

China XD Plastics Co Ltd
Form DEF 14A
November 20, 2017

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:
Preliminary Proxy Statement
Confidential, For Use of the
Commission Only (as
permitted by Rule
14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional
Materials
Soliciting Material Pursuant
to Rule 14a-11 (c) or Rule
14a-12

CHINA XD PLASTICS COMPANY LIMITED
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

£ Fee previously paid with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CHINA XD PLASTICS COMPANY LIMITED

Floor 19 Tower B, Wangxin Building No.28 Xiaoyun Road, Chaoyang District, Beijing, China

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held on December 3, 2017

TO THE STOCKHOLDERS OF CHINA XD PLASTICS COMPANY LIMITED:

The Annual Meeting of the Stockholders of China XD Plastics Company Limited, a Nevada corporation (the "Company," "China XD," "we," "us" or "our") will be held on December 3, 2017, at 9:00 am Beijing time, which is equivalent to December 2, 2017 at 8:00 pm U.S. Eastern Standard Time (the "Annual Meeting"), on the 19th Floor, Tower B of Wang Xin Building, No. 28, Xiaoyun Road, Chaoyang District, Beijing, China. The Annual Meeting is called for the following purposes:

1. To elect a total of eight (8) directors to the Board of Directors of the Company, including two (2) directors elected solely by the holders of the Company's Series D Preferred Stock (the "Series D Directors"), to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To approve, on an advisory basis, the 2016 compensation of the named executive officers (the "say-on-pay vote");
3. To approve, on an advisory basis, the frequency of holding an advisory vote to approve the compensation for the named executive officers (the "say-on-frequency vote");
4. To ratify the appointment of KPMG Huazhen LLP as the Company's independent auditors for the fiscal year ending December 31, 2017; and
5. To transact any other business as may properly be presented at the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on November 17, 2017 as the record date for the meeting. Only stockholders of record of our common stock on November 17, 2017 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement. Further information regarding voting rights and the matters to be voted upon is presented in our proxy statement.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement of matters to be considered at the Annual Meeting.

Whether or not you expect to attend the Annual Meeting, please execute the accompanying proxy, and return it promptly in the enclosed return envelope. If you grant a proxy, you may revoke it at any time prior to the Annual Meeting. Whether you grant a proxy, you may vote in person, if you attend the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON DECEMBER 3, 2017

We have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement is available at www.chinaxd.net.

By Order of the Board of Directors,

/s/ Jie Han

Jie Han
Chairman of the Board of Directors and Chief
Executive Officer

Dated: November 20, 2017

CHINA XD PLASTICS COMPANY LIMITED

Floor 19 Tower B, Wangxin Building No.28 Xiaoyun Road, Chaoyang District, Beijing, China

PROXY STATEMENT

for

Annual Meeting of Stockholders

to be held on December 3, 2017

INTRODUCTION

Your proxy is solicited by the Board of Directors of China XD Plastics Company Limited, a Nevada corporation (the "Company," "China XD," "we," "us" or "our"), for use at the Annual Meeting of Stockholders to be held on December 3, 2017, at 9:00 am Beijing time, which is equivalent to December 2, 2017 at 8:00 pm U.S. Eastern Standard Time (the "Annual Meeting"), on the 19th Floor, Tower B of Wang Xin Building, No. 28, Xiaoyun Road, Chaoyang District, Beijing, China. The Annual Meeting is called for the following purposes:

1. To elect a total of eight (8) directors to the Board of Directors of the Company, including two (2) directors elected solely by the holders of the Company's Series D Preferred Stock (the "Series D Directors"), to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To approve, on an advisory basis, the 2016 compensation of the named executive officers (the "say-on-pay vote");
3. To approve, on an advisory basis, the frequency of holding an advisory vote to approve the compensation for the named executive officers (the "say-on-frequency vote");
4. To ratify the appointment of KPMG Huazhen LLP as the Company's independent auditors for the fiscal year ending December 31, 2017; and
5. To transact any other business as may properly be presented at the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors set November 17, 2017, as the record date (the "Record Date") to determine those holders of common stock, par value US\$0.0001 per share, of the Company (the "Common Stock"), series B preferred stock, par value US\$0.0001 per share, of the Company (the "Series B Preferred Stock"), and series D preferred stock, par value US\$0.0001 per share, of the Company (the "Series D Preferred Stock" and together with the Series B Preferred Stock, the "Preferred Stock"), who are entitled to notice of, and to vote at, the Annual Meeting. A list of the stockholders entitled to vote at the meeting may be examined at the Company's office during the 10-day period preceding the Annual Meeting.

This proxy statement and the proxy card are being mailed on or about November 22, 2017 to our stockholders of record as of the close of business on the Record Date.

