooperated with a number of the leading technology centers in China. Besides providing specialized research and development skills, these relationships help us formulate cutting edge research programs aimed at developing new technologies and applications in plastics engineering. We currently have 26 approved patents and 412 pending patent applications with the State Intellectual Property Office of the PRC, or SIPO.

Established Distribution Model. Through 16 distributors across China, we have established distribution networks that cover Northeast, North, Southwest and East China, with a current focus on Northeast China. We enter into distribution agreements with local distributors in areas where large automobile manufacturers are located. By leveraging the proximity of our distributors to the automobile manufacturers, we can enhance our relationships with our customers. Through the established sales channels, we can quickly respond to local market demand, address customer needs, enhance our ability to provide superior technological support and after-sales services, and lower our marketing expenses. At the same time, our distributors are responsible for the payments to us which is not contingent upon their cash collection from end customers. By actively managing our distribution network, we are also able to accelerate local market penetration and increase sales opportunities. For example, we entered the north China market in 2009 through a local distributor, one year earlier than we planned, and in 2013, we entered into the Southwest China market, and in 2014, we entered into South China and Central China market. For the year ended December 31, 2016, Northeast, North, East, Southwest, South, and Central China account for approximately 32.1%, 14.3%, 33.6%, 6.0%, 2.7% and 2.1% of our revenues, respectively.

Entry to Overseas Market. In 2016, the Company developed its presence in the Korean market by selling primarily higher-end (Long Chain) Plastic Alloy, US$110.2 million products to the Korean market, accounting for 9.2% of the total revenues for the year ended December 31, 2016.

Seasoned Management Team. Our senior management team and key personnel have extensive operating and industry experience. Mr. Han, our chief executive officer and president, founded our former affiliate Harbin Xinda Nylon Factory in 1985. With 30 years of industry experience, Mr. Han has in-depth knowledge and expertise in China's

modified plastics industry We installed 50 production lines with production capacity of 60,000 metric tons in the second half of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant to be expected to be completed by the end of the second quarter of 2017. Our chief executive officer, chief technology officer and chief operating officer have over 50 years combined experience in the modified plastics industry and we believe their extensive expertise and knowledge can well serve our customers.

Our Strategies

Our goal is to capitalize on China's modified plastics growth trend, with a specific focus on applications in the auto sector, and to eventually be the leading modified plastics manufacturer in China. We are committed to enhancing our sales and profitability and achieving our goals through the following strategies:

Continue to Increase Production Capacity. Over the past five years, we have consistently increased production capacity to meet the rising demands of the automotive industry in the PRC. As of December 31, 2016, we have an installed annual production capacity of 452,500 metric tons, and we have been operating at near full capacity since 2007. With the expected strong growth in the automotive modified plastics market of China, we expect that we will continue to experience strong demand from our customers. Therefore, we intend to continue to strategically increase our production capacity to meet customer demands from both expanded geographical locations and future downstream sector growth. In 2013, we commenced to construct our fourth production base with 300,000 MT new material production capacity and the affiliated research and development center and training center in Nanchong City of Sichuan Province (the "Project"). We installed 50 production lines with production capacity of 60,000 metric tons in the second half of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant to be expected to be completed by the end of the second quarter of 2017. The Company completed and started the trial production in the plant in Dubai, UAE with additional 2,500 metric tons targeting high-end products for the overseas markets. The Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and an additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons, targeting high-end products for the overseas market.

Focus on R&D and Develop New Product Offerings. We are currently utilizing our R&D capabilities to obtain further product certifications, develop new products, applications and technologies. Approximately 90% of our automotive plastics product certification applications are currently undergoing trial manufacturing periods to obtain the necessary certifications. In addition, we are developing new products for automotive applications to expand our product portfolio, including initiating R&D on modified plastic for use in electric vehicles. We are also developing specialty engineering plastics and bio-plastics for use in other applications, such as ships, airplanes, high-speed rail, 3D printing materials, biodegradable plastics, and medical devices. We are the first non-State-Owned-Enterprise awarded National Level Enterprise Technology Center, in Heilongjiang Province. In addition, we have Postdoctoral and Academy Member Workstation in Heilongjiang Province enhancing our research and development capabilities.

Expand Customer Base Domestically and Internationally. The automotive plastics market in the PRC is highly fragmented with significant barriers to entry. Although we had approximately 8.2% of the market share in 2015, our customer coverage was originally concentrated in the northeast regions of the PRC. We seek to steadily enhance our market share in Northeast China, and also expand our reach to East China, Central China, Southwest China and South China.. In addition, we have conducted sales in overseas markets and exported our products including non-auto sectors in 2015. We plan to implement such strategies through further expanding our distribution network by working with local distributors who have contacts and networks overseas and directly establishing strategic alliances with certain of our non-PRC customers. Although the entry barrier of some non-auto sectors might not generally be as high as that of the auto sector, our focus is to target high-value-added products by leveraging our technology, expertise and know-how accumulated in the auto sector over the course of our operational history.

Pursue Selective Strategic Acquisitions. While we have experienced substantial organic growth, we plan to pursue a disciplined and targeted acquisition strategy to accelerate our growth. Our strategy will focus on strengthening presence in certain geographies, improving our penetration in attractive markets, enhancing research and development capabilities and acquiring new markets or customers.

Increase Efficiency by Corporate Restructuring. We completed our corporate restructuring plan at the end of 2014, with the aim of establishing a more efficient company group structure, as a result of which our subsidiaries are more easily accessible to our end customers and our operations are able to respond to the market changes in a more efficient manner.

Environmental Laws

The cost of compliance with Chinese environmental regulations currently is minimal. Most of the waste produced from our production process is water, which we circulate in our enclosed water treatment system.

Employees

China XD's operations are organized into several operational departments including manufacturing, R&D, management, finance, sales, purchasing and marketing and others. As of December 31, 2016, there were 1,960 employees, including 710 in manufacturing, 485 in R&D, 584 in management, 59 in finance, 101 in sales, purchasing and marketing and 21 in other departments.

Available Information

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and registration statements, and any amendments thereto, with the Securities and Exchange Commission (SEC). All such filings are available online through the SEC's website at http://www.sec.gov or on our corporate website at http://www.chinaxd.net. We make available free of charge, on or through our corporate website, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with the SEC. In addition, copies of the written charters for the committees of our board of directors and our Code of Business Conduct are also available on our website, and can be found under the Investor Relations-Corporate Governance links. You may read and copy any materials we file with the SEC at the Securities and Exchange Commission Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Our website address is intended to be an inactive textual reference only, and none of the information contained on our website is part of this report or is incorporated in this report by reference.

ITEM 1A. RISK FACTORS

In addition to the other information in this Form 10-K, readers should carefully consider the following important factors. These factors, among others, in some cases have affected, and in the future could affect, our financial condition and results of operations and could cause our future results to differ materially from those expressed or implied in any forward-looking statements that appear in this on Form 10-K or that we have made or will make elsewhere.

The global economic uncertainty could further impair the automotive industry thereby limiting demand for our products.

The continuation or intensification of the recent global economic uncertainty arising from the European debt crisis and economic slowdown in Asia may adversely impact our business and the businesses of our customers. Our specialized plastics are sold to automobile parts manufacturers and distributors. The recent global economic uncertainty harmed most industries and has been detrimental to the automotive industry. Since virtually all of our sales are made to auto industry participants, our sales and business operations are dependent on the financial health of the automotive industry and could suffer if our customers experience, or continue to experience, a downturn in their business. Presently, it is unclear whether and to what extent the economic stimulus measures facilitated by the European Union and other governments throughout the world will mitigate the effects of the crisis on the automotive industry and other industries that affect our business.

We concentrate our operations primarily in the automotive industry; therefore, the fluctuations in automotive sales and production could have a material adverse effect on our results of operations and liquidity.

We develop, manufacture, and distribute modified plastic, primarily for use in automobiles. Automotive sales and production are highly cyclical and depend, among other things, on general economic conditions and consumer spending and preferences (which can be affected by a number of issues including fuel costs and the availability of consumer financing). As the volume of automotive production fluctuates, the demand for our products also fluctuates. In 2015, the China automotive sales and production volume recorded a slower growth rate of 4.68% and 3.25%, respectively, according to China Association of Automobile Manufacturers. In 2016, the China automotive sales and production volume recorded a significantly faster growth rate of 13.7% and 14.5%, respectively, according to China Association of Automobile Manufacturers. There can be no assurance that the market conditions, government policies and other factors leading to the increase in the growth rate will continue. Any contraction in automotive sales and production will harm our results of operations and financial condition. Consequently, we are exposed to the risks of adverse developments affecting the auto industry to a greater extent than if our operations were dispersed over a variety of industries.

Our financial performance may be affected by the prospect of our Dubai facility and the associated expansion into Middle East, Europe and other parts of Asia.

Since 2014, we developed the presence in the ROK by selling to our ROK customer primarily long carbon chain PA plastic alloy and high-performance modified PA66 products, which embarked our entry into the international market after approximately one year of product development and marketing effort. Although the average number of collection days in 2014 from our ROK customer was longer than that from customers in China, it was largely within our standard collection term and industry norm (90 days) in 2014. However, we have experienced delayed payments from our ROK customer in 2015. During the second quarter of 2016, we resumed entry into ROK market by developing a customer. As of December 31, 2016, the amount due from our ROK customer is approximately US$74.6 million. The overdue payment was due to the ROK customer's expansion and tight funding In the event the outstanding accounts receivable become uncollectable despite management's efforts, we will suffer financial losses and as a result, our plan to develop overseas market may be delayed.

The withdrawal of preferential government policies and the tightening control over the Chinese automotive industry and automobile purchase restrictions imposed in certain major cities may limit market demand for our products.

In 2011, Chinese government terminated two preferential policies for its automotive industry: (1) vehicles with 1.6L or lower air displacement were given a 50% discount in purchase tax and (2) vehicles sold in rural area were given a government subsidy. Since 2011, in order to resolve the extreme traffic congestion, the Beijing government has been implementing the vehicle purchase quota policy, which limits the maximum vehicles sold in Beijing per month to 20,000. Other cities which have begun to show signs of traffic congestion have also begun to implement similar measures to control traffic congestion, including the limited automobile licenses policy implemented in Shanghai and Tianjin and the imposition of congestion charges in Shenzhen. The termination of two nation-wide preferential policies negatively affected consumer demand for new vehicles, and local restrictive measures over automobile purchases in major cities has resulted in slower growth of sales for many years prior to the reintroduction of the preferential policies in September 2015. The national and local policies over the Chinese automotive industry may continue to impact market demand for automobiles in 2017 and any future withdrawal of preferential government policies and the further tightening of control and restrictions may eventually result in a reduction in our product sales.

The Chinese automotive industry's growth is slowing after the rapid growth since 2000 and such slowdown may adversely affect the market demand for our products.

There is a direct correlation between our business and automobile production volume and sales, which are dependent on economic policies and market sentiment. The Chinese automotive industry had been rapidly growing for a decade prior to 2011. However, inflation, higher interest rates, tighter bank lending, lifting of consumer subsidies and buying restrictions in congested cities all contributed to a more modest environment since 2011. In order to stimulate the growth of the auto industry, on September 29, 2015, the Chinese government implemented a tax incentive policy of 50% reduction of the sales tax for eligible purchase of vehicles with engines of 1.6 liters and less. This helped the recovery of vehicle sales in China since the fourth quarter of 2015. As a result, automobile sales volume growth rate increased to 13.7% in 2016 from 4.7% in 2015 according to China Association of Automobile Manufacturers. There can be no assurance that the market conditions, government policies and other factors leading to the current growth in demand for automobiles will continue. Any significant decline in demand for automobiles would directly and adversely affect demand for our products and hence our business, financial condition and results of operations.

A large percentage of our sales revenue is derived from sales to a limited number of distributors and a limited number of customers, and our business will suffer if sales to these customers decline.

A significant portion of our sales revenue historically has been derived from a limited number of distributors in China. Sales to major distributors and direct customer, which individually exceeded 10% of the Company's revenues is approximately 70.4% and 84.7% in 2016 and 2015, respectively. Any significant reduction in demand for modified

plastics by any of these major distributors, any decrease in demand of products by its customers or by our ROK customer could harm our sales and business operations, financial condition and results of operations. During the second quarter of 2016, we resumed entry into ROK market by developing a customer. As of December 31, 2016, the amount due from our ROK customer is approximately US$74.6 million, among which US$23.6 million was overdue as of December 31, 2016. The overdue payment was due to the ROK customer's expansion and tight funding. In the case of any such delay in payment from the ROK customer or other customers in the future, our sales and business operations, financial conditions and results of operations may be negatively affected.

