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, 2013

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 ☐ Smaller reporting company ☒
(Do not check if a 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, 2013 was approximately $62,192,113.

As of March 21, 2014, there were 47,875,133 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, 2013

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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 leading specialty chemical companies engaged in the research, development, manufacture and sale of modified plastics primarily for automotive applications in China. Through our wholly-owned subsidiary Heilongjiang Xinda Enterprise Group Company Limited ("Xinda Group"), we manufacture and sell modified plastics, primarily for use in the fabrication of automobile parts and components and secondarily for applications in high-speed railway, airplanes and ships. We develop our products using our proprietary technology through our wholly-owned research laboratory, Heilongjiang Xinda Enterprise Group Macromolecule Material Research Center Company Limited ("Xinda Group Material Research"). Xinda Group Material Research is a professional macromolecular material research and development institution and has 283 certifications from manufacturers in the automobile industry as of December 31, 2013. 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 237 professionals and 12 consultants, including two consultants who are members of Chinese Academy of Engineering, and one consultant who is the former chief scientist of Specialty Plastics Engineering Institute of Jilin University. As a result of the combination of our academic and technological expertise, we have a portfolio of 109 patents, one of which we have obtained the patent rights and the remaining 108 of which we have applications pending in China as of December 31, 2013.

Modified plastic is 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 oilfield 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 24 automobile brands manufactured in China, including leading brands such as AUDI, Mercedes Benz, BMW, Toyota, Buick, Chevrolet, Mazda, and VW Passat, Golf, and Jetta. As of December 31, 2013, 283 of 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, 2013, 96 of our products were in the process of product certification by automobile manufacturers.

We operate three manufacturing bases in Harbin, Heilongjiang in the People's Republic of China (the "PRC"). 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 base in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production base.

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 June 11, 2010, Harbin Xinda established Harbin Xinda Macromolecule Material Engineering Center Co., Ltd. ("Xinda Engineering Center") to focus on research and development of high-end products such as engineering plastics, modified PA, alloy plastics and modified ABS. Xinda Engineering Center was deregistered in 2012 as part of our group restructuring.

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.

On December 10, 2010, Harbin Xinda established Harbin Xinda Macromolecule Material Research Center Co., Ltd. ("Xinda Macromolecule Research Center") to focus on research and development of products such as modified PP and environment-friendly modified plastics. Xinda Macromolecule Research Center was deregistered in 2012 as part of our group restructuring.

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.

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.

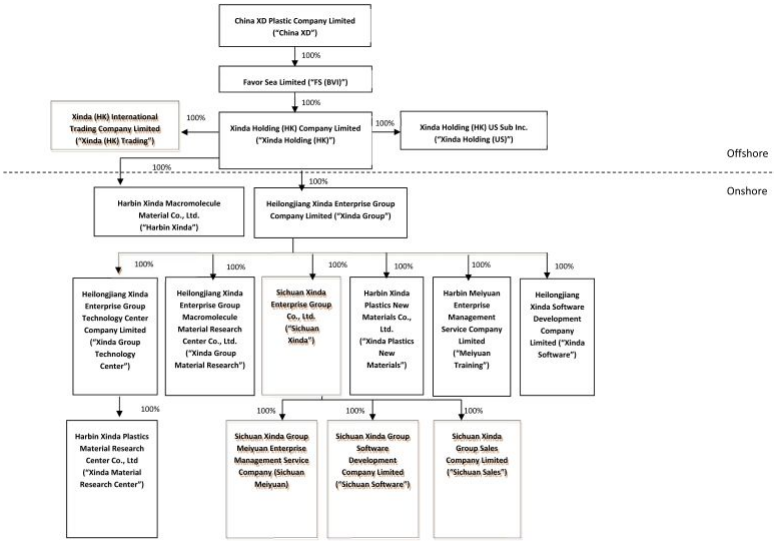
During the year ended December 31, 2013, following the overall reorganization plan, the Company completed the deregistering of Haikou New Materials, Haikou Technical Center and Haikou Software and merged Xinda Testing and Xinda Material Research Center into Xinda Group Material Research in 2013, whose 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.

On March 19, 2013, Xinda Group established Sichuan Xinda Enterprise Group Co., Ltd. ("Sichuan Xinda Group"), 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.

On April 23, 3013, Xinda Holding (HK) Co, Ltd., formerly known as Hong Kong Engineering Plastics Co., Ltd., set up Xinda (HK) International Trading Company Ltd ("Xinda (HK) Trading") for import and export business through Hong Kong.

Corporate Structure

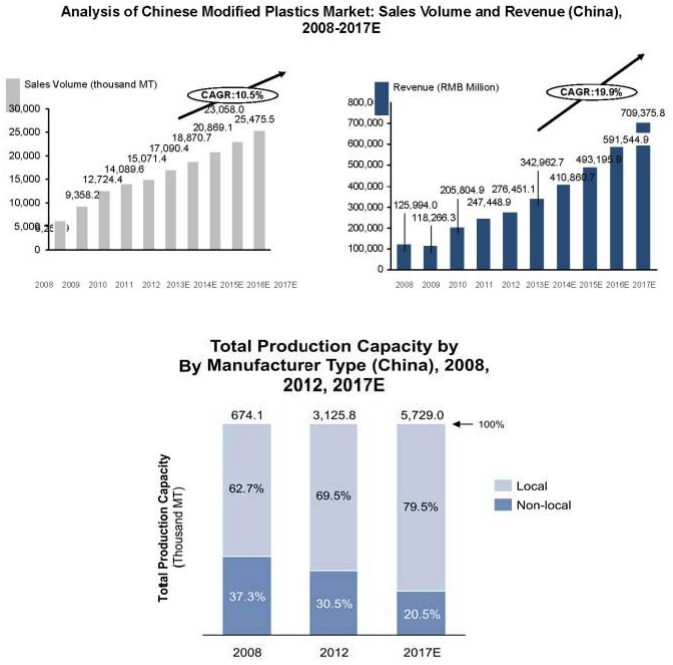
The corporate structure of the Company as of December 31, 2013 was as follows:



Our Industry

According to a research report prepared exclusively for the Company and issued by Frost & Sullivan in 2013, China is estimated to have consumed approximately 17.1 million Metric Tons ("MT") of modified plastic products in 2013, representing an increase of 13.4% compared to 2012. 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 25.5 million MT in 2017, representing compound annual growth rates ("CAGR") of 10.5% and 19.9% by sales volume and revenue from 2013 to 2017. 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.

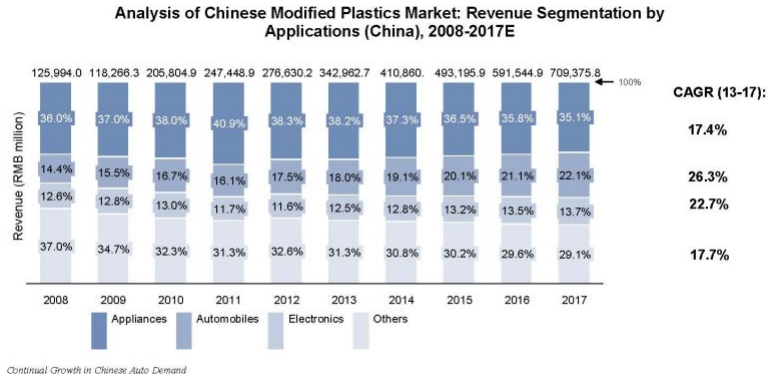
Figure 1: Analysis of Chinese Modified Plastics Market: Sales Volume and Revenue (China), 2008-2017E



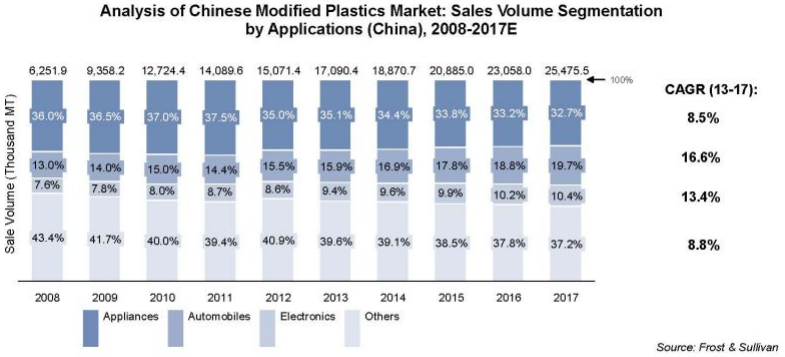
Source: Frost & Sullivan

According to Frost & Sullivan's report, the Chinese automotive modified plastics market has experienced rapid development from 2008 to 2012, with nearly a three-fold growth in terms of revenue and sales volume during this period. The market demand is projected to reach 3.2 million MT in 2014. As illustrated in Figure 2, the Chinese automotive modified plastics market is expected to sustain rapid increase in terms of revenue and sales volume, with CAGR of 26.3% and 16.6% from 2013 to 2017, respectively. Approximately 30.5% of the automotive modified plastic consumed in 2012 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, 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), 2008-2017E
Source: Frost & Sullivan



Continual Growth in Chinese Auto Demand

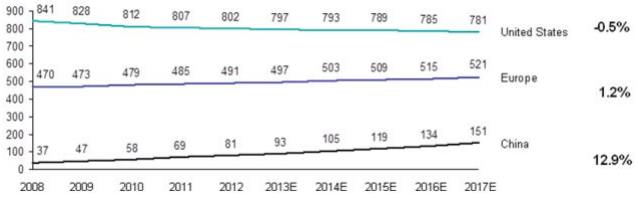


Source: Frost & Sullivan

Note: Others include office equipment, toys, mechanisms, electronic tools, and etc. All figures are rounded.

According to the statistics by the China Association of Automobile Manufacturers ("CAAM") in 2013, China's production volume of automobiles increased from 5.7 million units in 2005 to 22.1 million units in 2013. The market is expected to slow down after several years' rapid growth, though a comparatively high CAGR of 9.3% from 2013 to 2017, reaching 29.6 million units in 2017. 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 81 vehicles per 1,000 inhabitants in 2012, which is significantly below Europe's average of 491 and United States' average of 802 according to *National Bureau of Statistics, US Department of Energy, Eurosta, Frost & Sullivan.*

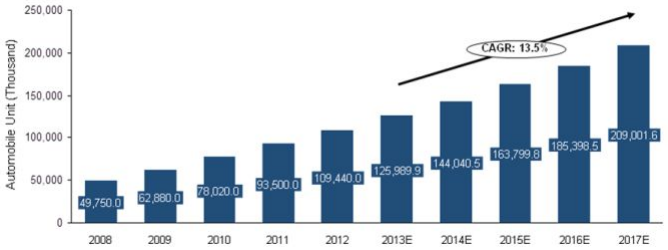
Figure 3: Overview of Chinese Macro Economy:
Vehicle Per 1,000 People Comparison (Units per 1,000 People), 2008-2017E



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 maintained a booming trend from 49.8 million units in 2008 to 109.4 million units in 2012, and is forecasted to hit a record of 126.0 million units in 2013 and 209.0 million units by 2017, with a CAGR of 13.5% between 2013 and 2017 as shown in Figure 4.

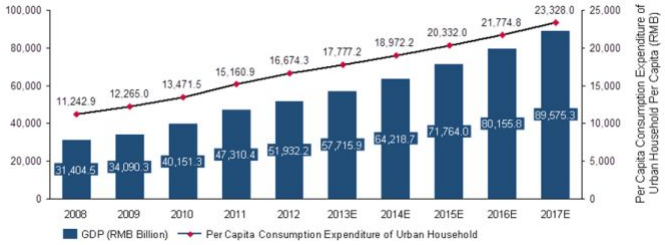
Figure 4: Overview of Chinese Macro Economy: Growth of Automotive Parts, 2008-2017E



Source: National Bureau of Statistics

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 shown strong economic growth with its GDP increased from approximately RMB 31,404.5 billion in 2008 to RMB 51,932.2 billion in 2012, and is expected to sustain the steady growth from 2013 to 2017. Per Capita Consumption Expenditure of Urban Household also shows an optimistic picture with a total nominal increase of 48.3% between 2008 and 2012, and is forecasted to reach RMB 23,328 by the end of 2017. 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: Growth of Nominal GDP and Per Capita Consumption Expenditure of Urban Household (China), 2008-2017E .



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.

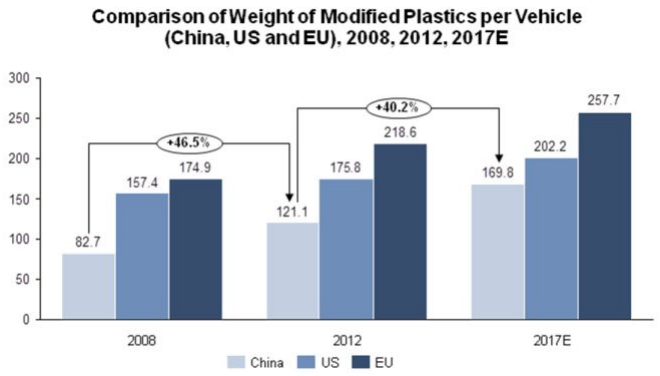
(2) Vehicle Emissions Reduction: Plastic components impact fuel efficiency by saving approximately 2.5 liters of fuel per kilograms ("kg") used (equivalent to 6 kg of CO2 emissions) over the lifetime of the vehicle. Automobile manufacturers have been reducing vehicle weights in an attempt to reduce emissions 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 30.5% of the total China automotive plastic supply in 2012, decreasing from 37.3% in 2008 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 20.5% by the end of 2017, while the share of domestic manufacturers is forecast to rise to 79.5% in 2017 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:

- 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 the development of production equipment of polycarbonate by the use of non-phosgene method, with annual output of 60000t/year and above, production of engineering plastic including liquid crystalline polymer (LCP) and development and application of bleeding modification and alloying; development and production of water – absorbed resin, conductible resin and biodegradable polymers; 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.

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, modified plastics include modified common plastics, such as polypropylene (PP), acrylonitrile butadiene styrene (ABS), modified engineering plastics, such as polyamides (PA or nylon), environment-friendly plastics and specialty engineering plastics.

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

Product Group	Brand Name	Number of Products Certified	Characteristics	Automotive or Other Application
Modified PP	COMPNIPER	51	High fluidity and impact resistance	Interior parts, such as inner panels, instrument panels and box lids
	COMPWIPER	51	Resistance to low temperature and impact	External parts, such as front and back bumpers and mudguards
	COMPGOPER	44	Resistance to high temperature and static	Functional components, such as unit heater shells and air conditioner shells
Modified ABS	MOALLOLY	17	High gloss, high rigidity and size stability	Functional components such as heat dissipating grids and wheel covers
Modified PA	POLGPAMR	16	High wear and heat resistance	Parts requiring high flame and heat resistance
Engineering Plastics	MOAMIOLY	41	Heat resistance and wear resistance	Engine hoods, intake manifold and bearings
Alloy Plastic	BRBSPCL	25	Combines two different plastics, such as PP and ABS	Rearview mirrors, grilles, automotive electronics and other components. Products can also be used in computers, plasma TVs and mobile phones
Environmentally friendly plastics	POLGBSMR	38	Environmentally-friendly features such as low odor and low carbon emission	Used in automobiles meeting environmental standard requirements
Modified Plastic for Special Engineering	PEEK	N/A *	Excellent mechanical and chemical resistance and temperature tolerance	Used in communications and transport, electronics and electrical appliances, machinery, medicaland analytical equipment.
Total		**283**		

* 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 55.9% of our total raw materials purchased by volume are sourced from overseas petrochemical enterprises and 44.1% from domestic petrochemical enterprises during the year ended December 31, 2013.

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 in oil prices directly affects the cost of the raw materials. We attempt to mitigate the increase in our raw materials prices by appropriately raising the price for our products to pass the cost 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 three major suppliers. During the year ended December 31, 2013, the Company purchased approximately 65% of the Company's raw materials from three 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

Xinda Material Research Center and Xinda Group 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 Xinda Material Research Center and Xinda Group Technology Center with 72 employees who have Ph.D. and Master's degrees and 154 employees who have Bachelor's degrees. 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.

As aforementioned, Xinda Group Material Research assumed the functions of Xinda Material Research Center and Xinda Group Technology Center as part of our group restructuring. To supplement the efforts of our Xinda Group Material Research, we have cooperated with a number of the leading technology institutions in China. Besides providing specialized research and development skills, these relationships help us to formulate cutting edge research programs aimed at developing new technologies and applications in plastics engineering.

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:

- Shanyi Du: Member of Chinese Academy of Engineering, Professor of Harbin Institute of Technology.
- Qingquan Lei: Member of Chinese Academy of Engineering, Post-PhD Advisor of Harbin Institute of Technology.
- Zhongwen Wu: Chief Scientist and Director of the Research Institute of Special Plastics Engineering of Jilin University.
- Kai Zheng: Secretary General of China's Plastics Engineering Industry Association.
- Huixuan Zhang: Vice Principal of Changchun University of Technology.
- Bin Li: Vice Principal, Dean of the Science Department at Eastern Forest Industry University.
- Zhenhua Jiang: Director of the Engineering Research Center of the Special Plastics Engineering Education Department of Jilin University.
- Xiabin Jing: Post-PhD Advisor and Researcher of Changchun Institute of Applied Chemistry of the Chinese Academy of Sciences.
- Ke Li: Senior Supervisor of Volkswagen China.
- Xijun Liu:Dean of Postgraduate School of Qiqihaer 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 staffs. 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.

Xinda Group and Xinda Group Material Research are located within the same facility of our Jiangnan Zhonghuan Road production base. Xinda Group Material Research provides technical support for our recently expanded modified plastics annual nameplate production capacity of 390,000 MT and ongoing service to our customers, and enhanced our research and development capabilities for modified plastics in new applications in areas such as aerospace, high-speed rail and new energy vehicles. 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 Post-PhD and Academy Member WorkStation in Heilongjiang Province.

Our research and development expense was US$21,258,549 and US$21,586,074 during the years ended December 31, 2013 and 2012, respectively.

Intellectual Property

Patents

As a result of our collection of academic and technological expertise, we have one approved patent and 108 pending patent applications in China, as set forth in the following table.

No	Patent Name	Application No.	Application Date and Status	
1	A sprayed directly material used in car bumpers	200810051570.8	December 10, 2008	Approved
2	Supercritical fluid rapid diffusion synthesis of nano calcium carbonate enhanced microcrystalline polypropylene composites	200910073402.3	December 11,2009	Pending
3	A molding method suitable PEEK	201010173663.5	May 17, 2010	Pending
4	A high notched impact PA / ASA alloy material and its preparation method	201010230061.9	July 19,2010	Pending
5	A method for automotive interior matte, anti-scratch modified polypropylene composites	201010230064.2	July 19,2010	Pending
6	A lower mold shrinkage ratio method of calcium carbonate / polypropylene nanocomposites	201010230088.8	July 19,2010	Pending
7	Nano-ZnO filled with modified PEEK film and its preparation method	201010258955.9	August 20, 2010	Pending
8	A high impact high flow PC / ASA alloy material and its preparation method	201010258950.6	August 20, 2010	Pending
9	A method for automotive interior low odor, low VOC, high performance polypropylene composites	201010258937.0	August 20, 2010	Pending
10	A preparation method of SiO2/CaCO3 nano-composite particles modified polypropylene	201010282042.0	September 15, 2010	Pending
11	A microporous zeolite materials modified PEEK and its preparation method	201010282022.3	September 15, 2010	Pending
12	An anti-aging, anti-yellowing, low odor polypropylene composite material and its preparation method	201010508177.4	October 15, 2010	Pending
13	A high heat-resistant PC / ASA alloy material and its preparation method	201010508149.2	October 15, 2010	Pending

14	A alloy material of high-impact, high-brightness ASA	201010543439.0	November 15, 2010	Pending
15	A preparation method of the thermoplastic elastomers PP with high mobility and high resistance of deformation	201110035725.0	February 11, 2011	Pending
16	A preparation process of high weathering colour ASA resin	201110347336.1	February 11, 2011	Pending
17	A preparation method of polylactic acid used in auto dashboard	201110035716.1	February 11, 2011	Pending
18	A preparation method of polymer composites with high toughness	201110035736.9	February 11, 2011	Pending
19	A special material of cooling grille with high heat resistance and high weather resistance	201110094466.9	April 15, 2011	Pending
20	A rapid detection method of the tensile properties of modified PP used in auto specially by non-standard situation	201110094454.6	April 15, 2011	Pending
21	A preparation process of ABS alloy with high impact performance and high heat resistance	201110122586.5	May 12, 2011	Pending
22	A preparation process of centralized control method used in plastic production line	201110122566.8	May 12, 2011	Pending
23	A preparation method of easily dispersed and easily processing polyprolene composite material	201110158511.2	June 14, 2011	Pending
24	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
25	A preparation process of the premixed screening system	201110158488.7	June 14, 2011	Pending
26	A rapid detection method of the impact properties of modified plastics used in automobile specially	201110158528.8	June 14, 2011	Pending
27	A high impact PA6 composite material with core-shell toughening and its preparation method	201110196226.X	July 13, 2011	Pending
28	A high-powered aircraft tail composite material and its preparation process	201110196209.6	July 13, 2011	Pending
29	A preparation method of polypropylene resin foam particles with supercritical CO2 act	201110230302.4	August 12, 2011	Pending
30	A preparation method of the plastic production line with high performance and high homogeneity	201110233488.9	August 16, 2011	Pending
31	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	Pending
32	A preparation method of polylactic acid used composite material modified by hydroxyapatite with supercritical water act	201110268687.3	September 13,2011	Pending
33	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	Pending

34	A polypropylene composite material used in battery tank of new source of energy automobile and its preparation method	201110347320.0	November 7, 2011	Pending
35	A high toughnees,low warpage and low mold temperature PET/PA6 alloy reinforced by glass fiber and preparation method	201110347339.5	November 7, 2011	Pending
36	A high heat-resistant and high wear-resistant PEEX composite material and its preparation process	201110347338.0	November 7, 2011	Pending
37	A preparation method of glass fiber reinforced polyether ether ketone with high strength and high heat resistance	201110399890.4	December 6, 2011	Pending
38	A high toughness of polycarbonate blends material and its preparation method	201110319832.6	December 20, 2011	Pending
39	A high-strength carbon fiber reinforced polyetheretherketone composite material and its preparation method	201210114931.5	April 20, 2012	Pending
40	A high-impact, green flame retardant PC / ABS alloy material and its preparation process	201210122281.9	April 25, 2012	Pending
41	A preparation method for heat-resistant and easy processing of natural fiber reinforced polylactic acid composites	201210147444.9	May 14, 2012	Pending
42	High performance halogen-free flame-retardant PC / ABS composite material and its preparation method	201210201826.5	June 19,2012	Pending
43	A high temperature conductive PPO/PA6 alloy material and its preparation method	201210241856.9	July 13, 2012	Pending
44	High-performance, green flame retardant reinforced PA66 composites technology	201210260160.0	July 26, 2012	Pending
45	A preparation method of high encapsulation efficiency and stable release polylactic lysozyme drug microsphere	201210295154.9	August 20, 2012	Pending
46	An antistatic LSOH flame retardant PC / ABS alloy material and its preparation method	201210296750.9	August 20, 2012	Pending
47	A Supercritical carbon dioxide reactor pressure method for preparating polypropylene foamed material	201210298694.2	August 22, 2012	Pending
48	An antimicrobial, dust suppression, halogen-free flame retardant ABS and its preparation process	201210305824.0	August 27, 2012	Pending
49	A free primer and sprayed directly on the bumper composites	201210306240.5	August 27, 2012	Pending
50	A preparation methods of ultra-hydrophobic microporous polymer film	201210358122.9	September 25, 2012	Pending
51	An extrusion grade sisal fiber reinforced polypropylene composite material and its preparation process	201210357867.3	September 25, 2012	Pending
52	A long glass fiber reinforced polypropylene material and its preparation method	201210362626.8	September 26, 2012	Pending
53	A modified Kevlar fiber reinforced PA66 material and its preparation method	201210369747.5	September 29, 2012	Pending

54	A flame-retardant glass fiber reinforced PA66 and its preparation method	201210370558.X	September 29, 2012	Pending
55	The chest protected belts	201220526299.0	October 15, 2012	Pending
56	A non-asbestos and non-metal materials brake pads composite material and its preparation method	201210395921.3	October 18, 2012	Pending
57	A high toughness wear-resistant fiberglass /PA6 composites for rail transit fasteners	201210396122.8	October 18, 2012	Pending
58	A glass fiber reinforced poly (ethylene terephthalate) / polycarbonate alloy	201210403197.4	October 22, 2012	Pending
59	A wear-resistant, anti-static, flame retardant ultra-high molecular weight polyethylene composite material	201210402814.9	October 22, 2012	Pending
60	A high impact, high heat-resistant PC / PBT alloy material and its preparation process	201210403095.2	October 22, 2012	Pending
61	Graphene / polymer conductive composites	201210411231.2	October 25, 2012	Pending
62	A production method of antimicrobial, hydrophilic polypropylene particle	201210411680.7	October 25, 2012	Pending
63	A continuous aramid fiber reinforced POM materials and preparation methods	201210411967.X	October 25, 2012	Pending
64	A glass fiber, SiO2 enhanced toughening polyphenylene sulfide material and its preparation method	201210439116.6	November 7, 2012	Pending
65	An alcohol solution PA66 material special for intake manifold and its preparation method	201210442251.6	November 8, 2012	Pending
66	An environmentally friendly self- aromatic polypropylene material and its preparation process	201210457403.X	November 15, 2012	Pending
67	A mechanical strength polypropylene power lithium battery separator and its preparation method	201210472283.0	November 21, 2012	Pending
68	A multilayer hot pressing method for preparing hydroxyapatite / polylactide composite	201210474211.X	November 21, 2012	Pending
69	Preparation of a glass fiber reinforced nylon 66 / nylon 6 Composites	201310185041.8	May 20, 2013	Pending
70	An environmentally friendly foam polypropylene material and preparation method	201310185228.8	May 20, 2013	Pending
71	An ramie fiber reinforced polypropylene composite material and its preparation process	201310185514.4	May 20, 2013	Pending
72	A high mobility of polyvinyl alcohol / lignin WPC	201310203047.3	May 28, 2013	Pending
73	One kind of resistance to warpage reinforced polyamide 6 material and preparation method	201310250426.8	June 24, 2013	Pending

74	Preparing a polyamide material reinforced with continuous glass fibers	201310250967.0	June 24, 2013	Pending
75	A low-cost method for preparing hydrophobic material of polypropylene	201310250185.7	June 24, 2013	Pending
76	A polypropylene self-luminous material and preparation method	201310250047.9	June 24, 2013	Pending
77	A preparation method of reinforced, flame-retardant ABS material	201310367420.9	August 22, 2013	Pending
78	A applied to electrostatic spraying PPO/PA6 alloy material and its preparation method	201310367459.0	August 22, 2013	Pending
79	One kind of aramid pulp-reinforced PA66 composite material and preparation method	201310367404.X	August 22, 2013	Pending
80	Preparation of a high-performance fiber-reinforced polyphenylene sulfide composites	201310372289.5	August 24, 2013	Pending
81	One kind of anti-alcohol solution, low warpage reinforced nylon66 composite material and preparation method	201310372282.3	August 24, 2013	Pending
82	A high-gloss, free paint, scratch-resistant alloy material and preparation method	201310372789.9	August 26, 2013	Pending
83	A preparation process of heat-stable flame retardant reinforced nylon composite material	201310413691.3	September 22, 2013	Pending
84	An anti-oxidation, high flow, flame retardant ABS and preparation process	201310413270.0	September 22, 2013	Pending
85	An antistatic, low smoke, flame retardant PC / ABS alloy materials and preparing process	201310414847.X	September 22, 2013	Pending
86	An flax noil fiber reinforced polypropylene composite material and its preparation process	201310413287.6	September 24, 2013	Pending
87	A Preparation of applying to charging pile casing PC / ABS alloy compound	201310414007.3	September 24, 2013	Pending
88	A no-spray, high durability, scratch-resistant, flame retardant ABS Preparation and Process	201310414024.7	September 24, 2013	Pending
89	A method for preparing an enhanced flame retardant rigid polyurethane composites	201310467797.1	October 10, 2013	Pending
90	A MARINE with wear-resistant ultra high molecular weight polyethylene composites	201310468060.1	October 10, 2013	Pending
91	Preparation method of impact-resistant strain of modified polylactic acid material	201310468059.9	October 10, 2013	Pending
92	A method for preparing low temperature resistance, scratch-resistant zipper jacket compound for cars	201310468076.2	October 10, 2013	Pending
93	A free spray paint bumper with modified material and preparation method	201310468057.X	October 10, 2013	Pending

94	An environmentally friendly fire-retardant, high-performance EVA composite material and preparation method	201310467812.2	October 10, 2013	Pending
95	A direct line of long glass fiber reinforced thermoplastic composite material and its preparation method	201010471859.6	October 12, 2013	Pending
96	A toughening wear-resistant alloy material and preparation method	201310556261.7	November 12, 2013	Pending
97	A high resistance temperature reinforced polyamide 6 material and preparation method	201310556569.1	November 12, 2013	Pending
98	Preparation of an aircraft engine surrounding high temperature polyimide composites	201310555389.1	November 12, 2013	Pending
99	Preparation of a high strength of continuous glass fiber reinforced nylon 6 material	201310555451.7	November 12, 2013	Pending
100	A highly weather-resistant polypropylene self-luminous material and preparation method	201310555483.7	November 12, 2013	Pending
101	A polypropylene foam material and preparation method	201310559024.6	November 13, 2013	Pending
102	One kind of aramid fiber / polyimide composite material and preparation method	201310559294.7	November 13, 2013	Pending
103	An alloy NiMoB modified talc enhanced Bumper material and its preparation method	201310559588.X	November 13, 2013	Pending
104	Method for preparing porous polymer composite superhydrophobic films	201310559589.4	November 13, 2013	Pending
105	A silicone toughening polyphenylene sulfide material and its preparation method	201310560625.9	November 13, 2013	Pending
106	A high toughness, wear-resistant rail fasteners with glass / nylon 6 Composites	201310646768.1	December 6, 2013	Pending
107	A high-gloss, avoid spraying PTT / PMMA rearview mirror Compound and its production process	201310652729.2	December 6, 2013	Pending
108	A keyboard and mouse with anti-bacterial perspiration modified plastics and its preparation method	201310676101.6	December 13, 2013	Pending
109	A high-strength lightweight hollow glass microspheres toughening PP material and preparation method	201310721731.0	December 13, 2013	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 283 certifications from automobile manufacturers as of December 31, 2013, 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 2013, approximately 99.5% 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 10 distributors in 2013 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. Sales to four major distributors, which individually exceeded 10% of our revenues, accounted for approximately 70% and 72% of our revenues for the years ended December 31, 2013 and 2012, 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.

Competition

The PRC automotive modified plastics industry is growing rapidly and highly fragmented with the top three domestic producers occupying less than approximately 27.5% of the market shares in 2012 according to the 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 8.0% in 2011 and 7.2% in 2012. In 2013, our sales volume of automotive plastics was approximately 337,189 MT. As of December 31, 2013, our annual production capacity of automotive plastics was 390,000 MT.

We installed 30 new product lines in December 2012, 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.

Currently, Xinda Group'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 its facilities had an annual manufacturing capacity of 375,000 MT for its modified plastics products used in the automobile industry at the end of 2012, according to the research report by Frost and Sullivan. Guangzhou Kingfa has the largest capacity expansion plans and was expected to expand to 1.06 million MT by 2015 according to 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 Xinda Group. However, we believe that it currently holds fewer number of product certifications for automotive modified plastic to the automobile industry compared to Xinda Group. 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 an annual capacity and sales volume of 120,000 MT and 73,100 MT in 2013, 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 30.5% of the total China automotive plastic supply in 2012, decreased from 37.3% in 2008. 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 7.2% in 2012. The PRC automotive modified plastics industry is growing rapidly and is highly fragmented with the top three domestic producers occupying less than approximately 27.5% of the market shares in 2012. In 2013, our sales volume of automotive plastics was approximately 337,189 MT, representing a growth of 50.5% compared to that in 2012. As of December 31, 2013, our annual production capacity of automotive plastics was 390,000 MT. 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 manufacturer 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 283 product certifications from major automotive manufacturers in the PRC as of December 31, 2013, 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 24 automobile brands and over 80 automobile models manufactured in China, including Audi, Volkswagen, BMW, GM, Mazda, Toyota, Cherry, and Geely. We believe that our brand and our products are well recognized and respected in China's automotive modified plastics market.

- *High Quality Products with Lower Costs.* We purchase our raw materials from a small number of large suppliers who procure resins locally or internationally. By concentrating our purchases from a small group of suppliers, we are able to keep the costs of purchasing raw materials relatively low. Also, since our manufacturing facilities are located in China where labor, raw materials and operation costs are relatively lower, we are able to charge lower prices than our international competitors while maintaining comparable quality. Compared to our domestic competitors, we believe our long-standing manufacturing experience, in-depth market knowledge, significant scale of economy and strong R&D capabilities enable us to provide higher quality products at competitive prices.

  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 163 professionals, of whom 72 have Ph.D. and 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 1 approved patent and 108 patent applications pending with the State Intellectual Property Office of the PRC, or SIPO.

- *Established Distribution Model*. Through eleven 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. For the year ended December 31, 2013, northeast, north, east and southwest China account for approximately 44.1%, 20.9%, 31.2% and 3.7% of our revenues, respectively.

- *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 29 years of industry experience, Mr. Han has in-depth knowledge and expertise in China's modified plastics industry. He currently serves as executive director of the China Plastics Processing Industry Association and as a member of the Standing Committee of the Heilongjiang Association of Industry and Commerce. 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, 2013, we have an installed annual production capacity of 390,000 MT, 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 plan to complete the Project in about two years and our annual capacity is expected to reach approximately 690,000 MT by 2015 upon completion of the Project.

- *Focus on R&D and Develop New Product Offerings*. We are currently utilizing our research and development 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 high-speed trains, vessel-propulsion systems, mining and oil-field equipment and aerospace equipment. We are the first non State-Owned-Enterprise awarded National Level Enterprise Technology Center, in Heilongjiang Province. In addition, we have Post-PhD 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 have approximately 9.0% of the market share in 2012, our customer coverage is 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 northern and eastern China. In addition, we intend to have sales in overseas markets and export our products by 2014. 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.

- *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 are currently implementing a corporate restructuring plan with the aim of establishing a more efficient company group structure, as a result of which our subsidiaries will be more easily accessible to our end customers and our operations will be able to respond to the market changes in a more efficient manner. We aim to complete the corporate restructuring plan by the end of 2014.

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, 2013, there were 965 employees, including 249 in manufacturing, 237 in R&D, 175 in management, 40 in finance, 56 in sales, purchasing and marketing and 208 in other departments.

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 crisis could further impair the automotive industry thereby limiting demand for our products.

The continuation or intensification of the recent global economic crisis arising from the European debt crisis 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 crisis 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, a contraction 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. While the China automotive sales and production maintained growth momentum in 2012 and continued to grow in 2013, however, the growth rate was significantly down from previous years. A contraction in automotive sales and production could 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.

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 may result in slower growth or the reduction in the sale of vehicles nationwide although China's total new automobile sales to end-users in 2013 were up 13.9% percent compared to the slowest rate in 2012 according China Passenger Vehicle Association. The national and local policies over the Chinese automotive industry may continue to impact market demand for automobiles in 2014 and 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, resulting in the sharp slow-down in automobile sales volume growth rate to 4.3% in 2012, compared to 34% in 2010, representing the lowest growth rate in the past 13 years, according to the latest data issued by China Association of Automobile Manufacturers. Any significant reduction in automobile production and sales would have a material and adverse effect on our business. There can be no assurance that the market conditions, government policies and other factors leading to the existing slowdown in demand for automobiles will not continue. The 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. Sales to four major distributors, which individually exceeded 10% of the Company's revenues is approximately 70% and 72% in 2013 and in 2012, respectively. Any significant reduction in demand for modified plastics by any of these major distributors and any decrease in demand of products by its customers could harm our sales and business operations, financial condition and results of operations.