GENERAL INFORMATION ABOUT VOTING

Who can vote?

Holders of our Common Stock, Series B Preferred Stock or Series D Preferred Stock, as of close of business on November 17, 2017, the Record Date, may vote at the Annual Meeting. As of the close of business on the Record Date, a total of 49,727,731 shares of Common Stock, 1,000,000 shares of Series B Preferred Stock and 16,000,000 shares of Series D Preferred Stock are entitled to vote at the Annual Meeting. The shares of Common Stock and Preferred Stock (collectively, the "Capital Stock") will vote together as a single class on all matters presented at the Annual Meeting except for the election of the Series D Directors, which the holders of the Series D Preferred Stock will vote on together as a separate class. Each share of Common Stock and Series D Preferred Stock is entitled to one vote. The holder of the Series B Preferred Stock is entitled to an aggregate of 43,818,487 votes, representing 40% of the combined voting power of all of the Company's issued and outstanding Capital Stock.

If I am a stockholder of record, how do I cast my vote?

If you are a stockholder of record, you may vote in person at the Annual Meeting. We will provide you a ballot on your arrival.

If you do not wish to vote in person or you will not be attending the Annual Meeting, you may vote by proxy using the enclosed proxy card. To vote by proxy using the enclosed proxy card, complete, sign and date your proxy card and promptly return it in the envelope provided.

If you vote by proxy, your vote must be received by 11:59 p.m. Beijing time on December 2, 2017, or 10:59 a.m. US Eastern Standard Time on December 2, 2017.

How do I vote by proxy?

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the Annual Meeting. Sign and date the proxy card and mail it back to us in the enclosed envelope.

The enclosed proxy, when properly signed and returned to the Company, will be voted by the proxy holders at the Annual Meeting as directed by the proxy. Proxies which are signed by stockholders but which lack any such direction will be voted in favor of the proposals set forth in the Notice of Annual Meeting.

What if other matters come up at the Annual Meeting?

The matters described in this proxy statement are the only matters we know of that will be voted on at the Annual Meeting. If other matters are properly presented at the meeting, the proxy holders will vote your shares as they see fit.

Can I change my vote after I return my proxy card?

Yes. You may revoke your proxy card at any time before its exercise at the Annual Meeting by providing our Secretary a written notice revoking your proxy card or a duly executed proxy bearing a later date, or by attendance at the Annual Meeting and electing to vote in person.

Can I vote in person at the Annual Meeting rather than by completing the proxy card?

Although we encourage you to complete and return the proxy card to ensure that your vote is counted, you can attend the Annual Meeting and vote your shares in person.

How are votes counted?

The Annual Meeting will be held if holders representing a majority of the shares of Capital Stock issued and outstanding, who are entitled to vote in person or by proxy, either sign and return to us their proxy cards or attend the meeting. If you sign and return to us your proxy card, your shares will be counted to determine whether a quorum exists, even if you abstain or fail to vote on any of the proposals listed on the proxy card.

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The election of the directors under Proposal 1 who are not the Series D Directors requires a plurality of the votes duly cast at the Annual Meeting. "Plurality" means that the individuals who receive the largest number of votes cast "for" are elected as directors. The election of the two (2) Series D Directors under Proposal 1 requires a plurality of the votes duly cast by the holders of the shares of Series D Preferred Stock. Abstentions will be counted as present at the Annual Meeting for the purpose of determining a quorum but will have no effect on this Proposal 1. The approval of Proposals 2, 3 and 4 require a majority of the votes duly cast at the Annual Meeting. Abstentions will be counted as present at the Annual Meeting for the purpose of determining a quorum but will have no effect on Proposals 2, 3 and 4. Unless otherwise stated, the enclosed proxy will be voted in accordance with the instructions thereon.

Brokers holding shares of the Common Stock in street name who do not receive instructions from the beneficial owners of those shares are entitled to vote on "routine" proposals such as the ratification of the Company's independent auditors but are not entitled to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your broker or other nominee how to vote in the election of directors as described in this proxy statement, no votes on the election of directors will be cast on your behalf for Proposals 1, 2 and 3. Your broker or other nominee will, however, have discretion to vote any uninstructed shares on the ratification of KPMG Huazhen LLP as our independent auditor for Proposal 4.

Who pays for this proxy solicitation?

We will pay for expenses incurred in proxy solicitation, estimated to be US\$15,000. In addition to sending you these materials, some of our employees may contact you by telephone, by mail, by fax, by email or in person. None of these employees will receive any extra compensation for contacting you. We may reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses in forwarding these proxy materials to stockholders.

Why are we seeking stockholder approval for these proposals?