We are dependent on a limited number of suppliers. While we have identified alternative sources for the materials and equipment we use, a temporary disruption in our ability to procure necessary materials and equipment could adversely impact our sales in future periods.

Materials constitute a substantial part of the cost of our products. We seek to reduce the cost of raw materials by dealing with major suppliers. During the year ended December 31, 2016, we purchased approximately 67.3% of our raw materials from five major suppliers. The Company purchased equipment from two suppliers, which accounted for 91.0% of the Company's equipment purchases for the year ended December 31, 2016. We believe the relationship with our suppliers is satisfactory and that alternative suppliers are available if relationships falter or existing suppliers should become unable to keep up with our requirements. However, there can be no assurance that our current or future suppliers will be able to meet our requirements on commercially reasonable terms or within scheduled delivery times. An interruption of our arrangements with suppliers could cause a delay in the production of our products for timely delivery to distributors and customers, which could result in a loss of sales in future periods.

If we are subject to product quality or liability claims relating to our products, we may incur significant litigation expenses and management may have to devote significant time defending such claims, which if determined adversely to us, could require us to pay significant damage awards.

Although we have adopted certain internal measures to supervise and examine the quality of our products, we may be subject to legal proceedings and claims from time to time relating to our product quality. Consistent with rapid growth and expansion in many businesses, there are risks associated with quality of newly developed products, especially during the initial stage and time and efforts needed to improve our technology and techniques in order to supply quality and batch consistency to our new customers, in particular, high-end products to overseas customers. The defense of these proceedings and claims could be both costly and time-consuming and significantly divert the efforts and resources of our management. An adverse determination in any such proceedings could subject us to significant liability. In addition, any such proceeding, even if ultimately determined in our favor, could damage our market reputation and prevent us from maintaining or increasing sales and market share. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase of our products.

We have limited insurance coverage on our assets in China and any uninsured loss or damage to our property, business disruption or litigation may result in our incurring substantial costs.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited insurance products. Other than automobile insurance on certain vehicles and property and casualty insurance for some of our assets such as factories and equipment we do not have insurance coverage on our other assets or inventories, nor do we have any business interruption, product liability or litigation insurance for our operations in China. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured loss or damage to property, business disruption or litigation may result in our incurring substantial costs and the diversion of our resources, which may have a material adverse effect on our results of operations, financial condition and/or liquidity.

SAFE regulations relating to offshore investment activities by PRC individuals may increase our administrative burden and restrict our overseas and cross-border investment activity. If our shareholders and beneficial owners who are PRC individuals fail to make any required applications, registrations and filings under such regulations, we may be unable to distribute profits and may become subject to liability under PRC laws.

The State Administration of Foreign Exchange, or "SAFE", has promulgated several regulations, including the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, in July 2014 that requires PRC residents or entities to

register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular No. 75.

We have requested our shareholders and beneficial owners who are PRC residents to make the necessary applications and filings as required under these regulations and under any implementation rules or approval practices that may be established under these regulations. As of the date of this Annual Report on Form 10-K, Mr. Han, our Chief Executive Officer, has registered his beneficial ownerships in China XD and XD Engineering Plastics Company Limited ("XD Engineering Plastics") respectively with local SAFE in accordance with Circular No. 37. However, we cannot assure you that the rest of our shareholders and beneficial owners who are PRC individuals have timely updated their registrations with SAFE in accordance with SAFE regulations. The failure or inability of our PRC shareholders and beneficial owners make any required registrations may subject us to fines and legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, as a result of which our acquisition strategy and business operations and our ability to distribute profits to you could be materially and adversely affected.

On December 25, 2006, the People's Bank of China issued the Administration Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by individuals (both PRC and non-PRC citizens) under the current account or the capital account, and the corresponding Implementing Rules were issued by SAFE on January 5, 2007, both of these regulations became effective on February 1, 2007. According to these regulations, all foreign exchange matters relating to employee stock holding plans, share option plans or similar plans of an overseas publicly-listed company in which PRC citizens will participate require approval from SAFE or its authorized branch.

In February 2012, SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the New Stock Option Rules, which replaced and substituted the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule. According to the New Stock Option Rules, if a PRC resident participates in any stock incentive plan of an overseas publicly-listed company, a qualified PRC domestic agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, among other things, must file on behalf of such participant an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the exercise or sale of stock options or stock such participant holds. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the qualified PRC domestic agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the qualified PRC domestic agent or the overseas entrusted institution or other material changes. Such participant's foreign exchange income received from the sale of stock and dividends distributed by the overseas publicly-listed company must be fully remitted into a specific domestic foreign currency account opened and managed by such qualified PRC domestic agent first, before distribution to such participants.

We are an offshore listed company and, as a result, any Chinese employee or foreign employee of our PRC subsidiaries, who resides in PRC more than one year consecutively, including without limitation, directors, supervisors and other senior management staffs of our PRC subsidiaries, who have been granted share options or shares under our existing share incentive plan, are subject to the New Stock Option Rules. We completed the application with local SAFE in Heilongjiang on December 16, 2013, obtaining a registration in respect of our incentive share plan in accordance with the New Stock Option Rules. If our PRC subsidiaries or their qualified employees fail to comply with these regulations, including the New Stock Option Rules, they may be subject to fines or other legal sanctions imposed by SAFE or other Chinese government authorities. In that case, our ability to compensate our employees, directors, supervisors and other senior management staffs through equity compensations may be hindered and our business operations may be adversely affected.

Under the PRC EIT Law, we and/or Favor Sea (BVI) may be classified as a "resident enterprise" of the PRC. Such classification could result in tax consequences to us, our non-PRC resident shareholders and Favor Sea (BVI).

On March 16, 2007, the National People's Congress approved and promulgated the PRC Enterprise Income Tax Law, or "EIT Law," which took effect on January 1, 2008. Under the EIT Law, enterprises are classified as resident enterprises and non-resident enterprises. An enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," and subject to the uniform 25% enterprise income tax rate on global income. The implementing rules of the EIT Law define "de facto management bodies" as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise; however, due to the short history of the EIT Law and lack of applicable legal precedents, it remains unclear whether the PRC tax authorities would deem our managing body as being located within China, or whether we or our non-PRC subsidiaries would be deemed as resident enterprises of the PRC.

If the PRC tax authorities determine that we, Favor Sea Limited, a British Virgin Islands corporation ("Favor Sea (BVI)") and/or Xinda Holding (HK) Company Limited, a Hong Kong corporation ("Xinda HK"), are "resident enterprises" for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. We, Favor Sea (BVI) and/or Xinda HK may be subject to enterprise income tax at a rate of 25% on our, Favor Sea (BVI)'s and/or Xinda HK's worldwide taxable income, as well as PRC enterprise income tax reporting obligations. However, under the EIT Law and its implementing rules, dividends paid between "qualified resident enterprises" are exempt from enterprise income tax. As a result, if we, Favor Sea (BVI) and Xinda HK are treated as PRC "qualified resident enterprises," all dividends paid from HLJ Xinda Group to Xinda HK, from Xinda HK to Favor Sea (BVI) and from Favor Sea (BVI) to us may be exempt from PRC tax. Otherwise, all dividends paid from HLJ Xinda Group to Xinda HK, from Xinda HK to Favor Sea (BVI) and from Favor Sea (BVI) to us may be subject to withholding tax under the EIT Law and its implementing rules.

On April 22, 2009, State Administration of Taxation ("SAT") enacted "Circular of the State Administration of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management". On July 27, 2011, SAT enacted "Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Income Tax on Chinese-controlled Resident Enterprises Incorporated Overseas (Trial Implementation)". Under those two rules, either the enterprises may request the PRC tax authorities to determine their "resident enterprises" identity or the tax authority may investigate and determine an enterprise's identity. The target enterprises under those two rules are foreign registered companies controlled by the PRC companies, however, the PRC tax authority may determine if a foreign registered company controlled by the PRC individual(s) is a "resident enterprise" or not by reference to those two rules.

Under the EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise in China to its shareholders that are "non-resident enterprises" are subject to a 10% withholding tax, unless such shareholders' jurisdiction of incorporation has a tax treaty with China that provides for a preferential arrangement. Pursuant to the Notice of the SAT on Issuing the Table of Tax Rates on Dividends in Treatises, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, such withholding tax may be lowered to 5% if the PRC enterprise is at least 25% directly held by a Hong Kong enterprise. In October 2009, the SAT further issued the Notice on How to Understand and Determine the "Beneficial Owners" in Tax Treaties, or Circular 601. According to Circular 601, non-resident enterprises that cannot provide valid supporting documents as "beneficial owners" may not be approved to enjoy tax treaty benefits, and "beneficial owners" refer to individuals, companies or other organizations which are normally engaged in substantive operations. These rules also set forth certain adverse factors on the recognition of a "beneficial owner." Specifically, they expressly exclude a "conduit company" that is usually established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in substantive operations such as manufacturing, sales or management, from being a "beneficial owner." As a result, if we are treated as PRC "non-resident enterprises" under the EIT Law, then dividends from HLJ Xinda Group (assuming such dividends were considered sourced within the PRC) paid to us through Xinda HK may be subject to a reduced withholding tax at a rate of 5% if Xinda HK is determined to be Hong Kong tax residents and are considered to be "beneficial owners" that are generally engaged in substantive business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Otherwise, we may not be able to enjoy the preferential withholding tax rate of 5% under the tax arrangement and therefore be subject to withholding tax at a rate of 10% with respect to dividends to be paid by HLJ Xinda Group (assuming such dividends were considered sourced within the PRC) to us through Xinda HK. Any such taxes on dividends could materially reduce the amount of dividends, if any, we could pay to our shareholders.

However, if we are deemed as a "resident enterprise," the new "resident enterprise" classification could result in a situation in which an up to 10% PRC tax is imposed on dividends we pay to our non-PRC shareholders that are not PRC tax "resident enterprises". In such event, we may be required to withhold an up to 10% PRC tax on any dividends paid to non-PRC resident enterprise shareholders. Our non-PRC resident enterprise shareholders also may be responsible for paying PRC tax at a rate of 10% on any gain realized from the sale or transfer of our ordinary shares in certain circumstances if such income is considered PRC-sourced income by relevant tax authorities. We would not, however, have an obligation to withhold PRC tax with respect to such gain.

On December 15, 2009, the State Administration of Taxation ("SAT") released the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises ("Circular 698") that reinforces the taxation of non-listed equity transfers by non-resident enterprises through overseas holding vehicles. Circular 698 is retroactively effective from January 1, 2008. Subsequently SAT also released the Announcement on Several Issues Related to Enterprise Income Tax for Indirect Asset Transfer by Non-PRC Resident Enterprises ("Announcement 7"), effective from February 3, 2015, which in part supersedes Circular 698.

Announcement 7 addresses indirect share transfer as well as other issues. According to Announcement 7, if a non-PRC resident enterprise transfers the equity interests of or similar rights or interests in overseas companies which directly or indirectly own PRC taxable assets through an arrangement without a reasonable commercial purpose, but rather to avoid PRC corporate income tax, the transaction will be re-characterized and treated as a direct transfer of PRC taxable assets subject to PRC corporate income tax. Announcement 7 specifies certain factors that should be considered in determining whether an indirect transfer has a reasonable commercial purpose. Since Announcement 7 has a short history, there is uncertainty as to its application and in particular, the interpretation of the term "reasonable commercial purpose."

Announcement 7 further provides that, the entity which has the obligation to pay the consideration for the transfer to the transferring shareholders has the obligation to withhold any PRC corporate income tax that is due. If the transferring shareholders do not pay corporate income tax that is due for a transfer and the entity which has the obligation to pay the consideration does not withhold the tax due, the PRC tax authorities may impose a penalty on the entity that so fails to withhold, which may be relieved or exempted from the withholding obligation and any resulting penalty under certain circumstances if it reports such transfer to the PRC tax authorities.

We (or a foreign investor) may become at risk of being taxed or imposed a penalty under Announcement 7 and may be required to expend valuable resources to comply with Announcement 7 or to establish that we (or such foreign investor) should not be taxed under Announcement 7, which could have a material adverse effect on our financial condition and results of operations (or such foreign investor's investment in us).

PRC regulations relating to mergers and acquisitions of domestic enterprises by foreign investors may increase the administrative burden we face and create regulatory uncertainties.