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, 2013, we purchased approximately 65% of our raw materials from three major suppliers. The Company purchased equipment from one major supplier, which accounted for 35% of the Company's equipment purchases for the year ended December 31, 2013. 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. 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 Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or "Circular No. 75," issued in November 2005 and its implementation rules issued in recent years, requiring PRC residents and PRC corporate entities to register with local branches of the SAFE in connection with their direct or indirect offshore investment activities.

Circular No. 75 requires PRC individuals to register with relevant local branches of SAFE for their establishment or control of any overseas special purpose vehicles, or the "SPVs," and the contribution of assets of or their equity interests in any domestic company to any SPV, or any material changes of the SPVs. Failure to make the required SAFE registration may result in penalties including that our PRC subsidiaries may be prohibited from making distributions of profit to the SPV and from paying the SPV proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries, and the SPVs may be prohibited from making additional capital contribution into its PRC subsidiaries.

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. 75. 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 aim to complete the application with local SAFE in Heilongjiang to obtain 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 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 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 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 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. Circular 698 addresses indirect share transfer as well as other issues. According to Circular 698, where a foreign (non-PRC resident) investor who indirectly holds shares in a PRC resident enterprise through a non-PRC offshore holding company indirectly transfers equity interests in a PRC resident enterprise by selling the shares of the offshore holding company, and the latter is located in a country or jurisdiction where the effective tax burden is less than 12.5% or where the offshore income of its residents is not taxable, the foreign investor is required to provide the PRC tax authority in charge of that PRC resident enterprise with certain relevant information within 30 days of the transfer. The tax authorities in charge will evaluate the offshore transaction for tax purposes. In the event that the tax authorities determine that such transfer is abusing forms of business organization lack of reasonable commercial purpose or for purpose of avoidance of PRC income tax liability, the PRC tax authorities will have the power to re-assess the nature of the equity transfer under the doctrine of substance over form. If the relevant tax authority's challenge of a transfer is successful, it may disregard the existence of the offshore holding company that is used for tax planning purposes and require seller to pay PRC tax on the capital gain from such transfer. Circular 698 also points out that when a non-resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authorities have the power to make a reasonable adjustment on the taxable income of the transaction. Since Circular 698 has a short history, there is uncertainty as to its application. We (or a foreign investor) may become at risk of being taxed under Circular 698 and may be required to expend valuable resources to comply with Circular 698 or to establish that we (or such foreign investor) should not be taxed under Circular 698, which could have a material adverse effect on our financial condition and results of operations (or such foreign investor's investment in us).

If any such PRC taxes apply, a non-PRC resident shareholder may be entitled to a reduced rate of PRC taxes under an applicable income tax treaty and/or a foreign tax credit against such shareholder's domestic income tax liability (subject to applicable conditions and limitations). Prospective investors should consult with their own tax advisors regarding the applicability of any such taxes, the effects of any applicable income tax treaties, and any available foreign tax credits.

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 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 Xinda Group in 2003. However, certain other necessary permits relating to the construction and operation of Xinda Group's factory and production facilities are outstanding. 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 its audit reports included in our annual report may include audit documentation located in the Peoples' Republic of China. The Public Company Accounting Oversight Board 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 that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board ("PCAOB"), is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Our operations are conducted in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Accordingly, no audit documentation located in China related to our independent registered public accounting firm's reports included in our filings with the U.S. Securities and Exchange Commission is currently inspected by the PCAOB.

Inspections conducted by the PCAOB 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. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audit documentation located in China and its related quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

The Chinese member firm of the KPMG network, of which our independent registered public accounting firm is also a member, may be temporarily suspended from practicing before the SEC. 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.

In the year ended December 31, 2013, substantially all of our sales were to customers in China, and we have all of our operations in China. Certain of our independent registered public accounting firm's audit documentation related to their audit reports included in this Report may be located in China, and certain audit procedures take place within China's borders. The PCAOB is currently unable to conduct inspections in China or review audit documentation located within China without the approval of Chinese authorities. Like many U.S. companies with significant operations in China, our independent registered public accounting firm may rely on a Chinese member firm for assistance in completing the audit work associated with our operations 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 KPMG, from, among other things, practicing before the SEC for six months. The decision is not yet effective and will only become effective when and if the SEC endorses it. If the decision goes into effect, the work of our auditors could be delayed and it will be difficult for us to identify and engage other qualified independent auditors. A delay in the completion of the audit process could delay the timely filing of our quarterly or annual reports with the SEC. A delinquency in our filings with the SEC may result in Nasdaq initiating delisting procedures, which could have a material adverse effect on our results of operation and financial condition.

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, 2013, due to one material weakness. The material weakness 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 2011, we have commenced a plan, pursuant to which (1) our accounting staff obtained external training of U.S. GAAP and SEC reporting by qualified entities, (2) we have hired two third-party SOX 404 compliance consultants to help us improve our internal control system, (3) we continue to seek senior qualified people with requisite expertise and knowledge to help improve our internal control procedures, and (4) we continue 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 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 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, 2013, for U.S. federal income tax purposes, the Company has tax loss carryforwards of US$215,240 and owes U.S. federal income taxes of US$1,017,585. 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, 2013, 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. Xinda Group owns the titles to the land and premises of the Qinling Road Factory. Xinda Group leases land and premises of the Dalian Road Factory from Xinda High-Tech. Xinda Group is in the process of acquiring the titles to the land and premises at Jiangnan Road Factory. 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;

- we may incur significant costs in connection with identifying, securing and relocating to a replacement location; or
- 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 2012 and 2013. 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 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.

All of our revenue are earned in Renminbi, and 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. This change in policy has resulted in an appreciation of the Renminbi against the U.S. dollar of approximately 26.9% from July 21, 2005 to December 31, 2013. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar.

We receive all of our revenues in Renminbi. 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 23.8% 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.

The terms of our senior notes financing include provisions on events of default that may require us to repay such notes, which may not be practicable at such time depending upon the circumstances.

On February 5, 2014, the Company's wholly owned subsidiary, Favor Sea Limited (the "Note Issuer"), completed the sale of US$150 million in aggregate principal amount of 11.75% guaranteed senior notes due on February 4, 2019 (the "Notes"). The Notes are guaranteed on a senior basis by the Company (the "Parent Guarantor") and Xinda Holding (HK) Company Limited, a subsidiary wholly owned by the Note Issuer (the "Subsidiary Guarantor") and secured by a pledge of the shares of the Note Issuer and the Subsidiary Guarantor. Events of default under the Notes include a breach by the Parent Guarantor or the Subsidiary Guarantor of certain provisions of the Notes and the indenture in connection with the issuance of the Notes, the commencement by the Company or any of its subsidiaries of any bankruptcy, insolvency, reorganization or the like, or 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. Should any such event occur, the holders of the Notes may be entitled to repayment in full of such indebtedness, which we may be unable to repay and would need to seek a waiver from such holders, which they may be unwilling to provide. As a result, if we have insufficient cash available or do not have access to additional third-party financings on commercially reasonable terms or at all to repay the Notes, we may be required to liquidate assets to fund such repayment, which could have a material adverse effect on our business, financial condition and results of operations.

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 and production facilities are 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 is located measures 14,715 square meters (158,391 square feet). The land use right was issued to 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.

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"), in exchange for a total consideration of RMB435 million (approximately US$67.3 million) in cash. 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, 2011, the Company paid Harbin Shengtong a cash deposit of RMB118.9 million (equivalent to US$18.9 million). In December 2011, two workshops were completed and subsequently placed into service by the Company. Accordingly, the cost of these two workshops of approximately RMB59.5 million (equivalent to US$9.5 million) was recorded in workshops and buildings as of December 31, 2011. The allocable cost of the land use right related to the two workshops of approximately RMB24.1 million (equivalent to US$3.8 million) was recorded in land use rights in the Company's balance sheet as of December 31, 2011. In December 2012, the remaining three workshops were completed and placed into service by the Company. Accordingly, the cost of these three workshops of approximately RMB139.6 million (equivalent to US$22.2 million) was recorded in workshops and buildings as of December 31, 2012. The allocable cost of the land use right related to the two workshops of approximately RMB40.5 million (equivalent to US$6.5 million) was recorded in land use rights in the Company's balance sheet as of December 31, 2012. During the year ended December 31, 2013, the main building was completed. The allocable cost of the land use right of approximately RMB11.2 million (equivalent to US$1.9 million) and approximately RMB111.8 million (equivalent to US$18.5 million) related to the main building were recorded respectively in the Company's balance sheet as of December 31, 2013. The titles of the five workshops, the main building and the related land use rights are expected to be transferred to the Company once the construction of certain ancillary facilities of the Project is completed in the second half of 2014.

As of December 31, 2013, we had approximately 390,000 metric tons of production capacity across 83 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 base in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production base.

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 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, 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 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 Xinda Group as a National Torch Project and a National Spark Plan Project, and has given Xinda Group the "Most Valuable High Tech in China" award. 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 Post Doctoral Working Station.

ITEM 3. LEGAL PROCEEDINGS

None.

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, 2013		
First Quarter	4.33	3.95
Second Quarter	4.26	3.8
Third Quarter	4.41	4.05
Fourth Quarter	5.60	4.51
Fiscal Year Ending December 31, 2012		
First Quarter	5.82	4.71
Second Quarter	5.62	4.40
Third Quarter	4.78	3.52
Fourth Quarter	4.36	3.70

Number of Holders

As of March 21, 2014, there were 443 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 Company adopted the 2009 Stock Option / Stock Issuance Plan (the "Plan") on May 26, 2009, which reserved 7,800,000 shares of common stock for issuance under the Plan. The Plan allows the Company to issue awards of stock options and stock issuances to directors, officers, employees and consultants of the Company, which may be subject to restrictions.

The following table provides certain information with respect to the Company's Plan in effect as of December 31, 2013.

Plan category	Number of securities to be issued upon exercise of outstanding options and nonvested shares (a)
Nonvested shares	1,090,575
Total	1,090,575

As of December 31, 2013, the number of securities remaining available for future issuance under equity compensation plans was 4,088,779 shares.

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.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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 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. Through our wholly-owned operating subsidiaries in China, 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 283 certifications from manufacturers in the automobile industry as of December 31, 2013. 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 237 professionals and 12 consultants, including two consultants who are members of Chinese Academy of Engineering, and one consultant who is the former chief scientist of Specialty Plastics Engineering Institute of Jilin University. As a result of the integration of our academic and technological expertise, we have a portfolio of 109 patents, one of which we have obtained the patent rights and the remaining 108 of which we have applications pending in China as of December 31, 2013.

Our products include seven categories: polypropylene (PP), acrylonitrile butadiene styrene (ABS), modified engineering plastics, polyamides (PA or nylon), environment-friendly plastics, specialty engineering plastics and polyether ether ketone (PEEK). The Company's products are primarily used in the production of exterior and interior trim and functional components of more than 24 automobile brands and 80 automobile models manufactured in China, including Audi, Mercedes Benz, Buick, Chevrolet, VW Passat, Golf and Jetta, BMW, Mazda, and Toyota. 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 bases in Harbin, Heilongjiang in the PRC, with the construction of Sichuan plant underway. As of December 31, 2013, we had approximately 390,000 metric tons of production capacity across 83 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 base in Nanchong City, Sichuan Province, with additional 300,000 metric tons of annual production capacity, expecting to bring total installed production capacity to 690,000 metric tons with additional 70 new production lines at the completion of the construction of our fourth production base.

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 2013 and 2012.

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 market. 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 a decline in market. 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. Furthermore, the price of plastic resins, our primary raw material, is subject to fluctuations based on global supply and demand. Our management continually monitors the changes in the purchase price paid for plastic resins, including advances to suppliers, and the impact of such change on our ability to recover the cost of inventory and our prepayments to suppliers. 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, 2013 and 2012, we had total gross deferred income tax assets of US$73,182 and US$556,677, 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, 2013 and 2012, our valuation allowance against deferred income tax assets was US$73,182 and US$556,677, 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 50 percent 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.

Changes in our estimates and assumptions regarding the expected volatility could significantly impact the estimated fair values of our share options determined under the Black-Scholes valuation model and, as a result, our net income.

Results of Operations

The following table sets forth, for the periods indicated, statements of income data in thousands of USD:

(in thousands, except percentages)	For the Years Ended December 31,			
	2013		2012	
	Amount	%	Amount	%
Revenues	$ 1,050,816	100%	$ 599,819	100%
Cost of revenues	$ 827,420	79%	$ 456,012	76%
Gross profit	$ 223,396	21%	$ 143,807	24%
Total operating expenses	$ 37,787	4%	$ 31,929	5%
Operating income	$ 185,609	17%	$ 111,878	19%
Income before income taxes	$ 180,536	17%	$ 115,384	19%
Income tax expense	$ 46,697	4%	$ 29,516	5%
Net income	$ 133,839	13%	$ 85,868	14%

Revenues

Revenues were US$1,050.8 million, an increase of US$451.0 million, or 75.2%, as compared to US$599.8 million in 2012, due to approximately 50.5% increase in sales volume and 14.6% increase in the average RMB selling price of our products.

The increase of sales volume was driven by the strong demand of modified plastics in the PRC market and higher penetration of our business in our existing markets supported by our additional 30 production lines, which commenced production in December 2012, as well as the marketing efforts to develop new customers, in particular those in Eastern and Southwestern China. Such increase in demand was driven by increasing demand for middle and high-end automobiles by Chinese consumers, continuing substitution of imported modified plastics by domestic suppliers, as well as the increase of plastic content on the per-vehicle-basis in China with even higher adoption rate in higher-end automobile models than low-end ones. The increase of average RMB selling price was mainly due to the shift of product mix towards higher-end products.

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

(in millions, except percentage)	Revenues For the Years Ended December 31,					
	2013		2012			
	Amount	%	Amount	%	Change in Amount	Change in %
Modified Polypropylene (PP)	287.7	27.4%	284.3	47.4%	3.4	1.2%
Engineering Plastics	264.4	25.1%	124.5	20.8%	139.9	112.4%
Modified Polyamide (PA)	183.6	17.5%	48.9	8.1%	134.7	275.5%
Environment Friendly Plastics	155.5	14.8%	72.1	12.0%	83.4	115.7%
Alloy Plastics	124.6	11.9%	37.8	6.3%	86.8	229.6%
Modified Acrylonitrile Butadiene Styrene (ABS)	32.6	3.1%	24.7	4.1%	7.9	32.0%
Sub-total	**1,048.4**	99.8%	**592.3**	**98.7%**	**456.1**	**77.0%**
After-sales Service	2.0	0.2%	7.5	1.3%	(5.5)	(73.3)%
Overseas Trading	0.4	0.0%	-	-	0.4	0.0%
Total Revenues	**1,050.8**	**100%**	**599.8**	**100%**	**451.0**	**75.2%**

The reduction of after-sales service fee was due to the discounts given to our distributors as part of our marketing strategy to further penetrate our less-developed markets, especially in Eastern and Southwest China.

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

(in MTs, except percentage)	Sales Volume For the Years Ended December 31,					
	2013		2012			
	MT	%	MT	%	Change in MT	Change in %
Modified Polypropylene (PP)	140,504	41.7%	136,698	61.0%	3,806	2.8%
Engineering Plastics	49,367	14.6%	25,284	11.3%	24,083	95.2%
Modified Polyamide (PA)	36,970	11.0%	10,228	4.6%	26,742	261.5%
Environment Friendly Plastics	68,160	20.2%	31,784	14.2%	36,376	114.4%
Alloy Plastics	30,944	9.2%	10,753	4.8%	20,191	187.8%
Modified Acrylonitrile Butadiene Styrene (ABS)	11,244	3.3%	9,235	4.1%	2,009	21.8%
Total sales volume	**337,189**	**100.0%**	**223,982**	**100.0%**	**113,207**	**50.5%**

The Company shifted product mix from traditional Modified Polypropylene (PP) to higher-end products such as Modified Polyamide (PA), Alloy Plastics, Environment Friendly Plastics, and Engineering Plastics, primarily due to (i) the increasing demand of advanced modified plastics in luxury automobile models in China, (ii) the stronger demand promoted by Chinese government for clean energy vehicles and (iii) stronger sales of higher-end cars made by automotive manufacturers from China and Germany, US and Japan joint ventures, which tend to use more and higher-end modified plastics in quantity per vehicle in China.

Gross Profit and Gross Margin

(in millions, except percentage)	For the Years Ended December 31,		Change	
	2013	2012	Amount	%
Gross Profit	$ 223.4	$ 143.8	$ 79.6	55.4%
Gross Margin	*21.3%*	*24.0%*		*(2.7)%*

Gross profit was US$223.4 million in 2013 compared to US$143.8 million in 2012, representing an increase of 55.4%. Our gross margin decreased to 21.3% in 2013 from 24.0% in 2012.

The decrease of gross profit margin was primarily due to:

(i) The decrease of gross profit margin was primarily due to an average 5.8% discount on the listed prices in 2013 provided to our distributors as part of our marketing initiatives to increase our market share in Eastern China and Southwestern China. The discount is primarily aimed at further expanding into the Eastern China and Southwestern China market. As a result, revenues contribution from Eastern China and Southwestern China grew to 31.2% and 3.7% of our total sales in 2013 compared to 22% and nil in the same period of 2012, respectively. We plan to maintain such discount rate for 2014.

(ii) The decrease of gross profit margin was also due to increase in shipping expenses to US$16.0 million in 2013 from US$2.1 million in 2012. We started bearing the shipping expenses, which is a part of our marketing tactic to grow our market share since the first quarter of 2013. Such arrangement is expected to continue in the future.

Gross margins recovered after the first quarter of 2013 due to the increase of revenues contribution from higher-ended products, such as Engineering Plastics, Modified PA and Environmentally Friendly Plastics where we were able to successfully sell more higher-end products to both existing and new customers. We expect gross margin recovery continuing in 2014 as we shift our product mix towards higher-end categories.

General and Administrative Expenses

(in millions, except percentage)	For the Years Ended December 31, 2013	2012	Change Amount	%
General and Administrative Expenses	$ 16.3	$ 10.0	$ 6.3	63.0%
as a percentage of revenues	*1.6%*	*1.7%*		*(0.1)%*

General and administrative ("G&A") expenses were US$16.3 million in 2013 compared to US$10.0 million in 2012, representing an increase of 63.0%, or US$6.3 million. This increase is primarily due to the increase of (i) US$ 2.4 million of share based compensation; (ii) US$ 0.9 million of travel and office expenses associated with the business expansion; (iii) US$ 0.7 million of fixed assets deprecation; (iv) US$ 0.6 million of professional fees and (v) US$ 0.6 million of non-income taxation.

On a percentage basis, G&A expenses in 2013 was 1.6% of revenues, compared to 1.7% of the same period of 2012.

Research and Development Expenses

(in millions, except percentage)	For the Years Ended December 31, 2013	2012	Change Amount	%
Research and Development Expenses	$ 21.3	$ 21.6	$ (0.3)	(1.4)%
as a percentage of revenues	*2.0%*	*3.6%*		*(1.6)%*

Research and development ("R&D") expenses were US$21.3 million in 2013 compared with US$21.6 million in 2012, a decrease of US$0.3 million, or 1.4%. The decrease of our R&D expenses in 2013 was due to decreased expenses associated with the early completion of some research and development experiments after our R&D strategic review where we recalibrated our R&D efforts to target more longer-term but higher-end applications in fields such as aerospace, high-speed train, biological and medical. In 2013, the Company successfully launched 37 new automobile manufacturers certified products ("AMCP"), which increased its total number of AMCP to 283.

As of December 31, 2013, the Company has 96 products in the process of being certified by automotive and non-automotive manufacturers. We expect to complete and 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.

Operating Income

Total operating income was US$185.6 million in 2013 compared to US$111.9 million in 2012, representing an increase of 65.9% or US$73.7 million. This increase is primarily due to higher gross profit, offset by higher general and administrative expenses.

Interest Income (Expenses)

(in millions, except percentage)	For the Years Ended December 31, 2013	2012	Change Amount	%
Interest Income	$ 6.8	$ 4.6	$ 2.2	47.8%
Interest Expenses	(15.3)	(4.6)	(10.7)	232.6%
Net Interest Expenses	$ (8.5)	$ 0.0	$ (8.5)	-%

Net interest expenses was US$8.5 million in 2013 compared to that of net interest expenses of US$25,678 in 2012, primarily due to increase of short-term loans to meet the need of our future capacity expansion in Southwest China. The weighted average loan balance for the twelve-month ended December 31, 2013 was US$238.4 million as compared to US$65.7 million as of that of the prior year, leading to US$8.5 million more net interest expenses. We issued US$150 million guaranteed senior notes due in 2019 with annual interest rate of 11.75% in February 2014. We expect interest expenses to increase in 2014.

Foreign Currency Exchange Gains

(in millions, except percentage)	For the Years Ended December 31, 2013	2012	Change Amount	%
Foreign currency exchange gains	$ 2.5	$ 0.6	$ 1.9	316.7%
as a percentage of revenues	*0.2%*	*0.1%*		*0.1%*

Foreign currency exchange gain was US$ 2.5 million in 2013, compared to US$0.6 million in 2012.

Income Taxes

(in millions, except percentage)	For the Years Ended December 31, 2013	2012	Change Amount	%
Income before Income Taxes	$ 180.5	$ 115.4	$ 65.1	56.4%
Income Tax Expense	(46.7)	(29.5)	(17.2)	58.3%
Effective income tax rate	*25.9%*	*25.6%*		*0.3%*

The effective income tax rate in 2013 and 2012 was 25.9% and 25.6%, respectively. The effective income tax rate of 25.9% for the year ended December 31, 2013 differs from the PRC statutory income tax rate of 25% primarily due to (i) non-deductible stock-based compensation expenses and (ii) subpart F income for controlled foreign operations, partially offset by the preferential income tax rate of 15% enjoyed by Sichuan Xinda Group.

The effective income tax rate of 25.6% for the year ended December 31, 2012 differs from the PRC statutory income tax rate of 25% primarily due to (i) the net operating loss of one of the Company's PRC subsidiaries, which is to be merged into another subsidiary in 2013, and pursuant to the PRC tax laws and regulations, its losses cannot be carried forward to the surviving entity, after the merger, (ii) subpart F income for controlled foreign operations and (iii) non-deductible entertainment expenses.

Our PRC subsidiaries have US$389.5 million of cash and cash equivalents, restricted cash and time deposits as of December 31, 2013, which is planned to be indefinitely reinvested in the PRC. The distributions from our PRC 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.

Net Income

As a result of the above factors, we had a net income of US$133.8 million in 2013 compared to net income of US$85.9 million in 2012.

Selected Balance Sheet Data as of December 31, 2013 and 2012:

	Selected Balance Sheet Data			
	2013	2012	Change	
(in millions, except percentage)			**Amount**	**%**
Cash and cash equivalents	95.5	83.8	11.7	14.0%
Restricted cash	13.7	16.9	(3.2)	(18.9)%
Time deposits	281.3	48.0	233.3	486.0%
Accounts receivable, net of allowance for doubtful accounts	282.3	143.8	138.5	96.3%
Inventories	144.9	78.3	66.6	85.1%
Property, plant and equipment, net	233.8	223.8	10.0	4.5%
Land use rights, net	12.5	10.5	2.0	19.0%
Total assets	**1,075.9**	**611.6**	**464.3**	**75.9%**
Short-term bank loans	314.7	162.1	152.6	94.1%
Accounts payable	122.5	7.1	115.4	1,625.4%
Bills payable	25.6	15.8	9.8	62.0 %
Income taxes payable	26.8	8.5	18.3	215.3%
Accrued expenses and other current liabilities	55.9	34.4	21.5	62.5 %
Redeemable Series D convertible preferred stock	97.6	97.6	-	-
Stockholders' equity	**412.3**	**264.4**	**147.9**	**55.9%**

Our financial condition continues to improve as measured by an increase of 55.9% in stockholders' equity as of December 31, 2013 compared to December 31, 2012. Time deposits increased by 486.0%. We generally put our cash deposits with Chinese local banks to generate interests. Accounts receivable increased by 96.3% as a result of increase in revenues and increase in DSO from 56 days for the year ended December 31, 2012 to 72 days for the year ended December 31, 2013. Inventory increased by 85.1% due to the anticipation of the increase of customer demand in the following quarters. Short-term loans increased by 94.1% due to the need to support our future capacity expansion in Southwest China. Accounts payable increased by 1,625.4% due to the 30 days new payment terms renegotiated with our domestic raw material suppliers, a shift from prepayment to suppliers in the past, in order to strengthen our working capital. Accrued expenses and other current liabilities increased by 62.5% due to the increase of payables for purchase of property, plant and equipment to expand the production capacity.

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, short-term bank borrowings, and the issuance of our convertible preferred stocks and other equity financings. As of December 31, 2013 and December 31, 2012, we had US$95.5 million and US$83.8 million, respectively, in cash and cash equivalents, which were primarily deposited with banks in China (including Hong Kong). As of December 31, 2013, we had US$314.7 million outstanding short-term loans, including US$169.0 million unsecured loans, US$100.4 million loans secured by accounts receivable, US$37.0 million loans secured by restricted cash and US$8.3 million interest-free loan secured by the land use rights. These loans bear a weighted average interest rate of 5.9% per annum and have terms of no longer than one year and do not contain any renewal terms. We have historically been able to make repayments when due. In addition, we obtained lines of credit from below banks.

A summary of lines of credit for the year ended December 31, 2013 and the remaining line of credit as of December 31, 2013 is as below:

(in millions)	**December 31, 2013**			
	Lines of Credit, Obtained			**Remaining Available**
Name of Financial Institution	**Date of Approval**	**RMB**	**USD**	**USD**
Bank of Communications	January 5, 2013	150.0	24.8	0.0
Bank of Longjiang, Heilongjiang	March 14, 2013	300.0	49.6	0.0
Bank of China	November 18, 2013	500.0	82.6	12.6
HSBC	June 25, 2013	152.5	25.2	0.2
China Guangfa Bank	May 20, 2013	60.0	9.9	5.0
Industrial and Commercial Bank of China Limited	July 30, 2013	500.0	82.6	6.9
Agriculture Bank of China	September 10, 2013	280.0	46.2	13.2
China Construction Bank	December 19, 2013	135.0	22.3	17.3
China CITIC Bank	June 9, 2013	200.0	33.0	33.0
Societe Generale	July 9, 2013	100.0	16.5	0.0
China Construction Bank (Asia)	October 2, 2013	293.6	48.5	46.6
Total		**2,671.1**	**441.2**	**134.8**

We have historically been able to make repayments when due. In addition, as of December 31, 2013, we have contractual obligations to pay (i) lease commitments in the amount of US$4.6 million, including US$1.1 million due in 2014; (ii) plant construction in our Harbin facilities in the amount of US$13.9 million which are due in 2014.

Based on past performances, we expect that we will be able to meet our needs to fund operations, capital expenditures and other commitments in the next 12 months primarily with our cash and cash equivalents, operating cash flows, bank borrowings and the net proceeds from the guaranteed senior notes we offered in February 4, 2014.

We may, however, require additional cash resources due to changes in business conditions or other future developments. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain credit facilities. The sale of additional equity or equity-linked securities could result in additional dilution to stockholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict operations. Financing may not be available in amounts or on terms acceptable to us, or at all.

The following table sets forth a summary of our cash flows for the periods indicated.

(in millions US$)	For the Years Ended December 31, 2013	2012
Net cash provided by (used in) operating activities	115.6	(31.5)
Net cash used in investing activities	(249.9)	(144.9)
Net cash provided by financing activities	143.2	123.9
Effect of foreign currency exchange rate changes on cash and cash equivalents	2.8	0.7
Net increase (decrease) in cash and cash equivalents	11.7	(51.7)
Cash and cash equivalents at the beginning of year	83.8	135.5
Cash and cash equivalents at the end of year	95.5	83.8

Operating Activities

Net cash provided by the operating activities increased by US$147.1 million for the year ended December 31, 2013 from net cash used in the operating activities of US$31.5 million used last year. This increase was primarily due to (i) the increase of approximately US$438.7 million in cash collected from our customers for the year ended December 31, 2013 resulting from increasing sales during the period, partially offset by (i) increase of approximately US$289.3 million in cash operating expenditures, including approximately US$282.5 million in raw material purchases and (ii) the increase of approximately US$2.3 million income tax payment in 2013 resulting from increase in income before taxes and decrease of effective income tax rate.

Investing Activities

Net cash used in the investing activities increased by US$105.0 million for the year ended December 31, 2013 as compared to US$144.9 million last year, mainly due to the increase of US$85.8 million purchase of time deposits, and the decrease of US$95.2 million proceeds from maturity of time deposits, partially offset by the decrease of US$76.0 million purchase of property, plant and equipment

Financing Activities

Net cash provided by the financing activities was US$143.2 million for the year ended December 31, 2013, as compared to US$123.9 million last year, primarily as a result of the increase of US$260.8 million borrowings of short-term bank loans from local banks, the release of restricted cash as collateral for bank borrowings of US$5.7 million, which was partially offset by the increase of US$3.4 million placement of restricted cash as collateral for bank borrowings, and the increase of US$243.8 million repayments of bank borrowings for the year ended December 31, 2013.

On January 24, 2014, the Company's wholly owned subsidiary, Favor Sea Limited, priced its international offering of guaranteed senior notes. The offering consists of US$150 million aggregate principal amount of 11.75% guaranteed senior notes due 2019. The Notes have been listed and quoted on the Singapore Stock Exchange on February 5, 2014. The Company intends to use the net proceeds from the offering for repayment of indebtedness incurred by its PRC subsidiaries, for capital expenditure on a production base in Sichuan and for general corporate purposes. The Notes are guaranteed on a senior basis by China XD and Xinda Holding (HK) Company Limited, a subsidiary wholly owned by the Note Issuer. The Notes are secured by a pledge of the shares of the Note Issuer and the Subsidiary Guarantor.

As of December 31, 2013, our cash and cash equivalents balance was US$95.5 million, compared to US$83.8 million at December 31, 2012.

Days Sales Outstanding ("DSO") has increased from 56 days for the year ended December 31, 2012 to 72 days for the year ended December 31, 2013 as a result of overall slowdown in the Chinese economy and its impact to our industry. It takes longer to collect from our customers. We believe that our DSO is still well below industry average Industry Standard Customer and Supplier Payment Terms (days) as below:

Industry Standard Customer and Supplier Payment Terms (days) as below:

	Year ended December 31, 2013 and 2012
Customer Payment Term	Payment in advance/up to 90 days
Supplier Payment Term	Payment in advance/up to 30 days

Inventory turnover days remained the same as 49 days for the year ended December 31, 2013 and 2012 due to the effective control on the inventory.

Prior to February 2013, the Company paid deposits to domestic and international suppliers for the principal raw materials ordered. The Company made advanced orders of raw materials based upon (1) the demand and supply situation in the raw materials market and (2) the forecasted demand of products. Starting from March 2013, the Company switched to 30 days credit terms for purchases from its domestic suppliers. All advances to suppliers as of December 31, 2013 are related to the purchase of raw materials, which were subsequently received by the Company in February 2014.

The majority of the Company's revenues and expenses were denominated primarily in Renminbi ("RMB"), the currency of the People's Republic of China. There is no assurance that exchange rates between the RMB and the U.S. Dollar will remain stable. The Company does not engage in currency hedging. Inflation has not had a material impact on the Company's business.

COMMITMENTS AND CONTINGENCIES

Contractual Obligations

Our contractual obligations as of December 31, 2013 are as follows:

Contractual obligations	**Total**	**Payment due less than 1 year**	**2 – 3 years**	**4-5 years**	**More than 5 years**
Lease commitments	4,643,668	1,091,533	2,024,278	1,527,857	-
Plant construction	13,863,927	13,863,927	-	-	-
Total	18,507,595	14,955,460	2,024,278	1,527,857	-

On March 8, 2013, Xinda Holding (HK) Company Limited ("Xinda Holding (HK)"), a wholly owned subsidiary of the Company, entered into an investment agreement with Shunqing Government, pursuant to which Xinda Holding (HK) will invest RMB1.8 billion (equivalent to US$294 million) in property, plant and equipment and approximately RMB600 million (equivalent to US$98 million) in working capital, for the Construction of Sichuan Plant.

Off-Balance Sheet Arrangements

Neither us, nor any of our subsidiaries has any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on their financial condition or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to interest rate risk primarily with respect to our short-term bank loans. Although the interest rates of our short-term bank loans, which are based on the prime rates set by People's Bank of China, are fixed during the terms of the loans, increase in interest rates will increase the cost of new borrowings and our interest expense.

A hypothetical 1.0% increase in the annual interest rate for all of our credit facilities under which we had outstanding borrowings as of December 31, 2013 would decrease income before income taxes by approximately $3.15 million for the year ended December 31, 2013. Management monitors the banks' prime rates in conjunction with our cash requirements to determine the appropriate level of debt balances relative to other sources of funds. We have not entered into any hedging transactions in an effort to reduce our exposure to interest rate risk.

Foreign Currency Exchange Rates

All of our revenues are collected in and substantially all of our expenses are paid in RMB. We face foreign currency rate translation risks when our results are translated to U.S. dollars.

The RMB was relatively stable against the U.S. dollar at approximately 8.28 RMB to the US$1.00 until July 21, 2005 when the Chinese currency regime was altered resulting in a 2.1% revaluation versus the U.S. dollar. From July 21, 2005 to June 30, 2010, the RMB exchange rate was no longer linked to the U.S. dollar but rather to a basket of currencies with a 0.3% margin of fluctuation resulting in further appreciation of the RMB against the U.S. dollar. Since June 30, 2009, the exchange rate had remained stable at 6.8307 RMB to 1.00 U.S. dollar until June 30, 2010 when the People's Bank of China allowed a further appreciation of the RMB by 0.43% to 6.798 RMB to 1.00 U.S. dollar. On December 31, 2013, the RMB traded at 6.0537 RMB to 1.00 U.S. dollar.

There remains international pressure on the Chinese government to adopt an even more flexible currency policy and the exchange rate of RMB is subject to changes in China's government policies which are, to a large extent, dependent on the economic and political development both internationally and locally and the demand and supply of RMB in the domestic market. There can be no assurance that such exchange rate will continue to remain stable in the future amongst the volatility of currencies, globalization and the unstable economies in recent years. Since (i) our revenues and net income of our PRC operating entities are denominated in RMB, and (ii) the payment of dividends, if any, will be in U.S. dollars, any decrease in the value of RMB against U.S. dollars would adversely affect the value of the shares and dividends payable to shareholders, in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2013 and 2012, including the notes thereto, together with the report of our independent registered public accounting firm, are presented beginning on page F-1 of this report and are incorporated into this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time period specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)), as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective as of December 31, 2013, and as of the date that the evaluation of the effectiveness of our disclosure controls and procedures was completed, because of the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures were not effective to satisfy the objectives for which they are intended.

Notwithstanding management's assessment that our internal control over financial reporting was ineffective as of December 31, 2013 due to the material weakness described below under Management's Report on Internal Control Over Financial Reporting, we believe that the consolidated financial statements included in this Annual Report on Form 10-K correctly present our financial condition, results of operations and cash flows for the fiscal years covered thereby in all material respects.