Proposal No. 1: The Nevada Revised Statutes and The Nasdaq Stock Exchange require corporations to hold elections for directors each year.

Proposal No. 2: The Company offers its stockholders the opportunity to vote to approve, on a nonbinding, advisory basis, the 2016 compensation of the named executive officers.

Proposal No. 3: The Company offers its stockholders the opportunity to vote to approve, on a nonbinding, advisory basis, the frequency of holding an advisory vote to approve the compensation for the named executive officers.

Proposal No. 4: The Company has appointed KPMG Huazhen LLP to serve as the Company's independent auditors for the fiscal year 2017. The Company elects to have its stockholders ratify such appointment.

What rights of appraisal or similar rights of dissenters do I have with respect to any matter to be acted upon at the meeting?

No action is proposed herein for which the laws of the State of Nevada or our bylaws provide a right to our stockholders to dissent and obtain appraisal of, or payment for, such stockholders' Capital Stock.

OUTSTANDING SHARES AND VOTING RIGHTS

Stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof, are stockholders of record at the close of business on the Record Date. Persons who are not stockholders of record on the Record Date will not be allowed to vote at the Annual Meeting. At the close of business on the Record Date there were 49,727,731 shares of Common Stock, 1,000,000 shares of Series B Preferred Stock, and 16,000,000 shares of Series D Preferred Stock issued and outstanding. We have issued no other voting securities as of the Record Date. Each share of Common Stock and Series D Preferred Stock is entitled to one (1) vote on each matter to be voted upon at the Annual Meeting. The holder of the Series B Preferred Stock is entitled to an aggregate of 43,818,487 votes, representing 40% of the combined voting power of all of the Company's issued and outstanding Common Stock and Preferred Stock. The holders of the Series D Preferred Stock, voting as a separate class, have the right to elect the Series D Directors. Holders of Common Stock, Series B Preferred Stock and Series D Preferred Stock are not entitled to cumulate their votes for the election of directors.

DELIVERY OF DOCUMENTS TO STOCKHOLDERS SHARING AN ADDRESS

Only one copy of this proxy statement will be delivered to multiple stockholders sharing an address, unless we have received contrary instructions from one or more of the stockholders. Upon written or oral request, we will deliver a separate copy of this proxy statement to a stockholder at a shared address to which a single copy of the annual report and proxy statement was delivered. If you wish to receive a separate copy of this proxy statement, please notify us by calling or sending a letter to the Secretary of the Company, c/o China XD Plastics Company Limited, at our offices located at 500 5th Avenue, Suite 938 New York, New York 10110. Our telephone number is 212-747-1118. Stockholders who share an address and receive multiple copies of this proxy statement can notify us in writing or orally at the above provided address and telephone number and request that we deliver a single copy of these materials.

SECURITY OWNERSHIP OF MANAGEMENT
AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding beneficial ownership of the Company's stock as of November 3, 2017 by (i) each person known to us to beneficially own more than five percent (5%) of any class of our voting securities, (ii) each of our directors, each of our nominees for director and each of our named executive officers; and (iii) all executive officers, directors and nominees for director as a group. Except as otherwise noted below, the persons identified have sole voting and investment powers with respect to their shares. Unless otherwise indicated, the address for all of the executive officers, directors, nominees for director and stockholders named below is c/o China XD Plastics Company Limited, Floor 19 Tower B, Wangxin Building No.28 Xiaoyun Road, Chaoyang District, Beijing, China.

| Title of Class | Name and Address | Amount and Nature of Beneficial Ownership (1) | Percent of Class (2) |
|--------------------------|--|--|-------------------------|
| Series B Preferred Stock | Jie Han (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 1,000,000(3) | 100.0% |
| Common Stock | Jie Han | 32,510,131(3) | 65.7% |
| Common Stock | Qingwei Ma (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 91,660 | * |
| Common Stock | Junjie Ma (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 78,180 | * |
| Common Stock | Taylor Zhang (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 93,660 | * |
| Common Stock | Lawrence W. Leighton (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 71,730 | * |
| Common Stock | Linyuan Zhai (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 10,879 | |
| | Feng Li (address: c/o China XD Plastics Company Limited, 500 5th Avenue, Suite 938, New York, New York 10110) | 10,440 | * |
| | Rujun Dai (address: Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands) | 24,910 | * |
| | Homer Sun (address: Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands) | - | * |
| | Jun Xu (address: Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands) | | |
| Series B Preferred Stock | XD Engineering Plastics Company Limited (address: Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands) | 1,000,000(3) | 100.0% |