On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, or MOFCOM, the State Assets Supervision and Administration Commission, or SASAC, the State Administration for Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, or CSRC, and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006. The M&A Rule purports, among other things, (i) to require any PRC company, enterprise or individual that intends to merge or acquire its domestic affiliated company in the name of an overseas company which it lawfully established or controls, to apply for MOFCOM's examination on and approval for the proposed merger or acquisition; and (ii) to require SPVs, formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange. However, there are substantial uncertainties regarding the interpretation, application and enforcement of these rules, and CSRC has yet to promulgate any written provisions or formally to declare or state whether the overseas listing of a PRC-related company structured similar to ours is subject to the approval of CSRC. As a result, we are not sure whether the M&A Rule would require us or our entities in China to obtain the approval from either MOFCOM or CSRC or any other regulatory agencies in connection with the transaction contemplated by the share transfer contracts which were entered into between Mr. Jie Han, Mr. Qingwei Ma and Xinda Holding (HK) Company Limited on June 26, 2008, the transaction contemplated in the Agreement and Plan of Merger entered into by and among NB Telecom, Favor Sea (BVI) and the shareholders of Favor Sea (BVI) on December 24, 2008 (detailed description of both of the two aforesaid transactions and relevant contracts can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed on April 14, 2010) the adoption and performance of the option agreement dated May 16, 2008 between Ms. Piao and Mr. Han.

Further, in the event MOFCOM or CSRC deems it necessary for us to obtain its approval prior to our entry into the aforesaid agreements, we could be subject to severe penalties. The M&A Rule does not stipulate the specific penalty terms, therefore, we are unable to determine what penalties we may face, and how such penalties may affect our

business operations or future strategy.

Our business will suffer if we cannot obtain or maintain necessary permits or approvals.

Under PRC laws, we are required to obtain from various PRC governmental authorities certain permits and licenses in relation to the operation of our business. These permits and licenses are subject to periodic renewal and/or reassessment by the relevant PRC government authorities and the standards of compliance required in relation thereto may from time to time be subject to change. We cannot assure you that we can always obtain, maintain or renew all the permits and licenses in a timely manner. Additionally, any changes in compliance standards, or any new laws or regulations that may prohibit or render it more restrictive for us to conduct our business or increase our compliance costs may adversely affect our operations or profitability. Any failure by us to obtain, maintain or renew necessary licenses, permits and approvals, could subject us to fines and other penalties and limit the business we could conduct, which could have a material adverse effect on the operation of our business. In addition, we may not be able to carry on business without such permits and licenses being renewed and/or reassessed.

Pursuant to PRC laws and regulations, construction or expansion of a building or a production facility is subject to various permits and approvals from different government authorities. In connection with the construction of HLJ Xinda Group's factory and production facilities, which has already been completed and put into operation, we obtained a project approval from Administration Committee of Harbin Economic and Technological & High-tech Development Zone and an approval for the environmental impact assessment report on the construction project of HLJ Xinda Group in 2003. In connection with the construction of Sichuan Xinda Group's factory and production facilities which has been partially completed in the second half of 2016, we obtained the project approvals from Bureau of Development and Reform of Shunqing District, Nanchong City in 2013 and 2015, respectively. In connection with the Phase II construction of AL Composites which has been completed by the middle of 2016, we obtained the project approval from Engineering & Project Management Department, UAE region Economic Zones World ("EZW") in June 2015, and the building permit from Department of Planning & Development, Ports, Customs & Free Zone Corporation, Government of Dubai in September 2015. Failure to obtain all necessary approvals/permits may subject us to various penalties, such as fines or being required to vacate from the facilities where we currently operate our business.

Increased environmental regulation in China could increase our costs of operation.

Certain processes utilized in the production of modified plastics result in toxic by-products. To date, the Chinese government has imposed only limited regulation on the production of these by-products, and enforcement of the regulations has been sparse. Recently, however, there is a substantial increase in focus on the Chinese environment, which has inspired considerable new regulation. Because we plans to export plastics to the U.S. and Europe in coming years, we have developed certain safeguards in our manufacturing processes to assure compliance with the environmental protection standard ISO/TS16949 Quality Assurance Standard, the European Union's RoHS Standards and Germany's PAHs Standards. Furthermore, we are in the process of applying for the U.S.'s UL Safety Certification, ISO14001 Environmental Management System Certification and OHSAS18001 Occupational Health Management System Certification. This compliance regimen brings us into compliance with all Chinese environmental regulations. Additional regulation, however, could increase our cost of doing business, which would impair our profitability.

Our independent registered public accounting firm's audit documentation related to their audit reports included in our annual report is located in China. The PCAOB currently cannot inspect audit documentation located in China and, as such, you may be deprived of the benefits of such inspection.

Our independent registered public accounting firm issued an audit opinion on the financial statements included in our annual reports filed with the SEC. Our independent registered public accounting firm's audit documentation related to their audit reports included in our annual reports is located in China, and audit procedures take place within China's borders. As auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board, or the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB. However, work papers located in China are not currently inspected by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the PRC authorities.

Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. However, the PCAOB is currently unable to inspect an auditor's audit work related to a company's operations in China and where such documentation of the audit work is located in China. As a result, our investors may be deprived of the benefits of the PCAOB's oversight of auditors that are located in China through such inspections.

The inability of the PCAOB to conduct inspections of an auditor's work papers in China makes it more difficult to evaluate the effectiveness of any of our auditor's audit procedures or quality control procedures that may be located in

China as compared to auditors outside of China that are subject to PCAOB inspections. Investors may consequently lose confidence in our reported financial information and procedures and the quality of our financial statements.

The disclosures in our reports and other filings with the SEC and our other public pronouncements are not subject to the scrutiny of any regulatory bodies in China. Accordingly, our public disclosure should be reviewed in light of the fact that no governmental agency that is located in China where substantially all of our operations and business are located has conducted any due diligence on our operations or reviewed or cleared any of our disclosure.

We are regulated by the SEC and our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Unlike public reporting companies whose operations are located primarily in the United States, however, substantially all of our operations are located in China. Since substantially all of our operations and business takes place in China, it may be more difficult for the Staff of the SEC to overcome the geographic and cultural obstacles that are present when reviewing our disclosure. These same obstacles are not present for similar companies whose operations or business take place entirely or primarily in the United States. Furthermore, our SEC reports and other disclosure and public pronouncements are not subject to the review or scrutiny of any PRC regulatory authority. For example, the disclosure in our SEC reports and other filings are not subject to the review of the CSRC, a PRC regulator that is tasked with oversight of the capital markets in China. Accordingly, you should review our SEC reports, filings and our other public pronouncements with the understanding that no local regulator has done any due diligence on our company and with the understanding that none of our SEC reports, other filings or any of our other public pronouncements has been reviewed or otherwise scrutinized by any local regulator.

Our independent registered public accounting firm may be temporarily suspended from practicing before the SEC if unable to continue to satisfy SEC investigation requests in the future. If a delay in completion of our audit process occurs as a result, we could be unable to timely file certain reports with the SEC, which may lead to the delisting of our stock.

The vast majority of our sales are to customers in China, and we have all of our operations in China. Like many U.S. companies with significant operations in China, our independent registered public accounting firm is located in China.

On January 22, 2014, Judge Cameron Elliot, an SEC administrative law judge, issued an initial decision suspending the Chinese member firms of the "Big Four" accounting firms, including our independent registered public accounting firm, from practicing before the SEC for six months. In February 2014, the initial decision was appealed. While under appeal and in February 2015, the Chinese member firms of "Big Four" accounting firms reached a settlement with the SEC. As part of the settlement, each of the Chinese member firms of "Big Four" accounting firms agreed to settlement terms that include a censure, undertakings to make a payment to the SEC, procedures and undertakings as to future requests for documents by the SEC, and possible additional proceedings and remedies should those undertakings not be adhered to.

If the settlement terms are not adhered to, Chinese member firms of "Big four" accounting firms may be suspended from practicing before the SEC which could in turn delay the timely filing of our financial statements with the SEC. In addition, it could be difficult for us to timely identify and engage another qualified independent auditor to replace our independent registered public accounting firm. A delinquency in our filings with the SEC may result in NASDAQ initiating procedures, which could adversely harm our reputation and have other material adverse effects on our overall growth and prospects.

We may fail to develop and maintain an effective system of internal controls over financial reporting. As a result, we may not be able to accurately report our financial results or prevent fraud and current and potential shareholders could lose confidence in the integrity of our financial reports, which could harm our business and the trading price of our common stock.

Prior to our listing on the US stock exchange, we were a private company with all business operations within China. Our accounting and reporting system was designed to satisfy local statutory requirements and internal management needs. Since we became a public company, our business has grown significantly over the years.
Management concluded that our internal controls over financial reporting were ineffective as of December 31, 2016, due to one material weakness which relates to the lack of sufficient accounting and financial reporting personnel to formalize certain key controls over the financial reporting process and report financial information based on US GAAP and SEC reporting requirements.

Our management is committed to strengthening our internal controls and complying with Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"). Since 2014 when we were required to comply with SOX 404, our efforts to improve our internal control over financial reporting include: (1) our accounting staff obtained external training of U.S. GAAP and SEC reporting by qualified entities, (2) having hired two third-party SOX 404 compliance consultants to help us improve our internal control system, (3) continuing to seek senior qualified people with requisite expertise and knowledge to help improve our internal control procedures, (4) having adopted internal policies and approval and supervision procedures governing financial reporting, (5) having adopted procedures to evaluate and assess performance of directors, officers and employees of the Company, and (6) continuing to hold internal meetings, discussions and seminars periodically to review and improve our internal control procedures.

However, we cannot be certain that these measures we have undertaken will ensure that we will develop and maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow

our business, the internal controls that we will need may become more complex, and significantly more resources may be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to develop and maintain an effective internal control system, our stockholders and other potential investors may lose confidence in our business operations and the integrity of our financial statements, and may be discouraged from future investments in our company, which may delay or hinder any future business development or expansion plans if we are unable to raise funds in future financings, and our current stockholders may choose to dispose of the shares of common stock they own in our company, which could have a negative impact on our stock price. In addition, non-compliance with SOX 404 could subject us to a variety of administrative sanctions, including the suspension of trading of our stock on the NASDAQ Global Market, ineligibility for listing on other national securities exchanges, and the inability of registered broker-dealers to make a market in our common stock, which could further reduce our stock price.

We may be subject to or be liable for US taxes, interest and penalties.

As of December 31, 2016, for U.S. federal income tax purposes, the Company has tax loss carryforwards of US$520,617 and did not owe any U.S. federal income taxes. There can be no assurance that the IRS will agree with this position, and therefore we ultimately could be held liable for U.S. federal income taxes, interest and penalties.

Our inability or failure to protect our intellectual property rights may significantly and materially impact our business, financial condition and results of operations.

Protection of our proprietary processes, methods and other technology is important to our business. We generally rely on a combination of the patent, trademark and copyright laws of the PRC and laws protecting trade secret in the PRC, as well as licenses and non-disclosure and confidentiality agreements, to protect our intellectual property rights. The patent, trademark and copyright laws of the PRC, as well as laws protecting trade secret in the PRC, may not protect our intellectual property rights to the same extent as the laws of the U.S.

Failure to protect our intellectual property rights may result in the loss of valuable proprietary technologies. Additionally, some of our technologies are not covered by any patent or patent application and, even if a patent application has been filed, it may not result in an issued patent. If patents are issued to us, those patents may not provide meaningful protection against competitors or against competitive technologies. In addition, upon the expiration of patents issued to us, we will be unable to prevent our competitors from using or introducing products using the formerly-patented technology. As a result, we may be faced with increased competition and our results of operations may be adversely affected. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable.

We also rely upon unpatented proprietary manufacturing expertise, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While we generally enter into confidentiality/non-disclosure agreements with our employees and third parties to protect our intellectual property, we cannot assure you that our confidentiality/non-disclosure agreements will not be breached, that they will provide meaningful protection for our trade secrets and proprietary manufacturing expertise or that adequate remedies will be available in the event of an unauthorized use or disclosure of our trade secrets or manufacturing expertise.

Our intellectual property rights may be challenged or infringed upon by third parties or we may be unable to maintain, renew or enter into new license agreements that are important to our business with third-party owners of intellectual property on reasonable terms. We could also face patent infringement claims from our competitors or others alleging that our processes or products infringe on their proprietary technologies. If we are found to be infringing on the proprietary technology of others, we may be liable for damages, and we may be required to change our processes, to redesign our products partially or completely, to pay to use the technology of others or to stop using certain technologies or producing the infringing product(s) entirely. Even if we ultimately prevail in an infringement suit, the existence of the suit could prompt customers to switch to products that are not the subject of infringement suits. We may not prevail in any intellectual property litigation and such litigation may result in significant legal costs or otherwise impede our ability to produce and distribute key products.