(b) Management's Annual Report on Internal Control over Financial Reporting

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

The Company's management, including the Company's principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2013, the Company's internal control over financial reporting was ineffective. This assessment identified one material weakness related to lack of sufficient accounting and financial reporting personnel to formalize certain key controls over the financial reporting process and report financial reporting information based on U.S. GAAP and SEC reporting requirements.

Management's report is not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report.

(c) Changes in Internal Control over Financial Reporting

During the twelve months ended December 31, 2013, our efforts to improve our internal controls include (1) external training of U.S. GAAP and SEC reporting by qualified entities to our accounting staff, (2) recruiting senior qualified people with requisite expertise and knowledge to help improve our internal control procedures, and (3) internal meetings, discussions and seminars periodically to review and improve our internal control procedures. We plan to further remediate on the above-referenced weakness in 2014.

ITEM 9B. OTHER INFORMATION

Earlier in 2013, our Hong Kong subsidiary inadvertently purchased, through an intermediary trading agent, 300MT and 168MT of Polyamide-6 for EUR554,715 and EUR304,920, respectively, which had been exported by a Belarus company that is a Specially Designated National, which is subject to economic sanctions by the United States Treasury and the Office of Foreign Assets Control ("OFAC"). U.S. citizens, permanent residents, and U.S.-based businesses are forbidden from working with Specially Designated Nationals. We have made a voluntary disclosure to the United States Treasury and intend to cooperate with any inquiry they may have. As a result of these transactions, we may be subject to penalties and fines. At this time, we are unable to ascertain with any certainty as to the outcome of these OFAC violations.

We currently have an internal team that is responsible for monitoring our compliance with regulations promulgated by the OFAC. We plan to develop and maintain a more effective system of internal controls in order to monitor all of our activities and ensure that we fully comply with OFAC-related regulations going forward. We also plan to conduct sanctions screening on suppliers and other counterparties and provide training to our personnel involved with export and import transactions. While we believe that these measures will help improve our internal controls, we cannot assure you that they will be adequate for our OFAC compliance in the future.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table sets forth the names and ages of our current directors and executive officers, their age, their principal offices and positions and the date each such person became a director or executive officer. Executive officers are appointed at the discretion of the Board of Directors. Directors are elected annually by our stockholders at our annual meeting of stockholders. Each director holds his office until his successor is elected and qualified or his earlier resignation or removal.

Our current directors and executive officers are as follows:

Name	Age	Title	Date of Initial Appointment
Jie Han	48	Chief Executive Officer and Chairman of the Board of Directors	December 31, 2008
Taylor Zhang	35	Chief Financial Officer and Director	May 14, 2009
Qingwei Ma	39	Chief Operating Officer and Director	December 31, 2008
Lawrence W. Leighton (1)(2)(3)	79	Independent Director	May 14, 2009
Feng Li (1)(2)(3)	51	Independent Director	November 14, 2012
Linyuan Zhai (1)(2)(3)	64	Independent Director	May 14, 2009
Homer Sun (2)(4)	42	Independent Director	January 1, 2012
Jun Xu(4)	38	Independent Director	September 28, 2011
Junjie Ma	38	Chief Technology Officer	May 26, 2009

(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.

Jie Han. Mr. Han co-founded Harbin Xinda, the Company's wholly owned subsidiary, in 2004, and has been employed by Harbin Xinda and then Xinda Group since then. In January 2008, Mr. Han was appointed Chairman and Chief Executive Officer of Harbin Xinda. Prior to organizing 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 28 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 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 Heilongjiang Provincial People's Congress. Mr. Han received a business management degree from the Heilongjiang Provincial Party School.

Taylor Zhang. Mr. Zhang has over 11 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 (NASDAQ: ABAT). From 2007 to 2008, he served as Executive Vice President of Finance of China Natural Gas, Inc. (NASDAQ: CHNG). 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. He holds a MBA from University of Florida and a Bachelor's Degree in mechanical and electronic engineering from Beijing Technology and Business University.

Qingwei Ma. Mr. Ma was employed as the 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 15 years of experiences in the industry. 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"; 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.

Junjie Ma. Mr. Ma graduated from Beijing University of Science and Technology, majored in Polymer materials and engineering. He was appointed acting Chief Technology Officer of China XD in 2009. From December 2008 to May 2009, Mr. Ma served as a member of our Board of Directors. He was a technician of Harbin Longjiang Electrical Plant from 1997 to 2004 and was a supervisor and manager of Harbin Xinda Macromolecule Material Inc. from 2004 to 2007. Since 2008, he was elected to be Head of Research Institute of Harbin Xinda Macromolecule Material Co., Ltd. Mr. Junjie Ma is a polymer materials engineer and has developed more than 120 plastic additives, modified plastics for automobiles and engineering plastics among which 50 products have been approved by auto enterprises. A number of products have been awarded as the National Torch Program projects, Spark Projects and Harbin City Important New Products project.

Lawrence W. Leighton. Mr. Leighton has had an extensive 46-year international investment banking career. Beginning at what became Lehman Brothers, he advised on financing for the Mexican Government and leading Mexican corporations. As Director of Strategic Planning for the consumer products company, Norton Simon Inc., he initiated and executed the acquisition of Avis Rent-a-car. Subsequently, he was a Limited Partner of Bear Stearns & Co., a Managing Director of the investment bank of Chase Manhattan Bank and then President and Chief Executive Officer of the U.S. investment bank of Credit Agricole, a major French Bank. Among his transactions have been advising Pernod Ricard, a major European beverage company, on its acquisitions in the United States; and advising Verizon, a U. S. telecom company, on its dispositions of certain European operations. Since 2005, Mr. Leighton has served as a managing director of Bentley Associates Investment Banking. Since 2008, Mr. Leighton has served as a member of the Board of Directors of China Natural Gas, Inc. Mr. Leighton received his Bachelor's Degree in engineering from Princeton University and a Master's Degree from Harvard Business School. He holds a commercial pilot's license with instrument rating.

Linyuan Zhai. Mr. Zhai, 64, worked for China FAW Group Corporation for 37 years and has abundant 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, 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.

Homer Sun. Mr. Sun, 42, 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.

Jun Xu. Mr. Xu, 38, is an Executive 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 received dual Bachelor Degrees in both international trade and computer science magna cum laude from Shanghai Jiaotong University and an M.B.A. with honours from the University of Michigan.

Feng Li. Mr. Li, age 51, 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 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.

Family Relationships

There are no family relationships between or among any of the executive officers or directors of the Company.

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 below, provide the Company with a range of perspectives and judgment necessary to guide our strategies and monitor their execution.

Jie Han: Mr. Han is the founder of China XD and of our former affiliate, Harbin Xinda Nylon Factory. He has over 28 years of experience in the modified plastics industry. Mr. Han contributed to our Board of Directors strong leadership and vision for the development of our Company. Mr. Han also serves as an executive director of China Plastic Processing Industry Association and he is a member of Industry and Commercial Union Executive Committee of Heilongjiang Province. Mr. Han is a director of the Chinese Chamber of Commerce and People's Congress Representative of Harbin City. Mr. Han is an expert in all management and financial aspects of manufacture and distribution of modified plastic products.

Taylor Zhang: Mr. Zhang has over 11 years of experience in finance and operations in a broad range of industries. He was the former Chief Financial Officer of Advanced Battery Technologies, Inc. (NASDAQ: ABAT) and has a MBA from University of Florida.

Qingwei Ma: Mr. Ma served as the Company's Chief Operating Officer since 2008. Mr. Ma has over 16 years of experience in the modified plastics industry. Prior to joining China XD, was a member of the senior management team of Harbin Xinda Nylon Factory and was awarded the Heilongjiang First Professional Manager Qualification Certificate in 2004.

Lawrence W. Leighton: Mr. Leighton has over 46 years of experience as an investment banker and corporate executive advising both large and small corporations in both foreign countries and the United States.

Linyuan Zhai: Mr. Zhai contributes to our Board of Directors extensive experience in the areas of auto technology, production, and business management, which he accumulated while working for China FAW Group Corporation during his 37 years of employment.

Homer Sun: Mr. Sun contributes to our Board of Directors a broad range of transactional experience, both as a practicing lawyer and as a managing director at Morgan Stanley. Mr. Sun received a J.D. with honours from the University of Michigan Law School.

Jun Xu: Mr. Xu contributes to our Board of Directors extensive experience in cross-border M&A transactions and private equity transactions. Mr. Xu received an M.B.A. with honours from the University of Michigan.

Feng Li: Mr. Li contributed to our Board of Directors extensive experience in modified plastics industry and his connection with major automobile manufacturers in 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.

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.

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 5 meetings during 2013. 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 in fiscal year 2013.

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.

Committees of the Board of Directors

Our Board of Directors has an Audit Committee, a Nominating Committee, and a Compensation Committee. Our Board of Directors has determined that Lawrence W. Leighton, Feng Li, Linyuan Zhai and Homer Sun, the members of these committees, are "independent" under the current independence standards of NASDAQ Marketplace Rule 4200(a)(15) and meet the criteria for independence set forth in Rule 10A-3(b)(1) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our Board of Directors has also determined that these persons have no material relationships with us — either directly or as a partner, stockholder or officer of any entity — which could be inconsistent with a finding of their independence as members of our Board of Directors.

Audit Committee

The Audit Committee was established on May 26, 2009. The Audit Committee operates under a written charter. The Audit Committee Charter can be found on our website at www.cxdc.net and can be made available in print free of charge to any shareholder who requests it.

The Audit Committee's charter states that the responsibilities of the Audit Committee shall include, among other things:

- reviewing the Audit Committee's charter, annual report to stockholders and reports submitted to the SEC;
- appointing the Company's independent auditors, confirming and reviewing their independence, and approving their fees;
- reviewing the independent auditors' performance;
- discussing with the independent auditor and management the independent auditor's judgment about the quality, not just the acceptability, of the Company's accounting principles;
- following an audit, reviewing significant difficulties encountered during the audit; and
- reviewing significant disagreements among management and the independent auditors in the preparation of the Company's financial statements.

In addition, the Audit Committee reviews and approves all transactions with affiliates, related parties, directors and executive officers.

The Audit Committee held 4 meetings during 2013. The members of the Audit Committee during 2013 were Lawrence Leighton, Feng Li and Linyuan Zhai. Mr. Leighton served as the Chairman of the Audit Committee. Each of the above-listed Audit Committee members were or are considered "independent" under the current independence standards of NASDAQ Marketplace Rule 4200(a)(15) 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.

Our Board of Directors has determined that we have at least one audit committee financial expert, as defined in the Exchange Act, serving on our Audit Committee. Lawrence Leighton is the "audit committee financial expert" and is an independent member of our Board of Directors.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed our consolidated financial statements for the fiscal year ended December 31, 2013, including significant accounting policies applied by the Company in its consolidated financial statements, as well as alternative treatments with management and the Company's independent registered public accounting firm. The Committee has discussed with the independent registered public accounting firm all matters required by the standards of the Public Company Accounting Oversight Board (the "PCAOB"), including those described in Auditing Standard No. 16, *Communications with Audit Committees*.

In addition, the Committee has received the letter from the independent registered public accounting firm required by the applicable PCAOB requirements concerning auditor independence, and the Committee has discussed with the independent registered public accounting firm their independence from the Company and its management. The Committee has also considered whether the independent registered public accounting firm's provision of non-audit services to the Company could affect the accountant's independence. The Committee has concluded that the independent registered public accounting firm is independent from the Company and its management. The Committee has discussed with the Company's independent registered public accounting firm the overall scope and plans for its audit.

Based on the Audit Committee's review of the matters noted above and its discussions with our independent registered public accounting firm and our management, the Audit Committee recommended to the Board of Directors that the financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Respectfully submitted by:

Lawrence Leighton (Chair)

Feng Li

Linyuan Zhai

Nominating Committee

The Nominating Committee was established on May 26, 2009. The purpose of the Nominating Committee is to assist the Board of Directors in identifying qualified individuals to become members of the Board of Directors, in making recommendations to the Board of Directors as to the independence of each director, in monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies, and in leading the Board of Directors in any annual performance self-evaluation, including establishing criteria to be used in connection with such evaluation. The Nominating Committee held one meeting during 2013.

The members of the Nominating Committee during 2013 were Lawrence Leighton, Feng Li and Linyuan Zhai. Mr. Zhai served as the Chairman of the Nominating Committee. Each of the above-listed Nominating Committee members is considered "independent" under the current independence standards of NASDAQ Marketplace Rule 4200(a)(15) 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.

The Nominating Committee operates under a written charter. The Nominating Committee Charter can be found on our website at www.chinaxd.net and can be made available in print free of charge to any shareholder who requests it.

On September 28, 2011 the Company filed a Certificate of Designation with the Secretary of State of the State of Nevada (amended on January 24, 2014 and filed with the Secretary of State of the State of Nevada on January 27, 2014), which provides the holders of the Series D Preferred Stock with the right to elect up to two (2) directors to the Company's Board of Directors on the terms and conditions set forth therein. There have been no other changes to the procedures by which the stockholders of the Company may recommend nominees to the Board of Directors since the filing of the Company's Definitive Proxy Statement on November 19, 2009 for its Annual Meeting of Stockholders, which was held on December 1, 2009. The Nominating Committee will consider director candidates recommended by any reasonable source, including current Board of Directors members, stockholders, professional search firms or other persons. The directors will not evaluate candidates differently based on who has made the recommendation. The Board of Directors does not have a formal policy on Board of Directors candidate qualifications. The Board of Directors may consider those factors it deems appropriate in evaluating director nominees made either by the Board of Directors or stockholders, including judgment, skill, strength of character, experience with businesses and organizations comparable in size or scope to the Company, experience and skill relative to other Board of Directors members, and specialized knowledge or experience in business or financial matters as would make such nominee an asset to the Board of Directors and may, under certain circumstances, be required to be "independent," as such term is defined in the NASDAQ Marketplace Rules and applicable SEC regulations. Depending upon the current needs of the Board of Directors, certain factors may be weighed more or less heavily. In considering candidates for the Board of Directors, the directors evaluate the entirety of each candidate's credentials and do not have any specific minimum qualifications that must be met.

Security holders wishing to submit the name of a person as a potential nominee to the Board of Directors must send the name, address, and a brief (no more than 500 words) biographical description of such potential nominee to the Nominating Committee at the following address: Nominating Committee of the Board of Directors, c/o China XD Plastics Company Limited, 500 Fifth Ave Suite 4120, New York, NY 10110. Potential director nominees will be evaluated by personal interview, such interview to be conducted by one or more members of the Nominating Committee, and/or any other method the Nominating Committee deems appropriate, which may, but need not, include a questionnaire. The Nominating Committee may solicit or receive information concerning potential nominees from any source it deems appropriate. The Nominating Committee need not engage in an evaluation process unless (i) there is a vacancy on the Board of Directors, (ii) a director is not standing for re-election, or (iii) the Nominating Committee does not intend to recommend the nomination of a sitting director for re-election. A potential director nominee recommended by a security holder will not be evaluated any differently than any other potential nominee. Although it has not done so in the past, the Nominating Committee may retain search firms to assist in identifying suitable director candidates.

Compensation Committee

The Compensation Committee was established on May 26, 2009. The members of the Compensation Committee during 2013 were Lawrence Leighton, Feng Li, Homer Sun and Linyuan Zhai. Mr. Li served as the Chairman of the Compensation Committee.

Each of these members were or are considered "independent" under the current independence standards of NASDAQ Marketplace Rule 4200(a)(15) 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. 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 shareholder 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 Incentive Plan. The Committee has overall responsibility for approving and evaluating the executive officer compensation plans, policies and programs of the Company. The Compensation Committee held one meeting during 2013.

Code of Business Conduct

We have adopted a code of business conduct that applies to our directors, officers and employees. A written copy of the code can be found on our website at www.chinaxd.net and can be made available in print to any shareholder upon request at no charge by writing to our Secretary, c/o China XD Plastics Company Limited, 500 Fifth Ave Suite 4120, New York, NY 10110. Our code of business conduct is intended to be a codification of the business and ethical principles which guide us, and to deter wrongdoing, to promote honest and ethical conduct, to avoid conflicts of interest, and to foster full, fair, accurate, timely and understandable disclosures, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations and accountability for adherence to the code.

Executive Sessions

Under NASDAQ Marketplace Rule 5605(b)(2), our independent directors are required to hold regular executive sessions. The chairperson of the executive session will rotate at each session so that each non-management director shall have an opportunity to serve as chairperson. Interested parties may communicate directly with the presiding director of the executive session or with the non-management directors as a group, by directing such written communication to Mr. Lawrence Leighton at c/o China XD Plastics Company Limited, 500 Fifth Ave Suite 4120, New York, NY 10110.

Process for Sending Communications to the Board of Directors

The Board of Directors maintains a process for stockholders to communicate with the Board of Directors. Stockholders wishing to communicate with the Board of Directors or any individual director may send an email through our website at www.chinaxd.net or mail a communication addressed to the Secretary of the Company, c/o China XD Plastics Company Limited, 500 Fifth Ave Suite 4120, New York, NY 10110. Any such communication must state the number of shares of common stock beneficially owned by the stockholder making the communication. All of such communications will be forwarded to the full Board of Directors or to any individual director or directors to whom communication is directed unless the communication is clearly of a marketing nature or is inappropriate, in which case we have the authority to discard the communication or take appropriate legal action regarding the communication.

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 2013, 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.

ITEM 11. EXECUTIVE COMPENSATION

In 2013, pursuant to the Company's 2010 Executive Compensation Program which sets forth cash and stock compensation of the Company's executives and directors, including the Company's named executive officers, the executive officers are entitled to receive compensation as follows:

Compensation for Mr. Jie Han, the Company's Chief Executive Officer : For fiscal year 2013, Mr. Han is entitled to a base salary of $499,699 (RMB 3,072,000). In addition, Mr. Han may receive a discretionary bonus as determined by the Compensation Committee of the Board of Directors at the end of the fiscal year.

Compensation for Mr. Taylor Zhang, the Company's Chief Financial Officer : For fiscal year 2013, Mr. Zhang is entitled to a base salary of $180,000 . On August 7, 2010, Mr. Zhang received options to purchase up to 100,000 shares of the Company's common stock at the exercise price of $8.01 per shares and 14,000 non-vested shares under our 2009 Stock Option / Stock Issuance Plan. One-third of the stock options shall vest on the every anniversary of the grant date over a three-year period. The non-vested shares will vest on the third anniversary of the grant date. Mr. Zhang didn't exercise the options which expired in 2013. On August 7, 2012 and on August 7, 2013, Mr. Zhang received 28,000 and 14,000 non-vested shares, respectively, under our 2009 Stock Option/Stock Issuance Plan. The restricted shares shall vest on the third anniversary of the grant date. In addition, Mr. Zhang may receive a discretionary bonus as determined by the Compensation Committee of the Board of Directors at the end of the fiscal year.

Compensation for Mr. Qingwei Ma, the Company's Chief Operating Officer : For fiscal year 2013, Mr. Ma is entitled to a base salary of of $249,850 (RMB1,536,000). On August 7, 2010, Mr. Ma was granted options to purchase up to 75,000 shares of the Company's common stock at the exercise price of $8.01 per share and 12,000 nonvested shares under our 2009 Stock Option / Stock Issuance Plan. One-third of the stock options shall vest on the every anniversary of the grant date over a three-year period. The non-vested shares will vest on the third anniversary of the grant date. Mr. Ma didn't exercise the options which expired in 2013. On August 7, 2012 and on August 7, 2013, Mr. Ma received 28,000 and 14,000 non-vested shares, respectively, under our 2009 Stock Option/Stock Issuance Plan. The restricted shares shall vest on the third anniversary of the grant date. In addition, Mr. Ma may receive a discretionary bonus as determined by the Compensation Committee of the Board of Directors at the end of the fiscal year.

The following table is a summary of the compensation paid to our executive officers for the two years ended December 31, 2013 and 2012.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compens-ation ($)	Total ($)
Jie Han,	2013	282,762							282,762
CEO	2012	485,551	-	-	-	-	-	-	485,551
Qingwei Ma,	2013	198,990		67,536	11,149				277,675
COO	2012	204,887	-	42,792	56,045(1)	-	-	-	303,724
Taylor Zhang,	2013	143,316	44,088	64,920	14,865				267,189
CFO	2012	138,544	-	47,180	74,726(1)	-	-	-	260,450

(1) Stock and option awards represent the amount of stock compensation expense recognized in 2013 and 2012 in accordance with FASB ASC 718.

The following is a summary of all options, unvested stock and equity incentive plans for our executive officers for the year ended December 31, 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards						
Name	**Name of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested (#)**	**Grant date fair value of stock or units of stock that have not vested ($)**
Jie Han, CEO	-	-	-	-	-	-	-
Taylor Zhang, CFO	Common Stock	-	-	8.01	August/7/2013	42,000	186,760
Qingwei Ma, COO	Common Stock	-	-	8.01	August/7/2013	42,000	186,760
Junjie Ma, CTO	Common Stock	-	-	8.01	August/7/2013	35,530	158,176

2009 Stock Option / Stock Issuance Plan

On May 26, 2009, we adopted our 2009 Stock Option / Stock Issuance Plan, supplemented by "Stock Award Grant Supplemental Provisions" in July 2013 (the "Plan"), under which 7,800,000 shares of common stock are reserved for issuance. The Plan provides for the grant of the following types of incentive awards: (i) stock options and (ii) stock issuances. Each of these is referred to individually as an "Award." Those who are eligible for Awards under the Plan include employees, directors and independent contractors who provide services to the Company and/or its affiliates.

Number of Shares of Common Stock Available Under the Plan

The Board of Directors has reserved 7,800,000 shares of the common stock for issuance under the Plan. As of December 31, 2013, 3,294,221 stock awards and 148,500 stock options have been granted under the Plan. Currently, approximately 85 employees and directors are eligible to participate in the Plan.

If the Company declares a dividend or other distribution or engages in a recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Company's common stock, the Board of Directors will adjust the number and class of shares that may be delivered under the Plan, the number, class, and price of shares covered by each outstanding Award, and the numerical per-person limits on Awards.

Shares of common stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent (1) the options expire or terminate for any reason prior to exercise in full or (2) the options are cancelled in accordance with the Plan. Unvested shares issued under the Plan and subsequently repurchased by the Company, at a price per share not greater than the option exercise or direct issue price paid per share, pursuant to the Company's repurchase rights under the Plan shall be added back to the number of shares of common stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan.

Administration of the Plan

The Board of Directors administers the Plan. However, any or all administrative functions otherwise exercisable by the Board of Directors may be delegated to a committee of the Board of Directors (the "Committee"). Members of the Committee serve for such period of time as the Board of Directors may determine and shall be subject to removal by the Board of Directors at any time. The Board of Directors may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee. Subject to the terms of the Plan, the Board of Directors has the sole discretion to select the employees, independent contractors, and directors who will receive Awards, determine the terms and conditions of Awards, and to interpret the provisions of the Plan and outstanding Awards.

Options

The Board of Directors is able to grant nonqualified stock options and incentive stock options under the Plan. The Board of Directors determines the number of shares subject to each option. Incentive options may only be granted to employees. The aggregate fair market value of the shares of common stock for which one or more options granted to any employee under the Plan may for the first time become exercisable as incentive options during one calendar year may not exceed $100,000.

The Board of Directors determines the exercise price of options granted under the Plan, provided the exercise price (i) of incentive stock options must be at least equal to the fair market value of the common stock on the date of grant and (ii) of non-statutory stock options must be at least equal to 85% of the fair market value of the common stock on the date of grant. In addition, the exercise price of an incentive stock option granted to any participant who owns more than 10% of the total voting power of all classes of the Company's outstanding stock must be at least 110% of the fair market value of the common stock on the grant date.

The term of an option may not exceed ten years, except incentive stock options granted to an employee who is a 10% stockholder may not exceed five years.

Unless otherwise determined by the Board of Directors, after a termination of service with the Company, a participant will be able to exercise the vested portion of his or her option for (i) 90 days following his or her termination (or within such other period of time as may be specified by the Company, but in any event no later than the date of expiration of the option term) for reasons other than death, disability or misconduct, (ii) one year following his or her termination (or within such other period of time as may be specified by the Company, but in any event no later than the date of expiration of the option term) due to death or disability. Unless otherwise determined by the Board of Directors, if a participant ceases to be employed by the Company on the account of (i) termination by the Company for defined misconduct, any option held by the participant shall (A) terminate on the date on which the participant ceases to be employed by, or provide service to, the Company, or the date on which such option would otherwise expire, if earlier.

The administrator of the Plan shall have the discretion to grant options that are exercisable for unvested shares. Should the optionee's service cease while the shares issued upon the early exercise of the optionee's option are still unvested, the Company shall have the right to repurchase any or all of the unvested shares in accordance with the Plan.

Stock Issuance

The Board of Directors may transfer shares of Company stock to a Plan participant pursuant to a stock issuance, either through the immediate purchase of such shares or as a bonus for services rendered the Company. Stock issuances will vest in accordance with the terms and conditions established by the Board of Directors in its sole discretion. The Board of Directors will determine the number of shares granted pursuant to an Award of stock. Vesting conditions on stock issuances granted to non-officer employees may not be more restrictive than 20% per year vesting, with the initial vesting to occur no later than one year after the shares are issued.

The Board of Directors shall fix the purchase price per share of stock issuance. Shares issued to 10% stockholders must not have a purchase price per share less than 100% of the fair market value per share of common stock on the date of issuance. Shares issued to other Plan participants shall not be less than 85% of the fair market value per share of common stock on the date of issuance.

The participant shall have full stockholder rights with respect to any shares of common stock issued to the participant under the Plan, whether or not the participant's interest in those shares is vested. Accordingly, the participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

Should the participant cease to remain in service while holding one or more unvested shares issued under the Plan or should the performance objectives not be attained with respect to one or more such unvested shares, then the Company has the right to repurchase the unvested shares at the lower of (a) the purchase price paid per share or by the participants (b) the fair market value per share on the date participant's service ceased or the performance objective was not attained. The terms upon which such repurchase right shall be exercisable shall be established by the Board of Directors and set forth in the document evidencing such repurchase right.

The Board of Directors may in its discretion waive the surrender and cancellation of one or more unvested shares (or other assets attributable thereto) which would otherwise occur upon the non-completion of the vesting schedule applicable to those shares. Such waiver shall result in the immediate vesting of the participant's interest in the shares of common stock as to which the waiver applies. Such waiver may be effectuated at any time, whether before or after the Participant's service ceases or he or she attains the applicable performance objectives.

Transferability of Awards

Except as described below, Stock Option Awards granted under the Plan are generally not transferable, and all rights with respect to a Stock Option Award granted to a participant generally will be available during a participant's lifetime only to the participant. A participant may not transfer those rights except by will or by the laws of descent and distribution. Participant may transfer non-statutory stock options to family members, or one or more trusts or other entities for the benefit of or owned by family members or to a transferee's former spouse, consistent with applicable securities laws, provided that the participant receives no consideration for the transfer of an option and the transferred option shall continue to be subject to the same terms and conditions as were applicable to the option immediately before the transfer.

The Company has the right of first refusal with respect to any proposed disposition by an optionee or a participant of any shares of common stock issued under the Plan. Such right of first refusal shall be exercisable and lapse in accordance with the terms established by the Board of Directors and set forth in the document evidencing such right.

Change of Control

In the event of a change of control, each outstanding option which is at the time outstanding will automatically become fully vested and exercisable and be released from any restrictions on transfer and repurchase or forfeiture rights, and the restrictions and conditions on all outstanding stock issuances will lapse immediately prior to the specified effective date of such change of control, for all of the shares at the time represented by such option or stock issuance. An outstanding option shall not so fully vest and be exercisable and released from such limitations and a stock issuance will not be released from such restrictions and restrictions on stock issuances if and to the extent: (i) such option or stock issuance is, in connection with the change in control, either to be assumed by the successor corporation or parent thereof or to be replaced with a comparable option, stock appreciation right or stock issuance with respect to shares of the capital stock of the successor corporation or parent thereof, or (ii) such option or stock issuance is to be replaced with a cash incentive program of the successor corporation or parent thereof which preserves the compensation element of such option or stock issuance existing at the time of the change in control and provides for subsequent payout in accordance with the same vesting schedule applicable to such option or stock issuance. The determination of option or stock issuance comparability under clause (i) above shall be made by the Board of Directors.

Effective upon the consummation of the change of control, all outstanding options or stock issuances under the Plan will terminate and cease to remain outstanding, except to the extent assumed by the successor company or its parent.

Amendment and Termination of the Plan

The Board of Directors has the authority to amend, alter, suspend or terminate the Plan, except that shareholder approval will be required for any amendment to the Plan to the extent required by any applicable laws. No amendment, alteration, suspension or termination of the Plan will impair the rights of any participant, unless mutually agreed otherwise between the participant and the Board of Directors and which agreement must be in writing and signed by the participant and the Company. The Plan will terminate on May 26, 2019, unless the Board of Directors terminates it earlier or it is extended by the Company with the approval of the shareholders.

Although there may be adverse accounting consequences to doing so, options may be granted and shares may be issued under the Plan which are in each instance in excess of the number of shares of common stock then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of common stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve months after the date the first such excess grants or issuances are made, then (1) any unexercised options granted on the basis of such excess shares shall terminate and (2) the Company shall promptly refund to the optionees and the participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled.

Employment Agreements

All of our officers have entered into employment agreements with the Company.

On December 31, 2011, Jie Han and China XD's subsidiary, Xinda Group, entered into an employment agreement and an employment memorandum, pursuant to which Mr. Han receives a monthly salary of RMB 256,000 (approximately US$41,642) and awards of shares of China XD's common stock and options to purchase shares of China XD's common stock, as determined by the Compensation Committee of the Board of Directors. Also, Mr. Han will receive an annual performance-based salary of RMB 3,072,000 (approximately US$499,699), which amount is subject to the Company's achievement of the corresponding year's performance goals. The calculation of the annual performance-based salary is based on a method set forth in Xinda Group's compensation management policy. The term of employment is five years beginning on January 1, 2012. The employer and employee may reach consent and terminate Mr. Han's employment with Xinda Group, and Xinda Group may have the right to unilaterally terminate Mr. Han's employment prior to the expiration of the employment term under certain circumstances, with a one-month prior notice.

On December 31, 2011, Taylor Zhang and Xinda Group entered into an employment agreement and an employment memorandum, pursuant to which Mr. Zhang receives a monthly salary of US$15,000 and awards of shares of China XD's common stock and options to purchase shares of China XD's common stock, as determined by the Compensation Committee of the Board of Directors. In addition, Mr. Zhang will receive an annual performance-based salary of US$180,000 which amount is subject to the Company's achievement of the corresponding year's performance goals. The calculation of the annual performance-based salary is based on a method set forth in Xinda Group's compensation management policy. The term of employment is five years beginning on January 1, 2012. The employer and employee may reach consent to terminate Mr. Zhang's employment with Xinda Group at any time and Xinda Group has the right to unilaterally terminate Mr. Zhang's employment prior to the expiration of the employment term under certain circumstances, with a one-month prior notice. The employment agreement entered into between Mr. Zhang and Favor Sea (US) Inc., a China XD's subsidiary, on May 1, 2009 was terminated by a termination agreement executed by and among Mr. Zhang, Favor Sea (US) Inc. and Xinda Group on December 31, 2011.

On December 31, 2011, Qingwei Ma and Xinda Group entered into an employment agreement and an employment memorandum, pursuant to which Mr. Ma receives a monthly salary of RMB 128,000 (approximately US$20,821) and awards of shares of China XD's common stock and options to purchase shares of China XD's common stock, as determined by the Compensation Committee of the Board of Directors. Also, Mr. Ma will receive an annual performance-based salary of RMB 1,536,000 (approximately US$249,850), which amount is subject to the Company's achievement of the corresponding year's performance goals. The calculation of the annual performance-based salary is based on a method set forth in the Xinda Group's compensation management policy. The term of employment is five years beginning on January 1, 2012. The employer and employee may reach consent to terminate Mr. Ma's employment with Xinda Group at any time and Xinda Group has the right to unilaterally terminate Mr. Ma's employment prior to the expiration of the employment term under certain circumstances, with a one-month prior notice. That employment agreement entered into between Mr. Ma and Harbin Xinda on January 1, 2010 was terminated by a termination agreement executed by and among Mr. Ma, Harbin Xinda and Xinda Group on December 31, 2011.

On December 31, 2011, Junjie Ma and Xinda Group entered into an employment agreement and an employment memorandum pursuant to which Mr. Ma receives a monthly salary of RMB 64,000 (approximately US$10,410) and awards of shares of China XD's common stock and options to purchase shares of China XD's common stock, as determined by the Compensation Committee of the Board of Directors. In addition, Mr. Ma will receive an annual performance-based salary of RMB 768,000 (approximately US$124,925), which amount is subject to the Company's achievement of the corresponding year's performance goals. The calculation of the annual performance-based salary is based on a method set forth in the Xinda Group's compensation management policy. The term of employment is five years beginning on January 1, 2012. The employer and employee may reach consent to terminate Mr. Ma's employment with Xinda Group at any time and Xinda Group has the right to unilaterally terminate Mr. Ma's employment prior to the expiration of the employment term under certain circumstances, with a one-month prior notice.

Potential Payments Upon Termination or Change in Control

We may be required to make severance payments upon termination of employment pursuant to the laws of the PRC and other applicable jurisdictions. Under the PRC Labor Contract Law, if an employment is terminated prior to the expiration of the employment term, unless the termination resulted from such employee's certain fault, the employer shall pay a severance compensation for termination at an amount that is usually the average monthly salary of the 12-month period prior to termination multiplied by the number of years for which the terminated employee worked at the Company, subject to certain adjustment and restrictions if such employee's base salary is sufficiently higher than that of the average in the municipal region. In addition, in the event that the employer terminates the employment in violation of the PRC Labor Contract Law, the applicable severance compensation for termination should be two times the aforementioned amount. Furthermore, certain non-compete payment obligation may also apply upon termination of an employment, which payment amount pursuant to the Company's standard non-compete agreement, if so entered into with the said employee, is one third the monthly base salary prior to the termination of such employee per month for 24 months following the termination.

Director Compensation

On December 30, 2009, our Board of Directors approved 2010 Executive Compensation Program, which sets forth cash and stock compensation of the Company's executives and directors. Under the 2010 Executive Compensation Program, the Company's employee directors receive no additional compensation for their services to the Company as directors, including the Chairman of the Board of Directors. In addition, for fiscal year 2013, all non-employee directors who reside in China received an annual cash compensation of RMB 60,000 (approximately $9,760) after the first 18 months of continuous directorship and RMB 36,000 (approximately $5,856) during the initial 18 months directorship and Lawrence Leighton, the non-employee director who resides outside of China, received annual cash compensation of $60,000. In addition, each non-employee director other than the two directors appointed by the Series D Preferred Stockholder is entitled to an annual stock award equal to a number of shares of the Company's common stock valued at $50,000 for those who reside outside of China, RMB50,000 (approximately $8,133) for Mr. Zhai , who resides in China, based on the market value of the common stock at the time of the stock award and such stock award shall vest six months after the grant date. Mr. Li will be eligible for an annual stock award equal to a number of shares of the Company's common stock valued at RMB50,000 (approximately $8,133) after 18 months of continuous directorship. During the year ended December 31, 2013, the Company issued this stock award of 26,361 for the service rendered during the year ended December 31, 2012. The Company also accrued and recorded the stock award for the service rendered during the year ended December 31, 2013 as share base compensation expense. The Company has repurchase rights on the unvested shares of the stock award.