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| | | |
|--|---------------|--------|
| Common Stock XD Engineering Plastics Company Limited MSPEA Modified Plastics Holding Limited | 24,382,598(3) | 49.2% |
| Series D (address: c/o Walkers Corporate Services Limited, Walker Preferred Stock House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands) | 16,000,000(4) | 100.0% |
| Total Ownership of Common Stock by All Directors and Executive Officers as a Group | 32,891,590 | 66.4% |

* Less than 1%

The amount of beneficial ownership includes the number of shares of Common Stock and/or Series B Preferred Stock and/or Series D Preferred Stock, plus, in the case of each of the executive officer and directors and all officers and directors as a group, all shares issuable upon the exercise of the options held by them, which were (1) exercisable as of September 30, 2017 or within 60 days thereafter. Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, and the rules promulgated by the SEC, every person who has or shares the power to vote or to dispose of shares of common stock are deemed to be the "beneficial owner" of all the shares of common stock over which any such sole or shared power exists.

- (2) Based upon 49,727,731 shares of Common Stock outstanding, 1,000,000 shares of Series B Preferred Stock outstanding and 16,000,000 shares of Series D Preferred Stock outstanding as of November 3, 2017. Mr. Jie Han beneficially owns (i) 32,510,131 shares of Common Stock, representing 65.4% of our total outstanding Common Stock, which includes 8,127,533 shares of Common Stock directly held by Mr. Jie Han and 24,382,598 shares of Common Stock beneficially owned by Mr. Jie Han through his sole ownership of XD Engineering Plastics, and (ii) 1,000,000 shares of Series B Preferred Stock through his sole ownership of XD Engineering Plastics, representing 100% of our total outstanding Series B Preferred Stock. Among the 24,382,598 shares of Common Stock beneficially owned by Mr. Jie Han through his sole ownership of XD Engineering Plastics, 16,000,000 shares are subject to pledge. Pursuant to a Securities Purchase Agreement (the "SPA") entered into by and between the Registrant, MSPEA Modified Plastics Holding Limited (the "Purchaser"), XD Engineering Plastics, and Mr. Han on August 15, 2011, XD Engineering Plastics entered into a Share Pledge Agreement with the Purchaser on September 28, 2011. Pursuant to the Share Pledge Agreement, XD Engineering Plastics pledged 16,000,000 shares of common stock of the Issuer (the "Pledged Shares") to the Purchaser to secure certain obligations of the Registrant, Mr. Jie Han, and XD Engineering Plastics (the "Secured Obligations") under the SPA. XD Engineering Plastics may not transfer or otherwise dispose of the Pledged Shares without the prior written consent of the Purchaser until satisfaction of the Secured Obligations.
- (4) MSPEA Modified Plastics Holding Limited owns 16,000,000 shares of Series D Preferred Stock, representing 100% of our total outstanding Series D Preferred Stock.

PROPOSAL 1
ELECTION OF DIRECTORS

The Board of Directors has nominated a total of eight (8) persons to stand for election as members of the Board of Directors (with one (1) seat on the Board of Director remaining vacant), including the two (2) directors elected solely by the holders of the Company's Series D Preferred Stock. If elected at the Annual Meeting, each nominee will hold office until the next Annual Meeting of Stockholders and until their successors are elected and qualified or until his or her earlier death, resignation, or disqualification. Management expects that each of the nominees will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxy will be voted for the election of another nominee to be designated by the Board of Directors to fill any such vacancy.

NOMINEES

Set forth below is the name, age, title and date of initial appointment of each nominee for director of the Company followed by a summary of each nominee's background and principal occupations over the past five years.

| Name | Age | Title | Date of Initial Appointment |
|------------------------|-----|--|-----------------------------|
| Jie Han | 52 | Chief Executive Officer and Chairman of the Board of Directors | December 31, 2008 |
| Taylor Zhang | 39 | Chief Financial Officer and Director | May 14, 2009 |
| Qingwei Ma | 43 | Chief Operating Officer and Director | December 31, 2008 |
| Joseph Chow (1)(3) | 54 | Independent Director | November 16, 2017 |
| Linyuan Zhai (1)(2)(3) | 68 | Independent Director | May 14, 2009 |
| Homer Sun (2)(4) | 46 | Independent Director | January 1, 2012 |
| Jun Xu (4) | 42 | Independent Director | September 28, 2011 |
| Feng Li (1)(2)(3) | 55 | Independent Director | November 14, 2012 |

(1) Serves as a member of the Audit Committee.

(2) Serves as a member of the Compensation Committee.

(3) Serves as a member of the Nominating Committee.

(4) Series D Director nominee.

Executive officers of the Company are appointed at the discretion of the Board of Directors with no fixed term. There are no family relationships between or among any of the executive officers or directors of the Company.