We may be unable to renew the leases for our factories on acceptable terms or these leases may be terminated.

As of December 31, 2016, HLJ Xinda Group operated three separate factories located at 9 Qinling Road (the "Qinling Road Factory"), 9 North Dalian Road (the "Dalian Road Factory") and 9 Jiangnan First Road (the "Jiangnan Road Factory"), respectively. HLJ Xinda Group owns the titles to the land and premises of the Qinling Road Factory. HLJ Xinda Group leases the land and premises of the Dalian Road Factory from Xinda High-Tech. HLJ Xinda Group is in the process of acquiring the titles to the land and premises at Jiangnan Road Factory. The Company expects the title

transfer to be completed in 2017. HLJ Xinda Group's leases will expire on December 31, 2018. If we are unable to renew our lease on acceptable terms in due course or acquire the titles to the land and premises at Jiannan Road Factory or if our lease is terminated by the lessor unilaterally for the Dalian Road Factory:

- we may be unable to find a new property with the amenities and in the location we require for our factories, which may result in a factory closure;

- we may have to relocate to a less desirable location;

- we may have to relocate to a location with facilities that do not meet our requirements;

- our factories may experience significant disruption in operations and, as a result, we may be unable to produce products during the period of disruption.

Any of these events may materially and adversely affect our business, prospects, results of operations and financial condition.

Our ability to sell our products at current profit margin is subject to a number of risks and uncertainties, which are beyond our control; in particular, we may not be able to reflect raw material cost increases in the price of our products.

Our ability to sell our products at current profit margin is subject to a number of risks and uncertainties, which are beyond our control. For example, general slow-down in the Chinese or world economy may lessen the demand for our products, and we may be forced to sell our products at a lower price. See "Risks Relating to the PRC — Changes in political or economic policies of the PRC government and a slow-down in China's economy may have an adverse impact on our operations."

Particularly, we may not be able to pass through raw material cost increases to our customers on a timely basis and reflect such increases in the price of our products. We purchase various plastic resins, which are derived from petroleum or natural gas, to produce our modified plastics products. Cost of raw materials made up a vast majority of our cost of revenues in 2014 and 2015. The market prices of plastic resins may fluctuate due to changes in supply and demand conditions in that industry. Any shortage in supply of or significant increase in demand for plastic resins and additives may result in higher market prices and thereby increase our cost of revenues, and we may not be able to pass on increases in the prices of raw materials to our customers. Under the terms of our distributor agreements, we will only be able to increase the sales prices for our products if the cost of our raw materials increases by more than 5% on a cumulative basis. As a result, we may not be able to adjust our selling prices in a timely manner, and our inability to increase the selling prices of our products sold during the period in which the cumulative increases of the cost of our raw materials is less than 5% may reduce our profitability. Furthermore, other adverse developments such as increased competition may not allow us to pass through cost increases to our distributors at all. Any of the foregoing could have a material adverse effect on our margins, results of operations and financial condition. When expanding into new regions, we have taken and may continue to take marketing initiatives from time to time to offer sales incentives, including discounts, to increase market share. Such initiatives and measures have put and may continue to put pressure on our margins.

Our assets are primarily located in China. So any dividends or proceeds from liquidation are subject to the approval of the relevant Chinese government agencies.

Our assets are primarily located inside China. Under the laws governing FIEs in China, dividend distribution and liquidation are allowed but subject to respective administrative procedures under the relevant laws and rules. Any dividend payment will be subject to the decision of the Board of Directors and be subject to foreign exchange rules governing such repatriation. Any liquidation is subject to the decision of the highest authority of the company, the relevant government agency's approval and supervision (including but not limited to the local branch of MOFCOM), as well as the whole process of liquidation under PRC laws and regulations, including without limitation personnel resettlement, assets disposition, settlement of debts and creditor's rights as well as deregistration, which process could be very time-consuming and complex. Since the dividend distribution procedure is subject to foreign exchange rules governing such repatriation, risks may arise for our investors when HLJ Xinda Group pays dividend to us through Xinda HK. Furthermore, the liquidation procedure is a complex and time consuming procedures subject to government approvals, additional risks and costs may arise for our investors in the process.

Governmental control of currency conversions may affect the value of your investment.

A majority of our revenue are earned in Renminbi. Any future restrictions on currency conversions may limit our ability to use revenue generated in Renminbi to make dividend or other payments in U.S. dollars. Although the PRC government introduced regulations in 1996 to allow greater convertibility of the Renminbi for current account transactions, significant restrictions still remain, including primarily the restriction that foreign-invested enterprises like us may buy, sell or remit foreign currencies only after providing valid commercial documents at a PRC banks specifically authorized to conduct foreign-exchange business.

In addition, conversion of Renminbi for capital account items, including direct investment and loans, is subject to governmental approval in the PRC, and companies are required to open and maintain separate foreign-exchange accounts for capital account items. There is no guarantee that PRC regulatory authorities will not impose additional restrictions on the convertibility of the Renminbi. Such restrictions could prevent us from distributing dividends and thereby reduce the value of our stock.

The fluctuation of the exchange rate of the Renminbi against the dollar could reduce the value of your investment.

The value of our common stock will be affected by the foreign exchange rate between U.S. dollars and Renminbi. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into Renminbi for our operations, appreciation of the Renminbi against the U.S. Dollar could reduce the value in Renminbi of our funds. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of declaring dividends on our common stock or for other business purposes and the U.S. dollar appreciates against the Renminbi, the U.S. dollar equivalent of our earnings from our subsidiaries in China would be reduced.

On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. Dollar. Under the 2005 policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Renminbi appreciated by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. On June 19, 2010, the People's Bank of China decided to further promote the reform of the Renminbi exchange rate formation mechanism, and improve the flexibility of Renminbi exchange rate. The Company and its subsidiaries (both domestic and overseas) have debts denominated in foreign currencies, fluctuations in the exchange rates of Renminbi and Singapore dollar into foreign currencies creates exchange risk for the Company. With the internationalization process and RMB joining the SDR, RMB exchange rate may continue to fluctuate in the future. In August 2015, the People's Bank of China perfected its midpoint rate determination mechanism, which led to a 2% depreciation of Renminbi against the U.S. dollar. However, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. There remains significant international pressure on the PRC Government to further liberalize its currency policy, which could result in further fluctuations in the value of the Renminbi against the U.S. dollar. However, there is no assurance that there will not be a devaluation of Renminbi in the future. If there is such devaluation, our debt servicing cost will increase and the return to our overseas investors may decrease.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the China. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi are to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of bank loans denominated in foreign currencies.

The PRC government could also restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain expenses as they become due.

MSPEA Modified Plastics Holding Limited ("MSPEA") has significant influence over our affairs.

MSPEA currently owns 100% of our outstanding Series D Preferred Stock, representing approximately 24.5% of our issued and outstanding shares of common stock on an as converted basis. Pursuant to the Amended and Restated Certificate of Designation of Series D Preferred Stock, holders of Series D Preferred Stock have the right to elect, voting as a separate class, two directors to serve on the Board so long as at least 12,800,000 (adjusted for any dilutive corporate actions) shares of Series D Preferred Stock are outstanding, and one director to serve on the Board if the number of shares of Series D Preferred Stock outstanding at such time is less than 12,800,000 but more than 1,600,000 (in each case adjusted for any dilutive corporate actions). For so long as at least 1,600,000 (adjusted for any dilutive corporate actions) shares of Series D Preferred Stock remain outstanding, holders of Series D Preferred Stock

have veto rights over certain material corporate actions of the Company and its subsidiaries as described in the Amended and Restated Certificate of Designation of Series D Preferred Stock. As such, MSPEA currently has significant influence over our affairs.

Upon the occurrence of certain events, we may be required to redeem all or a portion of the Series D Preferred Stock.

On January 27, 2014, the Company adopted and filed the Amended and Restated Certificate of Designation of Series D Preferred Stock (the "Restated Certificate of Designation") with the Secretary of State of the State of Nevada, pursuant to which, the maturity date of the Series D Preferred Stock is extended to February 4, 2019, and, the performance target for the year ended December 31, 2013 the failure to meet which target could trigger the mandatory redemption of the Series D Preferred Stock, has been removed.

As of December 31, 2013, the Company concluded that it has met the actual profit targets under the Restated Certificate of Designation that could otherwise trigger mandatory redemption. The remaining trigger events pursuant to the terms of the Restated Certificate of Designation for such mandatory redemption include:

(i) a breach by the Company, XD Engineering Plastics Company Limited ("XD Engineering Plastics"), or Mr. Han of certain provisions of the financing documents in connection with the issuance and sale of the Series D Preferred Stock, if such breach would constitute a material adverse effect on the Company and its subsidiaries taken as a whole or which materially diminishes the value of the Series D Preferred Stock,

(ii) the commencement by the Company or any of its subsidiaries of any bankruptcy, insolvency, reorganization or the like, or

(iii) the appointment of a custodian, receiver, liquidator, assignee, trustee or other similar officials of the Company or any of its subsidiaries for the winding up or liquidation of its affairs.

If any of the events mentioned above occurs prior to February 4, 2019, or, in the event the Series D Preferred Stock remains outstanding as of February 4, 2019, we may be required to redeem such shares at a price per share equal to an amount that would yield a total (annualized) internal rate of return of 15% to the holder of such Series D Preferred Stock on the original issue price of US$6.25 per share, and, in the event we have insufficient cash available or do not have access to additional third-party financings on commercially reasonable terms or at all to complete such redemption, we may experience liquidity problems, which could have a material adverse effect on our ability to service our debt, including the Notes, and we may be required to liquidate assets to fund such redemption.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Physical Plant and Production

Our executive offices are located in Chaoyang District, Beijing, the capital city of China. Our owned facility includes two-floor office space (2,331.90 square meters) and 5-parking-lot spaces (288.17 square meters). The Company is expecting to obtain the title of such offices and parking lots in 2017.

We had production facilities located in the Harbin Development Zone in the City of Harbin, which is the provincial capital of Heilongjiang Province in northeast China. Our owned facility has a total usable area of 7,359 square meters (79,212 square feet). The facility includes six buildings with one office building attached by one workshop, one storage room, one transformer station, and two guard rooms. All the Company's properties are insured by China Pacific Property Insurances Co., Ltd.

The land on which our owned facility in Heilongjiang is located measures 14,715 square meters (158,391 square feet). The land use right was issued to HLJ Xinda Group by the City of Harbin and will expire in 2053. We also have a long-term lease of the production facilities with Harbin Xinda High-Tech Co., Ltd ("Xinda High-Tech"). The land on which our leased facility is located measures 16,537 square meters (178,009 square feet). The facility we rent includes three buildings with two office buildings attached by one workshop respectively and one guard room.

The two lands on which our owned facility in Sichuan are located measures 287,503 square meters (3,094,657 square feet) and 23,859 square meters (256,816 square feet), respectively. The land use right were issued to Sichuan Xinda by the City of Nanchong and will expire in 2065 and 2085, respectively.

The land on which our owned facility in Dubai is located measures 52,530 square meters (565,428 square feet) issued to Dubai Xinda by Department of Planning & Development, Ports, Customs & Free Zone, Government of Dubai.

On May 9, 2011, Harbin Xinda, a subsidiary of China XD, entered into a purchase agreement with Harbin Shengtong Engineering Plastics Co. Ltd. ("Harbin Shengtong") as amended on June 1, 2011. The legal representative of Harbin Shengtong is a former employee of Harbin Xinda. Pursuant to the purchase agreement, Harbin Xinda will purchase from Harbin Shengtong land use rights and a plant consisting of five workshops, a building and certain ancillary facilities (the "Project"). Harbin Shengtong is responsible to complete the construction of the plant and workshops according to Harbin Xinda's specifications. Once the Project is fully completed and accepted by Harbin Xinda, Harbin Shengtong shall transfer titles of the Project to Harbin Xinda. During the year ended December 31, 2014, the Project was completed. The total cost for the Project was RMB501.5 million. The titles of the five workshops are expected to transfer to the Company in 2017.