The following is a summary of the compensation paid to our non-employee directors for the year ended December 31, 2013. Our employee directors do not receive compensation for their services to the Company as directors.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Lawrence Leighton	60,000	50,000	-	-	-	-	110,000
Feng Li	5,856	-	-	-	-	-	5,856
Linyuan Zhai	9,760	8,133	-	-	-	-	17,893

Service Agreements

On November 14, 2010, the Company entered into a Service Agreement with Lawrence W. Leighton. Pursuant to the terms of the Service Agreement, the Company shall (i) pay Mr. Leighton a fee of $5,000 per month ($60,000 annually); and (ii) award to Mr. Leighton under the Company's 2009 Equity Incentive Plan and pursuant to the terms of a restricted stock award agreement $50,000 in restricted shares of common stock of the Company on an annual basis (the "Stock"), which shall vest in accordance with the terms of the restricted stock award agreement. The Stock shall be valued at the average closing price for the ten trading days prior to November 4, 2010, the date of the execution of the Service Agreement, and prior to each anniversary thereof. The Stock shall vest after six months of each year subject to Mr. Leighton's continued directorship with the Company, pursuant to such vesting schedule set forth in the restricted stock award agreement.

On November 14, 2010, the Company entered into a Service Agreement with Linyuan Zhai. Pursuant to the terms of the Service Agreement, the Company shall (i) pay Mr. Zhai a fee of RMB5,000 per month (RMB60,000 annually); and (ii) award to Mr. Zhai under the Company's 2009 Equity Incentive Plan and pursuant to the terms of a restricted stock award agreement RMB50,000 in restricted shares of common stock of the Company on an annual basis (the "Stock"), which shall vest in accordance with the terms of the restricted stock award agreement. The Stock shall be valued at the average closing price for the ten trading days prior to November 14, 2010, the date of the execution of the Service Agreement, and prior to each anniversary thereof. The Stock shall vest after twelve months of each year subject to Mr. Zhai's continued directorship with the Company, pursuant to such vesting schedule set forth in the restricted stock award agreement.

On November 14, 2012, the Company entered into a Service Agreement with Feng Li. Pursuant to the terms of the Service Agreement, the Company shall (i) pay Mr. Li a fee of RMB3,000 per month (RMB36,000 annually) for 18 months, and then RMB5, 000 per month (RMB60,000 annually starting from May 14, 2014; and (ii) award to Mr. Li under the Company's 2009 Equity Incentive Plan and pursuant to the terms of a restricted stock award agreement RMB50,000 in restricted shares of common stock of the Company on an annual basis (the "Stock"), which shall vest in accordance with the terms of the restricted stock award agreement. The Stock shall be valued at the average closing price for the ten trading days prior to May 14, 2014, the date of the execution of the Service Agreement, and prior to each anniversary thereof. The Stock shall vest after twelve months of each year subject to Mr. Li's continued directorship with the Company, pursuant to such vesting schedule set forth in the restricted stock award agreement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information, as of December 31, 2013, with respect to the beneficial ownership of the outstanding share capital of our Company by (i) any holder of more than five percent (5%) of any class of our voting securities; (ii) each of our executive officers and directors; and (iii) our directors and executive officers as a group. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned.

Name and Address	Title of Class	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
Jie Han			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Series B Preferred Stock	1,000,000(3)	100.0%
Jie Han	Common Stock	32,510,131(3)	68.3%
Qingwei Ma			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	54,000	*
Junjie Ma			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	43,530	*
Taylor Zhang			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	56,000	*
Lawrence W. Leighton			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	56,551	*
Linyuan Zhai			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	8,153	*
Feng Li			
(address: c/o China XD Plastics Company Limited,			
500 5th Avenue, Suite 4120, New York, New York 10110)	Common Stock	-	*
XD. Engineering Plastics Company Limited			
(address: Palm Grove House, P.O. Box 438, Road Town,			
Tortola, British Virgin Islands)	Series B Preferred Stock	1,000,000(3)	100.0%
XD. Engineering Plastics Company Limited	Common Stock	24,382,598(3)	51.3%
MSPEA Modified Plastics Holding Limited			
(address: c/o Walkers Corporate Services Limited, Walker House,			
87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands)	Series D Preferred Stock	16,000,000(4)	100.0%
Total Ownership of Common Stock by All Directors and Executive Officers as a Group		32,756,956	76.7%

* Less than 1%

(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 exercisable as of March 13, 2014 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 47,875,113 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 December 31, 2013

(3) Mr. Jie Han beneficially owns (i) 32,510,131 shares of Common Stock, representing 67.9% 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.

(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.

Changes in Control

There were no arrangements, known to the Company, including any pledge by any person of securities of the Company the operation of which may at a subsequent date result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Transactions

Other than as described below, there have been no other transactions since January 1, 2012, 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 $120,000 and in which any current or former director of 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 other than as disclosed below.

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, and Mr. Han's son.

The Company rents the following plant and office buildings in Harbin, Heilongjiang province from Xinda High-Tech and Mr. Han's son:

Premise Leased	Area (M2)	Annual Rental Fee (US$)	Period of Lease
Plant and office building	20,250	666,901	Between May 1, 2012 and December 31, 2013
Office building	250	8,133	Between January 1, 2012 and December 31, 2013
Office building	3,394	110,415	Between May 1, 2012 and April 30, 2013
Office building	3,394	110,415	Between May 1, 2013 and December 31, 2013
Office building	23,894	777,316	Between January 1, 2014 and December 31, 2018

Total rental expenses paid or payable to Xinda High-Tech and Mr. Han's son amounted to US$801,715 and US$634,457 during the years ended December 31, 2013 and 2012, respectively.

It is our policy that we will not enter into any related party transactions unless the Audit Committee or another independent body of the Board of Directors first reviews and approves such transaction over US$120,000.

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 directors has a material relationships 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 directors, 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. 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 had any material relationship with the Company and, thus, are independent under Rule 5605(a)(2) of the Marketplace Rules of NASDAQ: Lawrence W. Leighton, Feng Li, Linyuan Zhai, Homer Sun and Jun Xu. In accordance with the Marketplace Rules of NASDAQ, a majority of our Board of Directors is independent.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent accountants for the audits of our annual financial statements for our fiscal year ended December 31, 2013 and 2012 was KPMG. The following table shows the fees paid and to be paid by us to KPMG.

	2013	2012
Audit Fees	$ 1,136,072	$ 940,511
Tax Fees	24,622	-
All Other Fees	-	57,066
Total paid to independent public audit firms	$ 1,160,694	$ 997,577

Audit Fees

Audit fees were paid for professional services rendered for the audit of our annual financial statements and the review of our quarterly financial statements. We paid or accrued expenses of US$1,136,072 and US$940,511 related to KPMG's audits of our annual financial statements and reviews of our quarterly financial statements for the fiscal years ended December 31, 2013 and 2012.

Tax Fees

During the fiscal years ended December 31, 2013 and 2012, there were US$24,622 tax fees billed by KPMG and nil, respectively for professional services rendered for tax compliance work and other tax related services.

All Other Fees

Fees for all other services and related expenses not included above were nil and US$57,066, respectively, for the fiscal years ended December 31, 2013 and 2012, billed by KPMG for risk management advisory services.

Pre-Approval Policies and Procedures

The Audit Committee appoints the independent auditor each year and approves the audit, audit related and permissible non-audit services and fees proposed by the independent auditor. All services described under the caption services and fees of independent auditors were approved.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed with this Annual Report:

(1) The financial statements listed on the Financial Statements Table of Contents.

(2) Not applicable.

(3) The exhibits referred to below, which include the following management contracts or compensatory plans or arrangements:

- Service Agreement effective as of November 14, 2010 between China XD Plastics Company Limited and Linyuan Zhai
- Service Agreement effective as of November 14, 2010 between China XD Plastics Company Limited and Lawrence W. Leighton
- Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Jie Han
- Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Jie Han
- Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Qingwei Ma
- Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Qingwei Ma
- Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Taylor Zhang
- Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Taylor Zhang
- Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Junjie Ma
- Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co., Ltd and Junjie Ma
- Service Agreement dated November 14, 2012 between China XD Plastics Company Limited and Feng Li

(b) The exhibits listed on the Exhibit Index are filed as part of this Annual Report.

(c) Not applicable.

EXHIBIT INDEX

Exhibit No.	Description of Exhibit	Incorporated by Reference Herein from the Following Filing
3.1	Articles of Incorporation	Filed as an exhibit to the Company's registration statement on Form SB-2, as filed with the Securities and Exchange Commission on May 12, 2006.
3.2	Amendment to Articles of Incorporation	Filed as Appendix I of Company's definitive information statement on Schedule 14C, as filed with the Securities and Exchange Commission on March 12, 2009.
3.3	Bylaws	Filed as an exhibit to the Company's registration statement on Form SB-2, as filed with the Securities and Exchange Commission on May 12, 2006.
3.4	Form of Second Amendment to Articles of Incorporation of the Company	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
3.5	Second Amended and Restated Bylaws	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on November 8, 2011.
3.6	Forms of Certificates of Correction	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
4.1	Specimen Stock Certificate	Filed as an exhibit to the Company's registration statement on Form SB-2, as filed with the Securities and Exchange Commission on May 12, 2006.
4.2	Certificate of Designation of Series A Convertible Preferred Stock	Filed as an exhibit to the Company's definitive information statement on Schedule 14C, as filed with the Securities and Exchange Commission on March 12, 2009.
4.3	Certificate of Designation of Series B Preferred Stock	Filed as an exhibit to the Company's definitive information statement on Schedule 14C, as filed with the Securities and Exchange Commission on March 12, 2009.
4.4	Form of Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on November 30, 2009.
4.5	Form of Series A Warrant to Purchase Common Stock	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on November 30, 2009.
4.6	Form of Series B Warrant to Purchase Common Stock	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on November 30, 2009.
4.7	Form of indenture with respect to senior debt securities, to be entered into between registrant and a trustee acceptable to the registrant, if any	Filed as an exhibit to the Company's registration statement on Form S-3, as amended, as filed with the Securities and Exchange Commission on June 10, 2010.
4.8	Form of indenture with respect to subordinated debt securities, to be entered into between registrant and a trustee acceptable to the registrant, if any	Filed as an exhibit to the Company's registration statement on Form S-3, as amended, as filed with the Securities and Exchange Commission on June 10, 2010.
4.9	Form of Common Stock Purchase Warrant	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on October 6, 2010.
4.10	Registration Rights Agreement entered into by and between the Company and MSPEA Modified Plastics Holding Limited on August 15, 2011	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
4.11	Form of Certificate of Designation, Preferences and Rights of Series D Junior Convertible Preferred Stock	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
4.12	Form of Amended and Restated Certificate of Designation, Preferences and Rights of Series D Junior Convertible Preferred Stock	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on January 28, 2014.
4.13	Purchase Agreement entered into by and among the Company, Favor Sea (BVI), Xinda Holding (HK), Morgan Stanley & Co. International PLC, UBS AG, Hong Kong Branch, the HongKong and Shanghai Banking Corporation Limited and China Minsheng Banking Corp., Ltd. Hong Kong Branch on January 24, 2014	Filed herewith

4.14	Indenture, dated February 4, 2014, constituting US$150 million 11.75% Guaranteed Senior Notes Due 2019	Filed herewith
10.1	2009 Stock Option/Stock Issuance Plan	Filed as an appendix to the Company's definitive proxy statement on Schedule 14A, as filed with the Securities and Exchange Commission on November 11, 2009.
10.2	District Entry Agreement and Memorandum dated April 14, 2010 by and between Harbin Xinda Macromolecule Material Co., Ltd. and Harbin Economic and Technological Development Zone Administration	Filed as an exhibit to the Company's quarterly report on Form 10-Q, as filed with the Securities and Exchange Commission on August 9, 2010.
10.3	Letter Agreement, dated October 4, 2010, between China XD Plastics Company Limited and Rodman & Renshaw, LLC	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on October 6, 2010.
10.4	Securities Purchase Agreement dated October 4, 2010, among China XD Plastics Company Limited and certain institutional investors	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on October 6, 2010.
10.5	Amendment Agreement, dated as of September 30, 2010, to the Securities Purchase Agreement dated November 27, 2009 among China XD Plastics Company Limited and the purchasers named therein	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on October 6, 2010.
10.6	Service Agreement effective as of October 4, 2010 between China XD Plastics Company Limited and Robert Brisotti	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on October 7, 2010.
10.7	Service Agreement dated November 14, 2010 between China XD Plastics Company Limited and Linyuan Zhai *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.8	Service Agreement dated November 14, 2010 between China XD Plastics Company Limited and Lawrence Leighton	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.9	Stock Award Grant Supplemental Provisions	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.10	Securities Purchase Agreement entered into by and between the Company, MSPEA Modified Plastics Holding Limited, XD. Engineering Plastics Company Limited, and Mr. Jie Han on August 15, 2011	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
10.11	Stockholders' Agreement entered into by and between MSPEA Modified Plastics Holding Limited, XD. Engineering Plastics Company Limited, and Mr. Jie Han on August 15, 2011	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
10.12	Form of Pledge Agreement by and between MSPEA Modified Plastics Holding Limited and XD. Engineering Plastics Company Limited	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.

10.13	Form of Indemnification Agreement	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
10.14	Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Jie Han *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.15	Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Jie Han	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.16	Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Qingwei Ma *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.17	Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Qingwei Ma	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.18	Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Taylor Zhang *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.19	Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Taylor Zhang	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.20	Employment Agreement dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Junjie Ma *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.21	Employment Memorandum dated December 31, 2011 between Heilongjiang Xinda Enterprise Group Co. Ltd and Junjie Ma	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.
10.22	Service Agreement dated November 14, 2012 between China XD Plastics Company Limited and Feng Li *	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 25, 2013.
14.1	Code of Business Conduct	Filed as an exhibit to the Company's current report on Form 10-K, as filed with the Securities and Exchange Commission on March 26, 2012.

16.1	Letter, dated December 31, 2008, from Robison, Hill & Co. to the Securities and Exchange Commission	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on December 31, 2008, and incorporated herein by this reference.
16.2	Letter, dated November 4, 2009 from Bagell Josephs Levine & Company, LLC, to the Securities and Exchange Commission	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on November 6, 2009.
16.3	Letter, dated August 15, 2011, from Moore Stephens Hong Kong, to the Securities and Exchange Commission	Filed as an exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on August 15, 2011.
21.1	Subsidiaries of Registrant	Filed herewith
23.1	Consent of KPMG	Filed herewith
31.1	Certification of Principal Executive Officer Required Under Section 302 of Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Principal Financial Officer Required Under Section 302 of Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Section 906 of Sarbanes-Oxley Act of 2002	Filed herewith
101.	Interactive Data Files	Filed herewith

* English translation

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 26, 2014

CHINA XD PLASTICS COMPANY LIMITED

By: /s/ Jie Han
Jie Han
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Taylor Zhang
Taylor Zhang
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Jie Han Jie Han	Chairman and Chief Executive Officer (Principal Executive Officer)	March 26, 2014
/s/ Taylor Zhang Taylor Zhang	Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2014
/s/ Qingwei Ma Qingwei Ma	Director	March 26, 2014
/s/ Lawrence Leighton Lawrence Leighton	Director	March 26, 2014
/s/ Feng Li Feng Li	Director	March 26, 2014
/s/ Linyuan Zhai Linyuan Zhai	Director	March 26, 2014
/s/ Homer Sun Homer Sun	Director	March 26, 2014
/s/ Jun Xu Jun Xu	Director	March 26, 2014

FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
China XD Plastics Company Limited:

We have audited the accompanying consolidated balance sheets of China XD Plastics Company Limited and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China XD Plastics Company Limited and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG

Hong Kong, China
March 26, 2014

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	**2012**
	US$	**US$**
ASSETS		
Current assets:		
Cash and cash equivalents	95,545,904	83,822,602
Restricted cash	13,708,971	16,915,359
Time deposits	281,343,641	47,955,923
Accounts receivable, net of allowance for doubtful accounts	282,320,819	143,843,764
Amounts due from a related party	225,752	219,360
Inventories	144,885,688	78,263,071
Prepaid expenses and other current assets	8,418,143	6,090,232
Total current assets	**826,448,918**	**377,110,311**
Property, plant and equipment, net	233,841,735	223,780,133
Land use rights, net	12,457,001	10,524,451
Other non-current assets	3,158,974	169,414
Total assets	**1,075,906,628**	**611,584,309**
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCKS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term loans	314,682,620	162,076,050
Bills payable	25,604,176	15,810,340
Accounts payable	122,457,396	7,061,259
Income taxes payable	18,631,698	8,511,679
Accrued expenses and other current liabilities	55,893,004	34,442,983
Total current liabilities	**537,268,894**	**227,902,311**
Income taxes payable	8,224,057	-
Deferred income tax liabilities	19,428,706	20,733,959
Warrants liability	1,063,401	1,008,750
Total liabilities	**565,985,058**	**249,645,020**
Redeemable Series D convertible preferred stock	97,576,465	97,576,465
Stockholders' equity:		
Series B preferred stock	100	100
Common stock, US$0.0001 par value, 500,000,000 shares authorized, 47,896,133 shares and 47,584,772 shares issued, 47,875,133 shares and 47,563,772 shares outstanding as of December 31, 2013 and 2012, respectively	4,789	4,758
Treasury stock, 21,000 shares at cost	(92,694)	(92,694)
Additional paid-in capital	76,341,659	72,583,910
Retained earnings	311,047,337	177,208,492
Accumulated other comprehensive income	25,043,914	14,658,258
Total stockholders' equity	**412,345,105**	**264,362,824**
Commitments and contingencies		
Total liabilities, redeemable convertible preferred stocks and stockholders' equity	**1,075,906,628**	**611,584,309**

See accompanying notes to consolidated financial statements.

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2013	**2012**
	US$	**US$**
Revenues	1,050,816,364	599,818,968
Cost of revenues	(827,419,861)	(456,011,715)
Gross profit	**223,396,503**	**143,807,253**
Selling expenses	(243,975)	(273,289)
General and administrative expenses	(16,284,528)	(10,069,273)
Research and development expenses	(21,258,549)	(21,586,074)
Total operating expenses	**(37,787,052)**	**(31,928,636)**
Operating income	**185,609,451**	**111,878,617**
Interest income	6,788,243	4,601,336
Interest expense	(15,250,780)	(4,627,014)
Foreign currency exchange gains	2,519,486	561,829
Government grant	924,216	114,385
Change in fair value of embedded derivative liability	-	610
Change in fair value of warrants liability	(54,651)	2,854,177
Total non-operating income (expenses), net	**(5,073,486)**	**3,505,323**
Income before income taxes	**180,535,965**	**115,383,940**
Income tax expense	(46,697,120)	(29,516,193)
Net income	**133,838,845**	**85,867,747**
Earnings per share of common stock:		
Basic and diluted	2.08	1.35
Net Income	133,838,845	85,867,747
Other comprehensive income		
Foreign currency translation adjustment, net of nil income taxes	10,385,656	3,180,381
Comprehensive income	**144,224,501**	**89,048,128**

See accompanying notes to consolidated financial statements.

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Series B Preferred Stock		Common Stock						
	Number of Shares	Amount	Number of Shares	Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
		US$		US$	US$	US$	US$	US$	US$
Balance at January 1, 2012	**1,000,000**	**100**	**47,527,367**	**4,754**	**(92,694)**	**71,190,659**	**91,340,855**	**11,477,877**	**173,921,551**
Net income	-	-	-	-	-	-	85,867,747	-	85,867,747
Other comprehensive income - Foreign currency translation adjustment, net of nil income taxes	-	-	-	-	-	-	-	3,180,381	3,180,381
Stock based compensation	-	-	-	-	-	1,393,255	-	-	1,393,255
Dividends to redeemable Series C Convertible preferred stockholders	-	-	-	-	-	-	(110)	-	(110)
Issuance of common stock upon vesting of unvested shares	-	-	36,405	4	-	(4)	-	-	-
Balance as of December 31, 2012	**1,000,000**	**100**	**47,563,772**	**4,758**	**(92,694)**	**72,583,910**	**177,208,492**	**14,658,258**	**264,362,824**
Net income	-	-	-		-	-	133,838,845	-	133,838,845
Other comprehensive income - Foreign currency translation adjustment, net of nil income taxes	-	-	-	-	-	-	-	10,385,656	10,385,656
Stock based compensation	-	-	-		-	3,757,780	-	-	3,757,780
Issuance of common stock upon vesting of unvested shares	-	-	311,361	31	-	(31)	-	-	-
Balance as of December 31, 2013	**1,000,000**	**100**	**47,875,133**	**4,789**	**(92,694)**	**76,341,659**	**311,047,337**	**25,043,914**	**412,345,105**

See accompanying notes to consolidated financial statements.

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2013	2012
	US$	US$
Cash flows from operating activities:		
Net income	133,838,845	85,867,747
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net provision (reversal) for doubtful accounts	(2,293)	34,491
Depreciation and amortization	21,420,723	10,705,037
Stock-based compensation	3,757,780	1,393,255
Change in fair value of embedded derivative liability	-	(610)
Change in fair value of warrants liability	54,651	(2,854,177)
Foreign currency exchange gains	(2,519,486)	(561,829)
Losses on disposals of property, plant and equipment	4,817	-
Deferred income tax benefit	(1,880,228)	(1,574,995)
Change in operating assets and liabilities:		
Restricted cash	6,082,662	(827,585)
Accounts receivable	(132,230,006)	(97,157,176)
Amounts due from a related party	6,534	(137,904)
Inventories	(63,358,285)	(32,494,523)
Prepaid expenses and other current assets	(2,134,119)	6,830,122
Other non-current assets	1,435	96,741
Bills payable	15,676,880	(12,998,869)
Accounts payable	113,429,086	6,576,382
Income taxes payable	17,835,057	2,604,368
Accrued expenses and other current liabilities	5,662,472	3,044,530
Net cash provided by (used in) operating activities	**115,646,525**	**(31,454,995)**
Cash flows from investing activities:		
Purchase of time deposits	(460,292,902)	(374,481,497)
Proceeds from maturity of time deposits	231,849,776	327,121,555
Purchases of and deposits for property, plant and equipment and land use rights	(21,461,391)	(97,492,169)
Net cash used in investing activities	**(249,904,517)**	**(144,852,111)**
Cash flows from financing activities:		
Proceeds from bank borrowings	503,843,151	243,045,097
Repayment of bank borrowings	(358,190,868)	(114,369,501)
Redemption of redeemable Series C convertible preferred stock	-	(1,829)
Dividends paid to Series C convertible preferred stockholders	-	(110)
Release of restricted cash as collateral for bank borrowings	5,733,852	-
Placement of restricted cash as collateral for bank borrowings	(8,173,789)	(4,775,204)
Net cash provided by financing activities	**143,212,346**	**123,898,453**
Effect of foreign currency exchange rate changes on cash and cash equivalents	2,768,948	748,869
Net increase (decrease) in cash and cash equivalents	11,723,302	(51,659,784)
Cash and cash equivalents at beginning of year	83,822,602	135,482,386
Cash and cash equivalents at end of year	**95,545,904**	**83,822,602**

See accompanying notes to consolidated financial statements.

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Supplemental disclosure of cash flow information:		
Interest paid	15,413,648	3,618,679
Income taxes paid	30,742,291	28,486,820
Non-cash investing and financing activities:		
Accrual for purchase of equipment	21,398,595	36,450,344

See accompanying notes to consolidated financial statements.

Note 1 – Description of business and significant concentrations and risks

China XD Plastics Company Limited ("China XD") is a holding company that is incorporated in the U.S. State of Nevada. China XD and its subsidiaries (collectively referred to hereinafter as the "Company"), is primarily engaged in the research and development, production and sales of modified and engineering plastics products in the People's Republic of China ("PRC"). The plastics products, which are manufactured by the Company, are primarily for use in the fabrication of automobile parts and components and secondarily for applications in high-speed railway, airplanes and ships and consist of the following major products categories: modified polypropylene ("PP"), modified polyamide ("PA"), alloy plastics, engineering plastics, modified acrylonitrile butadiene styrene ("ABS") and environment friendly plastics.

The Company's operations are primarily conducted through its subsidiaries in the PRC. The Company's other subsidiaries in the US, the British Virgin Islands ("BVI"), and Hong Kong Special Administrative Region ("SAR"), do not have significant operations.

Sales concentration

The Company sells its products, substantially through approved distributors in the People's Republic of China (the "PRC"). The Company's sales are highly concentrated. Sales to four major distributors, which individually exceeded 10% of the Company's revenues for the years ended December 31, 2013 and 2012, are as follows:

	Year Ended December 31,			
	2013		2012	
	US$	%	US$	%
Distributor A	250,722,010	24%	61,607,202	10%
Distributor B	209,351,984	20%	196,067,306	33%
Distributor C	138,079,559	13%	88,477,788	15%
Distributor D	136,035,421	13%	85,442,289	14%
Total	**734,188,974**	**70%**	**431,594,585**	**72%**

The Company expects revenues from these distributors to continue to represent a substantial portion of its revenue in the future. Any factors adversely affecting the automobile industry in the PRC or the business operations of these customers will have a material effect on the Company's business, financial position and results of operations.

Purchase concentration

The principal raw materials used for the Company's production of modified plastics products are plastic resins, such as polypropylene, ABS and nylon. The Company purchases substantially all of its raw materials through three distributors. Raw material purchases from these three suppliers, which individually exceeded 10% of the Company's total raw material purchases, accounted for approximately 65% and 98% of the Company's total raw material purchases for the years ended December 31, 2013 and 2012, respectively. Management believes that other suppliers could provide similar raw materials on comparable terms. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, which would adversely affect the Company's business, financial position and results of operations.

The Company purchased equipment from a major equipment distributor, which accounted for 34.6% and 99.9% of the Company's total equipment purchases for the years ended December 31, 2013 and 2012, respectively. A change of the supplier could cause a delay in manufacturing and a possible loss of sales, which could adversely affect the Company's business, financial position and results of operations. The majority owner of the equipment distributor is also the majority owner of a major raw material supplier that supplied approximately 13% and 22% of the Company's total raw material purchases for the years ended December 31, 2013 and 2012, respectively. In addition, the majority owner of the equipment distributor is also the majority owner of sales Distributor D presented above.

Cash concentration

Cash and cash equivalents, restricted cash and time deposits maintained at banks consist of the following:

	December 31,	
	2013	2012
	US$	US$
RMB denominated bank deposits with:		
Financial Institutions in the PRC	389,522,815	140,788,222
U.S. dollar denominated bank deposits with:		
Financial Institution in the U.S.	84,011	18,391
Financial Institutions in the PRC	-	7,828,156
Financial Institution in Hong Kong SAR	847,559	11,287
Euro denominated bank deposits with a financial institution in Hong Kong SAR	143,890	-

The bank deposits with financial institutions in the PRC are not insured by the government authority. The bank deposits with financial institutions in the HK SAR are insured by the government authority up to HK$500,000. To limit exposure to credit risk relating to bank deposits, the Company primarily places bank deposits only with large financial institutions in the PRC and HK SAR with acceptable credit rating.

Note 2 – Summary of significant accounting policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

(b) Consolidation

The accompanying consolidated financial statements include the financial statements of China XD and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated upon consolidation.

(c) Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the recoverability of the carrying amounts of property, plant and equipment, the realizability of inventories, the useful lives of property, plant and equipment, the collectability of accounts receivable, the fair values of stock-based compensation awards, and the accruals for tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(d) Foreign Currency

The Company's reporting currency is the U.S. dollar (US$). The functional currency of China XD Plastics and its subsidiaries in the United States, BVI and Hong Kong is the US$. The functional currency of China XD's subsidiaries in the PRC is Renminbi (RMB).

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet date. The resulting exchange differences are recorded in foreign currency exchange gains in the consolidated statements of comprehensive income.

Assets and liabilities of subsidiaries with functional currencies other than US$ are translated into US$ using the exchange rate on the balance sheet date. Revenues and expenses are translated into US$ at average rates prevailing during the reporting period. The differences resulting from such translation are recorded as a separate component of accumulated other comprehensive income within shareholders' equity.

Since the RMB is not a fully convertible currency, all foreign exchange transactions involving RMB must take place either through the People's Bank of China ("PBOC") or other institutions authorized to buy and sell foreign exchange.

(e) Cash and cash equivalents, time deposits and restricted cash

Cash and cash equivalents consist of cash on hand, cash in bank and interest-bearing certificates of deposit with an initial term of three months or less when purchased.

Time deposits represent certificates of deposit with initial terms of six or twelve months when purchased. As of December 31, 2013 and December 31, 2012, the Company's time deposits bear a weighted average interest rate of 3.0% and 3.1% per annum, respectively.

Cash that is restricted as to withdrawal or usage is reported as restricted cash in the consolidated balance sheets and is not included as cash and cash equivalents in the consolidated statements of cash flows.

Short-term bank deposits that are pledged as collateral for bills payable relating to purchase of raw materials are reported as restricted cash and amounted to US$3,964,518 and US$10,914,753 as of December 31, 2013 and December 31, 2012, respectively. Upon maturity and repayment of the bills payable, which is generally within 6 months, the cash becomes available for use by the Company. Short-term bank deposits that are pledged as collateral for letter of credit relating to purchase of raw materials are reported as restricted cash and amounted to US$2,352,280 and US$1,225,402 as of December 31, 2013 and December 31, 2012. The cash will be available for use by the Company 60 days from the issuance of the letter of credit. The cash flows from the pledged bank deposits, which relate to purchases of raw materials, are reported within cash flows from operating activities in the consolidated statements of cash flows.

Short-term bank deposits that are pledged as collateral for short-term bank borrowings are reported as restricted cash and amounted to US$7,392,173 and US$4,775,204 as of December 31, 2013 and December 31, 2012, respectively. The cash flows from such bank deposits are reported within cash flows from financing activities in the consolidated statements of cash flows.

(f) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. In establishing the required allowance, management considers historical losses, the amount of accounts receivables in dispute, the accounts receivables aging and the customers' payment patterns. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(g) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method. Work-in-progress and finish goods comprise direct materials (including purchasing, receiving and inspection costs), direct labor and an allocation of related manufacturing overhead based on normal operating capacity.

(h) Long-lived Assets

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Life
Workshops and buildings	39 years
Machinery, equipment and furniture	5-10 years
Motor vehicles	5 years

An appropriate allocation of depreciation expense of property, plant and equipment attributable to manufacturing activities is capitalized as part of the cost of inventory, and expensed in cost of revenues when the inventory is sold. Costs incurred in the construction of property, plant and equipment, including an allocation of interest expense incurred, are capitalized and transferred into their respective asset category when the assets are ready for their intended use, at which time depreciation commences. Ordinary maintenance and repairs are charged to expenses as incurred, while replacements and betterments are capitalized. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value of the item disposed and proceeds realized thereon. For the years ended December 31, 2013 and 2012, no interest expense was capitalized as a component of the cost of construction-in-progress as the amount was inconsequential.

Land Use Rights

A land use right in the PRC represents an exclusive right to occupy, use and develop a piece of land during the contractual term of the land use right. The cost of land use right is usually paid in one lump sum at the date the right is granted. The prepayment usually covers the entire duration period of the land use right. The lump sum advance payment is capitalized and recorded as land use right and then charged to expense on a straight-line basis over the period of the right, which is normally 50 years.

Amortization expense of land use rights was US$224,587 and US$79,404 for the years ended December 31, 2013 and 2012, respectively, and is included in general and administrative expenses.

(i) Impairment of Long-lived Assets

Long-lived assets, such as property, plant and equipment, and land use rights, are reviewed for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability of a long-lived asset or asset group to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying value of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount that the carrying value exceeds the estimated fair value of the asset or asset group. Fair value is determined 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 of long-lived assets was recognized for any of the years presented.

(j) Derivative Financial Instruments

The Company recognizes all derivative instruments as either assets or liabilities at their respective fair values. Changes in the fair value of derivative instruments not designated for hedge accounting are recognized in earnings.

(k) Revenue Recognition

The Company sells its products primarily to approved distributors. Revenue is recognized when all of the following conditions are met: persuasive evidence of an arrangement exists, delivery of the products has occurred or services have been rendered, the price is fixed or determinable and collectibility is reasonably assured. These criteria as they relate to each of the following major revenue generating activities are described below.

Products sales

Acceptance of delivery of the products by the distributors is evidenced by goods receipt notes signed by the distributors' customers (or end users). The distributors accept the products at the time they are delivered to the distributors' customers (or end customers). Delivery acceptance is evidenced by signed goods receipt notes. The Company has no remaining obligations after the distributors' acceptance of the products. Under the terms of the contracts or purchase orders between the Company and the distributors, the risks and rewards of ownership of the products is transferred to the distributor upon the signing of the goods receipt notes and the distributor has no rights to return the products (other than for defective products). For the years ended December 31, 2013 and 2012, there were no sales returns from the customers.

The selling price, which is specified in the sales contracts or purchase orders, is fixed. Under the terms of the sales contract, upon the sale of the products to the distributors and the signing of the good receipts notes, the Company has the legal enforceable right to receive full payment of the sales price. The distributors' obligation to pay the Company is not dependent on the distributors selling the products or collecting cash from their customers (or end customers).

The Company's sales are net of value added tax ("VAT") and business tax collected on behalf of tax authorities in respect of product sales. VAT and business tax collected from customers, net of VAT paid for purchases, is recorded as a liability in the balance sheet until it is paid to the tax authorities.

Service revenue

The Company provides technical assistance and consultation services to manufacturing companies. Revenue from technical support is recognized as the services are performed, which is evidenced by signed customer acceptance forms on a monthly basis. Service revenue is recorded, net of business tax and surcharges, which is levied on the Company's service revenues generated in the PRC at the rate of 5.6%.

(l) Cost of revenues

Cost of revenues represents costs of raw materials (including purchasing, receiving and inspection costs), packaging materials, labor, utilities, depreciation and amortization of manufacturing facilities and warehouses, handling costs, outbound freight and inventory write-down. Depreciation and amortization of manufacturing facilities and warehouses attributable to manufacturing activities is capitalized as part of the cost of inventory, and expensed in costs of revenues when the inventory is sold.

(m) Selling, general and administrative expenses

Selling expenses represents primarily costs of payroll, benefits, commissions for sales representatives and advertising expenses. General and administrative expenses represents primarily payroll and benefits costs for administrative employees, rent and operating costs of office premises, depreciation and amortization of office facilities, and other administrative expenses.

(n) Research and Development Expense

Research and development costs are expensed as incurred.

(o) Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received. Government grants for the purpose of giving immediate financial support to the Company with no future related costs are recognized as other income in the Company's consolidated statements of comprehensive income. Government grants that compensate the acquisition cost of an asset are deducted from the carrying amount of the asset and effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates or tax laws on deferred income tax assets and liabilities is recognized in the consolidated statements of comprehensive income in the period the change in tax rates or tax laws is enacted. A valuation allowance is provided to reduce the carrying amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes in the consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of interest expense, and general and administration expenses, respectively in the consolidated statements of comprehensive income.

(q) Bills Payable

Bills payable represent bills issued by financial institutions to the Company's raw material suppliers. The Company's suppliers receive payments from the financial institutions upon maturity of the bills and the Company is obliged to repay the face value of the bills to the financial institutions.

(r) Employee Benefit Plans

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rate of approximately 40% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of comprehensive income when the related service is provided. For the years ended December 31, 2013 and 2012, the costs of the Company's contributions to the defined contribution plans amounted to US$1,024,728 and US$623,251, respectively.

For the years ended December 31, 2013 and 2012, 80% and 60% of costs of employee benefits were recorded in general and administration expenses, respectively, with the remaining portion of costs of employee benefits in selling expenses, research and development expenses and cost of revenues each year.

The Company has no other obligation for the payment of employee benefits associated with these plans beyond the contributions described above.