INFORMATION ABOUT THE NOMINEES AND QUALIFICATIONS

Jie Han. Mr. Han co-founded Harbin Xinda Macromolecule Material Co., Ltd. ("Harbin Xinda"), the Company's wholly owned subsidiary, in 2004, and has been employed by Harbin Xinda since that time. In January 2008, Mr. Han was appointed Chairman and Chief Executive Officer of Harbin Xinda. Prior to organizing Xinda High-Tech Co., Ltd ("Xinda High-Tech"), which was founded in 2003, Mr. Han had been associated with the Harbin Xinda Nylon Factory, which he founded in 1985. With 30 years of experiences in the industry, Mr. Han is an expert in the management and financial aspects of the manufacture and distribution of modified plastic products. Mr. Han contributes to our Board of Directors strong leadership and vision for the development of our Company. Based on the above-described expertise, background and experience, we believe that Mr. Han is qualified to serve as a member of our Board.

Mr. Han currently serves as an executive director of China Plastic Processing Industry Association and is also a director of the Heilongjiang Industry and Commerce Association. In addition, Mr. Han serves as a deputy to the Harbin Municipal People's Congress. Mr. Han received a business management degree from the Heilongjiang Provincial Party School.

Taylor Zhang. Mr. Zhang has over 15 years of experience in finance and operation in a broad range of industries. From May 2008 to March 2009, Mr. Zhang served as Chief Financial Officer of Advanced Battery Technologies, Inc. From 2007 to 2008, he served as Executive Vice President of Finance of China Natural Gas, Inc. From 2005 to 2007, Mr. Zhang worked as a research analyst in New York Private Equity. From 2000 to 2002, he was employed as Finance Manager by Datong Thermal Power Limited. Mr. Zhang contributes to our Board of Directors with extensive experience in finance and operations. He holds a MBA from University of Florida and a Bachelor's Degree in mechanical and electronic engineering from Beijing Technology and Business University. Based on the above-described expertise, background and experience, we believe that Mr. Zhang is qualified to serve as a member of our Board.

Qingwei Ma. Mr. Ma has been employed as General Manager of Harbin Xinda since it was founded in 2004. In 2008, he was promoted to Chief Operating Officer and appointed to the Board of Directors. Prior to joining Harbin Xinda, Mr. Ma was employed for six years by Harbin Xinda Nylon Factory as Manager of Quality Assurance, then as Manager of Research and Development, and finally as Production Manager. In 1997, Mr. Ma was awarded a bachelor's degree by the Northern China Technology University, where he specialized in the chemical engineering of high polymers. Mr. Ma has 17 years of experiences in the modified plastics industry and contributes to our Board of Directors with such extensive experience. He also published two articles in China's key journals in the areas of modified plastic industry. In 2001, Mr. Ma was selected as "Harbin Quality Work Advanced Enterprise and Advanced Worker" and in 2004, he was awarded the Heilongjiang First Professional Manager Qualification Certificate. One of his inventions, "compound nano modified materials dedicated to the automobile bumper," won the "Science and Technology Progress Awards" issued by Harbin Municipality. Based on the above-described expertise, background and experience, we believe that Mr. Ma is qualified to serve as a member of our Board.

Joseph Chow, Mr. Chow has over 20 years of experience in corporate finance, financial advisory and management and has held senior executive and managerial positions in various public and private companies. Mr. Chow is Managing Director of Centurium Capital, prior to the current position, He also served as the member of the board, the audit committee and the compensation committee of China Lodging Group, Limited, a NASDAQ listed company and was a managing director of Moelis & Company, a managing director at Goldman Sachs Asia LLP. Before that, he served as an independent financial consultant, as chief financial officer of Harbor Networks Limited, and as chief financial officer of China Netcom (Holdings) Company Limited. Prior to that, Mr. Chow served as the director of strategic planning of Bombardier Capital, Inc., as vice president of international operations of Citigroup and as the corporate auditor of GE Capital. Mr. Chow currently sits on the board as independent non-executive director for China ZhongDi Dairy Holdings Company Limited, Intime Department Store (Group) Co., Ltd. and CAR, Inc., respectively, which are

companies listed on the Stock Exchange of Hong Kong. Since 2014, Mr. Chow has served as a member of the board of directors of China Biologic Products, Inc., a NASDAQ listed company. Mr. Chow obtained a Bachelor of Arts degree in political science from Nanjing Institute of International Relations and a Master of Business Administration degree from the University of Maryland at College Park. Mr. Chow contributes to our Board of Directors with extensive financial experience and corporate executive advisory experience. Based on the above-described expertise, background and experience, we believe that Mr. Chow is qualified to serve as a member of our Board. Mr. Chow was appointed as a director of the Company on November 16, 2017 by the Board of Directors.