As of December 31, 2016, we had approximately 452,500 metric tons of production capacity across 144 automatic production lines utilizing German twin-screw extruding systems, automatic weighing systems and Taiwan conveyer systems, including the three additional workshops with 30 production lines completed the trial-run in December of 2012 and further expanded our annual capacity potential by approximately 135,000 metric tons and support our future growth in 2013. In December 2013, we broke ground on the construction of our fourth production plant in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total domestic installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production plant. Sichuan Xinda has supplied to its customers since 2013, mainly backed by production capacity in our Harbin production plant. We installed 50 production lines with production capacity of 60,000 metric tons in the second half of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant to be expected to be completed by end of second quarter of 2017. In order to meet the increasing demand from our customer in the ROK and to develop potential overseas markets, Dubai Xinda obtained one leased property and two purchased properties, approximately 52,530 square meters in total, including leased 10,000 square meters, and purchased 20,206 and 22,324 square meters on January 25, 2015, June 28, 2016 and September 21, 2016, respectively, from Jebel Ali Free Zone Authority ("JAFZA") in Dubai, UAE, with constructed building comprising warehouses, offices and service blocks. In addition to the earlier 10 trial production lines in Dubai Xinda, the Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons, targeting high-end products for the overseas market.

The process of manufacturing modified plastic consists of modifying a standard plastic (polypropylene, ABS, PA6, PA66, etc.) by adding various agents and additives that will alter the physical and/or functional characteristics of the plastic. Catalysts are added that facilitate the desired chemical reactions, all of which occurs in a specially designed equipment. The resulting plastics are then extracted from the equipment by an extraction technique that is proprietary to HLJ Xinda Group. Further processing may involve additional blending, extrusion, cooling and cutting, homogenizing and packing, as needed to meet the customer's requirements.

In addition to its unique extraction technology, HLJ Xinda Group has developed its own techniques and equipment for many of the steps in the production process. Among the aspects of production for which HLJ Xinda Group has proprietary technology are product formulae, a technique for combining extruder screws, and certain stuffing techniques. With these unique formulas and techniques, our products can satisfy clients' standard requirements at a lower cost than competitive products.

Our facilities have been certified under the following international qualifications criteria: ISO9001: 2000 quality management system certification and ISO/TS16949: 2002 international auto parts industry quality systems certification. The government of China has designated HLJ Xinda Group as a National Torch Project and a National Spark Plan Project, and has given HLJ Xinda Group the "Most Valuable High Tech in China" award. HLJ Xinda Group is an executive member of the Council of the Chinese Automobile Parts Association, a member of the Chinese Modified Plastics Professional Committee, a member of the Chinese Plastics Engineering Committee and Heilongjiang Province Postdoctoral Workstation.

ITEM 3. LEGAL PROCEEDINGS

The Company and certain of its officers and directors have been named as defendants in two putative securities class action lawsuits filed in the United States District Court for the Southern District of New York. These actions, which allege violations of Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934, were filed on July 15, 2014 and July 16, 2014 and are captioned Yang v. Han, et al., No. 14-cv-5308 (GBD) and Tompkins v. China XD Plastics Company Ltd., et al., No. 14-cv-5359 (GBD), respectively. On November 21, 2014, the Court consolidated the actions and appointed lead plaintiffs. On February 17, 2015, the lead plaintiffs filed a Consolidated Class Action Complaint on behalf of a class of all persons other than the defendants who purchased the common stock of China XD

Plastics Company Limited between March 25, 2014 and July 10, 2014, both dates inclusive. Specifically, the lead plaintiffs alleged that the Company and two of its officers made false or misleading statements and/or omitted material facts in the Company's Form 10-K for the year ended December 31, 2013 and the Company's Form 10-Q for the first quarter ended March 31, 2014. They also asserted that the individual defendants are liable because they allegedly controlled the Company during the time the allegedly false and misleading statements and omissions were made. The lead plaintiffs sought damages in unspecified amounts. On April 3, 2015, the Company moved to dismiss the Consolidated Class Action Complaint. On March 23, 2016, the Court entered an Opinion and Order dismissing the Consolidated Class Action Complaint without prejudice. On May 6, 2016, the lead plaintiffs moved the Court for leave to amend the Consolidated Class Action Complaint. On June 24, 2016, the Company filed its opposition to the lead plaintiffs' motion. On August 8, 2016, in conjunction with filing the reply brief in support of their motion, the lead plaintiffs moved to strike certain documents referred to in the Company's opposition. The Company filed its opposition to the lead plaintiffs' motion to strike on September 16, 2016. The lead plaintiffs filed their reply on October 7, 2016. On March 8, 2017, the Court entered an Order in the Company's favor denying the lead plaintiffs' motion for leave to amend and denying the lead plaintiffs' motion to strike. The lead plaintiffs may appeal dismissal of their lawsuits.

Based on our initial review of the complaints, the management believes the lawsuits are without merit and intends to vigorously defend against them.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Prior to November 27, 2009, our common stock was quoted on the OTC Bulletin Board ("OTCBB") under the symbol "CXDC". On November 27, 2009, we terminated our listing on OTCBB and listed our common stock on NASDAQ Global Market, also under the symbol "CXDC." The following table sets forth, for the indicated periods, the high and low sales prices for our common stock, as reported on NASDAQ.

	Common Stock	
	High	Low
Fiscal Year Ending December 31, 2016		
First Quarter	4.13	2.70
Second Quarter	3.86	2.82
Third Quarter	5.36	3.21
Fourth Quarter	4.70	3.85
Fiscal Year Ending December 31, 2015		
First Quarter	5.62	3.76
Second Quarter	6.60	5.03
Third Quarter	6.45	4.18
Fourth Quarter	4.83	3.91

Number of Holders

As of March 10 2017, there were 454 record holders of our common stock.

Interwest Transfer Company Inc. is the registrar and transfer agent for our common stock. Its address is 1981 Murray Holladay Road, Suite 100, Salt Lake City, UT 84117 USA, telephone: (801) 272-9294.

Dividend Policy

We have not paid any cash dividends since our inception and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We expect to retain our earnings, if any, to provide funds for the expansion of our business. Future dividend policy will be determined periodically by the Board of Directors based upon conditions then existing, including our earnings and financial condition, capital requirements and other relevant factors.

Under current PRC regulations, wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including current financial condition, operating results and current and anticipated cash needs.

Securities Authorized for Issuance under Equity Compensation Plans

The information set forth in Item 12 of this Annual Report on Form 10-K is incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On April 7, 2011, the Board of Directors approved a stock repurchase program that allows the Company to repurchase up to US$10 million of its stock until May 31, 2012. On September 28, 2011, the Company purchased 21,000 shares of its common stock in the public stock market for a total consideration of US$92,694. The stock repurchase program expired on May 31, 2012.

Stockholder Return Performance Graph

The following Performance Graph and related information shall not be deemed "soliciting material" or deemed to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that we specifically incorporate such information by reference into such filing.

The following graph compares the change in cumulative total stockholders' return on our common stock with (a) NASDAQ Composite Index and (b) Russell Small Cap Completeness Index, for each year from December 31, 2010 through December 31, 2015. The graph assumes an initial investment of $100 at the closing price on December 31, 2009 and assumes all dividends (if any) were reinvested. The figures for the chart and graph set forth below have been calculated based on the closing prices on the last trading day on the NASDAQ Global Market for each period indicated.

Adjusted Closing Stock Price Cumulative Change

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
China XD Plastics Co. Ltd.	$ 75	$ 81	$ 100	$ 97	$ 70	$ 98
Nasdaq Composite Index	$ 207	$ 189	$ 179	$ 157	$ 114	$ 98
Russell Small Cap Completeness Index	$ 184	$ 151	$ 159	$ 150	$ 110	$ 94

*$100 invested on 12/31/2011 in stock or index, including reinvestment of dividends. Data points are the last day of each fiscal year for the Company's common stock and December 31 of each year for indexes.

ITEM 6. SELECTED FINANCIAL DATA

The tables below set forth selected historical financial information of the Company that has been derived from the audited financial statements as of December 31, 2012, 2013, 2014, 2015 and 2016, and for the last five years in the period ended December 31, 2016. The selected historical financial data should be read in conjunction with the consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations", included elsewhere in this Form 10-K.

(in millions, except number of shares and per share amounts).

	2016	2015	2014	2013	2012
Revenues	$1,201.7	$999.2	$1,110.6	$1,050.8	$599.8
Net income	$101.6	$83.7	$120.7	$133.8	$85.9
Earnings per share					
- basic	$1.54	$1.27	$1.85	$2.08	$1.35
-diluted	$1.54	$1.27	$1.85	$2.08	$1.35
Shares used in computing earnings per share					
-basic	49,418,188	49,225,566	48,833,434	47,794,028	47,549,275
-diluted	49,419,197	49,229,460	48,833,434	47,794,028	47,549,275
Total cash, cash equivalents, restricted cash and time deposits	456.4	408.4	296.5	390.5	148.7
Total Assets	2,126.5	1,752.0	1,299.7	1,075.9	611.6
Long term bank loans	249.5	107.5	174.3	-	-
Notes payable	-	145.6	148.6	-	-
Total liabilities	1,394.7	1,076.4	676.8	566.0	249.6
Redeemable Series D Convertible Preferred Stock	97.6	97.6	97.6	97.6	97.6
Total Stockholder's equities	634.3	578.0	525.3	412.3	264.4

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We make forward-looking statements in this report, in other materials we file with the Securities and Exchange Commission (the "SEC") or otherwise release to the public, and on our website. In addition, our senior management might make forward-looking statements orally to analysts, investors, the media and others. Statements concerning our future operations, prospects, strategies, financial condition, future economic performance (including growth and earnings) and demand for our products and services, and other statements of our plans, beliefs, or expectations, including the statements contained in this Item 7, "Management's Discussion and Analysis or Plan of Operation," regarding our future plans, strategies and expectations are forward-looking statements. In some cases these statements are identifiable through the use of words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions. We intend such forward-looking statements to be covered by the safe harbor provisions contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You are cautioned not to place undue reliance on these forward-looking statements because these forward-looking statements we make are not guarantees of future performance and are subject to various assumptions, risks and other factors that could cause actual results to differ materially from those suggested by these forward-looking statements. Thus, our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in: global and domestic economic conditions generally and the automotive modified plastics market specifically, legislative or regulatory changes that affect our business, including changes in environmental regulations and control policies over the domestic automotive industry, the availability of working capital, the introduction of competing products and other risk factors described herein. These risks and uncertainties, together with the other risks described from time-to-time in reports and documents that we filed with the SEC should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Indeed, it is likely that some of our assumptions will prove to be incorrect. Our actual results and financial position will vary from those projected or implied in the forward-looking statements and the variances may be material. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

General

China XD is one of the leading specialty chemical companies engaged in the research, development, manufacture and sale of modified plastics primarily for automotive applications in China, and to a lesser extent, in Dubai, UAE. Through our wholly-owned operating subsidiaries in China and UAE we develop modified plastics using our proprietary technology, manufacture and sell our products primarily for use in the fabrication of automobile parts and components. We have 402 certifications from manufacturers in the automobile industry as of December 31, 2016. We are the only company certified as a National Enterprise Technology Center in modified plastics industry in Heilongjiang province. Our Research and Development (the "R&D") team consists of 485 professionals and 19 consultants, including one consultant who is a member of Chinese Academy of Engineering. As a result of the integration of our academic and technological expertise, we have a portfolio of 438 patents, 26 of which we have obtained the patent rights and the remaining 412 of which we have applications pending in China as of December 31, 2016.

Our products include eleven categories: Modified Polypropylene (PP), Modified Acrylonitrile Butadiene Styrene (ABS), Modified Polyamide 66 (PA66), Modified Polyamide 6 (PA6), Modified Polyoxymethylenes (POM), Modified Polyphenylene Oxide (PPO), Plastic Alloy, Modified Polyphenylene Sulfide (PPS), Modified Polyimide (PI), Modified Polylactic acid (PLA) and Poly Ether Ether Ketone (PEEK).