(s) Stock Based Compensation

The Company measures 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 recognizes the cost over the period during which the employee is required to provide service in exchange for the award, which generally is the vesting period. The amount of cost recognized is adjusted to reflect any expected forfeitures prior to vesting. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

(t) Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations, shareholder lawsuits, product and environmental liability, and non-income tax matters. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

(u) Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to common stockholders by the weighted average number of common stock outstanding during the year using the two-class method. Under the two-class method, net income attributable to common stockholders is allocated between common stock and other participating securities based on participating rights in undistributed earnings. Nonvested shares, redeemable Series C and Series D convertible preferred stock are participating securities since the holders of these securities participate in dividends on the same basis as common stockholders. Diluted EPS is calculated by dividing net income attributable to common stockholders as adjusted for the effect of dilutive common stock equivalent, if any, by the weighted average number of common stock and dilutive common stock equivalent outstanding during the year. Potential dilutive securities are not included in the calculation of diluted earnings per share if the impact is anti-dilutive.

(v) Segment reporting

The Company uses the management approach in determining reportable operating segments. The management approach consider the internal reporting used by the Company's chief operating decision maker for making operating decisions about the allocation of resources of the segment and the assessment of its performance in determining the Company's reportable operating segments. Management has determined that the Company has one operating segment, which is the modified plastics segment. Substantially all of the Company's operations and customers are located in the PRC. Consequently, no geographic information is presented.

(w) Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- *Level 1 Inputs:* Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- *Level 2 Inputs*: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3 Inputs*: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

- The fair value of restricted cash and time deposits as of December 31, 2013 and 2012 are categorized as Level 2 measurement.

- The fair value of the warrants liability and the embedded derivative liability as of December 31, 2013 and 2012 are categorized as Level 3 measurement.

Except for the warrants liability and embedded derivative liability, which was measured at fair value on a recurring basis as of December 31, 2013 and 2012, the Company did not have any financial assets and liabilities or nonfinancial assets and liabilities that are measured and recognized at fair value on a recurring or nonrecurring basis as of December 31, 2013 and 2012. Management used the following methods and assumptions to estimate the fair values of financial instruments at the balance sheet dates:

- Short-term financial instruments, including cash and cash equivalents, restricted cash, time deposits, accounts receivable, amounts due from a related party, short-term bank loans, bills payable, accounts payable and accrued expenses and other current liabilities- carrying amounts approximate fair values because of the short maturity of these instruments.

- Derivative liabilities- fair values are determined using an option-pricing model which considers the following significant inputs: the Company’s stock price, risk-free interest rate and expected volatility of the Company’s stock price over the term of the derivative liabilities.

Note 3 – Accounts receivable

Accounts receivable consists of the following:

	December 31,	
	2013	2012
	US$	US$
Accounts receivable	282,466,580	143,991,818
Allowance for doubtful accounts	(145,761)	(148,054)
Accounts receivable, net	**282,320,819**	**143,843,764**

As of December 31, 2013 and 2012, the accounts receivable balances also include notes receivable in the amount of US$7,481,629 and US$927,390, respectively. As of December 31, 2013 and 2012, US$133,778,940 and US$95,338,947 respectively of accounts receivable are pledged for the short-term bank loans.

The movements of the allowance for doubtful accounts are as follows:

	Year ended December 31,	
	2013	2012
	US$	US$
Balance at the beginning of the year	(148,054)	(113,824)
Additions charged to bad debt expense	-	(34,491)
Reversal of bad debt allowance	2,293	-
Write off of accounts receivable	-	261
Balance at the end of the year	**(145,761)**	**(148,054)**

Note 4 – Inventories

Inventories consist of the following:

	December 31,	
	2013	2012
	US$	US$
Raw materials	135,120,514	70,672,300
Work in progress	2,551,621	110,964
Finished goods	7,213,553	7,479,807
Total inventories	**144,885,688**	**78,263,071**

There were no write down of inventories during the years ended December 31, 2013 and 2012.

Note 5 – Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	December 31,	
	2013	2012
	US$	US$
Advances to suppliers	920,277	4,355,607
Value added taxes receivables	3,924,767	311,793
Interest receivable	2,405,666	1,145,244
Other	1,167,433	277,588
Total prepaid expenses and other current assets	**8,418,143**	**6,090,232**

Prior to February 2013, the Company paid deposits to domestic and international suppliers for the principal raw materials ordered. The Company made advanced orders of raw materials based upon (1) the demand and supply situation in the raw materials market and (2) the forecasted demand of products. Starting from March 2013, the Company switched to 30 days credit terms for purchases from its domestic suppliers. All advances to suppliers as of December 31, 2013 are related to the purchase of raw materials, which were subsequently received by the Company in February 2014.

Interest receivable mainly represents interest income earned from time deposits and restricted cash.

Other mainly includes other prepaid expenses and staff advances.

Note 6 – Property, plant and equipment, net

Property, plant and equipment consist of the following:

	December 31,	
	2013	2012
	US$	US$
Machinery, equipment and furniture	209,921,805	193,999,396
Motor vehicles	1,580,877	1,438,596
Workshops and buildings	62,217,256	40,357,145
Construction in progress	4,807,666	10,471,463
Total property, plant and equipment	278,527,604	246,266,600
Less: accumulated depreciation	(44,685,869)	(22,486,467)
Property, plant and equipment, net	**233,841,735**	**223,780,133**

Depreciation expense on property, plant and equipment was allocated to the following expense items:

	Year ended December 31,	
	2013	2012
	US$	US$
Cost of revenues	18,578,088	9,363,351
General and administrative expenses	958,976	232,576
Research and development expenses	1,659,072	1,029,706
Total depreciation expense	**21,196,136**	**10,625,633**

Note 7 – Short-term loans

		December 31,	
		2013	2012
		US$	US$
Unsecured loans		169,027,897	65,970,048
Loans secured by accounts receivable		100,434,445	72,229,981
Loans secured by bank deposits		36,960,867	23,876,021
Total short-term bank loans	(a)	**306,423,209**	**162,076,050**
Interest-free loan secured by land use rights	(b)	8,259,411	-
Total short-term loans		**314,682,620**	**162,076,050**

(a) As of December 31, 2013 and December 31, 2012, the Company's short-term bank loans bear a weighted average interest rate of 5.9% and 6.1% per annum, respectively. All short-term bank loans mature at various times within one year and contain no renewal terms.

As of December 31, 2013, the Company had total lines of credit with remaining terms less than 12 months of RMB2,671 million (US$441.2 million), of which RMB816.1million (US$134.8 million) was unused. Other than US$48.5 million line of credit from a bank in Hong Kong SAR, the remaining lines of credit are from PRC banks in Harbin, Heilongjiang province. Certain lines of credit contain financial covenants such as total stockholders' equity, debt asset ratio, current ratio, contingent liability ratio and net profit. As of December 31, 2013, the Company has met these financial covenants.

(b) On April 11, 2013, the Company obtained a one-year interest-free loan in the amount of RMB50 million (equivalent to US$8 million) from a company affiliated with the People's Government of Shunqing District, Nanchong City, Sichuan Province ("Shunqing Government "). The loan was issued to support the Company's construction of a production plant in Sichuan. The loan will be secured by a land use right to be granted to the Company in connection with the construction.

Note 8 – Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2013	2012
	$ US	$ US
Payables for purchase of property, plant and equipment	44,510,678	30,029,901
Accrued freight expenses	5,010,341	499,607
Others	6,371,985	3,913,475
Total accrued expenses and other current liabilities	**55,893,004**	**34,442,983**

Others mainly represent non income tax payables, accrued interest expenses, accrued payroll and employee benefits, and other accrued miscellaneous operating expenses.

Note 9 – Related party transactions

The Company entered into related party transactions with Harbin Xinda High-Tech Co., Ltd. ("Xinda High-Tech"), an entity controlled by the wife of Mr. Han, the chief executive officer and controlling stockholder of the Company, Mr. Han and Mr. Han's son. The significant related party transactions are summarized as follows:

The significant related party transactions are summarized as follows:

		Year Ended December 31,	
		2013	2012
		US$	US$
Costs and expenses resulting from transactions with related parties:			
Rental expenses for plant and office space	(a)	801,715	634,457

The balance due from a related party is summarized as follows:

		December 31,	
		2013	2012
		US$	US$
Amounts due from a related party:			
Prepaid rent expenses to Xinda High-Tech	(a)	225,752	219,360

(a) The Company rents the following plant and office buildings in Harbin, Heilongjiang province from Xinda High-Tech:

Premise Leased	Area (M2)	Annual Rental Fee (US$)	Period of Lease
Plant and office building	20,250	666,901	Between May 1, 2012 and December 31, 2013
Office building	250	8,133	Between January 1, 2012 and December 31, 2013
Office building	3,394	110,415	Between May 1, 2012 and April 30, 2013
Office building	3,394	110,415	Between May 1, 2013 and December 31, 2013
Office building	23,894	777,316	Between January 1, 2014 and December 31, 2018

The Company also rents a facility of approximately 3,134 square meters in Harbin, Heilongjiang province from Mr. Han's son for an annual rental fee of RMB100,000 (approximately US$16,266). The period of the lease is from January 1, 2013 to December 31, 2013.

Total rental expenses paid or payable to Xinda High-Tech and Mr. Han's son amounted to US$801,715 and US$634,457 during the years ended December 31, 2013 and 2012, respectively.

Note 10 – Income Taxes

China XD, Favor Sea (US) Inc. ("Favor Sea (US)") and Xinda Holding (HK) US Sub Inc. ("Xinda US)") (collectively referred to as the "U.S. Entities") are each subject to a tax rate of 34% and file separate U.S. federal income tax returns. In 2013, as a result of an internal reorganization, all assets and liabilities, business and employees of Favor Sea (US) were transferred to Xinda US. Favor Sea US was liquidated after the transfer.

Under the current laws of the British Virgin Island ("BVI"), Favor Sea Limited ("Favor Sea BVI"), a subsidiary of China XD, is not subject to tax on its income or capital gains.

No provision for Hong Kong Profits Tax was made for Xinda Holding (HK) Co., Ltd. ("Xinda HK"), formerly known as Hong Kong Engineering Plastics Co., Ltd., and Xinda (HK) International Trading Co., Ltd. ("Xinda Trading"), as they did not have any assessable profits arising in or derived from Hong Kong for any of the periods presented.

The Company's PRC subsidiaries file separate income tax returns in the PRC. Effective from January 1, 2008, the PRC statutory income tax rate is 25% according to the Corporate Income Tax ("CIT") Law which was passed by the National People's Congress on March 16, 2007.

Pursuant to an approval from the local tax authority in July 2013, Sichuan Xinda Enterprise Group Co., Ltd. ("Sichuan Xinda Group"), a subsidiary of China XD, became a qualified enterprise located in the western region of the PRC, which entitled it to a preferential income tax rate of 15% from January 1, 2013 to December 31, 2020.

The CIT Law and its implementation rules impose a withholding income tax at 10%, unless reduced by a tax treaty or arrangement, on the amount of dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC that are related to earnings accumulated beginning on January 1, 2008. Dividends relating to undistributed earnings generated prior to January 1, 2008 are exempt from such withholding income tax.

China XD' earnings from its PRC subsidiaries are subject to the U.S. federal income tax at 34%, less any applicable foreign tax credits. Due to its plan to indefinitely reinvest its earnings in the PRC, the Company has not provided for deferred income tax liabilities related to PRC withholding income tax on undistributed earnings of US$383,294,864 and US$233,401,460 as of December 31, 2013 and 2012, respectively. It is not practicable to estimate the amounts of unrecognized deferred income tax liabilities thereof.

The components of income before income taxes are as follows:

	Year Ended December 31,	
	2013	2012
	US$	US$
U.S.	(4,768,725)	625,840
BVI	(7,685)	(4,208)
Hong Kong	(815,408)	(568,268)
PRC, excluding Hong Kong	186,127,783	115,330,576
Total income before income taxes	**180,535,965**	**115,383,940**

The Company's income tax expense (benefit) recognized in the consolidated statements of comprehensive income consists of the following:

	Year Ended December 31,	
	2013	2012
	US$	US$
Current income tax expense - PRC	47,559,763	31,091,188
Current income tax expense - US	1,017,585	-
Deferred income tax benefit - PRC	(1,880,228)	(1,574,995)
Total income tax expense	**46,697,120**	**29,516,193**

The effective income tax rate based on income tax expense and income before income taxes reported in the consolidated statements of comprehensive income differs from the PRC statutory income tax rate of 25% due to the following:

	Year Ended December 31,	
	2013	2012
	(in percentage to income before income taxes)	
PRC statutory income tax rate	25%	25%
Increase (decrease) in effective income tax rate resulting from:		
Tax rate differential on entities not subject to PRC income tax	(0.1)%	0.2%
Non-deductible expenses (non-taxable income):		
Change in fair value of warrants liability	0.0%	(0.8)%
Entertainment expenses exceeding allowable limit	0.1%	0.0%
Share-based compensation	0.7%	0.4%
Preferential tax rate	(0.7)%	(0.0)%
Change in valuation allowance	(0.0)%	(0.4)%
Others	0.9%	1.2%
Effective income tax rate	**25.9%**	**25.6%**

The principal components of the Company's deferred income tax assets and deferred income tax liabilities are as follows:

	December 31,	
	2013	2012
	US$	US$
Deferred income tax assets:		
Tax loss carryforwards	73,182	556,677
Less: valuation allowance	(73,182)	(556,677)
Deferred income tax assets, net	**-**	**-**
Deferred income tax liabilities:		
Net assets of Research Institute granted to Research Center	3,134,131	3,588,868
Property, plant and equipment	16,294,575	17,145,091
Total deferred income tax liabilities	**19,428,706**	**20,733,959**

The Research Institute was established with a registered capital of approximately US$0.4 million in 2007. The Research Institute provided research and development services to the Company's ultimate end customers. In December 2010, for tax purposes and because the Research Institute could not meet the Company's development needs, the Company dissolved the Research Institute and formed a new legal entity, Harbin Xinda Macromolecule Material Research Center Co., Ltd. (the "Research Center"). Based on applicable regulations promulgated by the local Civil Affairs Bureau, only the local government has the authority for the distribution of the assets of the Research Institute upon liquidation. Therefore, the Company dissolved the Research Institute by distributing the net assets of the Research Institute in the amount of US$84.0 million to the local government. The difference between the net assets in the amount of US$84.0 million and the amount of the initial registered capital of US$0.4 million represents undistributed accumulated profit generated by the Research Institute from its inception date to its liquidation date. Simultaneously, the local government granted the net assets back to the Research Center, the newly established subsidiary of Harbin Xinda in December 2010. The Research Center was established with a registered capital of approximately US$0.5 million funded by cash. A loss equal to the net assets of the Research Institute distributed to the local government was recognized in other expenses and a government grant for the receipts of the same assets back from the local government was recognized as other income in the consolidated statements of comprehensive income. Pursuant to the local tax regulations, the net assets granted to the Research Center are not subject to income tax to the extent the Research Center spends a total of US$84.0 million in five years from the date of grant. The expenditures of US$84.0 million will not be deductible for income tax purposes. As a result, the Company recognized a deferred income tax liability in the amount of US$21.5 million in connection with the net assets granted to the Research Center as of December 31, 2010. To the extent that the Company has spent on research and development equipment during the five years from the date of grant, deferred income tax liabilities relating to the net assets of Research Institute granted to Research Center will be reclassified to deferred income tax liabilities relating to property, plant and equipment, and recognized in profit or loss over the useful life of the asset.

The movements of the valuation allowance are as folllows:

	Year ended December 31,	
	2013	2012
	US$	US$
Balance at the beginning of the year	556,677	1,005,361
Expiration due to liquidation	(437,762)	-
Additions of valuation allowance	72,305	41,110
Reduction of valuation allowance	(118,038)	(489,794)
Balance at the end of the year	**73,182**	**556,677**

The valuation allowance as of December 31, 2013 and 2012 was primarily provided for the deferred income tax assets of certain US Entities, which were at cumulative loss positions. As of December 31, 2013, for U.S. federal income tax purposes, the Company had tax loss carryforwards of US$215,240, of which US$2,581 and US$212,659 would expire by 2032 and 2033, respectively, if unused. In view of the cumulative losses for the entities concerned, full valuation allowances were provided against their deferred income tax assets as of December 31, 2013 and 2012, which in the judgment of the management, are not more likely than not to be realized.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for the year ended December 31, 2013 is as follows:

	Year ended December 31, 2013
	US$
Balance at beginning of year	-
Increase related to current year tax positions	8,807,490
Balance at end of year	**8,807,490**

US$6,690,841 of unrecognized tax benefits as of December 31, 2013, if recognized, would affect the effective tax rate. No interest and penalty expenses were recorded for the year ended December 31, 2013. US$8,224,057 of unrecognized tax benefits were included in income taxes payable. US$583,433 of unrecognized tax benefit were presented as a reduction of the deferred income tax assets for tax loss carryforwards since the uncertain tax position would reduce the tax loss carryforwards under the tax law. The unrecognized tax benefits represent the estimated income tax expenses the Company would be required to pay, should the income tax rate used, taxable income and deductible expenses for tax purpose recognized in accordance with tax laws and regulations. The company is currently unable to provide an estimate of a range of the total amount of unrecognized tax benefits that is reasonably possible to change significantly within the next twelve months.

The tax returns of the U.S. Entities are subject to U.S. federal income tax examination by tax authorities for the years from 2011 to 2013. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances where the underpayment of taxes is more than US$15,000. In the case of transfer pricing issues, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. The tax returns of the Company's PRC subsidiaries for the years from 2011 to 2013 are open to examination by the PRC tax authorities.

Note 11 – Common Stock

Pursuant to the amended Article of Incorporation dated March 12, 2009, the Company's authorized share capital is 550,000,000 shares, consisting of 500,000,000 shares of common stock (US$0.0001 par value), and 50,000,000 shares of all classes of preferred stock (US$0.0001 par value).

Note 12 – Preferred Stock

Series B preferred stock

The Company issued 1,000,000 shares of Series B preferred stock to XD Engineering Plastics in December 2008. The Series B preferred stock is not convertible or redeemable. The holder of Series B preferred stock has 40% of the total voting power of the Company on a fully diluted basis. Holders of Series B preferred stock are not entitled to receive dividends. In the event of any liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of issued and outstanding shares of Series B preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the common stockholders and any other series of preferred stock ranking junior to the Series B preferred stock with respect to liquidation, US$1.00 per share in cash. The holders of Series B preferred stock will not be entitled to any further participation in any distribution of assets by the Company.

Redeemable Series D convertible preferred stock

On August 15, 2011, China XD entered into a securities purchase agreement (the "Securities Purchase Agreement") with MSPEA Modified Plastics Holding Limited, a Cayman Islands company and an affiliate of Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd, a Cayman Islands limited liability company ("MSPEA"), XD Engineering Plastics and Mr. Han, pursuant to which MSPEA purchased 16,000,000 shares of the Company's Series D convertible preferred stock with par value of US$0.0001 per share (the "Series D Preferred Stock"), for a total consideration of US$100 million or US$6.25 per share. On September 28, 2011, China XD issued 16,000,000 shares of Series D Preferred Stock and received total gross proceeds of US$100 million in cash. Net proceeds after issuance cost were approximately US$99.1 million.

The significant terms of Series D Preferred Stock are as follows:

(i) Conversion

The holders of the Series D Preferred Stock have the right to convert all or any portion of their holdings into common stock at a price of US$6.25 per share from January 1, 2012 through February 4, 2019, subject to adjustments for stock splits, combinations, dividends or distributions of common stock, merger and reorganization. In addition, if the Company achieves net income as adjusted to exclude (i) all extraordinary or non-recurring gains or losses for the relevant period, (ii) all gains or losses derived from any business operation other than the principal business of the Company or otherwise derived outside the ordinary course of business of the Company for the relevant period, and (iii) all gains or losses attributable to the Series D Preferred Stock ("Actual Profit"), at least RMB360 million, RMB520 million and RMB800 million in 2011, 2012 and 2013, respectively, each outstanding Series D Preferred Stock will be converted into common stock from September 28, 2014 upon the delivery of a written notice from the Company to the holders of Series D Preferred Stock. The Company determined that there was no embedded beneficial conversion feature attributable to the Series D Preferred Stock at the commitment date since the initial conversion price of the Series D Preferred Stock was greater than the price of China XD's common stock.

(ii) Voting

The holders of Series D Preferred Stock have the same voting rights as the common stockholders on an "if-converted" basis. In addition, if 1,600,000 shares or more (adjusted for any dilutive corporate actions) of Series D Preferred Stock remain outstanding, holders of Series D Preferred Stock have veto rights over certain material corporate actions of the Company.

(iii) Dividends

Each share of Series D Preferred Stock shall be entitled to dividend or other distribution simultaneously with any dividend or distribution on any shares of the Company's common stock as if each share of Series D Preferred Stock has been converted to common stock.

(iv) Liquidation preference

In the event of the liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of Series D Preferred Stock then outstanding shall be entitled to receive, out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of shares of common stock by reason of their ownership thereof, but after any payment shall be made to the holders of any Series B preferred stock by reason of their ownership thereof, with respect to each share of Series D Preferred Stock, an amount equal to the greater of (i) an amount per share that would yield a total internal rate of return of 15% on the Series D Original Issuance Price, taking into account all cash dividends and/or distributions paid by the Company and received by the holder in respect of his or her share of Series D Preferred Stock (the IRR Price); and (ii) an amount per share as would have been payable had all shares of Series D Preferred Stock been converted into the Company's common stock pursuant to a voluntary conversion or a mandatory conversion immediately prior to such Liquidation (without taking into account any limitations or restrictions on the convertibility of the shares of Series D Preferred Stock).

(v) Redemption

Upon the occurrence of a triggering event as defined below, the holders of the Series D Preferred Stocks have the option to redeem the Series D Preferred Stock at a price equal to the IRR Price (the "Redemption Price"), by delivery of written notice to the Company (the "Redemption Request") at least 6 months prior to the proposed date of redemption (the "Redemption Date").

A triggering event means any of the following events: (I) the occurrence of any of the following: (i) the Actual Profit for the Financial Year ended December 31, 2011 is less than RMB360 million, or (ii) the Actual Profit for the Financial Year ended December 31, 2012 is less than RMB468 million, or (iii) the Actual Profit for the Financial Year ending December 31, 2013 is less than RMB608 million, which Actual Profit target has been removed pursuant to the Restated Certificate of Designation filed as of January 27, 2014 (such targets under (I) collectively, the "Actual Profit Targets"); (II) any breach by any of the Company, XD Engineering Plastics and Mr. Han (the "Principal Stockholders") of any representation, warranty, covenant or other agreement in the Securities Purchase Agreement, the Certificate of Designation, the Registration Rights Agreement, the Stockholders' Agreement, the Pledge Agreement and the Indemnification Agreements (collectively, the "Transaction Document") that (i) in the case of a breach of a covenant or agreement that is curable, has remained uncured for 30 days after the holder of Series D Preferred Stock has given written notice of such breach to the Company' Principal Stockholders and (ii) has had or could reasonably be expected to have a material adverse impact on (a) the business, operations, properties, financial position (including any material increase in provisions), earnings or condition of the Company, or (b) the value, marketability or liquidity of the Series D Preferred Stock taking into account any remedies already sought and received in connection with such breach; or (III) the commencement by the Company or any other member of the Company of any bankruptcy, insolvency, reorganization or of any other case or proceeding to be adjudicated a bankruptcy or insolvency, or the consent by it to the entry of a decree or order for relief in respect of the Company or any other member of the Company in an involuntary case; or the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator other similar officials of the Company or any other member of the Company for the winding up or liquidation of its affairs.

If any shares of Series D Preferred Stock remain outstanding on February 4, 2019, the holders of such shares shall require the Company to redeem each share of Series D Preferred Stock at a price equal to the IRR Price (the "Mandatory Redemption Price") no later than six months after the Original Maturity Date.

As of December 31, 2013, the Company concluded that it has met the Actual Profit Targets and that it is not probable any of the triggering events has occurred or is expected to occur. In addition, the Company concluded that it has met the performance target of RMB360 million, RMB520 million and RMB800 million in 2011, 2012 and 2013, respectively and accordingly it has the right to request the conversion of Series D Preferred Stock into common stock. As a result, it was not probable that the Series D Preferred Stock is redeemable as of December 31, 2013. Therefore no changes in the redemption value were recognized during 2013. The Company will assess the probability of whether the Series D Preferred Stock is redeemable at each reporting period end.

Pursuant to the Stockholders' Agreement between MSPEA and the Principal Stockholders, if the Company shall at any time issue or sell any shares of common stock or equity securities, other than an issuance or sale in an exempted issuance, at a price per share, or in the case other equity securities exchangeable or convertible into shares of common stock, at a conversion or exercise price for a share of common stock (in each case, the "New Issue Price") that is less than the then effective conversion price of Series D Preferred Stock, the holders of Series D Preferred Stock shall have the right to purchase from the Principal Stockholders, and Principal Stockholders shall sell and transfer to the holders of Series D Preferred Stock, at par value per share, a number of shares of common stock that is equal to (i) the number of shares of common stock that the Series D Preferred Stock held by the holders of Series D Preferred Stock would have been convertible into as if the then effective conversion price is equal to the New Issue Price, minus (ii) the number of shares of common stock that the outstanding Series D Preferred Stock held by the holders of Series D Preferred Stock are convertible into under the then effective conversion price. The exempted issuance refers to (a) any issuance of common stock upon the conversion of the Series D Preferred Stock; (b) the conversion, exercise or exchange of options, warrants or convertible securities of the Company that are outstanding and have been fully disclosed to MSPEA as of September 28, 2011; (c) any issuance of shares of common stock or options to employees, officers, directors or other service providers of the Company pursuant to any stock or option plan duly approved for such purpose including the board of directors; (d) any issuance of common stock, options, warrants or convertible securities of the Company pursuant to acquisitions or other strategic transactions, in each case approved by the board of directors and (e) any issuance of adjustment shares that the Principal Stockholders shall sell and transfer to the holders of Series D Preferred Stock if the Company is unable to achieve the Actual Profit as defined below.

In addition, the Principal Stockholders entered into a pledge agreement with the holders of Series D Preferred Stock to secure the payment and performance of the following obligations (collectively, the "Secured Obligations"), which are secured by the collateral under the Pledge Agreement between the holders of Series D Preferred Stock and the Principal Stockholders: (a) the full and prompt payment when due (whether at stated maturity, by redemption or acceleration or otherwise) of all debts, obligations and liabilities of Principal Stockholders owing to the holders of Series D Preferred Stock; (b) all reasonable costs and expenses incurred by the holders of Series D Preferred Stock to enforce this Agreement and maintain, preserve, collect and realize upon the collateral. The collateral refers to 16,000,000 shares of common stock, par value $0.0001, of China XD registered in the name of XD Engineering Plastic.

The holders of Series D Preferred Stock have an option to purchase common stock at par value from the Principal Stockholders if the Company is unable to achieve the Actual Profit of RMB360 million, RMB520 million and RMB800 million in 2011, 2012 and 2013, respectively. The number of common stock to be purchased is based on a pre-set formula as specified in the Stockholders' Agreement.

The Stockholders' Agreement was an inducement made to facilitate the investment in the Series D Preferred Stock on behalf of the Company. Therefore, the fair value of the options issued by the Principal Stockholders to the holders of the Series D Preferred Stock was recognized as additional paid-in capital and reflected as a reduction of the proceeds allocated to the Series D Preferred Stock. As of September 28, 2011, the fair value of the options was determined to be US$1,501,000 based on the Company's common stock price on September 28, 2011, and the probability of the Company's future financial projection and the expected volatility of the Company's common stock.

Note 13 – Warrants

In connection with the issuance of Series C preferred stock on December 1, 2009, the Company also issued Series A investor warrants to purchase a total of 1,320,696 shares of common stock at an exercise price of US$5.50 per share with a five-year term, and Series B investor warrants to purchase a number of common stock subject to certain limitations, at an exercise price of US$0.0001 with a five-year term. Series B investor warrants were expired on June 10, 2010. The Company also issued Series A placement agent warrants to purchase a total of 117,261 shares of common stock at an exercise price of US$5.50 per share, with a five-year term to a third party as part of the placement fee. The exercise price of the Series A investor warrants was adjusted to US$4.90 per share in connection with the common stock direct offering on October 4, 2010.

In connection with the common stock direct offering on October 4, 2010, the Company issued Series C investor warrants to purchase a total of 1,666,667 shares of common stock at an exercise price of US$6.00 per share. The warrants are exercisable for a period between April 8, 2011 and October 14, 2011. The Company also issued Series C placement agent warrants to purchase 166,667 shares of common stock at an exercise price of US$7.50 per share to a third party as part of the placement fee. The warrants expired on July 6, 2013.

Pursuant to the agreements of the Series A investor warrants, if the Company issues its common stock for a consideration per share less than the exercise price of the Series A investor warrants, the exercise price of the Series A investor warrants shall be reduced to the lower issuance price. Also, if the Company grants any options or other securities convertible to its common stock for which the exercise or conversion price is less than the exercise price of the Series A investor warrants, the exercise price of the Series A investor warrants shall be reduced to the lowest exercise or conversion price. The holders of the Series A placement agent warrants have the same down-round protection as the holders of the Series A investor warrants. The Company's Series A investor warrants and Series A placement agent warrants with down-round protection are not considered indexed to a company's own stock under ASC Subtopic 815-40, *Contracts in Entity's Own Equity*, and accordingly are accounted as derivatives.

The Company also determined that the Series C placement agent warrants are derivatives because the warrants require a net cash settlement if the Company fails to cause the transfer agent to timely transmit to the warrant holders a certificate or certificates representing the shares of common stock upon exercise.

Accordingly, the Company accounted for these warrants at fair value with changes in fair value recorded in earnings at each reporting period.

The following is a summary of the outstanding and exercisable warrant balance:

As of December 31, 2013:

Warrants	Exercise Price	Number of Warrants Outstanding	Remaining Contractual Life
	US$		Years
Series A investor warrants	4.9	1,320,696	0.92
Series A placement agent warrants	5.5	117,261	0.92
Total		**1,437,957**	

As of December 31, 2012:

Issuance Date	Exercise Price	Number of Warrants Outstanding	Remaining Contractual Life
			Years
Series A investor warrants	4.9	1,320,696	1.92
Series A placement agent warrants	5.5	117,261	1.92
Series C placement agent warrants	7.5	166,667	0.52
		1,604,624	

The fair values of these warrants were calculated using the Black-Scholes option-pricing model with the following assumptions:

As of December 31, 2013:

	Series A Investor Warrants	Series A Placement Agent Warrants
Volatility	28.9%	28.9%
Expected dividends yield	0%	0%
Fair value of underlying common stock (per share)	5.26	5.26
Risk-free interest rate (per annum)	0.16%	0.16%

As of December 31, 2012:

	Series A investor warrants	Series A placement agent warrants	Series C placement agent warrants
Volatility	48.8%	48.8%	77.4%
Expected dividends yield	0%	0%	0%
Fair value of underlying common stock (per share)	3.82	3.82	3.82
Risk-free interest rate (per annum)	0.26%	0.26%	0.12%

The changes in the fair value of warrants during the years presented is as follow:

	Series A investor warrants	Series A placement agent warrants	Series C placement agent warrants	Total
	US$	US$	US$	US$
As of January 1, 2012	**3,437,899**	**285,727**	**139,301**	**3,862,927**
Change in fair value	(2,522,710)	(219,650)	(111,817)	(2,854,177)
As of December 31, 2012	**915,189**	**66,077**	**27,484**	**1,008,750**
Change in fair value	89,721	(7,586)	(27,484)	54,651
As of December 31, 2013	**1,004,910**	**58,491**	**-**	**1,063,401**

On July 6, 2013, 166,667 Series C Placement Agent Warrants expired.

Note 14 – Stock based compensation

Stock options issued to employees, directors and consultants

On May 26, 2009, the Board of Directors approved the adoption of the 2009 Stock Incentive Plan (the "2009 Plan"), which provides for the granting of stock options and other stock-based awards to key employees, directors and consultants of the Company. The aggregate number of common stock which may be issued under the 2009 Plan may not exceed 7,800,000 shares.

Nonvested shares

On August 7, 2010, the Company's Board of Directors approved the grant of 99,856 nonvested shares to four independent directors, two directors and certain executive officers and employees. 19,856 shares vested on February 7, 2011 and 80,000 shares vested on August 6, 2013.

On October 24, 2011, the Company's Board of Directors approved the grant of 26,405 nonvested shares to four independent directors, all vested on April 24, 2012.

On August 7, 2012, the Company's Board of Directors approved the grant of (i) 230,000 nonvested shares to certain executive officers and employees which vest will vest on August 6, 2015, (ii) 225,000 nonvested shares to 15 consultants which vested on February 7, 2013, and (iii) 10,000 nonvested shares to a former employee which vested on the date of grant.

On May 8, 2013, the Company's Board of Directors approved the grant of 26,361 nonvested shares to three independent directors, all of which vested on November 8, 2013.

On August 7, 2013, the Company's Board of Directors approved the grant of (i) 192,370 nonvested shares to certain executive officers and employees which will vest on August 7, 2016; (ii) 674,205 nonvested shares to 17 consultants and two independent directors which vested on February 7, 2014.

A summary of the nonvested shares activity for the years ended December 31, 2013 and 2012 is as follows:

	Number of Nonvested Shares	Weighted Average Grant date Fair Value US$
Outstanding as of December 31, 2011	106,405	6.03
Granted	465,000	4.41
Vested	(36,405)	4.39
Forfeited	(22,000)	6.37
Outstanding as of December 31, 2012	513,000	4.66
Granted	892,936	4.52
Vested	(311,361)	4.74
Forfeited	(4,000)	4.37
Outstanding as of December 31, 2013	1,090,575	4.89
Expected to vest as of December 31, 2013	1,090,575	4.89

The total fair value of shares vested during the years ended December 31, 2013 and 2012 was US$1,499,941 and US$159,754 respectively.

The Company recognized US$3,630,565 and US$1,098,795 of compensation expense in general and administrative expenses relating to nonvested shares for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013, there was US$1,973,931 of total unrecognized compensation cost relating to nonvested shares, which is to be recognized over a weighted average period of 0.93 years.

Stock options

On August 7, 2010, the Company's Board of Directors approved the grant of stock options to purchase 445,500 shares of the Company's common stock to two directors and certain executive officers and employees at an exercise price of US$8.01. The options vest over a three-year period beginning on each anniversary of the date of grant. One-third of the options expired on August 7, 2011, 2012 and 2013, respectively.

A summary of stock options activity for the years ended December 31, 2013 and 2012 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price US$
Outstanding as of December 31, 2011	297,000	8.01
Expired	(148,500)	8.01
Outstanding as of December 31, 2012	148,500	8.01
Expired	(148,500)	8.01
Outstanding as of December 31, 2013	-	-

The Company recognized US$127,215 and US$294,460 of share-based compensation expense in general and administration expenses relating to stock options for the years ended December 31, 2013 and 2012, respectively.