Linyuan Zhai. Mr. Zhai worked for China FAW Group Corporation for 37 years and has and contributes to our Board of Directors with extensive experience in terms of technology, production, and business management. He is one of the pioneers and outstanding contributors of FAW Group's success. Since 2000, Mr. Zhai has served as general manager of FAW Sihuan Products Co., Ltd., an automobile manufacturing company. From August 1998 to December 2000, Mr. Zhai was the manufacturing section chief at FAW Sihuan Head Office. From August 1992 to August 1998, Mr. Zhai was the factory manager at FAW Sihuan Auto Warm Air Blower Factory. In 2000, as deputy general manager, Mr. Zhai successfully led the initial public offering of Four Ring Company, a subsidiary of FAW Group, a leader in the vehicle manufacturing industry based in China. Mr. Zhai received his business management degree from Changchun University. Based on the above-described expertise, background and experience, we believe that Mr. Zhai is qualified to serve as a member of our Board.

Homer Sun. Mr. Sun is a Managing Director of Morgan Stanley and leads Morgan Stanley Private Equity Asia's China Investments. Mr. Sun has been at Morgan Stanley since 1999 and serves on Morgan Stanley's China Management Committee, which is comprised of the Morgan Stanley's senior business leaders within China. Mr. Sun currently serves as a director on the boards of several Chinese companies, including Sihuan Pharmaceutical Group, China Shanshui Cement Group, China Flooring and Yongye International. From 2000 to 2006, Mr. Sun worked in Morgan Stanley's Investment Banking Division in the Mergers and Acquisitions Group in Hong Kong where he worked on a wide range of mergers and acquisitions in Greater China. Prior to joining Morgan Stanley, Mr. Sun practiced as a mergers and acquisitions lawyer with the law firm Simpson Thacher & Bartlett in New York and Hong Kong from 1996 to 2000. Mr. Sun received a B.S.E. in Chemical Engineering magna cum laude from the University of Michigan and a J.D. cum laude from the University of Michigan Law School. Mr. Sun contributes to our Board of Directors with a broad range of transactional experience, both as a lawyer and as a managing director at Morgan Stanley. Based on the above-described expertise, background and experience, we believe that Mr. Sun is qualified to serve as a member of our Board.

Jun Xu. Mr. Xu is a Managing Director of Morgan Stanley. Mr. Xu joined Morgan Stanley Private Equity Asia in 2008 after spending six years in investment banking advising Chinese clients on financing transactions and cross-border mergers and acquisitions. Prior to joining Morgan Stanley in 2005, he was with Goldman Sachs in Hong Kong SAR from 2002 to 2005. Mr. Xu focuses on the group's private equity transactions in China. Mr. Xu currently serves as a director on the boards of companies including Morgan Stanley (China) Private Equity Investment Management Co., Ltd., Dashenlin Medical Group Co., Ltd., Shanghai SVG Yonghui Fresh Foods Co., Ltd., Shanghai Shangshu Agr-Byproducts Co., Ltd., and Inner Mongolia Kerchin Cattle Industry Co., Ltd. Mr. Xu is a native Chinese and is based in Hong Kong SAR. Mr. Xu contributes to our Board of Directors with a broad range of transactional experience. Mr. Xu received dual Bachelor Degrees in both international trade and computer science magna cum laude from Shanghai Jiaotong University and an M.B.A. with honors from the University of Michigan. Based on the above-described expertise, background and experience, we believe that Mr. Xu is qualified to serve as a member of our Board.

Feng Li. Mr. Li is a deputy director at Plastics Processing R&D Center of Beijing Research Institute of the Chemical Industry, as well as a member of the Science and Technology Committee of Beijing Research Institute of the Chemical Industry. He has and contributes to our Board of Directors substantial experience in technology, production, and business management in the chemical industry. Under his leadership in various senior roles including Vice General Manager, Director, and Chief Engineer, responsible for project design, investment, management and finance, Mr. Li successfully launched and operated several joint ventures between Beijing Chemical Industry Research Institute (Group), a subsidiary of China Petroleum & Chemical Corp (Sinopec), the largest refiner in Asia, and Jiangnan Mould & Plastic Co. Ltd., Shenzhen Petrochemical and Plastics Co. Ltd., Suzhou Anli Chemical Co., Ltd., and others. Mr. Li is also on the committee of Venture Capital for Innovative Small-Medium size Enterprises under the Ministry of Science and Technology of the People's Republic of China. Mr. Li received a B.S. in polymer material from Nanjing Institute of Chemical Technology and a Master's Degree from Beijing University of Chemical Technology. Mr. Li also attended MBA program at China Sinopec Management Institute of Business Administration

and studied as an exchange scholar at the University of Technology in Sydney, Australia. Based on the above-described expertise, background and experience, we believe that Mr. Li is qualified to serve as a member of our Board.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than as described below, there have been no other transactions since January 1, 2016, or any currently proposed transaction, or series of similar transactions, to which the Company was or is to be a party, in which the amount involved exceeds US\$120,000 and in which any current or former director or officer of the Company, any 5% or greater shareholder of the Company or any member of the immediate family of any such persons had, or will have, a direct or indirect material interest.