The Company's products are primarily used in the production of exterior and interior trim and functional components of 29 automobile brands and 92 automobile models manufactured in China, including Audi, Mercedes Benz, BMW, Toyota, Buick, Chevrolet, Mazda, Volvo, Ford, Citroen, Jinbei, VW Passat, Golf, Jetta, etc. Our research center is dedicated to the research and development of modified plastics, and benefits from its cooperation with well-known scientists from prestigious universities in China. We operate three manufacturing plants in Harbin, Heilongjiang in the PRC. As of December 31, 2016, in domestic market, we had approximately 390,000 metric tons of production capacity across 84 automatic production lines utilizing German twin-screw extruding systems, automatic weighing systems and Taiwanese conveyer systems. In December 2013, we broke ground on the construction of our fourth production plant in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total domestic installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production plant. Sichuan Xinda has supplied to its customers since 2013, mainly backed by production capacity in our Harbin production plant. We installed 50 production lines with production capacity of 60,000 metric tons in the second half of 2016 in our Sichuan plant as of December 31, 2016. There is still construction ongoing on the site of our Sichuan plant to be expected to be completed by the end of the second quarter of 2017. In order to meet the increasing demand from our customer in the ROK and to develop potential overseas markets, Dubai Xinda obtained one leased property and two purchased properties, approximately 52,530 square meters in total, including one leased 10,000 square meters, and two purchased 20,206 and 22,324 square meters on January 25, 2015, June 28, 2016 and September 21, 2016, respectively, from Jebel Ali Free Zone Authority ("JAFZA") in Dubai, UAE, with constructed building comprising warehouses, offices and service blocks. In addition to the earlier 10 trial production lines in Dubai Xinda, the Company is planning to complete installing 45 production lines with 12,000 metric tons of annual production capacity by end of July, 2017, and an additional 50 production lines with 13,000 metric tons of annual production capacity by end of January, 2018, bringing total installed production capacity in Dubai Xinda to 25,000 metric tons, targeting high-end products for the overseas market.

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 (1) the reported amounts of our assets and liabilities; (2) the disclosure of our contingent assets and liabilities at the end of each reporting period; and (3) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these judgments, estimates and assumptions based on our own historical experience, knowledge and assessment of current business and other conditions and our expectations regarding the future based on available information which together form our basis for making judgments about matters that are not readily apparent from other sources. 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 consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies, and 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 consolidated financial statements.

Long-Lived Assets

Our long-lived assets include property, plant and equipment and land use rights.

We depreciate and amortize our property, plant and equipment and land use rights, using the straight-line method of accounting over the estimated useful lives of the assets. We make estimates of the useful lives of property, plant and equipment, including the salvage values, and land use rights in order to determine the amount of depreciation and amortization expense to be recorded during each reporting period. The estimated useful life is the period over which the long-lived assets are expected to contribute directly or indirectly to the future cash flows of the Company.

We evaluate long-lived assets, including property, plant and equipment, and land use rights for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We assess recoverability by comparing carrying amount of a long-lived asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, we recognize an impairment charge based on the amount by which the carrying amount exceeds the estimated fair value of the asset or asset group. We estimate the fair value of the asset or asset group through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. Assets to be disposed are reported at the lower of carrying amount or fair value less costs to sell, and are no longer depreciated.

No impairment on our long-lived assets was recognized in 2016, 2015 and 2014.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In establishing the required allowance, we consider historical losses adjusted to take into account current market conditions, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. We do not have any off-balance-sheet credit exposure related to our customers.

We extend unsecured credit to customers with good credit history. We review our accounts receivable on a regular basis to determine if the bad debt allowance is adequate at each year-end. We have not experienced any material

write-offs in history.

Valuation of Inventories

Our inventories are stated at the lower of cost or net realizable value (NRV). We routinely evaluate quantities and value of our inventories in light of current market conditions and market trends, and record a write-down against the cost of inventories for net realizable value below cost. Expected demand and anticipated sales price are the key factors affecting our inventory valuation analysis. For purposes of our inventory valuation analysis, we develop expected demand and anticipated sales prices primarily based on sales orders as well as industry trends and individual customer analysis. We also consider sales and sales orders after each reporting period-end but before the issuance of our financial statements to assess the accuracy of our inventory valuation estimates. Historically, actual demand and sales price have generally been consistent with or greater than expected demand and anticipated sales price used for purposes of the our inventory valuation analysis. The evaluation also takes into consideration new product development schedules, the effect that new products might have on the sale of existing products, product obsolescence, customer concentrations, product merchantability and other factors. Market conditions are subject to change and actual consumption of inventories could differ from forecasted demand. Our products have a long life cycle and obsolescence has not historically been a significant factor in the valuation of inventories. We have not experienced any material inventory write-downs before.

Income Tax Uncertainties and Realization of Deferred Income Tax Assets

Our income tax provision, deferred income tax assets and deferred income tax liabilities are recognized and measured primarily based on actual and expected future income, PRC statutory income tax rates, PRC tax regulations and tax planning strategies. Significant judgment is required in interpreting tax regulations in the PRC, evaluating uncertain tax positions, and assessing the realizability of deferred income tax assets. Actual results could differ materially from those judgments, and changes in judgments could materially affect our consolidated financial statements. As of December 31, 2016 and 2015, we had total gross deferred income tax assets of US$3,951,012 and US$1,941,124, respectively. We record a valuation allowance to reduce our deferred income tax assets if, based on the weight of available evidence, we believe expected future taxable income is not likely to support the use of a deduction or credit in that jurisdiction. We evaluate the level of our valuation allowances quarterly, and more frequently if actual operating results differ significantly from forecasted results. As of December 31, 2016 and 2015, our valuation allowance against deferred income tax assets was US$3,951,012 and US$1,941,124 respectively.

We recognize the impact of a tax position if we determine the position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based solely on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, it is presumed that the position will be examined by the appropriate tax authority that has full knowledge of all relevant information. In addition, a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than fifty percent (50%) likely of being realized upon settlement. The tax positions are regularly re-evaluated based on the results of the examination of income tax filings, statute of limitations expirations and changes in tax law that would either increase or decrease the technical merits of a position relative to the more-likely-than-not recognition threshold. In the normal course of business, we are regularly audited by the PRC tax authorities. The settlement of any particular issue with the applicable tax authority could have a material impact on our consolidated financial statements.

Stock Based Compensation

We measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award and recognize the cost over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. We have elected to recognize the compensation cost for

an award with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. However, the cumulative amount of compensation cost recognized at any date equals at least the portion of the grant date value of such award that is vested at that date.

We estimated the fair value of our share options using the Black-Scholes Option Pricing model. The model incorporates subjective assumptions. The expected volatility was based on implied volatilities from traded options and historical volatility of the Company's common stock. The risk free interest rate assumption is determined using the Federal Reserve nominal rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the award being valued. There is no expected dividend yield, as the Company has not paid dividend and does not anticipate paying dividend over the term of the grants.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. The original effective date for ASU 2014-09 would have required the Company to adopt beginning in its first quarter of 2017. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. Accordingly, the Company may adopt the standard in either its first quarter of 2017 or 2018. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company plans to complete its evaluation by the third quarter of 2017, including an assessment of the new expanded disclosure requirements and a final determination of the transition method we will use to adopt the new standard.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which modified lease accounting for both lessees and lessors to increase transparency and comparability by recognizing lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and disclosing key information about leasing arrangements. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplified certain aspects of the accounting for share-based payment transactions, including income taxes, classification of awards and classification in the statement of cash flows. This standard will be effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-09 on its consolidated financial statements. Adoption of this new standard is not expected to have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addressed and provided guidance for each of eight specific cash flow issues with the objective of reducing the existing diversity in practice. This standard will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU 2016-15 on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This standard required that companies recognize the income tax consequences of an intra-entity transfer of an asset (other than inventory) when the transfer occurs. Current guidance prohibits companies from recognizing current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard will be effective for public companies for annual periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

The following table sets forth statements of comprehensive income data for the years ended December 31, 2016, 2015 and 2014 in millions of US$:

For the Years Ended December 31,

(millions of US$, except the percentage)

	2016		Change	2015		Change	2014	
	Amount	%	%	Amount	%	%	Amount	%
Revenues	1,201.7	100 %	20.3 %	999.2	100 %	(10.0)%	1,110.6	100.0%
Cost of revenues	(954.7)	(79.4)%	16.7 %	(817.8)	(81.8)%	(7.9)%	(888.2)	(80.0)%
Gross profit	247.0	20.6 %	36.2 %	181.4	18.2 %	(18.4)%	222.4	20.0 %
Total operating expenses	(79.3)	(6.6)%	70.9 %	(46.4)	(4.6)%	(8.5)%	(50.7)	(4.6)%
Operating income	167.7	14.0 %	24.2 %	135.0	13.6 %	(21.4)%	171.7	15.4 %
Income before income taxes	119.0	9.9 %	16.8 %	101.9	10.3 %	(26.7)%	139.0	12.4 %
Income tax expense	(17.4)	(1.4)%	(4.4)%	(18.2)	(1.8)%	(0.5)%	(18.3)	(1.6)%
Net income	101.6	8.5 %	21.4 %	83.7	8.5 %	(30.7)%	120.7	10.8 %

Revenues
Fiscal 2016 Highlights

Revenues increased by 20.3% or US$202.5 million in 2016 as compared to 2015. This was due to approximately 20.5% increase in sales volume and 4.8% increase in the average RMB selling price of our products.

(i) Domestic market

For the year ended December 31, 2016, revenue from domestic market increased by US$163.7 million as a result of an increase of 19.7% in sales volume and an increase of 3.2% in the average RMB selling price of our products, as compared with those of last year.

In order to stimulate the growth of the auto industry, on September 29, 2015, the Chinese government implemented a tax incentive policy of 50% reduction of the sales tax for eligible purchase of vehicles with engines of 1.6 liters and less. This helped the recovery of vehicle sales in China since the fourth quarter of 2015. According to the China Association of Automobile Manufacturers, Automobile production in China increased by 14.5% for the year of 2016 as compared to that of 2015. An improvement in macroeconomic conditions in 2016 has improved business conditions and ease pricing pressures which have resulted in stronger company profit margins

Driven by accelerating growth of 196.7% in South China, 112.4% in Central China, 39.4% in Southwest China and 35.6% in East China, our domestic sales in 2016 increased by 17.6% as compared to the same period of the prior year.

As for the RMB selling price, the increase was mainly due to higher-end product of modified PA6, PA66 and Plastic Alloy in China.

(ii) Overseas market

For the year ended December 31, 2016, revenue from overseas market increased by US$38.6 million, as a result of the significant increase of 65.3% in sales volume, partially offset by 6.7% decrease in the average selling price as compared with those of last year. Sales overseas accounted for 9.2% of the total sales, reflecting our efforts to reduce the domestic concentration in China market.

During the second quarter of 2016, we resumed entry into ROK market by selling to the ROK customer. Sales to the customer were US$110.2 million, accounting for 9.2% of our total sales. The ROK customer has an outstanding balance of US$74.6 million, among which balance of US$23.6 million was overdue as of December 31, 2016. Subsequently the Company has collected $32.1 million from the ROK customer. The overdue payment has been explained to the Company as due to this customer's business expansion and tight funding conditions. As the account receivable balance was overdue, the Company suspended the sales to the ROK customer in 2017. The Company has discussed this situation with the ROK customer and obtained an understanding that they will make the overdue payment by March 31, 2017.

Fiscal 2015 Highlights

Revenues decreased by 10.0% or US$111.4 million in 2015 as compared to 2014. This was due to approximately 2.7% decrease in sales volume and 5.5% decrease in the average RMB selling price of our products.

(i) Domestic market

For the year ended December 31, 2015, revenue from domestic market decreased by US$42.9 million as a result of a decrease of 1.0% in sales volume and a decrease of 1.4% in the average RMB selling price of our products, as compared with those of last year. However more sales were achieved in Southwest China and Central China, because of our marketing efforts to develop new customers.

Vehicle sales in China grew by 4.7% in 2015, a slower growth than that of 2014, and the slowest rate in approximately 25 years, missing the State-backed auto association's revised forecast amid the economy slowdown in the world's largest car market. The Chinese government's anti-monopoly probe against luxury automobile manufacturers and dealers by the state backlashed against automakers contributed to the lower-than-expected growth rate. Further, both automakers and parts manufacturers in China experienced pricing pressure from 2014 to the present. The unusual volatility of the Chinese stock market since June 2015 also seemed to have certain negative impact on consumer sentiments. As a result, plastic fabricators have been seeking newer products utilizing lower cost raw materials and more cost-efficient formulations. The pricing of our products is determined with reference to the relatively lower average selling price in response to customer demand in China.

In order to stimulate the slowdown of the auto industry, on September 29, 2015, the Chinese government implemented a tax incentive policy of 50% reduction of the sales tax for eligible purchase of vehicles with engines of 1.6 liters and less. This helped the recovery of vehicle sales in China for the fourth quarter of 2015.