Note 15 – Earnings per share

Basic and diluted earnings per share are calculated as follows:

	Year Ended December 31,	
	2013	2012
	US$	US$
Numerator:		
Net income	133,838,845	85,867,747
Less: Dividends to Series C convertible preferred stockholders	-	(110)
Net income available to the Company's stockholders	133,838,845	85,867,637
Less:		
Earnings allocated to participating Series C convertible preferred stock	-	(478)
Earnings allocated to participating Series D convertible preferred stock	(33,229,887)	(21,527,155)
Earnings allocated to participating nonvested shares	(1,347,073)	(364,965)
Net income for basic and diluted earnings per share	99,261,885	63,975,039
Denominator:		
Denominator for basic and diluted earnings per share	47,794,028	47,549,275
Earnings per share:		
Basic and diluted	2.08	1.35

The following table summarizes potentially dilutive securities excluded from the calculation of diluted earnings per share for the years ended December 31, 2013 and 2012, because their effects are anti-dilutive:

	Year ended December 31,	
	2013	2012
Shares issuable upon conversion of Series D convertible preferred stocks	16,000,000	16,000,000
Shares issuable upon exercise of Series A investor warrant	1,320,696	1,320,696
Shares issuable upon exercise of Series A placement agent warrant	117,261	117,261
Shares issuable upon exercise of Series C placement agent warrant	-	166,667
Shares issuable upon exercise of stock options	-	148,500

Note 16 – Statutory reserves

Under PRC rules and regulations, all subsidiaries of China XD in the PRC are required to appropriate 10% of their net income, as determined in accordance with PRC accounting rules and regulations, to a statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The appropriation to this statutory surplus reserve must be made before distribution of dividends to China XD can be made. The statutory reserve is non-distributable, other than during liquidation, and can be used to fund previous years losses, if any, and may be converted into share capital by issuing new shares to existing shareholders in proportion to their shareholding or by increasing the par value of the shares currently outstanding, provided that the remaining balance of the statutory reserve after such issue is not less than 25% of the registered capital.

For the years ended December 31, 2013 and 2012, China XD' subsidiaries in the PRC made appropriations to the reserve fund of RMB30,075,331 (equivalent to US$4,892,127) and RMB3,737,172 (equivalent to US$599,858) respectively. As of December 31, 2013 and 2012, the accumulated balance of the statutory surplus reserve was RMB54,674,214 (equivalent to US$8,893,442) and RMB24,598,883 (equivalent to US$3,948,393) respectively.

Note 17 – Commitments and contingencies

(1) Lease commitments

Future minimum lease payments under non-cancellable operating leases agreements as of December 31, 2013 were as follows. The Company's leases do not contain any contingent rent payments terms.

	US$
Years ending December 31,	
2014	1,091,533
2015	1,076,662
2016	947,616
2017	795,001
2018 and thereafter	732,856

Rental expenses incurred for operating leases of plant and equipment and office spaces were US$1,042,894 and US$711,310 in 2013 and 2012, respectively. There are no step rent provisions, escalation clauses, capital improvement funding requirements, other lease concessions or contingent rent in the lease agreements. The Company has no legal or contractual asset retirement obligations at the end of leases. The company's leases do not contain any contingent rent payments terms.

(2) Plant construction

Pursuant to the agreement with Harbin Shengtong Engineering Plastics Co. Ltd. ("Harbin Shengtong"), the Company has a remaining commitment of RMB83.9 million (equivalent to US$13.9 million) as of December 31, 2013, for the acquisition of the land use rights and a plant consisting of five workshops and a building (the "Project") in Harbin upon completion in exchange for a total consideration of RMB470 million (approximately US$77.6 million) in cash. Harbin Shengtong is responsible to complete the construction of the plant and workshops according to the Company's specifications. Once the Project is fully completed and accepted by the Company, Harbin Shengtong shall transfer titles of various rights under the Project to the Company. As of December 31, 2013, five workshops and the main building were completed and placed into the service by the Company. The titles of the five workshops, the building and the related land use rights are expected to be transferred to the Company once the construction of certain ancillary facilities of the Project is completed in the second quarter of 2014.

On March 8, 2013, Xinda Holding (HK) Company Limited ("Xinda Holding (HK)"), a wholly owned subsidiary of the Company, entered into an investment agreement with Shunqing Government, pursuant to which Xinda Holding (HK) will invest RMB1.8 billion (equivalent to US$297 million) in property, plant and equipment and approximately RMB0.6 billion (equivalent to US$99 million) in working capital, for the Construction of Sichuan Plant.

Note 18 – Revenues

Revenues consist of the following:

	Year Ended December 31,	
	2013	2012
	US$	US$
Product sales		
PP	287,629,793	284,290,650
PA	183,640,747	48,944,960
Alloy plastics	124,645,192	37,762,512
Engineering plastics	264,428,369	124,502,433
ABS	32,595,809	24,701,785
Environment friendly plastics	155,470,335	72,077,731
Service revenue	1,981,156	7,538,897
Others	424,963	-
Total revenues	**1,050,816,364**	**599,818,968**

Note 19 – Subsequent Events

On January 24, 2014, Favor Sea Limited (the "Note Issuer"), a wholly-owned subsidiary of the Company, priced its international offering of guaranteed senior notes, which represents US$150 million principal of 11.75% guaranteed senior notes due 2019 (the "Notes"). The Notes have been listed and quoted on the Singapore Stock Exchange on February 5, 2014. The Company intends to use the net proceeds from the offering for repayment of indebtedness incurred by its PRC subsidiaries, for capital expenditure on the construction of production base in Sichuan and for general corporate purposes. The Notes are guaranteed on a senior basis by China XD and Xinda Holding (HK) Company Limited, a wholly-owned subsidiary of the Company (the "Subsidiary Guarantor"). The Notes are secured by a pledge of the shares of the Note Issuer and the Subsidiary Guarantor.

On January 27, 2014, China XD filed an Amended and Restated Certificate of Designation, Preferences and Rights of Series D Junior Convertible Preferred Stock of the Company (the "Restated Certificate of Designation") with the Secretary of State of the State of Nevada to, among other things, amend the maturity date of Series D junior convertible preferred stock of China XD (the "Series D Preferred Stock") to February 4, 2019 and remove the 2013 Actual Profit target of RMB 608 million of the Company as a trigger for the holders of Series D Preferred Stock to require the Company to redeem all or a portion of the outstanding shares of the Series D Preferred Stock.

US$150,000,000 11.75% Senior Notes due 2019

FAVOR SEA LIMITED

PURCHASE AGREEMENT

January 24, 2014

Morgan Stanley & Co. International plc ("Morgan Stanley")
25 Cabot Square
Canary Wharf London E14 4QA

UBS AG, Hong Kong Branch ("UBS")
52/F Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited ("HSBC")
Level 17, HSBC Main Building
1 Queen's Road, Central
Hong Kong

China Minsheng Banking Corp., Ltd. Hong Kong Branch ("CMBC")
36/F., Bank of America Tower
12 Harcourt Road, Central
Hong Kong

(the "Representatives" or the "Initial Purchasers")

Ladies and Gentlemen:

Subject to the terms and conditions stated herein, Favor Sea Limited (the "Company"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China XD Plastics Company Limited, a company incorporated under the laws of the State of Nevada in the United States (the "Parent Guarantor"), proposes to issue and sell to the Initial Purchasers US$150,000,000 aggregate principal amount of 11.75% Senior Notes due 2019 (the "Notes"). The Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Company's obligations under the Notes and the Indenture (as defined below) will be, jointly and severally, unconditionally guaranteed (the "Guarantees"), on a senior basis, by the Parent Guarantor, and the subsidiary named in Schedule A hereto (the "Subsidiary Guarantor" and, together with the Parent Guarantor, the "Guarantors"). The Notes and the Guarantees are referred to herein as the "Securities." The Securities will be issued pursuant to an indenture (the "Indenture") to be dated the Closing Date (as defined herein), by and among the Company, the Guarantors and Citicorp International Limited, as trustee (the "Trustee") and as collateral agent (the "Collateral Agent").

The Securities will be offered and sold in private sales exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), to qualified institutional buyers in

the United States in compliance with the exemption from registration provided by Rule 144A under the Securities Act ("Rule 144A"), and in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S").

In connection with the sale of the Securities, the Company has prepared a preliminary offering circular (the "Preliminary Offering Circular") and will prepare a final offering circular (the "Final Offering Circular") including a description of the terms of the Securities, the terms of the sale of the Securities and a description of the Parent Guarantor and its subsidiaries. For purposes of this Agreement, "Free Writing Communication" means any written communication (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or a solicitation of an offer to buy the Securities other than the Preliminary Offering Circular or the Final Offering Circular, and "General Disclosure Package" means the Preliminary Offering Circular together with any Issuer Free Writing Communication (as defined below) existing at the Applicable Time (as defined below) and the information which is intended for general distribution to prospective investors, in each case, as evidenced by its being specified in Schedule B hereto. "Issuer Free Writing Communication" means a Free Writing Communication prepared by or on behalf of the Company, used or referred to by the Company or containing a description of the final terms of the Securities or of their offering, in the form retained in the Company's records. "Applicable Time" means 5:15 pm (Hong Kong time) on the date of this Agreement.

Pursuant to the equitable mortgage over shares to be entered into between the Collateral Agent and the Parent Guarantor, the share pledge to be entered into between the Collateral Agent and the Company and any other agreements or instruments (collectively, the "Collateral Documents") that may evidence or create a security interest in favor of the Collateral Agent for the benefit of the holders of the Securities in any or all of the Collateral (as defined below), the Securities will be secured on a first-priority basis by a pledge over the shares of each of the Company and Xinda Holding (HK) Company Limited (collectively, the "Collateral"), subject only to liens expressly permitted to be incurred or exist on the Collateral under the Indenture (the "Permitted Liens").

This Agreement, the Notes, the Guarantees, the Indenture and the Collateral Documents are hereinafter sometimes referred to collectively as the "Transaction Documents." The transactions contemplated herein and in the Transaction Documents are collectively referred to as the "Transactions."

The Company and the Guarantors hereby agree with the several Initial Purchasers as follows:

1. *Representations and Warranties of the Company and the Guarantors.* Each of the Company and the Guarantors, jointly and severally, represents and warrants to, and agrees with, the several Initial Purchasers that as of the date of this Agreement and as of the Closing Date (as defined in Section 3 hereof) (unless otherwise indicated):

(a) *Disclosure*. (i) The General Disclosure Package, as amended or supplemented, does not and will not, at the Applicable Time and at the Closing Date (as defined in Section 3 hereof), respectively, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) the Preliminary Offering Circular, as of the date hereof, does not contain, and the Final Offering Circular, as of its date and at the Closing Date, as then amended or supplemented, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and

warranties set forth in this paragraph do not apply to statements in or omissions from the Preliminary or Final Offering Circular or the General Disclosure Package based upon written information furnished to the Company by the Initial Purchasers through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 9(b) hereof.

Each of the Company and the Guarantors, jointly and severally represents, warrants and agrees that the Wall-Crossing Marketing Materials (as defined below) contain information that is consistent with information in each of the General Disclosure Package and the Final Offering Circular in all material respects, and further represents, warrants and agrees that the Wall- Crossing Marketing Materials (i) did not as of the date thereof contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) complied with all applicable laws. Each of the Company and the Guarantors, jointly and severally represents, warrants and agrees that other than the the General Disclosure Package and the Final Offering Circular, no other materials have been distributed by the Company or the Guarantors in connection with the offering of the Securities. "Wall-Crossing Marketing Material" means the materials identified in Part A of Schedule C hereto.

(b) *Good Standing of the Company and the Guarantors*. Each of the Company and the Guarantors has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its incorporation, and no steps have been taken for its winding up. Each of the Company and the Guarantors has the power and authority (corporate and other) to own, lease and operate its properties and conduct its business as described in each of the General Disclosure Package and the Final Offering Circular; and each of the Company and the Guarantors is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not, individually or in the aggregate, result in (x) a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or business prospects of the Parent Guarantor and the Subsidiaries taken as a whole or (y) an adverse effect on the ability of any of the Company and the Guarantors to perform their respective obligations under the Securities or the other Transaction Documents or to consummate the Transactions on a timely basis ("Material Adverse Effect"). The Memorandum and Articles of Association or other constitutive and organizational documents of each of the Company and the Guarantors comply with the requirements of applicable laws of the jurisdiction of its incorporation and are in full force and effect.

(c) *Subsidiaries*. The Parent Guarantor has no subsidiaries (as defined under the Securities Act) other than as listed on Schedule D (each a "Subsidiary" and collectively, the "Subsidiaries"). Other than the capital stock of the Subsidiaries, the Parent Guarantor does not own, directly or indirectly, any shares of stock or any other equity interests or long-term debt securities of any corporation, firm, partnership, joint venture, association or other entity. Each Subsidiary has been duly incorporated and is validly existing and in good standing under the laws of the jurisdiction of its incorporation, and except as disclosed in each of the General Disclosure Package and the Final Offering Circular, no steps have been taken for its winding up. Each Subsidiary has the power and authority (corporate and other) to own, lease and operate its properties and conduct its business as described in each of the General Disclosure Package and the Final Offering Circular; and each Subsidiary is duly qualified to do business and is in good standing in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified

would not, individually or in the aggregate, result in a Material Adverse Effect. Except as disclosed in the General Disclosure Package and the Final Offering Circular, no Subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Parent Guarantor, from making any other distribution on such Subsidiary's capital stock, from repaying to the Parent Guarantor any loans or advances to such Subsidiary from the Parent Guarantor or from transferring any of such Subsidiary's property or assets to the Parent Guarantor or any other Subsidiary of the Parent Guarantor. The constitutive and organizational documents of each Subsidiary comply with the requirements of applicable law in their respective jurisdictions of incorporation and are in full force and effect.

(d) *Capital Stock of Subsidiaries.* All of the issued shares of capital stock of each Subsidiary have been duly authorized and are validly issued, have been issued in compliance with all applicable securities laws, are fully paid and non-assessable and except as disclosed in each of the General Disclosure Package and the Final Offering Circular, are owned directly by the Parent Guarantor, free and clear of all security interests, mortgages, pledges, liens, charges, claims, equities or encumbrances. None of the outstanding shares of capital stock or equity interest in any Subsidiary was issued in violation of any preemptive rights, resale rights, rights of first refusal or similar rights of any security holder of such Subsidiary. No options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Subsidiaries are outstanding.

(e) *Capital Stock of the Parent Guarantor*. All of the outstanding shares of capital stock of the Parent Guarantor have been duly authorized; the issued and paid-up share capital of the Parent Guarantor is as set forth in and conforms as to legal matters to the description thereof contained in each of the General Disclosure Package and the Final Offering Circular; all outstanding shares of capital stock of the Parent Guarantor are validly issued in compliance with all applicable securities laws, fully paid and non-assessable, and will conform to the description thereof contained in each of the General Disclosure Package and the Final Offering Circular; none of the outstanding shares of capital stock of the Parent Guarantor have been issued in violation of any preemptive rights, resale rights, rights of first refusal or similar rights of any security holders; except as disclosed in the General Disclosure Package and the Final Offering Circular, no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Company are outstanding.

(f) *No Finder's Fee*. Other than pursuant to this Agreement, there are no contracts, agreements or understandings between the Parent Guarantor, any Subsidiary and any person that would give rise to a valid claim against the Parent Guarantor, any Subsidiary or any Initial Purchaser for a brokerage commission, finder's fee or other like payment in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Except as contemplated in this Agreement, none of the Parent Guarantor or any Subsidiary, has paid or agreed to pay any compensation for soliciting another to purchase any securities of the Company.

(g) *Absence of Further Requirements*. No consent, approval, authorization, clearance, license, acceptance, decree or order of, or filing, qualification or registration with, any person (including any governmental agency or body or any court) is required for the consummation of the transactions contemplated by the Transaction Documents (including the issue and sale of the Securities and the granting of liens and security interests to be granted by the Company and the Parent Guarantor pursuant to the Indenture and the Collateral Documents), except for

approvals, authorizations, actions, notices and filings necessary to perfect the secured interests in the Collateral or that have been (or contemporaneously herewith will be) duly obtained, taken, given or made and are (or, upon obtaining, taking, giving or making any such approval, authorization, action, notice or filing, will be) in full force and effect as of the date of this Agreement.

(h) *Title to Property*. The Parent Guarantor and its Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from all mortgages, pledges, security interests, claims, restrictions, liens, charges, encumbrances and defects of any kind except such as do not, singly or in the aggregate, materially affect the value of the property and do not materially interfere with the use made and/or proposed to be made of such property by the Parent Guarantor or its Subsidiaries; the Parent Guarantor and its Subsidiaries hold all leased real or personal property under valid, subsisting and enforceable leases with no terms or provisions that would materially interfere with the use made or to be made thereof by them and neither the Parent Guarantor nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Parent Guarantor or any of its Subsidiaries under any of the leases mentioned above, or materially and adversely affecting or questioning the rights of the Parent Guarantor or any of its Subsidiaries to the continued use of the leased premises under any such lease.

(i) *Absence of Defaults and Conflicts Resulting from Transaction*. The execution, delivery and performance of each of the Transaction Documents, the issue and sale of the Securities and the granting of liens and security interests to be granted by the Company and the Parent Guarantor pursuant to the Indenture and the Collateral Documents have been duly authorized by all necessary corporate action and the execution, delivery and performance of each of the Transaction Documents, the issue and sale of the Securities, the granting of liens and security interests to be granted by the Company and the Parent Guarantor pursuant to the Indenture and the Collateral Documents and the application of the net proceeds from the sale of the Securities as set forth and contemplated by each of the General Disclosure Package and the Final Offering Circular, will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any tax, lien, charge or encumbrance upon the shares of capital stock of the Parent Guarantor or any Subsidiary or any property or assets of the Parent Guarantor or any Subsidiary pursuant to: (i) the charter or by-laws of the Parent Guarantor or any Subsidiary, (ii) any statute, rule, regulation or judgment, order, writ or decree of any governmental agency or body or any court or arbitral panel, domestic or foreign, having jurisdiction over the Parent Guarantor or any Subsidiary or any of their respective assets, properties or operations, or (iii) any agreement or instrument to which the Parent Guarantor or any Subsidiary is a party or by which the Parent Guarantor or any Subsidiary is bound or to which any of the assets or properties of the Parent Guarantor or any Subsidiary is subject (other than any lien, charge or encumbrance created or imposed pursuant to the Collateral Documents), except (in relation to clause (iii) only) such breach, violation, default, Debt Repayment Triggering Event, tax, lien, charge or encumbrance that would not, individually or in the aggregate, result in a Material Adverse Effect; a "Debt Repayment Triggering Event" means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Parent Guarantor or any Subsidiary.

(j) *Absence of Existing Defaults and Conflicts*. Neither the Parent Guarantor nor any Subsidiary is (i) in violation of its respective charter or by-laws, (ii) in breach or violation of any statute, rule, regulation or judgment, order, writ or decree of any governmental body, agency, court or arbitral panel, domestic or foreign, having jurisdiction over the Parent Guarantor or any Subsidiary or any of their respective assets, properties or operations, or (iii) in default (or with the giving of notice or lapse of time would be in default or constitute a Debt Repayment Triggering Event) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the assets or properties of any of them is subject, except (in relation to clause (iii) only) such defaults that would not, individually or in the aggregate, result in a Material Adverse Effect.

(k) *Authority/Corporate Action*. Each of the Company and the Guarantors has the full right, power and authority to enter into and perform its obligations under each of the Transaction Documents to which it is a party. All action or activity required to be taken, fulfilled or done (including without limitation the obtaining of any consent or license or the making of any filing or registration) by the Company and the Guarantors for the due and proper authorization, execution and delivery of each of the Transaction Documents, as applicable, and the compliance by the Company or the Guarantors with the terms of each of the Transaction Documents, as applicable, (including the issue and sale of the Securities and the granting of liens and security interests to be granted by the Company and the Guarantors pursuant to the Indenture and the Collateral Documents) has been duly taken, fulfilled or done.

(l) *Ranking of Securities*. The obligations of the Company and the Guarantors in connection with the Securities will rank in respect of payment at least equally and ratably (pari passu) with all other unsecured and unsubordinated obligations of the Company and the Guarantors.

(m) *Required Contracts*. There are no contracts or documents that are required to be described in the Parent Guarantor's Annual Report on Form 10-K or to be filed as an exhibit to the Parent Guarantor's Annual Report on Form 10-K that have not been so described and filed as required.

(n) *Termination of Contracts*. None of the Parent Guarantor or any of its Subsidiaries has sent or received any written communication regarding termination of, or intent not to renew, any of the material contracts or agreements in effect, which are referred to or described in the General Disclosure Package and the Final Offering Circular, or filed as an exhibit to the Parent Guarantor's Annual Report on Form 10-K, and no such termination or non-renewal has been threatened by the Parent Guarantor or any of its Subsidiaries or, to the Parent Guarantor or any of its Subsidiaries' knowledge, any other party to any such material contract or agreement.

(o) *Authorization of the Notes*. The Notes have been duly authorized by the Company, and when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles relating to enforceability (collectively, the "Enforceability Exceptions") and will be entitled to the benefits of the Indenture.

(p) *Authorization of Agreements.* This Agreement has been duly authorized, executed and delivered by the Company and each Guarantor. The Indenture has been duly authorized by the Company and each Guarantor and when executed and delivered by the Company, each Guarantor and the Trustee and the Securities are delivered and paid for pursuant to this Agreement on the Closing Date, the Indenture will have been duly executed by each of the Company and the Guarantors, (and assuming the due authorization, execution and delivery by the Trustee) will constitute a valid and legally binding obligation of the Company and each Guarantor, enforceable against the Company and each Guarantor in accordance with its terms subject, as to enforceability, to the Enforceability Exceptions.

(q) *Authorization of the Guarantees.* Each Guarantee has been duly authorized by the relevant Guarantor, and when executed and authenticated in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers in accordance with the terms of this Agreement, will be valid and binding obligations of such Guarantor, enforceable in accordance with its terms subject, as to enforceability, to the Enforceability Exceptions.

(r) *Description of Agreements.* The Indenture, the Notes, the Guarantees, the Collateral and the Collateral Documents conform in all material respects to the descriptions thereof contained in the General Disclosure Package and the Final Offering Circular.

(s) *Authorization of the Collateral Documents.* Each of the Collateral Documents has been duly authorized by the Company and each Guarantor party thereto (or intended to be a party thereto), and when executed and delivered by the Company and each Guarantor party thereto and validly authorized, executed and delivered by the other parties thereto in accordance with the provisions of the Indenture will be a valid and legally binding obligation of the Company and each such Guarantor, as applicable, enforceable in accordance with its terms, subject, as to enforceability, to the Enforceability Exceptions.

(t) *Granting of Security Interest.* (A) The execution, delivery, recordation, filing or performance of the Indenture and any applicable Collateral Documents by each of the Company and the Guarantors, (B) the grant by each of the Company and the Guarantors of the liens granted by it pursuant to the applicable Collateral Documents, (C) the perfection or maintenance of the liens created under the Collateral Documents (including, where applicable, the first priority nature thereof) and (D) the exercise by the Collateral Agent of the remedies in respect of the Collateral, will not require any consent, approval, authorization or other order of, or any notice to or filing with, any court, regulatory body, administrative agency or other governmental body (other than such filings, registrations, consents, approvals, notarizations or other authorizations required under or contemplated by the Indenture and the Collateral Documents in order to perfect any security interest granted by the Collateral Documents, collectively, the "Collateral Perfection Requirements"), and will not conflict with or constitute a breach of any of the terms or provisions of, or a default or a Debt Repayment Triggering Event under, or result in the imposition of any tax, lien, charge or encumbrance upon the shares of capital stock of the Parent Guarantor or any Subsidiary or any right, property or assets of the Parent Guarantor or any Subsidiary pursuant to (other than any lien, charge or encumbrance created or imposed pursuant to the Collateral Documents), (X) the charter or by-laws or similar organizational documents of the Parent Guarantor or any of its Subsidiaries or (Y) any agreement, indenture or other instrument, to which the Parent Guarantor or any of its Subsidiaries is bound or to which its or their respective property is subject, except in the case of clause (Y) such conflicts, breaches or defaults that would not, individually or in the aggregate, have a Material Adverse Effect.

(u) *Validity of Security Interest*. Subject to and upon the satisfaction of the Collateral Perfection Requirements required in the Indenture and the Collateral Documents, the Collateral Documents create (or after the execution and delivery thereof will create) in favor of the Collateral Agent for the benefit, among others, of the holders of the Securities, a valid and enforceable perfected first priority security interest in and lien on all of the Collateral. No filings or recordings are required in order to perfect and protect the security interests created under the Collateral Documents except for the Collateral Perfection Requirements required in the Indenture and the Collateral Documents , which shall have been made in accordance with and pursuant to the Collateral Documents. Except as disclosed in the General Disclosure Package and the Final Offering Circular, the Company and the Guarantors are the legal and beneficial owners of the Collateral and have the power and authority to collaterally assign rights in the Collateral, free and clear of all liens (other than the Permitted Liens).

(v) *Absence of Restrictions on Payments of Dividends*. Except as disclosed in the General Disclosure Package and the Final Offering Circular, there are no contracts, agreements or understandings to which the Parent Guarantor and/or any Subsidiary is a party, by which the Parent Guarantor and/or any Subsidiary is bound, or to which any property of the Parent Guarantor and the Subsidiaries is subject that restricts payment of dividends by the Parent Guarantor and/or the Subsidiaries.

(w) *Possession of Licenses and Permits*. The Parent Guarantor and its Subsidiaries possess, and are in compliance with the terms of, all certificates, authorizations, franchises, licenses, approvals, consents and permits ("Licenses") necessary or material to the conduct of the businesses now conducted as described in each of the General Disclosure Package and the Final Offering Circular; and all such Licenses are valid and in full force and effect. Neither the Parent Guarantor nor any Subsidiary is in violation of, or in default under, or has received any notice of proceedings relating to the revocation or modification of any Licenses that, if determined adversely to the Parent Guarantor or any Subsidiary, would individually or in the aggregate have a Material Adverse Effect.

(x) *Absence of Labor Dispute*. No labor dispute with the employees of the Parent Guarantor or any of its Subsidiaries exists or, to the knowledge of the Parent Guarantor after due and careful enquiry, is imminent that could have, individually or in the aggregate, a Material Adverse Effect. The Parent Guarantor is not aware of any existing, threatened or imminent labor disturbance by the employees of any of the Parent Guarantor's or any of its Subsidiaries' principal suppliers, manufacturers or contractors that would, individually or in the aggregate, have a Material Adverse Effect. No director, officer or employee described in the section "Management" in each of the General Disclosure Package and the Final Offering Circular has terminated or notified the Parent Guarantor of his or her intention to terminate his or her relationship with the Parent Guarantor or any of its Subsidiaries, as the case may be.

(y) *Employee Benefits*. The Parent Guarantor and its Subsidiaries are in compliance with all applicable laws relating to employee benefits.

(z) *Possession of Intellectual Property*. The Parent Guarantor and its Subsidiaries own, possess or can acquire on reasonable terms, all trademarks, trade names and other rights to inventions, know how (including trade secrets and other unpatentable proprietary or confidential information, systems or procedures), patents, patent rights, licenses, copyrights and other intellectual property (collectively, "intellectual property rights") necessary to conduct the business now operated by them as described in the General Disclosure Package and the Final Offering Circular, or presently employed by them, and have not received any notice of

infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Parent Guarantor or any of its Subsidiaries, would individually or in the aggregate have a Material Adverse Effect, and there is no pending or, to the knowledge of the Parent Guarantor after due and careful enquiry, threatened action, claim or suit challenging the validity of such intellectual property rights and the Parent Guarantor and its Subsidiaries are not aware of any facts or circumstances which would form a reasonable basis for any such claim.

(aa) *Environmental Laws*. (a)(i) Neither the Parent Guarantor nor any Subsidiary is in violation of, or has any liability under, any applicable federal, state, local or non-U.S. statute, law, rule, regulation, ordinance, code, other requirement or rule of law (including common law), or decision or order of any domestic or foreign governmental agency, governmental body or court, relating to pollution, to the use, handling, transportation, treatment, storage, discharge, disposal or release of Hazardous Substances, to the protection or restoration of the environment or natural resources (including biota), to health and safety including as such relates to exposure to Hazardous Substances, and to natural resource damages (collectively, "Environmental Laws"), (ii) neither the Parent Guarantor nor any Subsidiary owns, occupies, operates or uses any real property contaminated with Hazardous Substances, (iii) neither the Parent Guarantor nor any Subsidiary is conducting or funding any investigation, remediation, remedial action or monitoring of actual or suspected Hazardous Substances in the environment, (iv) neither the Parent Guarantor nor any Subsidiary is liable or allegedly liable for any release or threatened release of Hazardous Substances, including at any off-site treatment, storage or disposal site, (v) neither the Parent Guarantor nor any Subsidiary is subject to any claim by any governmental agency or governmental body or person relating to Environmental Laws or Hazardous Substances, and (vi) the Parent Guarantor and its Subsidiaries have received and are in compliance with all, and have no liability under any, permits, licenses, authorizations, identification numbers or other approvals required under applicable Environmental Laws to conduct their respective businesses, except in each case covered by clauses (i) – (vi) such as would not individually or in the aggregate have a Material Adverse Effect; and (b) to the knowledge of the Parent Guarantor after due and careful enquiry, there are no facts or circumstances that would reasonably be expected to result in a violation of, liability under, or claim pursuant to any Environmental Law that would have a Material Adverse Effect. For purposes of this subsection "Hazardous Substances" means (A) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and mold, and (B) any other chemical, material or substance defined or regulated as toxic or hazardous or as a pollutant, contaminant or waste under Environmental Laws.

(bb) *The NASDAQ Global Market*. All public notices, announcements and advertisements in connection with the offering of the Securities and all filings and submissions provided by or on behalf of the Parent Guarantor to the NASDAQ Global Market comply with all rules and regulations of the NASDAQ Global Market in effect at the time of such filing or submission to the extent applicable.

(cc) *SAFE Compliance*. Except as disclosed in the General Disclosure Package and the Final Offering Circular, the Parent Guarantor and its Subsidiaries have taken all necessary steps to comply with, and to ensure compliance by all of the Parent Guarantor and its Subsidiaries' shareholders who are PRC residents or PRC citizens with any applicable rules and regulations of the State Administration of Foreign Exchange (the "SAFE Rules and Regulations"), including without limitation, requiring each shareholder that is, or is directly or indirectly

owned or controlled by, a PRC resident or PRC citizen to complete any registration and other procedures required under applicable SAFE Rules and Regulations.

(dd) *Accurate Disclosure*. The statements in each of the General Disclosure Package and the Final Offering Circular (i) under the headings "Summary" and "Description of the Notes" insofar as they purport to constitute a summary of the terms of the Notes and the Guarantees and (ii) under the headings "Summary," "Risk Factors," "Our Business," "Our Corporate Structure," "Related Party Transactions" and "Description of Other Material Indebtedness" insofar as they purport to summarize legal matters, agreements, documents or proceedings discussed therein, are accurate, complete and fair summaries of such legal matters, agreements, documents or proceedings.

(ee) *Absence of Manipulation.* Neither the Parent Guarantor, the Company nor any of its Affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act, each an "Affiliate") has, either alone or with one or more other persons, bid for or purchased for any account in which it or any of its Affiliates had a beneficial interest any Securities or attempt to induce any person to purchase any Securities. Neither the Parent Guarantor nor any of the Subsidiaries nor any of their respective directors, officers, Affiliates or controlling persons nor any person acting on its or their behalf (other than the Initial Purchasers) has taken, nor will they take, directly or indirectly, any action designed, or which has constituted or would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities. For the avoidance of doubt, the Stabilizing Manager may, on behalf of the Initial Purchasers, engage in transactions which stabilize the market price of the Securities.

(ff) *Stabilization Safe Harbor.* Neither the Parent Guarantor nor its Subsidiaries have taken any action or omitted to take any action (such as issuing any press release relating to any Securities without an appropriate legend) which may result in the loss by any of the Initial Purchasers of the ability to rely on any stabilization safe harbor provided by the Financial Services Authority under the Financial Services and Markets Act 2000, as amended.

(gg) *Statistical and Market-Related Data*. Any statistical and market-related data included in each of the General Disclosure Package, the Final Offering Circular or in any Supplemental Marketing Material (as defined below) are accurately and fairly presented and based on or derived from sources that the Parent Guarantor reasonably believes to be reliable and accurate, and the Parent Guarantor has obtained the written consent to the use of such data from such sources. "Supplemental Marketing Material" means the materials identified in Parts A and B of Schedule C hereto.

(hh) *Forward-Looking Statements.* Each "forward-looking statement" (within the meaning of Section 27A of the Securities Act or Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), contained in each of the General Disclosure Package and the Final Offering Circular has been made or reaffirmed with a reasonable basis and in good faith.

(ii) Litigation. There are no pending actions, suits or proceedings (including any investigations by any court, arbitral panel or governmental agency or body, domestic or foreign) against or affecting the Parent Guarantor, any Subsidiary or any of their respective properties that, if determined adversely to the Parent Guarantor or any Subsidiary, would individually or in the aggregate have a Material Adverse Effect, or would materially and adversely affect the ability of the Company or the Guarantors to perform its obligations under

this Agreement, or which are otherwise material in the context of the sale of the Securities; and to the knowledge of the Parent Guarantor or the Company after due and careful enquiry, no such actions, suits or proceedings (including any investigations by any court or governmental agency or body, domestic or foreign) are threatened or, to the knowledge of the Parent Guarantor or the Company, contemplated. No governmental agency or body, domestic or foreign has, in any inspection, examination or audit of the Parent Guarantor or the Company, reported findings or imposed penalties that have resulted in any Material Adverse Effect.

(jj) *Independent Consultant; Industry Report.* Frost & Sullivan, which prepared the industry report listed in Part B of Schedule C (the "Industry Report") and the section entitled "Industry Overview" in each of the General Disclosure Package and the Final Offering Circular, was, as at the date of each of the General Disclosure Package and the Final Offering Circular, and continues to be, an independent consultant to the Parent Guarantor and the Company. Frost & Sullivan has consented to (i) the disclosure of its corporate name and information sourced from it which will appear in each of the General Disclosure Package and the Final Offering Circular and any amendments thereto (ii) the disclosure and availability of the Industry Report in its entirety on the Parent Guarantor's corporate website. The Industry Report (i) contains information that is consistent with information in each of the General Disclosure Package and the Final Offering Circular in all material respects and (ii) complies with all applicable laws. All information provided by the Company to Frost & Sullivan required for the purposes of Frost & Sullivan's preparation of the Industry Report has been supplied in good faith and after due and careful inquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to Frost & Sullivan prior to the date hereof) true and accurate in all material respects; and no information which might reasonably have affected the contents of the Industry Report in any material respect has been withheld or omitted.

(kk) *Independent Registered Public Accountants.* Each of KPMG and Moore Stephens Hong Kong ("MSHK"), whose report on the consolidated financial statements of the Parent Guarantor and the Subsidiaries is included in each of the General Disclosure Package and the Final Offering Circular, is an independent registered public accounting firm with respect to the Parent Guarantor and its consolidated subsidiaries as that term is defined in the Securities Act and the applicable rules and regulations thereunder and the Public Company Accounting Oversight Board (United States) (the "PCAOB").

(ll) *Information.* (a) All information provided by or on behalf of the Parent Guarantor to each of KPMG and MSHK has been supplied, or, as the case may be, will be supplied, in good faith and after due and careful inquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied prior to the date hereof), or, as the case may be, will be when supplied, true and accurate in all material respects and no further information has been withheld the absence of which might reasonably have affected the contents of any of such reports and letters in any material respect.

(mm)*Financial Statements.*

(i). The consolidated financial statements included in each of the General Disclosure Package and the Final Offering Circular, together with related notes as set forth therein, present fairly the financial position of the Parent Guarantor and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and such financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), consistently applied throughout the periods involved;

(ii). the other financial data contained in each of the General Disclosure Package and the Final Offering Circular are accurately and fairly presented in all material respects and prepared on a basis consistent with the financial statements and books and records of the Parent Guarantor and in a manner consistent with the accounting policies of the Parent Guarantor. The Parent Guarantor and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off- balance sheet obligations) not described in each of the General Disclosure Package and the Final Offering Circular; and

(iii). the non-US GAAP financial information contained in each of the General Disclosure Package and the Final Offering Circular are accurately and fairly presented in all material respects.