During the years presented, the Company entered into related party transactions with (i) Xinda High-Tech, an entity controlled by the wife of Mr. Han, the chief executive officer and controlling stockholder of the Company, Ms. Limei Sun, and (ii) Mr. Han's son, Mr. Tiexin Han, renting the following plant and office buildings in Harbin, Heilongjiang province from Limei Sun and Tiexin Han:

| Premise Leased | Area (M ²) | Annual Rental Fee (US\$) | Period of Lease |
|-----------------|---------------------------|-----------------------------------|---|
| Office building | 23,894 | 702,503 | Between January 1, 2014 and December 31, 2018 |

The Company rented the following facilities in Harbin, Heilongjiang Province from Mr. Han's son:

| Premise Leased | Area (M ²) | Annual Rental Fee (US\$) | Period of Lease |
|----------------|---------------------------|-----------------------------------|---|
| Facility | 200 | 5,880 | Between August 17, 2014 and August 16, 2016 |

The Company has adopted a policy whereby the Audit Committee or another independent body of the Board of Directors first reviews and approves or takes such other action as it may deem appropriate with respect to transactions involving the Company and its subsidiaries, on the one hand, and in which any director, executive officer, greater than 5% stockholder of the Company or any other "related person" (as defined in Item 404 of Regulation S-K adopted by the SEC) has or will have a direct or indirect material interest. This approval requirement covers any transaction that meets the related party disclosure requirements of the SEC as set forth in Item 404, which currently apply to transactions (or any series of similar transactions) in which the amount involved exceeds US\$120,000.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the executive officers and directors of the Company and every person who is directly or indirectly the beneficial owner of more than 10% of any class of security of the Company to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons also are required to furnish our company with copies of all Section 16(a) forms they file. Based solely on our review of copies of such forms received by us, we believe that during the fiscal year 2016, all of the executive officers and directors of the Company and every person who is directly or indirectly the beneficial owner of more than 10% of any class of security of the Company complied with the filing requirements of Section 16(a) of the Exchange Act.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of our directors and officers has been involved in any of the legal proceedings specified in Item 401(f) of Regulation S-K in the past 10 years.

BOARD OPERATIONS

Board Leadership Structure

The Board of Directors believes that Jie Han's service as both Chairman of the Board of Directors and Chief Executive Officer is in the best interest of the Company and its stockholders. Mr. Han possesses detailed and in-depth knowledge of the issues, opportunities, and challenges facing the Company, and is thus best positioned to develop agendas that ensure that the time and attention of our Board of Directors are focused on the most critical matters. His combined role enables decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's stockholders, employees and customers.

Each of the directors other than Jie Han, Taylor Zhang and Qingwei Ma is independent (see "Director Independence" below), and the Board of Directors believes that the independent directors provide effective oversight of management. The Board of Directors has not designated a lead director. Our independent directors call and plan their executive sessions collaboratively and, between Board of Directors meetings, communicate with management and one another directly. In the circumstances, the directors believe that formalizing in a lead director functions in which they all participate might detract from rather than enhance performance of their responsibilities as directors.

Director Qualifications

We seek directors with established strong professional reputations and experience in areas relevant to the strategy and operations of our businesses. We also seek directors who possess the qualities of integrity and candor, who have strong analytical skills and who are willing to engage management and each other in a constructive and collaborative fashion, in addition to the ability and commitment to devote significant time and energy to service on the Board of Directors and its committees. We believe that all of our directors meet the foregoing qualifications.

The Nominating Committee and the Board of Directors believe that the leadership skills and other experiences of its Board of Directors members, as described above under "INFORMATION ABOUT THE NOMINEES AND QUALIFICATIONS," provide the Company with a range of perspectives and judgment necessary to guide our strategies and monitor their execution.

Board of Directors Practices

Our business and affairs are managed under the direction of our Board of Directors. The primary responsibilities of our Board of Directors are to provide oversight, strategic guidance, counseling and direction to our management. It is our expectation that the Board of Directors will meet regularly on a quarterly basis and additionally as required. We encourage our directors to attend annual meetings of stockholders and believe that attendance at annual meetings is just as important as attendance at meetings of the Board. Eight directors attended the 2016 Annual Meeting of the Stockholders of the Company.