(ii) Overseas market

For the year ended December 31, 2015, revenue from overseas market decreased by US$68.5 million, as a result of a decrease of 49.7% in sales volume mostly due to the ceasing supply during the second half of 2015 to the ROK customer, partially offset by 1.3% increase in the average USD selling price as compared with those of last year. The products sold in overseas market are mainly higher-end products such as PA66 and Plastic Alloys with much higher selling price for engine bonnet, oil pump, fuse hose and other higher-end auto engine related applications, high-end appliance components, and circuit boards etc. The Company expects continuing growth opportunities in oversea markets, including the ROK and Europe.

Fiscal 2014 Highlights

Revenues increased by 5.7% or US$59.8 million in 2014 as compared to 2013. This was due to approximately 0.6% increase in sales volume and 5.3 % increase in the average RMB selling price of our products.

In 2014, the Company developed its presence in the ROK by selling to a ROK customer primarily higher-end PA66 and plastic alloy products for an aggregate amount of US$140.1 million, which accounted for 12.6% of the total revenues for the year ended December 31, 2014.

The year-over-year increase of sales volume was primarily driven by the new business from the oversea market in the ROK.

Vehicle sales in China grew by 6.9% in 2014, missing the State-backed auto association's revised forecast amid the economy slowdown in the world's largest car market. The Chinese government's anti-monopoly probe against luxury automobile manufacturers by the state and dealers backlashed against automakers. Both contributed to the lower-than-expected growth rate. Further, both automakers and parts manufacturers in China experienced pricing pressure in 2014. As a result, plastic fabricators have been seeking newer products utilizing lower cost raw materials and more cost-efficient formulations. The pricing of the majority of our existing products remained stable while our newly launched products have relatively lower average selling price in response to customer demand in China. The Company has started marketing its higher-end products to customers overseas since early 2014 to better allocate its limited production capacity, diversify its business and reduce its concentration in the Chinese market. Although revenues from China declined in 2014 as compared to 2013, the increase of revenues from oversea market in the ROK more than offset such decline.

The following table summarizes the breakdown of revenues by categories in millions of US$:

(millions of US$, except the percentage)	Revenues For the Years Ended December 31,									
	2016		Change		2015		Change		2014	
	Amount	%	%		Amount	%	%		Amount	%
Modified Polyamide 66 (PA66)	260.1	21.7 %	18.7 %		219.1	21.9 %	13.9 %		192.4	17.4 %
Modified Polyamide 6 (PA6)	280.1	23.3 %	37.6 %		203.5	20.4 %	(8.8)%		223.1	20.1 %
Plastic Alloy	401.7	33.4 %	14.6 %		350.6	35.1 %	(12.4)%		400.3	36.0 %
Modified Polypropylene (PP)	178.7	14.9 %	8.4 %		164.8	16.5 %	(29.1)%		232.4	21.0 %
Modified Acrylonitrile butadiene styrene (ABS)	42.1	3.5 %	4.0 %		40.5	4.1 %	10.1 %		36.8	3.3 %
Polyoxymethylenes (POM)	13.4	1.1 %	282.9 %		3.5	0.3 %	(2.8)%		3.6	0.3 %
Polyphenylene Oxide (PPO)	15.3	1.3 %	17.7 %		13.0	1.3 %	(12.2)%		14.8	1.3 %
Modified Polylactic Acid (PLA)	2.6	0.2 %	n/a		0.0	0.0 %	n/a		0.0	0.0 %

Raw Materials	2.4	0.2 %	(29.4)%	3.4	0.3 %	(52.8)%	7.2	0.6 %		
Others	5.3	0.4 %	562.5 %	0.8	0.1 %	n/a	-	-		
Total Revenues	1,201.7	100.0%	20.3 %	999.2	100.0%	(10.0)%	1,110.6	100.0%		

The following table summarizes the breakdown of metric tons (MT) by product mix:

	Sales Volume For the Years Ended December 31,											
	2016			Change		2015			Change		2014	
	MT	%		%		MT	%		%		MT	%
Modified Polyamide 66 (PA66)	64,831	16.2	%	22.1	%	53,114	16.0	%	43.6	%	36,984	10.8 %
Modified Polyamide 6 (PA6)	83,159	20.8	%	42.2	%	58,465	17.6	%	18.2	%	49,447	14.5 %
Plastic Alloy	123,041	30.7	%	10.5	%	111,314	33.5	%	(2.5	)%	114,216	33.4 %
Modified Polypropylene (PP)	102,745	25.7	%	16.1	%	88,508	26.6	%	(26.5	)%	120,385	35.3 %
Modified Acrylonitrile butadiene styrene (ABS)	17,215	4.3	%	7.5	%	16,007	4.8	%	15.3	%	13,884	4.1 %
Polyoxymethylenes (POM)	4,375	1.1	%	317.1	%	1,049	0.3	%	0.9	%	1,040	0.3 %
Polyphenylene Oxide (PPO)	2,355	0.6	%	28.4	%	1,834	0.6	%	(8.8	)%	2,010	0.6 %
Modified Polylactic Acid (PLA)	411	0.1	%	41000.0	%	1	0.0	%	n/a		1	0.0 %
Raw materials	2,184	0.5	%	17.9	%	1,852	0.6	%	(47.9	)%	3,553	1.0 %
Total Sales Volume	400,316	100.0	%	20.5	%	332,144	100.0	%	(2.7	)%	341,520	100.0 %

The Company continued to shift production mix from traditional Modified Polypropylene (PP) to higher-end products such as PA66, PA6 and Plastic Alloy, primarily due to (i) greater growth potential of advanced modified plastics in luxury automobile models in China, (ii) the stronger demand as a result of promotion by the Chinese government for clean energy vehicles and (iii) better quality from and consumer recognition of higher-end cars made by automotive manufacturers from Chinese and Germany joint ventures, and U.S. and Japanese joint ventures, which manufacturers tend to use more and higher-end modified plastics in quantity per vehicle in China. In addition, the Company sold primarily higher-end Plastic Alloy to the customer in the Republic of Korea.

Gross Profit and Gross Margin

(in millions, except percentage)	For the Years Ended December 31,									
	2016		Change		2015		Change		2014	
Gross Profit	$247.0		36.2	%	$181.4		(18.4	)%	$222.4	
Gross Margin	20.6	%	2.4	%	18.2	%	(1.8)	%	20.0	%

Fiscal 2016 Highlights

Gross profit was US$247.0 million in the year ended December 31, 2016, compared to US$181.4 million in the same period of 2015, representing an increase of 36.2%. Our gross margin increased to 20.6% during the year of 2016 from 18.2% during the same period of 2015, primarily due to higher contribution of higher-margin product sales in overseas market for the year ended December 31, 2016 as compared to that of the prior year.

Fiscal 2015 Highlights

Gross profit was US$181.4 million in the year ended December 31, 2015 compared to US$222.4 million in the same period of 2014, representing a decrease of 18.4%. Our gross margin decreased to 18.2% during the year of 2015 from 20.0% during the same period of 2014 primarily due to pricing pressure resulting from the slowdown of the auto industry in China and lower margin contribution from the overseas sales. The average RMB selling price of our products reduced by 5.5% for the year ended December 31, 2015 as compared to that of the prior year.

Fiscal 2014 Highlights

The year-over-year decrease in the gross margin percentage in 2014 compared to 2013 was driven by multiple factors including the following:

(i) new and lower-margin modified PA6 and PA66 products that we developed in 2014 in response to customer demand;

(ii) higher cost structures due to utilization of higher-end raw materials on certain products and flat production capacity to focus on product quality, partially offset by the favorable shift in sales mix to higher-end products with higher margins and sales to the Korean market;

(iii) lower sales discount off the original prices to lower-end products such as Modified Polypropylene (PP) and Modified Acrylonitrile Butadiene Styrene (ABS);

(iv) higher-end product sales (mainly PA6, PA66, POM, PPO and Plastic Alloy) accounting for 75.1% of our total revenues in 2014 as compared to 69.1% of that of the prior year;

(v) the average 1.0% of sales discount off the original prices to lower-end products Modified Polypropylene (PP) and Modified Acrylonitrile Butadiene Styrene (ABS) in 2014 as compared to an average 5.8% discount off the original prices in 2013.

General and Administrative Expenses

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
General and Administrative Expenses	$30.0	26.1 %	$23.8	15.5 %	$20.6
as a percentage of revenues	2.5 %	0.1 %	2.4 %	0.5 %	1.9 %

Fiscal 2016 Highlights

General and administrative (G&A) expenses were US$30.0 million in 2016, compared to US$23.8 million in 2015, representing an increase of 26.1%, or US$6.2 million. This increase is primarily due to the increase of (i) US$5.8 million in salary, bonus and welfare which was due to the increase in the number of management and general staff from supporting departments and in the salary and bonus; (ii) US$0.8 million in travelling and transportation expense; (iii) US$0.4 million in professional fee; (iv) US$ 0.4 million in rental fee; and partially offset by (v) the decrease of US$1.5 million in non-income taxation expenses.

On a percentage basis, G&A expenses in 2016 were 2.5%, compared to 2.4% of the same period of 2015.

Fiscal 2015 Highlights

General and administrative (G&A) expenses were US$23.8 million in 2015 compared to US$20.6 million in 2014, representing an increase of 15.5%, or US$3.2 million. This increase is primarily due to the increase of (i) US$1.1 million of corporate events related expenses; (ii) US$0.7 million of travel expenses in connection with our business expansion; (iii) US$0.4 million of fixed assets depreciation; (iv) US$0.7 other miscellaneous expenses, and (v) US$0.3 million of payroll and welfare expense.

On a percentage basis, G&A expenses in 2015 were 2.4% of revenues, compared to 1.9% of the same period of 2014.

Fiscal 2014 Highlights

General and administrative (G&A) expenses were US$20.6 million in 2014 compared to US$16.3 million in 2013, representing an increase of 26.4%, or US$4.3 million. This increase is primarily due to the increase of (i) US$3.1 million in payroll resulting of headcount and salary increase; (ii) US$0.4 million in rental fee due to the business expansion; (iii) US$0.4 million of professional fees; and (iv) US$0.2 million in fixed assets depreciation.

On a percentage basis, G&A expenses in 2014 were 1.9% of revenues, compared to 1.6% of the same period of 2013.

Research and Development Expenses

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
Research and Development Expenses	$48.0	127.5 %	$21.1	(28.2) %	$29.4
as a percentage of revenues	4.0 %	1.9 %	2.1 %	(0.5) %	2.6 %

Fiscal 2016 Highlights

Research and development expenses were US$48.0 million in 2016 compared with US$21.1 million in 2015, an increase of US$26.9 million, or 127.5%. This increase was primarily due to i) elevated Research and development activities to meet the higher quality requirements of potential customers from Europe which resulted in an increase amount of US$15.3 million; ii) increased efforts directed towards applications in new electrical equipment and electronics, alternative energy applications, power devices, aviation equipment and ocean engineering, in addition to other new products primarily for advanced industrialized applications in the automobile sector and in new verticals such as ships, airplanes, high-speed rail, 3D printing materials, biodegradable plastics, and medical devices which

resulted in an increase amount of US$10.0 million; and iii) an increase in depreciation expenses after additional R&D equipment was put into use at Sichuan Xinda which resulted in an increase of $0.09 million

As of December 31, 2016, the number of ongoing research and development projects was 212. We expect to complete and commence to realize economic benefits on approximately 25% of the projects in the near term. The remaining projects are expected to be carried out for a longer period. The majority of the projects are in the field of modified plastics in automotive applications and the rest are in advanced fields such as ships, airplanes, high-speed rail, medical devices, etc.

Fiscal 2015 Highlights

Research and development expenses were US$21.1 million in 2015 compared with US$29.4 million in 2014, a decrease of US$8.3 million, or 28.2%, reflecting the Company's efforts to adjust research and development activities, terminate certain strategically unfit R&D projects earlier and shift to new products primarily for industrialized applications from automotive to other advanced fields such as ships, airplanes, high-speed rail, 3D printing materials, biodegradable plastics, and medical devices.

As of December 31, 2015, the number of ongoing research and development projects was 144. We expect to complete and commence to realize economic benefits on approximately 25% of the projects in the near term. The remaining projects are expected to be carried out for a longer period. The majority of the projects are in the field of modified plastics in automotive applications and the rest are in advanced fields such as ships, airplanes, high-speed rail, medical devices, etc. In 2015, the Company successfully launched 40 new automobile manufacturers certified products ("AMCP"), which increased its total number of AMCP to 361.