(nn) *Management's Discussion and Analysis of Financial Condition and Results of Operations.* The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in each of the General Disclosure Package and the Final Offering Circular accurately and fairly describes (i) accounting policies that the Parent Guarantor believes are the most important in the portrayal of the Parent Guarantor's financial condition and results of operations and that require management's most difficult, subjective or complex judgments, (ii) judgments and uncertainties affecting the application of critical accounting policies, (iii) the likelihood that materially different amounts would be reported under different conditions or using different assumptions and an explanation thereof and (iv) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Parent Guarantor believes would materially affect liquidity and are reasonably likely to occur.

(oo) Internal controls.

(i) The Parent Guarantor, each Subsidiary and the Parent Guarantor's board of directors (the "Board") as well as the Audit Committee ("Audit Committee"), Compensation Committee and Nominating Committee of the Board are in compliance with the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), except as disclosed in each of the General Disclosure Package and the Final Offering Circular, and all applicable rules of The NASDAQ Global Market (the "Exchange Rules"). Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, the Parent Guarantor and its Subsidiaries, taken as a whole, maintain a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls (collectively, the "Internal Controls") that comply with the Securities Act, the Exchange Act, Sarbanes-Oxley, all rules and regulations promulgated under each of the foregoing, the auditing principles, rules, standards and practices applicable to auditors of "issuers" (as defined in Sarbanes-Oxley) promulgated or approved by the PCAOB, and as applicable, the Exchange Rules (collectively, the "Securities

Laws") and are sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorizations, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's general or specific authorization, (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences, (E) the Parent Guarantor has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and (F) the Parent Guarantor has adopted and applies corporate governance guidelines. Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, the Internal Controls are overseen by the Audit Committee in accordance with Exchange Rules. The Parent Guarantor has not publicly disclosed or reported to the Audit Committee or the Board, and is not aware of, any change in the Internal Controls or fraud involving management or other employees who have a significant role in the Internal Controls or any violation of, or failure to comply with, the Securities Laws, which would have a Material Adverse Effect; and

(ii) Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, the Parent Guarantor has established and maintains and evaluates a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by the Parent Guarantor's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP; Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, there are no material weaknesses or significant deficiencies in its internal control over financial reporting; all material weaknesses or significant deficiencies, if any, in the Parent Guarantor's internal control over financial reporting have been identified to the Parent Guarantor's independent auditors; since the date of the latest audited financial statements included in the General Disclosure Package and the Final Offering Circular there has been no change in the Parent Guarantor's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Parent Guarantor's internal control over financial reporting, including any corrective actions with regard to significant deficiencies and material weaknesses and, except as described in the General Disclosure Package and the Final Offering Circular, the Parent Guarantor's independent auditors have not notified the Parent Guarantor of any material weakness or significant deficiency in the Parent Guarantor's internal control over financial reporting.

(iii) Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, the Parent Guarantor has established and maintains and evaluates disclosure controls and procedures (as such term is defined in Rule 13a- 15(e) under the Exchange Act) that comply with the requirements of the Exchange Act, such disclosure controls and procedures have been designed to ensure that material information relating to the Parent Guarantor and its Subsidiaries is made known to the Parent Guarantor's principal executive officer and principal financial

officer by others within those entities; and such disclosure controls and procedures are effective to perform the functions for which they were established.

(pp) *Related Person Transactions.* Except as disclosed in each of the General Disclosure Package and the Final Offering Circular, no indebtedness (actual or contingent) and no contract or arrangement (other than employment contracts or arrangements) is outstanding between the Parent Guarantor or its Subsidiaries, on the one hand, and any director of the Parent Guarantor or its Subsidiaries or any person connected with such director (including such director's spouse, infant children or any company or undertaking in which such director holds a controlling interest), on the other hand; neither the Parent Guarantor nor any of its Subsidiaries is engaged in any material transactions with its current or former directors, officers, management, shareholders or other associates or Affiliates on terms that are not available from other parties on an arm's-length basis.

(qq) *No Material Adverse Change.* Since the end of the period covered by the latest audited financial statements included in the General Disclosure Package (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or business prospects of the Parent Guarantor and its Subsidiaries, taken as a whole, that is material and adverse; (ii) neither the Parent Guarantor nor any of its Subsidiaries has: (1) entered into or assumed any material contract, transaction or commitment; (2) incurred, assumed or acquired or agreed to incur, assume or acquire any material liability (including contingent liability) or other obligation, direct or contingent; (3) acquired, sold, transferred or otherwise disposed of or agreed to acquire or dispose of any business or asset material to the Parent Guarantor and its Subsidiaries, which, taken as a whole, will have a Material Adverse Effect or (4) entered into a letter of intent or memorandum of understanding (or publicly announced an intention to do so) relating to any matters identified in clauses (1) through (3) above; (iii) the Parent Guarantor has not undertaken any share buy-back or capital reduction, nor has there been any dividend or distribution of any kind declared, paid or made by the Parent Guarantor on any class of its capital stock; (iv) the Parent Guarantor has not purchased any of its outstanding capital stock;

(v) there has been no material adverse change in the capital stock, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Parent Guarantor and its Subsidiaries; and (vi) neither the Parent Guarantor nor its Subsidiaries have sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

(rr) *Choice of Law.* Each of the Company and the Guarantors has the power to submit, and pursuant to Section 18 of this Agreement, has legally, validly, effectively and irrevocably submitted, to the personal jurisdiction of each United States federal court and New York state court located in the Borough of Manhattan, in The City of New York, New York, U.S.A. (each, a "New York Court"), and each of the Company and the Guarantors has the power to designate, appoint and authorize, and pursuant to Section 18 of this Agreement, has legally, validly, effectively and irrevocably designated, appointed and authorized, the Authorized Agent (as defined in Section 18 hereof) for service of process in any action arising out of or relating to this Agreement or the Securities in any New York Court, and service of process effected on such Authorized Agent will be effective to confer valid personal jurisdiction over each of the Company and the Guarantors as provided in Section 18 hereof.

(ss) *Immunity.* Neither the Parent Guarantor, any Subsidiary nor any of their respective properties, assets or revenues are entitled to any right of immunity on the grounds of

sovereignty from any legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal process or proceeding for the giving of any relief or for the enforcement of any judgment.

(tt) *Investment Company Act*. Each of the Guarantors and the Company is not, and after giving pro forma effect to the offering and sale of the Securities and the application of the proceeds thereof as described in each of the General Disclosure Package and the Final Offering Circular would not be, required to register as an "investment company" under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act") (as such term is defined therein).

(uu) *Class of Securities Not Listed*. The Securities satisfy the requirements set forth in Rule 144A(d)(3) under the Securities Act, and no securities of the same class (within the meaning of Rule 144A(d)(3)) as the Securities are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

(vv) *No General Solicitation; No Registration*. None of the Parent Guarantor, the Subsidiaries or any of their respective Affiliates has directly, or through any agent, (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any "security" (as defined in the Securities Act) that is or could be integrated with the sale of the Securities in a manner that would require the registration under the Securities Act of the Securities or (ii) engaged in any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in connection with the offer and sale of the Securities or any in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act. Assuming the accuracy of the representations and warranties of the Initial Purchasers in Section 4 hereof, it is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers in the manner contemplated by this Agreement to register any of the Securities under the Securities Act.

(ww) *No Qualification of Indenture*. It is not necessary in connection with the offer, sale and delivery of the Securities to the Initial Purchasers in the manner contemplated by this Agreement to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(xx) No Directed Selling Efforts. None of the Parent Guarantor, the Subsidiaries, any of their respective Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to which no representation or warranty is given) has engaged or will engage in any directed selling efforts (as that term is defined in Regulation S under the Securities Act) with respect to the Securities; the Parent Guarantor, the Subsidiaries and their respective Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to which no representation or warranty is given) have complied and will comply with the offering restrictions requirement of Regulation S. The sale of the Securities by the Company pursuant to Regulation S is not part of a plan or scheme by the Company to evade the registration provisions of the Securities Act. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Securities to be sold by it except for this Agreement.

(yy) *No Substantial U.S. Market Interest*. There is no "substantial U.S. market interest" as defined in Rule 902(n) of Regulation S in the Securities or any security of the same class as the Securities.

(zz) *Payments in Foreign Currency*. Under current laws and regulations of British Virgin Islands and any political subdivision thereof, all interest, principal, premium, if any, and other payments due or made on the Securities may be paid by the Company to the holder thereof in United States dollars that may be converted into foreign currency and freely transferred out of British Virgin Islands and all such payments made to holders thereof or therein who are non- residents of British Virgin Islands will not be subject to income, withholding, value-added or other taxes under laws and regulations of British Virgin Islands or any political subdivision or taxing authority thereof or therein and will otherwise be free and clear of any other tax, duty, withholding or deduction in British Virgin Islands or any political subdivision or taxing authority thereof or therein and without the necessity of obtaining any governmental authorization in British Virgin Islands or any political subdivision or taxing authority thereof or therein.

(aaa) *No liquidation proceedings*. Except as disclosed in the General Disclosure Package and the Final Offering Circular, no winding up or liquidation proceedings have been commenced in any jurisdiction against the Parent Guarantor or any of its Subsidiaries, and no proceedings have been commenced for the purpose of, and no judgment has been rendered, declaring the Parent Guarantor or any of its Subsidiaries bankrupt or insolvent in any jurisdiction. Except as disclosed in the General Disclosure Package and the Final Offering Circular, neither the Parent Guarantor nor any of its Subsidiaries has taken any step towards any legal or administrative proceedings for the winding up, dissolution or liquidation of the Parent Guarantor or any of its Subsidiaries, or for the suspension, revocation or cancellation of their business licenses.

(bbb) *Solvency*. As of the date hereof and up to and including the Closing Date, immediately prior to and immediately following the consummation of the Transactions, each Guarantor and the Company is and will be Solvent. As used herein, "Solvent" shall mean, for any person on a particular date, that on such date (A) the fair value of the property of such person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such person, (B) the present fair salable value of the assets of such person is not less than the amount that will be required to pay the probable liability of such person on its debts as they become absolute and matured, (C) such person is able to realize upon its assets and pay its debts or other liabilities (including contingent obligations) as they mature, (D) such person is not engaged in a business or a transaction for which such person's property would constitute an unreasonably small capital and (E) such person is able to pay its debts as they become due and payable.

(ccc) *Anti-Bribery Laws, Anti-Money Laundering Laws, Sanctions.*

(i) Neither the Parent Guarantor nor any of its Subsidiaries or Affiliates, nor any director, officer, or employee, nor, to the knowledge of the Parent Guarantor after due and careful enquiry, any agent or representative of the Parent Guarantor or of any of its Subsidiaries or Affiliates, is aware of or has taken any action in furtherance of (a) an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage or otherwise where either the

payment or gift or the purpose of such payment or gift was, is or would be prohibited under any anti-bribery laws, applicable law, rule or regulation of British Virgin Islands, PRC, Hong Kong and the United States or any other jurisdiction, including, but not limited to, any law, rule, or regulation promulgated to implement the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed December 17, 1997, including the U.S. Foreign Corrupt Practices Act of 1977 or any other law, rule or regulation of similar purpose and scope, or (b) any unlawful payment in connection with the business activities of the Parent Guarantor or any Subsidiary or Affiliate, as applicable; and the Parent Guarantor and its Subsidiaries and Affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(ii) The operations of the Parent Guarantor and its Subsidiaries and, to the knowledge of the Parent Guarantor, the operations of its Affiliates are and have been conducted at all times in compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Parent Guarantor and its Subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Anti-Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries or, to the knowledge of the Parent Guarantor, its Affiliates with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Parent Guarantor after due and careful enquiry, threatened.

(iii) (a) Neither the Parent Guarantor nor any of its Subsidiaries (collectively, the "Entity") nor any director, officer, employee, agent, nor, to the knowledge of the Entity, any Affiliate or representative of the Entity, is an individual or entity ("Person") that is, or is owned or controlled by a Person that is:

(A) the target of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") , the United Nations Security Council ("UNSC"), the European Union ("EU"), Her Majesty's Treasury ("HMT"), the Bureau of Industry Security of the U.S. Department of Commerce or other relevant sanctions authority, including, but not limited to, sanctions issued under the authority of the U.S. Trading with the Enemy Act, the U.S. International Emergency Economic Powers Act, the U.S. United Nations Participation Act, the U.S. Syrian Accountability and Lebanese Sovereignty Restoration Act, the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010, and the Iran Threat Reduction and Syria Human Rights Act of 2012, all as amended,

and any executive order, directive, or regulation pursuant to the authority of any of the foregoing, including the regulations of the United States Treasury Department set forth under 31 CFR, Subtitle B, Chapter V, as amended, or any orders or licenses issued thereunder, (collectively, "Sanctions"), nor

(B) located, organized or resident in a country or territory that is the target of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(b) Except as disclosed in each of the General Disclosue Package and the Final Offering Circular, the Entity has not engaged in any business dealings in, had any transactions with, or sold or purchased any goods or services to or from any country, person, or entity in those countries that are subject to any sanctions administered by any of the Sanctions or, to the knowledge of the Parent Guarantor or any of its Subsidiaries, who perform contracts in support of projects in or for the benefit of the relevant countries.

(c) The Entity will not, directly or indirectly, use the proceeds of the offering of the Securities, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the target of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(c) The Entity represents and covenants that it has not knowingly engaged in, is not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the target of Sanctions.

(d) None of the issue and sale of the Securities, the execution, delivery and performance of this Agreement or the consummation of any other transaction contemplated hereby will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(ddd) *Taxes.* Each of the Parent Guarantor and its Subsidiaries has (i) filed all necessary federal, national, state, provincial, local and foreign tax returns and each such tax return is accurate and complete in all material respects, except where the failure to so file such returns would not, individually or in the aggregate, have a Material Adverse Effect, and (ii) paid all taxes required to be paid, unless such taxes are being contested in good faith and adequate reserves have been provided in accordance with US GAAP, or the failure to pay such taxes would not, individually or in the aggregate, have a Material Adverse Effect; and other than tax deficiencies that the Parent Guarantor or any Subsidiary is contesting in good faith and for which the Parent Guarantor or such Subsidiary has provided adequate reserves in accordance with US GAAP, there is no tax deficiency that has been asserted against the Parent Guarantor

or any of the Subsidiaries that would have, individually or in the aggregate, a Material Adverse Effect.

(eee) *Tax Incentives.* All governmental tax waivers and other local and national tax relief, concession and preferential treatment of the Parent Guarantor and its Subsidiaries in the People's Republic of China as described in each of the General Disclosure Package and the Final Offering Circular (each a "Tax Incentive") are in full force and effect. The Parent Guarantor and its Subsidiaries have not received any notice of proceedings relating to the suspension, revocation or modification of any Tax Incentive that, if determined adversely to the Parent Guarantor or any of its Subsidiaries, would individually or in the aggregate have a Material Adverse Effect.

(fff) *Insurance.* Each of the Parent Guarantor and the Subsidiaries are insured by insurers of recognized financial liability against such losses and risks and in such amounts and covering such risks as is generally deemed adequate and prudent for the conduct of its business and the value of its properties, except as disclosed in the General Disclosure Package and the Final Offering Circular. Neither the Parent Guarantor nor any of its Subsidiaries has been refused any insurance coverage sought or applied for and neither the Parent Guarantor nor any of its Subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(ggg) *Transaction Taxes.* Except as disclosed in the General Disclosure Package and the Final Offering Circular, no stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of any of the Initial Purchasers in British Virgin Islands, PRC, Hong Kong, United States or to any political subdivision or taxing authority thereof or therein in connection with (A) the offer, sale and delivery by the Company of the Securities to or for the respective accounts of the Initial Purchasers or their designees, (B) the sale and delivery by the Initial Purchasers or their designees of the Securities to subsequent purchasers thereof, (C) the execution and delivery of each of the Transaction Documents, or (D) the consummation of any other transaction contemplated by each of the Transaction Documents, each of the General Disclosure Package and the Final Offering Circular.

(hhh) *Ratings*. No "nationally recognized statistical rating organization" registered under Section 15E of the Exchange Act (i) has imposed (or has informed the Parent Guarantor or any of the Subsidiaries that it is considering imposing) any condition (financial or otherwise) on the Parent Guarantor's or any Subsidiary's retaining any rating assigned to the Parent Guarantor or any of the Subsidiaries or any securities of the Parent Guarantor or any of the Subsidiaries (ii) has indicated to the Parent Guarantor or any of the Subsidiaries that it is considering any of the actions described in Section 10(vi) hereof.

(iii) *Listing of the Notes*. The Company has obtained approval-in-principle for the Securities to be listed on the Official List of the SGX-ST.

(jjj) *Regulations T. U. X.* Neither the Parent Guarantor, nor the Subsidiaries, nor any agent thereof acting on their behalf has taken, and none of them will take, any action that might cause this Agreement or the issuance or sale of the Securities to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

2. *Agreement to Sell and Purchase.* The Company agrees to sell to the several Initial Purchasers, and each Initial Purchaser, upon the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions set forth herein, agrees, severally and not jointly, to purchase from the Company, US$150,000,000 aggregate principal amount of Securities at a purchase price of 97.08% of the principal amount thereof (the "Purchase Price"), which represents the issue price of 99.08% less a gross commission of 2.0% payable to the Initial Purchasers on the principal amount of the Securities subscribed for by each Initial Purchaser which shall be set forth in a separate letter agreement to be entered into on or prior to the Closing Date. The Company has also agreed to pay a private bank rebate of 0.35% of the principal amount of Securities in connection with such Securities subscribed for by certain private banking clients, which shall be deducted from the proceeds of the offering of the Securities at the Closing Date.

3. *Payment and Delivery.* The Company will deliver the Securities to or as instructed by the Representatives for the respective accounts of the several Initial Purchasers or to accounts specified by the Initial Purchasers through the facilities of The Depositary Trust Company in a form acceptable to the Representatives against payment of the purchase price by the Initial Purchasers in same day funds by wire transfer to an account at a bank acceptable to the Representatives drawn to the order or at the direction of the Company at 5:15 P.M., Hong Kong time, on February 4, 2014, such time being herein referred to as the "Closing Date."

The Securities shall be evidenced by one or more certificates in global registered form in such names as the Initial Purchasers may request upon at least one business day's notice prior to the Closing Date and having an aggregate principal amount corresponding to the aggregate principal amount of the Securities.

4. *Representations by Initial Purchasers; Resale by Initial Purchasers.*

(a) Each Initial Purchaser, severally and not jointly, represents and warrants that such Initial Purchaser is and will be an "accredited investor" within the meaning of Rule 501(a) under the Securities Act as of the date hereof and at the Closing Date. Each Initial Purchaser, severally and not jointly, agrees with the Company, that it will not solicit offers for, or offer or sell, the Securities by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

(b) Each Initial Purchaser, severally and not jointly, represents, warrants, and agrees with respect to offers and sales outside the United States that:

(i) such Initial Purchaser will comply with all applicable laws and regulations in each jurisdiction in which it, directly or indirectly, purchases, acquires, offers, sells or delivers Securities or has in its possession or distributes the Preliminary Offering Circular or the Final Offering Circular, or any amendment or supplement thereto, or any such other material; and

(ii) such Initial Purchaser understands that the Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act. Such Initial Purchaser severally represents and agrees that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act, Rule 144A

under the Securities Act or another applicable exemption from the registration requirements of the Securities Act. Accordingly, neither it nor any of its Affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities. Terms used in this paragraph have the meaning given to them by Regulation S.

(c) In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each of the Initial Purchasers severally represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

(i) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(iii) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Securities to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

(d) Each of the Initial Purchasers severally represents and agrees that

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company or the Initial Guarantors; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

5. *Certain Agreements of the Company.* The Company and each Guarantor agrees with the several Initial Purchasers that:

(a) *Amendments and Supplements to Offering Documents*. The Company and the Guarantors will promptly advise the Representatives of any proposal to amend or supplement the Preliminary or Final Offering Circular and confirm such advice in writing, and will not effect such amendment or supplementation without the Representatives' consent. If, at any time prior to the resale of all of the Securities by the Initial Purchasers, there occurs an event or development as a result of which any disclosure made in the Preliminary or Final Offering Circular or the General Disclosure Package if republished immediately following such event or development, included or would include an untrue statement of a material fact or omitted or would omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading as at the date of such republication, or if, in the opinion of counsel for the Initial Purchasers, it is necessary to amend or supplement any such document to comply with applicable law, the Company and the Guarantors promptly will notify the Representatives of such event or development and confirm such notice in writing, and promptly will prepare and furnish, at its own expense, to the Initial Purchasers and the dealers and to any other dealers at the request of the Representatives, an amendment or supplement which will correct such statement or omission provided that the Company and the Guarantors shall not prepare such amendment or supplement without the prior written consent of the Representatives, which consent shall not be unreasonably withheld or denied. Neither the Representatives' consent to, nor the Initial Purchasers' delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 8. As of the date of any amendments or supplements to the Preliminary Offering Circular, the General Disclosure Package or the Final Offering Circular prepared by the Company and the Guarantors in accordance with the terms of this Agreement, the representations and warranties of the Company and the Guarantors contained in Section 1 hereof will be true and accurate with respect to each such document as so amended or supplemented as if repeated as at such date and as of the date of this Agreement and on each date falling on or before each Closing Date.

(b) *Furnishing of Offering Documents*. The Company and the Guarantors will (at their own expense/without charge) furnish to the Representatives copies of the Preliminary Offering Circular, each other document comprising a part of the General Disclosure Package, the Final Offering Circular and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Representatives reasonably request. Each of the Company and the Guarantors confirms that it hereby ratifies and authorizes the use and despatch by the Initial Purchasers of the Preliminary Offering Circular, the General Disclosure Package and the Final Offering Circular. Each of the Company and the Guarantors represents and agrees that, unless it obtains the prior consent of the Representatives, it has not made and will not make any offer relating to the Securities by means of any Supplemental Marketing Materials. So long as any of the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, at any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act and is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, the Company and the Guarantors will promptly furnish or cause to be furnished to the Representatives (and, upon request, to each of the other Initial Purchasers) and, upon request of holders and prospective purchasers of the Securities, to such holders and purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Securities pursuant to Rule 144A(d)(4) (or any successor provision thereto) in order to permit compliance with Rule 144A in connection with resales by such holders of the

Securities. The Company and the Guarantors will pay the expenses of printing and distributing to the Initial Purchasers all such documents.

(c) *Blue Sky and Other Qualifications.* The Company and the Guarantors will arrange for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives designate and will continue such qualifications in effect so long as required for the resale of the Securities by the Initial Purchasers, provided that the Company and the Guarantors will not be required to qualify as a foreign corporation or to file a general consent to service of process in any such jurisdiction or subject themselves to taxation in any jurisdiction in which they would not otherwise be subject. The Company and the Guarantors will promptly advise the Representatives of the receipt by the Company or the Guarantors of any notification with respect to the suspension of the qualification of the Securities or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(d) *Publicity.* The Company and the Guarantors shall furnish to the Representatives a copy of each proposed Free Writing Communication to be prepared by or on behalf of, used by, or referred to by the Company and shall not use or refer to any proposed Free Writing Communication to which the Representatives reasonably object. Prior to the Closing Date, the Company or the Guarantors will not issue any press release or other communication directly or indirectly or hold any press conferences with respect to the Parent Guarantor or any Subsidiary, the financial condition, results of operations, business, properties, assets, or liabilities of the Parent Guarantor or any Subsidiary, or the offering of the Securities, without the prior consent of the Representatives, which consent shall not be unreasonably withheld.

(e) Rating of Securities. On and prior to the Closing Date, the Company and the Guarantors shall take all action reasonably necessary to maintain the credit ratings given or to be given to the Securities of "BB-" and "BB-" by Standard & Poor's Ratings Services ("S&P") and Fitch Inc. ("Fitch"), respectively, and thereafter the Company and the Guarantors shall use reasonable best efforts to enable S&P and Fitch to continue to issue ratings with respect to the Securities while they remain outstanding.

(f) *DTC.* The Company will use its commercially reasonable efforts in cooperation with the Initial Purchasers to permit the Securities offered and sold in transactions by the Initial Purchasers to be eligible for clearance and settlement through The Depositary Trust Company ("DTC").

(g) *Listing.* The Company will use its commercially reasonable efforts to have the Securities listed or admitted to trading on the SGX-ST on the Closing Date. In connection with the listing on the SGX-ST, the Company agrees to furnish from time to time any and all documents, instruments, information and undertakings and publish all advertisements or other material and take all other actions that may be necessary in order to maintain or effect such listing; and if the Company, having used its commercially reasonable efforts, is unable to maintain such listing, to use its commercially reasonable efforts to obtain and maintain a listing of the Securities on such other stock exchange or stock exchanges as the Company may agree with the Representatives.

(h) *Furnishing of Information for Compliance.* The Company and the Guarantors shall furnish the Representatives with such information as the Representatives may require for the purpose of compliance by the Representatives with the obligations imposed by the SGX-ST or other governmental agencies or bodies in relation to the offering of the Securities.

(i) *Applicable Law.* The Company and the Guarantors will comply with United States securities laws and any other applicable law with respect to purchases and sales of the Securities.

(j) *Transfer Restrictions*. Each of the Securities will bear, to the extent applicable, the legend contained in "Transfer Restrictions" in the General Disclosure Package and the Final Offering Circular for the time period and upon the other terms stated therein.

(k) *No Resales by Affiliates*. During the period of one year after the Closing Date, the Company or the Guarantors will not, and will not permit any of its Affiliates (as defined in Rule 144) to, resell any of the Securities that have been reacquired by any of them.

(l) *Directed Selling Efforts; General Solicitation.* None of the Company, the Guarantors nor any of their Affiliates, nor any person acting on its or their behalf (other than the Initial Purchasers, as to which no covenant is given), will engage in any directed selling efforts (as such term is defined in Regulation S under the Securities Act) with respect to the Securities, nor will the Company, the Guarantors or any of their Affiliates nor any person acting on its or their behalf (other than the Initial Purchasers, as to which no covenant is given) solicit any offer to buy or sell any Securities by means of any form of general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D under the Securities Act) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

(m) *Investment Company*. For so long as any Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will not be or become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act, nor will it become a closed-end investment company required to be registered, but not registered thereunder.

(n) *Use of Proceeds*. The Company will use the net proceeds received in connection with the offering of the Securities in the manner described in the "Use of Proceeds" section of the General Disclosure Package and the Final Offering Circular. The Company and the Guarantors will not, directly or indirectly, use the proceeds of the offering of the Securities, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person:

(i) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the target of Sanctions; or

(ii) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering of the Securities, whether as underwriter, advisor, investor or otherwise).

(o) *Absence of Manipulation*. In connection with the offering of the Securities, until the Representatives shall have notified the Company and the other Initial Purchasers of the completion of the resale of the Securities, neither the Company, the Guarantors nor any of their Affiliates will, either alone or with one or more other persons, bid for or purchase for any account in which it or any of its Affiliates has a beneficial interest any Securities or attempt to induce any person to purchase any Securities; and neither it nor any of its Affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising

the price of, the Securities. For the avoidance of doubt, the Stabilizing Manager may, on behalf of the Underwriters, engage in transactions which stabilize the market price of the Securities.

(p) *Integration.* Each of the Company and the Guarantors agrees that it will not and will cause its Affiliates not to, directly or indirectly, solicit any offer to buy, sell or make any offer or sale of, or otherwise negotiate in respect of, securities of the Company of any class if, as a result of the doctrine of "integration" referred to in Rule 502 under the Securities Act, such offer or sale would render invalid (for the purpose of (i) the sale of the Securities by the Company to the Initial Purchasers, (ii) the resale of the Securities by the Initial Purchasers to subsequent purchasers or (iii) the resale of the Securities by such subsequent purchasers to others) the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof or by Rule 144A or by Regulation S thereunder or otherwise.

(q) *Taxes*. The Company and the Guarantors will indemnify and hold harmless the Initial Purchasers against any documentary, stamp, sales or similar issuance tax, including any interest and penalties, on the creation, issuance and sale of the Securities and on the execution, delivery and enforcement of this Agreement. All payments to be made by the Company or the Guarantors to the Initial Purchasers hereunder shall be made without set-off or counterclaim and free and clear of withholding or deduction for or on account of any present or future taxes, duties or governmental charges and all interest, penalties or similar liabilities with respect thereto ("Taxes") unless the Company or the Guarantors are compelled by law to deduct or withhold such taxes, duties or charges. In that event, the Company or the Guarantors shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received by the Initial Purchasers if no withholding or deduction had been required, except to the extent that any such Taxes are imposed (i) by reason of an Initial Purchaser having a present or former connection with the relevant taxing jurisdiction other than its participation as an Initial Purchaser hereunder, (ii) on the overall net income or revenue of an Initial Purchaser or (iii) as a result of a failure by an Initial Purchaser to provide any form or certificate reasonably requested by the Company or a Guarantor that would have reduced or eliminated such Taxes (other than as a result of a legal inability to do so).

(r) The Company and the Guarantors will perfect and protect the security interests created under the Collateral Documents in accordance with and pursuant to the Collateral Documents.

(s) *Restriction on Sale of Securities*. For a period of 120 days after the date hereof, each of the Company and the Guarantors will not, offer, sell, issue, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company, the Guarantors or any of their respective Affiliates, directly or indirectly, or announce the offering, of any United States dollar- denominated debt securities having a maturity of more than one year from the date of its issue issued or guaranteed by Company or the Guarantors (other than the Notes and the Guarantees) without the prior written consent of the Initial Purchasers. Each of the Company and the Guarantors will not at any time directly or indirectly take any action referred to in the preceding sentence with respect to any securities under circumstances where such offer, sale, issuance, contract, pledge, disposition, transaction or announcement would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of the Securities.

(t) Subject to Section 5(r), the Company and the Guarantors will (i) complete or deliver to the Collateral Agent on or prior to the Closing Date all filings and take all other similar actions required in connection with the perfection of security interests as and to the extent contemplated by the Collateral Documents and (ii) take all actions necessary to maintain such security interests and to perfect security interests in any Collateral acquired after the Closing Date, in each case as and to the extent contemplated by the Collateral Documents.

6. *Expenses.* The Company and the Guarantors, jointly and severally, agree to pay all costs and expenses incident to the performance of their obligations under this Agreement, whether or not the transactions contemplated herein are consummated or this Agreement is terminated, including (i) all costs and expenses incident to the printing, word-processing or other production of documents with respect to the transactions contemplated hereby, including any costs of printing the General Disclosure Package, the Final Offering Circular and all amendments and supplements thereto, each item of Supplemental Marketing Material and any other document relating to the issuance, offer, sale and delivery of the Securities; (ii) all costs and expenses incident to all arrangements relating to the delivery to the Initial Purchasers of copies of the foregoing documents; (iii) the fees and disbursements of the counsel, the accountants and any other experts or advisors retained by the Company; (iv) all costs and expenses incident to the issuance and delivery to the Initial Purchasers of the Securities; (v) all fees and expenses relating to the listing of the Notes on the SGX-ST and any expenses incidental thereto; (vi) any expenses (including reasonable fees and disbursements of counsel to the Initial Purchasers) incurred in connection with qualification of the Securities for sale under the laws of such jurisdictions as the Representatives designate and the preparation and printing of memoranda relating thereto; (vii) any expenses in connection with the "roadshow" and any other meetings with prospective investors in the Securities; (viii) the inclusion of the Securities in the book- entry system of DTC; (ix) the rating of the Securities by rating agencies; (x) the fees and expenses of the Trustee, the Collateral Agent and any paying agent and their respective counsels , (xi) the fees and expenses incurred with respect to creating, documenting and perfecting the security interests in the Collateral as contemplated by the Collateral Documents (including any related fees and expenses of counsel to the Initial Purchasers for all periods prior to and after the Closing Date); and (xii) all reasonable out-of-pocket expenses (including fees, disbursements and charges of counsel for the Initial Purchasers) incurred by the Initial Purchasers in connection with the proposed purchase and sale of the Securities. It is understood that the Initial Purchasers shall be entitled to deduct all out-of-pocket expenses incurred by them in connection with the proposed purchase and sale of the Securities from the purchase price for the Securities, payable by the Initial Purchasers to the Company on the Closing Date.

7. *Free Writing Communications.* (a) Each of the Company and the Guarantors represents and agrees that, unless it obtains the prior consent of the Representatives, and each Initial Purchaser represents and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Securities that would constitute an Issuer Free Writing Communication.

(b) *Term Sheets.* The Parent Guarantor and the Company consent to the use by any Initial Purchaser of a Free Writing Communication (the form of which shall be agreed by the Company or its U.S. counsel) that contains only (i) information describing the preliminary terms of the Securities or their offering or (ii) information that describes the final terms of the Notes or their offering and that is included in or is subsequently included in the Final Offering Circular, including by means of a pricing term sheet in the form of Exhibit A hereto.

8. *Conditions of the Obligations of the Initial Purchasers.* The obligations of the several Initial Purchasers to purchase and pay for the Securities on the Closing Date will be subject to the accuracy of the representations and warranties of the Company and the Guarantors herein (as though made on the Closing Date), to the accuracy of the statements of officers of the Company and the Guarantors made pursuant to the provisions hereof, to the performance by the

Company and the Guarantors of their respective obligations hereunder and to the following additional conditions precedent:

(a) *Accountants' Comfort Letter*. The Initial Purchasers shall have received a letter, dated the date of this Agreement and on the Closing Date, of each of KPMG and MSHK, each in form and substance satisfactory to the Initial Purchasers concerning the financial information with respect to the Parent Guarantor and its Subsidiaries set forth in the General Disclosure Package and the Final Offering Circular.

(b) *No Material Adverse Change*. Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition (financial or otherwise) or in the earnings, business or operations of the Parent Guarantor and its Subsidiaries, taken as a whole, from that set forth in the General Disclosure Package provided to prospective purchasers of the Securities that, in the judgment of the Initial Purchasers, is material and adverse and that makes it, in the judgment of the Initial Purchasers, impracticable or inadvisable to market the Securities on the terms and in the manner contemplated in each of the General Disclosure Package and the Final Offering Circular.

(c) *Opinion of Counsel for the Company as to British Virgin Islands law*. The Initial Purchasers and shall have received an opinion, dated such Closing Date, of Maples and Calder, counsel for the Company as to British Virgin Islands law, to the effect set forth in Exhibit B.

(d) *Opinion and Negative Assurance Letter of Counsel for the Company and the Guarantors as to U.S. Federal Securities and New York Law*. The Initial Purchasers shall have received an opinion and negative assurance letter, each dated such Closing Date, of Shearman & Sterling, counsel for the Company and the Guarantors as to U.S. federal securities and New York law, to the effect set forth in Exhibit C.

(e) *Opinion of Counsel for the Parent Guarantor as to laws of the State of Nevada*. The Initial Purchasers shall have received an opinion, dated such Closing Date, of Holland & Hart LLP, counsel for the Parent Guarantor as to laws of the State of Nevada, to the effect set forth in Exhibit D.

(f) *Opinion of Counsel for the Company and the Guarantors as to PRC Law*. The Initial Purchasers shall have received an opinion, dated such Closing Date, of Han Kun Law Offices, counsel for the Company and the Guarantors as to PRC law, to the effect set forth in Exhibit E.

(g) *Opinion of Counsel for Xinda Holding (HK) Company Limited as to Hong Kong law*. The Initial Purchasers shall have received an opinion, dated such Closing Date, of Shearman & Sterling, counsel for Xinda Holding (HK) Company Limited as to Hong Kong law, to the effect set forth in Exhibit F.

(h) *Opinion of Counsel for Xinda Holding (HK) US Sub Inc. as to New York law*. The Initial Purchasers shall have received an opinion, dated such Closing Date, of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel for Xinda Holding (HK) US Sub Inc. as to New York law, to the effect set forth in Exhibit G.