Board of Directors' Role in Risk Oversight

The Board of Directors as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board of Directors committees. These committees then provide reports to the full Board of Directors. The oversight responsibility of the Board of Directors and its committees is enabled by management reporting processes that are designed to provide visibility to the Board of Directors about the identification, assessment, and management of critical risks. These areas of focus include strategic, operational, financial and reporting, succession and compensation, compliance, and other risks. The Board of Directors and its committees oversee risks associated with their respective areas of responsibility, as summarized below.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors held seven (7) meetings during 2016. No director attended fewer than 75% of the meetings of the Board of Directors. No director attended less than 75% of any meeting of a committee of which the director was a member for the fiscal year ended December 31, 2016.

DIRECTOR INDEPENDENCE

A majority of the directors serving on our Board of Directors must be independent directors under Rule 5605(b)(1) of the Marketplace Rules of The NASDAQ Stock Market ("NASDAQ"). The Board of Directors has a responsibility to make an affirmative determination whether a director has a material relationship with the listed company through the application of Rule 5605(a)(2) of the Marketplace Rules of NASDAQ, which provides the definition of an independent director.

The Board of Directors has determined that each of the director nominees standing for election, except Jie Han, Taylor Zhang and Qingwei Ma, has no relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is an "independent director" as defined in the Marketplace Rules of NASDAQ for the fiscal year ended December 31, 2016. In determining the independence of our directors, the Board of Directors has adopted independence standards that follow the criteria specified by applicable laws and regulations of the SEC and the Marketplace Rules of NASDAQ. In determining the independence of our directors, the Board of Directors considered all transactions in which the Company and any director had any interest, including those discussed under "Certain Relationships and Related Transactions" above.

Based on the application of the independence standards and the examination of all of the relevant facts and circumstances, the Board of Directors determined that none of the following directors and nominees had any material relationship with the Company and, thus, are independent under Rule 5605(a)(2) of the Marketplace Rules of NASDAQ: Joseph Chow, Linyuan Zhai, Homer Sun, Jun Xu and Feng Li. In accordance with the Marketplace Rules of NASDAQ, a majority of our Board of Directors is independent.

BOARD COMMITTEES

The Board of Directors has a Compensation Committee, a Nominating Committee and an Audit Committee.

COMPENSATION COMMITTEE

The Compensation Committee Member

Feng Li, Chairman

Homer Sun

Lawrence Leighton (until May 15, 2017)

Linyuan Zhai

The Compensation Committee was established on May 26, 2009. The members of the Compensation Committee during 2016 were Lawrence Leighton, Homer Sun, Feng Li and Linyuan Zhai. .

Each of these members is considered "independent" under the current independence standards of NASDAQ Marketplace Rule 5605(a)(2) and meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, as determined by the Board of Directors. In addition, no member of our Compensation Committee has served as one of our officers or employees at any time. None of our executive officers serves as a member of the Compensation Committee of any other company that has an executive officer serving as a member of the Board. None of our executive officers serves as a member of the board of directors of any other company that has an executive officer serving as a member of our Compensation Committee. The Compensation Committee operates under a written charter. The Compensation Committee Charter can be found on our website at www.chinaxd.net and can be made available in print free of charge to any stockholder who requests it.

The Compensation Committee discharges the Board of Directors' responsibilities relating to compensation of the Company's executive officers and administers our 2009 Stock Option/ Stock Issuance Plan, supplemented by "Stock Award Grant Supplemental Provisions" in July 2013 (collectively, the "Plan"). The Compensation Committee reviews and recommends to the Board of Directors the compensation and benefits of all of the Company's officers and reviews general policy matters relating to compensation and benefits of the Company's employees. The Committee has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Compensation Committee held two meetings during the fiscal year ended December 31, 2016. No compensation consultant was employed during the fiscal year ended December 31, 2016.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during the fiscal year ended December 31, 2016 are listed above. The Compensation Committee is composed solely of independent, non-employee directors. None of the members of the Compensation Committee have any relationships requiring disclosure by the Registrant under Item 404 of SEC Regulation S-K. None of the Registrant's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, an executive officer of which served as a director of the registrant or member of the Compensation Committee during the previous fiscal year.

REPORT OF THE COMPENSATION COMMITTEE

The following is the report of the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis for the fiscal year ended December 31, 2016 with our management.

Based on the Compensation Committee's review of the matters noted above, the Compensation Committee recommended to the Board of Directors that the Compensation Discuss and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

NOMINATING COMMITTEE

The Nominating Committee

Linyuan Zhai, Chairman