Fiscal 2014 Highlights

Research and development ("R&D") expenses were US$29.4 million in 2014 compared with US$21.3 million in 2013, an increase of US$8.1 million, or 38.0% in 2014, reflecting increased research and development activities on new products primarily in consumption of raw materials for various experiments for automotive applications from automobile manufacturers as well as other non-automotive applications.

As of December 31, 2014, the number of ongoing research and development projects is 96. The majority of the projects are in the field of modified plastics in automotive applications and the rest are in advanced fields such as ships, airplanes, high-speed rail, medical devices, etc. In 2014, the Company successfully launched 38 new automobile manufacturers certified products ("AMCP"), which increased its total number of AMCP to 321.

Operating Income

Total operating income was US$167.7 million in 2016 compared to US$135.0 million in 2015 and US$171.7 million in 2014, representing an increase of 24.2% or US$32.7 million in 2016, and a decrease of 21.4% or US$36.7 million in 2015. This increase in 2016 was due to the higher gross margin, partially offset by the higher general and administration expenses and higher research and development expenses. While the decrease in 2015 was due to the lower gross profit, higher general and administration expenses and higher selling expenses, partially offset by the lower research and development expenses.

Interest Income (Expenses)

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
Interest Income	$5.8	(29.3)%	$8.2	(25.5)%	$11.0
Interest Expenses	(41.4)	(3.0)%	(42.7)	2.9 %	(41.5)
Net Interest Expenses	$ (35.6)	(3.2)%	$ (34.5)	13.1 %	$(30.5)
as a percentage of revenues	2.9 %	(0.6)%	3.5 %	0.8 %	2.7 %

Fiscal 2016 Highlights

Net interest expense was US$35.6 million in 2016, compared to net interest expense of US$34.5 million in 2015, primarily due to (i) a decrease of interest income resulting from the average interest rate decreased to 1.4% for the twelve months ended December 31, 2016 compared to 2.6 % of the same period in 2015; (ii) the increase of average short-term and long-term loan balance in amount of US$576.0 million for the twelve months ended December 31, 2016 compared to US$395.6 million for the same period in 2015, partially offset by (iii) the increase of average deposit balance in amount of US$420.3 million for the twelve months ended December 31, 2016 compared to US$308.1 million for the same period in prior year; (iv) a decrease of interest expense which was due to the average interest rate decreased to 4.7% for the twelve months ended December 31, 2016 compared to 5.5% of the same period in 2015.

Fiscal 2015 Highlights

Net interest expense was US$34.5 million in 2015, compared to net interest expense of US$30.5 million in 2014, primarily due to (i) an increase of US$1.8 million interest expenses resulting from the issuance of senior notes in 2014. On February 4, 2014, Favor Sea (BVI), a wholly owned subsidiary of the Company, issued US$150,000,000 aggregate principal amount of 11.75% Guaranteed Senior Notes due 2019 with issuance price of 99.080% (the "senior

notes"). The senior notes bear interest at a rate of 11.75% per annum and the holding days with the senior notes in 2015 was 365 days compared to 331 days in 2014 led the interest expense increase; (ii) an decrease of US$2.8 million interest income due to the decrease of average deposit balance in the amount of US$308.1 million bearing a weighted average interest rate of 2.6% in 2015 compared to US$399.2 million bearing a weighted average interest rate of 2.7% in 2014, leading to the decrease of interest income.

Fiscal 2014 Highlights

Net interest expense was US$30.5 million in 2014, compared to net interest expense of US$8.5 million in 2013, primarily due to (i) an increase of US$16.9 million interest expenses resulting from the Notes issued on February 4, 2014; (ii) an increase of US$9.3 million interest expenses resulting from the increase of bank loans to meet the need of our future capacity expansion in Southwest China and Dubai. The average balance of short-term and long-term bank loans in 2014 was US$373.7 million as compared to US$238.4 million during that of the prior year, leading to US$9.3 million more interest expense, partially offset by (iii) an increase of US$ 4.2 million interest income. The average deposit balance in, 2014 was US$399.2 million as compared to US$226.4 million during that of the prior year, leading to the increase of interest income.

Foreign Currency Exchange Gains (Losses)

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
Foreign currency exchange gains (losses)	$2.0	190.9 %	$(2.2)	15.8 %	$(1.9)
as a percentage of revenues	0.2%	0.0 %	0.2 %	0.0 %	0.2 %

Foreign currency exchange gains were US$2.0 million in 2016, compared to foreign currency exchange losses of US$2.2 million in 2015, and foreign currency exchange losses of US$1.9 million in 2013 mostly due to the appreciation of US Dollar against RMB during 2016 as China loosened the range RMB was allowed to fluctuate.

Loss on Debt Extinguishment

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
Loss on Debt Extinguishment	$19.0	n/a	$-	-	-
as a percentage of revenues	1. 6%	1.6 %	0.0%	0.0 %	0.0%

On August 29, 2016 (the "Redemption Date"), the Company fully redeemed all of its 11.75% guaranteed senior notes due on February 4, 2019 (the "Notes") plus accrued and unpaid interest to the redemption date. The aggregate amount paid to redeem the Notes was US$166.6 million, plus accrued and unpaid interest to the redemption date, which resulted in a charge of U$19.0 million as loss on debt extinguishment for the twelve-month period ended 2016.

Income Taxes

(in millions, except percentage)	For the Years Ended December 31,				
	2016	Change	2015	Change	2014
Income before Income Taxes	$ 119.0	16.8 %	$101.9	(26.7)%	$139.0
Income Tax Expense	(17.4)	(4.4) %	(18.2)	(0.5)%	(18.3)
Effective income tax rate	14.6 %	(3.3) %	17.9 %	4.8 %	13.1 %

The effective income tax rate in 2016, 2015 and 2014 was 14.6%, 17.9% and 13.1%, respectively. The effective income tax rate decreased from 17.9% in 2015 to 14.6% in 2016, primarily due to the more portion of the consolidated profit was generated by Dubai Xinda which was exempted from income taxes.

The effective income tax rate increased from 13.1% in 2014 to 17.9% in 2015, primarily due to less profit generated by Dubai Xinda in 2015 compared with that of 2014, which was exempted from income taxes.

The effective income tax rate in 2016 differs from the PRC statutory income tax rate of 25% primarily due to the effect of the preferential tax rate of Dubai Xinda not subject to PRC income tax, the preferential tax rate of Sichuan Xinda additional deduction of R&D expense and partially offset by (i) the loss generated by the debt extinguishment of FS BVI not subject to PRC income tax, (ii) the increase of valuation allowances against deferred income tax assets of certain subsidiaries, which were at cumulative loss position, and (iii) the effect of non-deductible expenses.

The effective income tax rate in 2015 differs from the PRC statutory income tax rate of 25% primarily due to (i) Sichuan Xinda's preferential income tax rate, exemption of income tax for the income earned by Dubai Xinda and R&D additional deduction of HLJ Xinda Group and Sichuan Xinda, partially offsetting by (i) non-deductible stock-based compensation expenses; (ii) increase of valuation allowances against deferred income tax assets of certain subsidiaries, which were at cumulative loss position.

The effective income tax rate in 2014 differs from the PRC statutory income tax rate of 25% primarily due to (i) Sichuan Xinda's preferential income tax rate and exemption of income tax for the income earned by Dubai Xinda, partially offsetting by (i) increase of valuation allowances against deferred income tax assets of certain subsidiaries, which were at cumulative loss position and (ii) effect of non-deductible expenses.

Our PRC and Dubai subsidiaries have US$454.7 million of cash and cash equivalents, restricted cash and time deposits as of December 31, 2016, which are planned to be indefinitely reinvested in the PRC and Dubai. The distributions from our PRC and Dubai subsidiaries are subject to the U.S. federal income tax at 34%, less any applicable foreign tax credits. Due to our policy of indefinitely reinvesting our earnings in our PRC business, we have not provided for deferred income tax liabilities related to PRC withholding income tax on undistributed earnings of our PRC subsidiaries. In addition, due to our policy of indefinitely reinvesting our earnings in Dubai, UAE, we have not provided for deferred income tax liabilities related to Dubai Xinda in Dubai, UAE, on undistributed earnings.

Net Income

As a result of the above factors, we had a net income of US$101.6 in 2016, as compared to US$83.7 million in 2015, and US$120.7 million in 2014.

Selected Balance Sheet Data as of December 31, 2016 and 2015:

	2016	2015	Change		
(in millions, except percentage)			Amount	%	
Cash and cash equivalents	168.1	119.9	48.2	40.2	%
Restricted cash	103.5	50.9	52.6	103.3	%
Time deposits	184.8	237.6	(52.8)	(22.2)	%
Accounts receivable, net of allowance for doubtful accounts	410.0	234.5	175.5	74.8	%
Inventories	280.9	294.7	(13.8)	(4.7)	%
Prepaid expenses and other current assets	125.3	15.7	109.6	698.1	%
Property, plant and equipment, net	806.4	571.7	234.7	41.1	%
Land use rights, net	22.5	24.5	(2.0)	(8.2)	%
Prepayments to equipment and construction suppliers	14.2	183.2	(169.0)	(92.2)	%
Other non-current assets	10.5	19.0	(8.5)	(44.7)	%
Total assets	2,126.5	1,752.0	374.5	21.4	%
Short-term bank loans, including current portion of long-term bank loans	444.8	284.3	160.5	56.5	%
Bills payable	148.4	33.5	114.9	343.0	%
Accounts payable	320.0	257.4	62.6	24.3	%
Income taxes payable, including noncurrent portion	22.0	28.0	(6.0)	(21.4)	%
Accrued expenses and other current liabilities	119. 3	141.0	(21.7)	(15.4)	%
Long-term bank loans, excluding current portion	249.5	107.5	142.0	132.1	%
Notes payable	-	145.6	(145.6)	(100.0)	%
Deferred income	69.3	62.0	7.3	11.8	%
Redeemable Series D convertible preferred stock	97.6	97.6	-	-	
Stockholders' equity	634.3	578.0	56.3	9.7	%

Our financial condition continued to improve as measured by an increase of 9.7% in stockholders' equity as of December 31, 2016 as compared to that of December 31, 2015. Cash and cash equivalents, restricted cash and time deposits increased by 11.8% or US$48.0 million due to the operating cash inflows. Inventory decreased by 4.7% due to the Company's efforts to increase sales. Property, plant and equipment, net increased by 41.1% mainly due to the delivery of the equipment of Dubai Xinda at the beginning of 2016. Prepayment to equipment suppliers decreased by 92.2% mainly because the equipment was delivered to Dubai, UAE. The aggregate short-term and long-term bank loans increased by 77.2% due to the utilization of existing lines of credit and our taking out a $180 million syndicated loan to redeem our 11.75% guaranteed senior notes due February 4, 2019. We believe our current debt level is manageable. We define the manageable debt level as the sum of aggregate short-term and long-term loans, and notes payable over total assets.

On August 29, 2016 (the "Redemption Date"), the Company fully redeemed all of its Notes, plus accrued and unpaid interest to the redemption date. The aggregate amount paid to redeem the Notes was US$166.6 million, plus accrued and unpaid interest to the redemption date, which resulted in a one-time, non-operating charge of U$19.0 million as loss on debt extinguishment in the third quarter of 2016.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary uses of cash have been to finance working capital needs and capital expenditures for new production lines. We have financed these requirements primarily from cash generated from operations, bank borrowings and the issuance of our convertible preferred stocks and debt financings. As of December 31, 2016 and 2015, we had US$168.1 million and US$119.9 million, respectively, in cash and cash equivalents, which were primarily deposited with banks in China (including Hong Kong and Macau SAR), UAE and U.S. As of December 31, 2016, we had US$444.8 million outstanding short-term bank loans (including the current portion of long-term bank loans), including US$273.1 million unsecured loan and US$50.5 million loans secured by accounts receivable, US$32.5 million loans secured by restricted cash, and US$88.7 long-term bank loans that due in one year. We also had US$249.5 million long-term bank loans (excluding the current portion), including US$44.2 million loans secured by deposits, US$53.3 million unsecured loan and US$152.0 million syndicate loan facility. Short-term and long-term bank loans in total bear a weighted average interest rate of 3.8% per annum and do not contain any renewal terms. We have historically been able to make repayments when due.

A summary of lines of credit and the remaining line of credit as of December 31, 2016 is as below:

(in millions)	December 31, 2016			
	Lines of Credit, Obtained			Remaining Available
Name of Financial Institution	Date of Approval	RMB	USD	USD
Bank of Longjiang, Heilongjiang				