(i) *Opinion of Counsel for the Initial Purchasers as to U.S. Federal Securities and New York law*. The Initial Purchasers shall have received from Simpson Thacher & Bartlett, counsel for the Initial Purchasers with respect to certain matters of U.S. federal securities and New

York law, such opinion or opinions, in form and substance satisfactory to the Initial Purchasers, dated such Closing Date, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(j) *Opinion of Counsel for the Initial Purchasers as to PRC law*. The Initial Purchasers shall have received from Jun He Law Offices, counsel for the Initial Purchasers with respect to certain matters of PRC law, such opinion or opinions, in form and substance satisfactory to the Initial Purchasers, dated such Closing Date, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(k) *Officers' Certificates of the Company and the Parent Guarantor*. The Initial Purchasers shall have received a certificate, dated such Closing Date, from each of the Company (signed by an executive officer or a director) and the Parent Guarantor (signed by the chief executive officer and chief financial officer of the Parent Guarantor), which such shall state that the representations and warranties of the Company and the Parent Guarantor, respectively, in this Agreement are true and correct, that the Company and the Parent Guarantor, respectively, has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date, and that, subsequent to the dates of the most recent financial statements in the General Disclosure Package there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Parent Guarantor and its Subsidiaries taken as a whole except as set forth in the General Disclosure Package or as described in such certificate.

(l) *Listing*. The Securities shall have been approved in principle for listing on the SGX- ST at or prior to the Closing Date.

(m) *DTC*. The Securities shall have been declared eligible for clearance and settlement through DTC.

(n) Ratings. On the Closing Date, (i) the Securities are rated at least "BB-" by S&P and "BB-" by Fitch, and (ii) no notice shall have been given by S&P or Fitch of any intended or potential downgrading of any rating of the Securities or of any review for a possible change that does not indicate the direction of the possible change in any rating of the Offered Securities.

(o) *Appointment of Authorized Agent*. The Representatives shall have received evidence of the appointment of the Authorized Agent as provided in Section 18 hereof on or prior to the Closing Date.

(p) *Approval of Issuance and Sale of Securities*. The Company shall have provided to the Representatives copies of the resolutions of the board of directors of the Company, authorizing the execution and delivery of this Agreement, the Indenture, the Notes and the Collateral Documents to which it is a party, and performance of the Company's obligations hereby and thereby. Each Guarantor shall have provided to the Representatives copies of resolutions of the board of directors and shareholders of the Guarantor, authorizing the execution and delivery of this Agreement, the Indenture, the Notes, its Guarantee and the Collateral Documents to which it is a party, and performance of the Guarantor's obligations hereby and thereby.

(q) *No Stop Order.* No stop order suspending the qualification or exemption from qualification of the Securities in any jurisdiction shall have been issued and no proceeding for that purpose shall have been commenced or shall be pending or threatened.

(r) *Indenture and Securities.* The Indenture shall have been duly executed and delivered by the Company, the Guarantors, the Trustee and the Collateral Agent, and copies thereof shall have been delivered to the Initial Purchasers. The Securities shall have been duly executed and delivered by the Company and the Guarantors and duly authenticated by the Trustee.

(s) *Collateral Documents.* Each of the Collateral Documents, in form and substance reasonably satisfactory to the Initial Purchasers and Collateral Agent, shall have been duly executed and delivered by the Company and the Guarantors party thereto (or intended to be a party thereto), together with transfer powers and endorsements (as applicable) for all such Collateral, executed in blank and delivered by a duly authorized officer of the applicable Guarantor, and all other documents required to be delivered at or prior to the Closing Date in respect of the Collateral Documents have been delivered and all other actions required to be taken at or prior to the Closing Date under and in respect of the Collateral Documents have been taken, in each case, to the reasonable satisfaction of the Initial Purchasers and the Collateral Agent.

(t) *Other Documents and Certificates.* The Company and the Guarantors shall have furnished to the Initial Purchasers such other documents and certificates as to the accuracy and completeness of any statement in each of the General Disclosure Package and the Final Offering Circular as of the Closing Date, as the Initial Purchasers may reasonably request.

The Company and the Guarantors shall furnish to the Initial Purchasers such conformed copies of such documents, opinions, certificates, letters, schedules and instruments in such quantities as the Initial Purchasers shall reasonably request.

The Initial Purchasers may, in their sole discretion and upon unanimous agreement among themselves, waive compliance with any of the conditions precedent specified in this Section 8.

9. *Indemnification and Contribution.* (a) The Company and the Guarantors, jointly and severally, agree to indemnify and hold harmless each Initial Purchaser, each of their directors and each of their officers, employees, agents and Affiliates, and each person, if any, who controls such Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, an "Indemnified Party"), against any losses, claims, damages or liabilities (or actions in respect thereof), joint or several, to which such Indemnified Party may become subject under the Securities Act, the Exchange Act, other Federal or state statutory law or regulations, at common law or otherwise, insofar as any such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Preliminary Offering Circular, any other documents comprising part of the General Disclosure Package, or the Final Offering Circular, in each case as amended or supplemented, or any Supplemental Marketing Material or Issuer Free Writing Communication, or arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and will reimburse each Indemnified Party for any legal or other expenses incurred by such Indemnified Party in connection with investigating, defending against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action (or action in respect thereof), whether threatened or commenced, and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; *provided, however,*

the Company and the Guarantors will not be liable in any such case to the extent that any such loss, claim, damage or liability (or action in respect thereof) arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission made in any of such documents in reliance upon and in conformity with written information furnished to the Company by that Initial Purchaser through the Representatives expressly and specifically for use therein, it being understood and agreed that the only such information furnished by that Initial Purchaser consists of (i) its name listed in the "Plan of Distribution" section, (ii) with respect to Morgan Stanley only, the first, second, third, fourth and fifth sentences under the sixth paragraph under the "Plan of Distribution" section and the third paragraph under the "Plan of Distribution – Selling Restrictions – United States" section and (iii) the seventh paragraph after the table of contents with respect to stabilization, in each case, of the General Disclosure Package and the Final Offering Circular. The indemnity provided in this Section 9 will be in addition to any liability that the Company and the Guarantors may otherwise have to the Indemnified Parties.

(b) Each Initial Purchaser, severally and not jointly, agrees to indemnify and hold harmless the Company and the Guarantors, each of their respective directors and each of their respective officers and each person, if any, who controls the Company and the Guarantors within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, a "Purchaser Indemnified Party"), against any losses, claims, damages or liabilities (or actions in respect thereof) to which such Purchaser Indemnified Party may become subject under the Securities Act, the Exchange Act, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Preliminary Offering Circular, any other documents comprising part of the General Disclosure Package or the Final Offering Circular, in each case as amended or supplemented, or any Supplemental Marketing Material or Issuer Free Writing Communication or arise out of or are based upon the omission or the alleged omission of a material fact necessary in order to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information, furnished to the Company by that Initial Purchaser through the Representatives expressly and specifically for use therein, it being understood and agreed that the only such information furnished by that Initial Purchaser consists of the information described as such in Section 9(a). The indemnity provided in this Section 9 will be in addition to any liability that the Initial Purchasers may otherwise have to the Purchaser Indemnified Parties.

(c) *Actions against Parties; Notification*. Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action for which such indemnified party is entitled to indemnification under this Section 9, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party of the commencement thereof in writing; but the omission to so notify the indemnifying party will not relieve it from any liability under subsections (a) and (b) unless and to the extent such failure results in the forfeiture by the indemnifying party of substantial rights and defenses. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; *provided, however*, that if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by counsel that there

may be one or more legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party, or (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after receipt by the indemnifying party of notice of the institution of such action, then, in each such case, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties and such indemnifying party shall bear the fees, and costs and expenses of such separate counsel. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses, other than the costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the immediately preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances, designated by the Initial Purchasers in the case of subsection (a) of this Section 9 or the Company in the case of subsection (b) of this Section 9, representing the indemnified parties under such subsections (a) or (b), as the case may be, who are parties to such action or actions) or (ii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party. All fees and expenses reimbursed pursuant to this subsection (c) shall be reimbursed as they are incurred. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld), unless such indemnified party waived in writing its rights under this Section 9, in which case the indemnified party may effect such a settlement without such consent. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened proceeding in respect of which any indemnified party is or could have been a party, or indemnity could have been sought hereunder by such indemnified party, unless such settlement, compromise or judgment (A) includes an unconditional written release of such indemnified party, from all liability on claims that are the subject matter of such proceeding and (B) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of such indemnified party.

(d) *Contribution*. In circumstances in which the indemnity agreement provided for in the preceding subsections of this Section 9 is unavailable to, or insufficient to hold harmless, an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other from the offering of the Securities or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party or parties on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof) and any other equitable considerations appropriate in the circumstances. The relative benefits received by

the Company and the Guarantors on the one hand, and the Initial Purchasers on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of total commissions received by the Initial Purchasers from the Company under this Agreement before deducting expenses) received by the Company bear to the total commissions received by the Initial Purchasers from the Company under this Agreement. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Guarantors or the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission, and any other equitable considerations appropriate in the circumstances. The Company and the Guarantors and the Initial Purchasers agree that it would not be equitable if the amount of such contribution were determined pro rata or per capita allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party. Notwithstanding any other provision of this subsection (d), no Initial Purchaser shall be obligated to make contributions hereunder that in the aggregate exceed the total commissions and other compensation received by such Initial Purchaser under this Agreement, less the aggregate amount of any damages that such Initial Purchaser has otherwise been required to pay by reason of the untrue or alleged untrue statements or the omissions or alleged omissions to state a material fact, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations in this subsection (d) to contribute are several in proportion to their respective purchase obligations and not joint. For the purposes of this subsection (d), each director of an Initial Purchaser, each officer of an Initial Purchaser and each person, if any, who controls an Initial Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Initial Purchasers, and each director of the Company, each officer of the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Company.

10. *Termination.* The Initial Purchasers may terminate this Agreement by notice given by the Representatives to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or limited on, or by, as the case may be, any of the New York Stock Exchange, the NASDAQ National Market, the SGX-ST, the London Stock Exchange or the Hong Kong Stock Exchange, or any setting of minimum prices for trading on any such exchange, (ii) trading of any securities of the Parent Guarantor or any of the Subsidiaries shall have been suspended on any exchange or in any over- the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States, United Kingdom, Hong Kong, PRC, Singapore or British Virgin Islands shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by the United States Federal or New York State, United Kingdom, Hong Kong, PRC, Singapore, or British Virgin Islands authorities, (v) any debt securities issued by the Parent Guarantor or any Subsidiary are downgraded in rating by a nationally recognized statistical rating organization, or (vi) there shall have occurred any attack, outbreak or escalation of hostilities, epidemic, acts of terrorism, declaration of war or any adverse change in national or international financial markets, legal or regulatory environment (including but not limited to any change in taxation laws or regulations), currency exchange rates or controls or political, regulatory, industrial or economic conditions, or any calamity or crisis that, in the judgment of the Initial

Purchasers, is material and adverse and which, singly or together with any other event specified in this clause (vi), makes it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with the offer, sale or delivery of the Securities on the terms and in the manner contemplated in each of the General Disclosure Package and the Final Offering Circular.

If this Agreement is terminated pursuant to this Section 10, such termination shall be without liability of any party to any other party except as provided in Section 6, and provided further that Sections 1, 6, 9, 12 shall survive such termination and remain in full force and effect.

11. *Default of Initial Purchasers.* If any Initial Purchaser or Initial Purchasers default in their obligations to purchase the Securities hereunder, the non-defaulting Initial Purchasers shall have the option but shall not be obligated to purchase severally, in proportion to their respective commitments hereunder or in such other proportion that the non-defaulting Initial Purchasers may specify, the Securities that such defaulting Initial Purchasers agreed but failed to purchase; if the non-defaulting Initial Purchasers do not purchase such Securities, the Representatives may make arrangements satisfactory to the Company for the purchase of such Securities by other persons, but if no such arrangements are made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Initial Purchaser, or the Company except as provided in Section 10. As used in this Agreement, the term "Initial Purchaser" includes any person substituted for an Initial Purchaser under this Section. Nothing herein will relieve a defaulting Initial Purchaser from liability for its default.

12. *Survival of Certain Representations and Obligations.* The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Initial Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Initial Purchaser, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Securities. If this Agreement is terminated pursuant to Section 10, or if for any other reason the purchase of the Securities by the Initial Purchasers is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 6 and the respective obligations of the Company and the Initial Purchasers pursuant to Section 9 shall remain in effect.

13. *Notices.* All communications hereunder will be in writing and, (a) if sent to the Initial Purchasers will be mailed, delivered or telegraphed and confirmed to the Representatives: Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA, UBS AG, Hong Kong Branch, 52/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Attention: Global Capital Markets Group (Facsimile No.:+852 2971 8848) and The Hongkong and Shanghai Banking Corporation Limited, Attention: Level 17, HSBC Main Building, 1 Queen's Road Central, Hong Kong, Attn: Transaction Management, Tel : +852 2822 3897, Fax : +852 2530 1538; (b) if sent to the Company and the Guarantors, will be mailed, delivered or telegraphed and confirmed to China XD Plastics Company Limited, No. 9 Dalian North Road, Haping Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang Province, People's Republic of China, 150060, Tel: +86 451 8434 6100; provided, however, that any notice to an Initial Purchaser pursuant to Section 9 will be mailed, delivered or telegraphed and confirmed to such Initial Purchaser.

14. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 9, and no other person will have any right or obligation hereunder.

15. *Representation of Initial Purchasers.* The Representatives will act for the several Initial Purchasers in connection with this purchase, and any action under this Agreement taken by the Representatives will be binding upon all the Initial Purchasers.

16. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

17. *Absence of Fiduciary Relationship.* Each of the Company and the Guarantors acknowledges and agrees that (i) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, and each of the Company and the Guarantors is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transaction contemplated by this Agreement, (ii) in connection therewith and with the process leading to such transaction each Initial Purchaser is acting solely as a principal and not the agent or fiduciary of the Company or any of the Guarantors, (iii) no Initial Purchaser has assumed an advisory or fiduciary responsibility in favor of the Company or the Guarantors with respect to the offering of the Securities or the process leading thereto (irrespective of whether such Initial Purchaser has advised or is currently advising the Company or any Guarantor on other matters) or any other obligation to the Company except the obligations set forth in this Agreement, (iv) the Initial Purchasers may have interests that differ from those of the Company and the Guarantors, and the Company and the Guarantors have been advised that the Initial Purchasers and their affiliates engage in a broad range of transactions which may involve interests that differ from those of the Company and the Guarantors and that the Initial Purchasers have no obligation to disclose such interests and transactions to the Company and Guarantors by virtue of any fiduciary, advisory or agency relationship, and (v) each of the Company and the Guarantors has consulted its own legal and financial advisors to the extent they deemed appropriate. Each of the Company and the Guarantors waives, to the fullest extent permitted by law, any claims it may have against the Initial Purchasers for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Initial Purchasers shall have no liability (whether direct or indirect) to the Company or any of the Guarantors in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company or any of the Guarantors, including stockholders, employees or creditors of the Company or any of the Guarantors, if applicable.

18. (a) *Applicable Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) *Submission to Jurisdiction; Appointment of Authorized Agent.* The Company and the Guarantors hereby submit to the non-exclusive jurisdiction of each New York Court in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company and the Guarantors irrevocably and unconditionally waive any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in any New York Court and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum. The Company and the Guarantors irrevocably appoint Law Debenture Corporate Services Inc. at 400 Madison Avenue, 4th Floor, New York, New York 10017, as its or his authorized agent ("Authorized Agent") in the Borough of Manhattan in The City of New York upon which process may be served in any such suit or proceeding, and agree that service of process upon such agent, and written notice of said service to the Company and the Guarantors by the person serving the same to the address provided in

Section 13, shall be deemed in every respect effective service of process upon the Company and the Guarantors in any such suit or proceeding. The Company and the Guarantors further agree to take any and all action as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of five years from the date of this Agreement, provided that, if for any reason the Authorized Agent ceases to act as authorized agent hereunder, the Company and the Guarantors will promptly appoint another person reasonably acceptable to the Representatives to act as its respective authorized agent under this Agreement.

(c) *Judgment Currency.* The obligation of the Company pursuant to this Agreement in respect of any sum due to any Initial Purchaser shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day, following receipt by such Initial Purchaser or any person designated by such Initial Purchaser to receive such sum of any sum adjudged to be so due in such other currency, on which (and only to the extent that) such Initial Purchaser or such designated person may in accordance with normal banking procedures purchase United States dollars with such other currency; if the United States dollars so purchased are less than the sum originally due to such Initial Purchaser hereunder, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Initial Purchaser against such loss. If the United States dollars so purchased are greater than the sum originally due to such Initial Purchaser hereunder, such Initial Purchaser or such designated person agrees to pay to the Company an amount equal to the excess of the dollars so purchased over the sum originally due to such Initial Purchaser hereunder.

19. *Further Assurance.* At any time after the date of this Agreement, each party shall, and shall use all reasonable endeavors to procure that any necessary third party shall, at the cost of that party execute such documents and do such acts and things as the other party may reasonably require for the purpose of giving full effect to all the provisions of this Agreement by which it is bound.

20. *Assignment.* No party may assign any of its rights under this Agreement without the consent of the party against whom the right operates. No provision of this Agreement may be varied without the consent of the Representatives and the Company.

21. *Waivers.* No failure or delay by any party or any indemnified person in exercising any right or remedy pursuant to this Agreement or provided by general law or otherwise shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy.

22. *Severability.* If any provision of this Agreement is held to be invalid or unenforceable, then such provision shall (so far as invalid or unenforceable) be given no effect and shall be deemed not to be included in this Agreement but without invalidating any of the remaining provisions of this Agreement.

23. *Entire Agreement.* This Agreement represents the entire agreement between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other, with respect to the preparation of each of the Preliminary Offering Circular, the General Disclosure Package and the Final Offering Circular for the purpose of the offering, purchase and sale of the Securities.

24. *Several Liability.* Any provision of this Agreement that is expressed to bind more than one Initial Purchaser shall, save where expressly stated to be otherwise, bind each of them

severally (and not jointly and severally). For the avoidance of doubt, each Initial Purchaser shall be responsible under this Agreement on a several (and not joint) basis only for its own actions and omissions and shall not be responsible in any manner for any actions or omissions of any other Initial Purchaser, and all rights and obligations of the Initial Purchasers under this Agreement shall be on a several (and not joint) basis.

If the foregoing is in accordance with the Initial Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement between the Company, the Guarantors and the several Initial Purchasers in accordance with its terms.

Very truly yours,

FAVOR SEA LIMITED

By: /s/ JIE HAN
Title

CHINA XD PLASTIC COMPANY LIMITED

By: /s/ JIE HAN
Title

XINDA HOLDING (HK) COMPANY LIMITED

By: /s/ JIE HAN
Title

[Signature Page to Purchase Agreement]

The foregoing Purchase Agreement
is hereby confirmed and accepted
as of the date first above written.

MORGAN STANLEY & CO. INTERNATIONAL PLC

By: /s/ Paul Olivera
Name: Paul Olivera
Title: Executive Director

Acting on behalf of itself and as the Representative
of the several Initial Purchasers

UBS AG, HONG KONG BRANCH

By: /s/ Conan Tam
Name: Conan Tam
Title: Managing Director

Acting on behalf of itself
and as the Representative
of the several Initial Purchasers

By: /s/ Jason Wang
Name: Jason Wang
Title: Director

Acting on behalf of itself
and as the Representative
of the several Initial Purchasers

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

/s/ Kyson Ho
Name: Kyson Ho
Title: Head of Structured Finance, Asia-Pacific Global Capital Financing Acting on behalf of itself and as the Representative of the several Initial Purchasers

/s/ Tracy Kung
Tracy Kung
Director, Transaction Management Global Capital Financing

[Signature Page to Purchase Agreement]

The foregoing Purchase Agreement is hereby confinned and accepted as of the date first above written.

By: /s/ Lin Zhihong (SEAL)
Name: Lin Zhihong
Title: Acting on behalf of itself and as the Representative
of the several Initial Purchasers

SCHEDULE A

Guarantors

Name	Country of Incorporation / Establishment
China XD Plastic Company Limited	State of Nevada, the United States
Xinda Holding (HK) Company Limited	Hong Kong

SCHEDULE B

1. Issuer Free Writing Communications (included in the General Disclosure Package) None

2. Other Information Included in the General Disclosure Package

   The following information is also included in the General Disclosure Package:

   1. Term Sheet

   2. The net roadshow presentation available on www.netroadshow.com

SCHEDULE C

Supplemental Marketing Materials

Part A

1. Wall–Crossing Offering Circular
2. Wall–Crossing Roadshow Slides

Part B

Industry report prepared by Frost & Sullivan dated April 24, 2013

SCHEDULE D

Subsidiaries of the Parent Guarantor

Subsidiary	Country of Incorporation / Establishment
Favor Sea Limited	British Virgin Islands
Xinda Holding (HK) Company Limited	Hong Kong
Xinda (HK) International Trade Company Limited	Hong Kong
Xinda Holding (HK) US Sub Inc	New York
Heilongjiang Xinda Enterprise Group Company Limited	PRC
Harbin Xinda Plastics New Material Company Limited	PRC
Sichuan Xinda Enterprise Group Company Limited	PRC
Heilongjiang Xinda Software Development Company Limited	PRC
Heilongjiang Xinda Enterprise Group Macromolecule Materials R&D Center Company	PRC
Sichuan Xinda Enterprise Group Meiyuan Training Center Company Limited	PRC
Sichuan Xinda Enterprise Group Software Development Company Limited	PRC
Sichuan Xinda Enterprise Group Sales Company Limited	PRC

Pricing Term Sheet

PRICING SUPPLEMENT TO
THE PRELIMINARY OFFERING CIRCULAR DATED NOVEMBER 14, 2013, AS SUPPLEMENTED BY SUPPLEMENT NO. 1 DATED JANUARY 15, 2014

Favor Sea Limited

US$150,000,000 11.75% Guaranteed Senior Notes due 2019 (the "Notes")

January 24, 2014

This pricing supplement dated January 24, 2014 relates only to the offering of the Notes and should only be read together with the preliminary offering circular, dated November 14, 2013, as supplemented by Supplement No. 1, dated as of January 15, 2014 (the "Preliminary Offering Circular") relating to such offering of the Notes. The information in this pricing supplement supplements the Preliminary Offering Circular and supersedes the information in the Preliminary Offering Circular to the extent inconsistent with the information in the Preliminary Offering Circular. In all other respects, this pricing supplement is qualified in its entirety by reference to the Preliminary Offering Circular. Unless otherwise defined, capitalized terms used in this pricing supplement shall have the meanings given to them in the Preliminary Offering Circular.

Issuer	Favor Sea Limited (the "Issuer"), a wholly-owned subsidiary of China XD Plastics Company Ltd. (the "Company").
Guarantors	The Notes will initially be fully and unconditionally guaranteed on a senior basis by the Company and Xinda Holding (HK) Company Limited, a wholly-owned subsidiary of the Issuer.
Notes Offered	US$150,000,000 aggregate principal amount of 11.75% Guaranteed Senior Notes due 2019
Offering Format	Rule 144A/Regulation S
Offering Price	99.080% of the principal amount of the Notes
Maturity Date	February 4, 2019
Interest	The Notes will bear interest from and including February 4, 2014 at the rate of 11.75% per annum, payable semi-annually in arrears.
Yield to Maturity	12%
Interest Payment Dates	February 4 and August 4 of each year, commencing August 4, 2014.
Interest Record Dates	January 21 and July 21 of each year.
Denomination	US$200,000 and integral multiples of US$1,000 in excess thereof
Day Count	30/360

Optional Redemption	Prior to February 4, 2017 – Make-whole call @ T+100 bps On or after February 4, 2017: 105.875% On or after February 4, 2018: 102.938%
Equity Clawback	Until February 4, 2017: Up to 35% at 111.75%, plus accrued and unpaid interest, with the net proceeds of certain equity offerings as described in the Preliminary Offering Circular
Change of Control	Putable at 101% of principal amount thereof, plus accrued and unpaid interest.
Trade Date	January 24, 2014
Settlement Date	February 4, 2014
Ratings	Fitch: BB- / S&P: BB-
Listing	Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited.
CUSIP/ISIN	Rule 144A Global Note: 312086 AA9/US312086AA95 Regulation S Global Note: G33353 AA4/USG33353AA46
Joint Global Coordinators	Morgan Stanley
Joint Bookrunners and Joint Lead Managers	Morgan Stanley UBS HSBC Minsheng Banking Corp., Ltd. Hong Kong Branch

* * *

A SECURITIES RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO REVISION OR WITHDRAWAL AT ANY TIME.

ANY DISCLAIMERS OR OTHER NOTICES THAT MAY APPEAR BELOW ARE NOT APPLICABLE TO THIS COMMUNICATION AND SHOULD BE DISREGARDED. SUCH DISCLAIMERS OR OTHER NOTICES WERE AUTOMATICALLY GENERATED AS A RESULT OF THIS COMMUNICATION BEING SENT VIA BLOOMBERG OR ANOTHER EMAIL SYSTEM.

EXHIBIT B

Form of Opinion of Maples and Calder

Our ref RDS/682074-000001/6537523v5

To the Addressees named in the First Schedule

[●] 2014

Dear Sirs

Favor Sea Limited (the "Company")

We have acted as counsel as to British Virgin Islands law to the Company in connection with its issue of US$[●] aggregate principal amount of [●]% Guaranteed Senior Notes due [●] (the "**Notes**"), unconditionally and irrevocably guaranteed by China XD Plastic Company Limited (the "**Guarantor**") and Xinda Holding (HK) Company Limited.

1 Documents Reviewed

We have reviewed originals, copies, drafts or conformed copies of the following documents:

1.1 The public records of the Company on file and available for public inspection at the Registry of Corporate Affairs in the British Virgin Islands (the "**Registry of Corporate Affairs**") on [●] 2014, including the Company's Certificate of Incorporation and its Memorandum and Articles of Association as registered on 2 May 2008 and as amended on [●] 2014 (the "**Memorandum and Articles**").

1.2 The records of proceedings on file with and available for inspection on [●] 2014 at the British Virgin Islands High Court Registry (the "**High Court Registry**").

1.3 The written resolutions of the directors of the Company dated [●] 2014 (the "**Resolutions**").

1.4 A registered agent certificate dated [●] 2014 issued by TMF B.V.I. Ltd., the Company's registered agent (a copy of which is attached as Annexure A) (the "**Registered Agent's Certificate**").

1.5 A certificate from a Director of the Company (a copy of which is annexed hereto as Annexure B) (the "**Director's Certificate**").

1.6 The certified register of members of the Company (a copy of which is attached as Annexure C) (the "**Register of Members**").

1.7 The equitable mortgage over shares in the Company to be executed by the Guarantor in favour of Citicorp International Limited as security trustee (the "**BVI Share Charge**").

1.8 The transaction documents listed in the Second Schedule (the "**Transaction Documents**").

Terms not otherwise defined herein shall have the same meanings ascribed to them in the Purchase Agreement.

2 Assumptions

The following opinions are given only as to, and based on, circumstances and matters of fact existing and known to us on the date of this opinion letter. These opinions only relate to the laws of the British Virgin Islands which are in force on the date of this opinion letter. In giving the following opinions we have relied (without further verification) upon the completeness and accuracy of the Registered Agent's Certificate, the Register of Members and the Director's Certificate. We have also relied upon the following assumptions, which we have not independently verified:

2.1 The Transaction Documents have been or will be authorised and duly executed and unconditionally delivered by or on behalf of all relevant parties in accordance with all relevant laws (other than, with respect to the Company, the laws of the British Virgin Islands).

2.2 The Transaction Documents are, or will be, legal, valid, binding and enforceable against all relevant parties in accordance with their respective terms under the laws of the State of New York (in respect of the Purchase Agreement, the Indenture and the Notes) and the laws of Hong Kong (in respect of the Hong Kong Share Charge) (the "**Relevant Law**") and all other relevant laws (other than, with respect to the Company, the laws of the British Virgin Islands).

2.3 The choice of the Relevant Law as the governing law of the Transaction Documents has been made in good faith and would be regarded as a valid and binding selection which will be upheld by the United States federal courts and New York state courts located in the Borough of Manhattan, in The City of New York, New York, U.S.A. (in respect of the Purchase Agreement, the Indenture and the Notes) and the Hong Kong courts (in respect of the Hong Kong Share Charge) (the " **Relevant Jurisdiction**") and any other relevant jurisdiction (other than the British Virgin Islands) as a matter of New York law and all other relevant laws (other than the laws of the British Virgin Islands).

2.4 Where a Transaction Document has been provided to us in draft or undated form, it will be duly executed, dated and unconditionally delivered by all parties thereto in materially the same form as the last version provided to us and, where we have been provided with successive drafts of a Transaction Document marked to show changes to a previous draft, all such changes have been accurately marked.

2.5 Copies of documents, conformed copies or drafts of documents provided to us are true and complete copies of, or in the final forms of, the originals, and translations of documents provided to us are complete and accurate.

2.6 All signatures, initials and seals are genuine.

2.7 That the Company is not conducting a "regulated activity" under a "financial services enactment" (as defined under the Regulatory Code, 2009 (as amended)).

2.8 That neither the Company nor any of its subsidiaries (if any) has an interest in any land in the British Virgin Islands.

2.9 The accuracy and completeness of all factual representations expressed in or implied by the documents we have examined.

2.10 That all public records of the Company which we have examined are accurate and that the information disclosed by the searches which we conducted against the Company at the Registry of Corporate Affairs and the High Court Registry is true and complete and that such information has not since then been altered and that such searches did not fail to disclose any information which had been delivered for registration but did not appear on the public records at the date of our searches.

2.11 The capacity, power, authority and legal right of all parties under all relevant laws and regulations (other than, with respect to the Company, the laws of the British Virgin Islands) to enter into, execute, unconditionally deliver and perform their respective obligations under the Transaction Documents.

2.12 There is no contractual or other prohibition or restriction (other than as arising under British Virgin Islands law) binding on the Company prohibiting or restricting it from entering into and performing its obligations under the Transaction Documents.

2.13 The Resolutions remain in full force and effect.

2.14 The Notes will be issued and authenticated in accordance with the provisions of the Indenture.

2.15 None of the parties to the Transaction Documents (other than the Company) is a company incorporated, or a partnership or foreign company registered, under applicable British Virgin Islands law and all the activities of such parties in relation to the Transaction Documents and any transactions entered into thereunder have not been and will not be carried on through a place of business in the British Virgin Islands.

2.16 The completeness and accuracy of the Register of Members.

2.17 The shares (the "**Secured Shares**") which are the subject of the security interest created by the BVI Share Charge are not subject to any liens or rights of forfeiture under the articles of association in force of the Company and service of a stop notice in respect of the Secured Shares has not transpired in accordance with Part 49 of the Eastern Caribbean Supreme Court Civil Procedure Rules 2000.

2.18 Under the Relevant Law and all other relevant laws (other than the laws of the British Virgin Islands) including, without prejudice to the generality of the foregoing, the governing law and law of situs of the property (the "**Foreign Law Secured Property**") subject to the security interests created pursuant to the Hong Kong Share Charge, the Hong Kong Share Charge creates a valid and binding first priority security interest over the Foreign Law Secured Property, any steps required as a matter of the Relevant Law or other relevant laws (other than the laws of the British Virgin Islands) to perfect such security interest or to regulate its ranking in point of priority have been taken and there are no prior encumbrances or interests over the Foreign Law Secured Property.

2.19 The existence of the Secured Shares, and immediately prior to the creation of the first priority security pursuant to the BVI Share Charge the grantor of the security was the legal and beneficial owner of the Secured Shares and that no encumbrances or equities exist in respect of the Secured Shares (other than arising by virtue of the laws of the British Virgin Islands) and that there is no contractual or other prohibition (other than arising by virtue of the laws of the British Virgin Islands) binding on the grantor of the security preventing such grantor from creating the first priority security interest over the Secured Shares pursuant to the BVI Share Charge.

2.20 None of the Foreign Law Secured Property is situated in the British Virgin Islands or governed by British Virgin Islands law.

2.21 No invitation has been or will be made by or on behalf of the Company to the public in the British Virgin Islands to subscribe for any of the Notes.

2.22 There is nothing under any law (other than the law of the British Virgin Islands) which would or might affect the opinions hereinafter appearing. Specifically, we have made no independent investigation of the Relevant Law.

2.23 Payment obligations of the Company under the Transaction Documents are unsubordinated and undeferred as a contractual matter under the Relevant Law and the parties to the Transaction Documents do not subsequently agree to subordinate or defer their claims.

2.24 The Company is not a sovereign entity of any state and is not a subsidiary, direct or indirect of any sovereign entity or state.

3 Opinions

Based upon, and subject to, the foregoing assumptions and the qualifications set out below, and having regard to such legal considerations as we deem relevant, we are of the opinion that:

3.1 The Company is a company limited by shares registered under the BVI Business Companies Act, 2004 (as amended) the "**Act**"), is in good standing at the Registry of Corporate Affairs, is validly existing under the laws of the British Virgin Islands and possesses the capacity to sue and be sued in its own name.

3.2 The Company has all requisite power and authority under the Memorandum and Articles to enter into, execute and perform its obligations under the Transaction Documents.

3.3 The execution and delivery of the Transaction Documents do not, and the performance by the Company of its obligations under the Transaction Documents will not conflict with or result in a breach of any of the terms or provisions of the Memorandum and Articles or any law, public rule or regulation applicable to the Company currently in force in the British Virgin Islands.

3.4 The execution, delivery and performance by the Company of the Transaction Documents to which it is a party have been authorised by and on behalf of the Company and, assuming the Transaction Documents have been executed in accordance with the Resolutions and unconditionally delivered, such Transaction Documents have been duly executed and delivered by or on behalf of the Company, and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms.

3.5 Assuming that the BVI Share Charge has been or will be authorised and duly executed and unconditionally delivered by or on behalf of all relevant parties in accordance with all relevant laws, the BVI Share Charge constitutes the legal, valid and binding obligations of the Guarantor enforceable in accordance with its terms.

3.6 No authorisations, consents, approvals, licences, validations or exemptions are required by law from any governmental authorities or agencies or other official bodies in the British Virgin Islands in connection with:

(a) the execution, creation or delivery of the Transaction Documents by the Company or the BVI Share Charge by the Guarantor;

(b) the enforcement of the Transaction Documents against the Company or the BVI Share Charge against the Guarantor; or

(c) the performance by the Company of its obligations under the Transaction Documents or by the Guarantor of its obligations under the BVI Share Charge.

3.7 With the exception of filing fees charged by the Registry of Corporate Affairs in respect of any optional filings made at the Registry of Corporate Affairs, no taxes, fees or charges (including stamp duty) are payable (either by direct assessment or withholding) to the government or other taxing authority in the British Virgin Islands under the laws of the British Virgin Islands in respect of:

(a) the execution or delivery of the Transaction Documents or the BVI Share Charge;

(b) the enforcement of the Transaction Documents or the BVI Share Charge; or

(c) payments made under, or pursuant to, the Transaction Documents or the BVI Share Charge.

Companies incorporated or registered under the Act are currently exempt from income and corporate tax. In addition, the British Virgin Islands currently does not levy capital gains tax on companies incorporated or registered under the Act.

3.8 In relation to the Hong Kong Share Charge:

(a) the courts of the British Virgin Islands will recognise the security interest created by the Hong Kong Share Charge;

(b) no steps are required as a matter of British Virgin Islands law to perfect such security interest. However it is a requirement of the Act that the Company keep a register of all relevant charges created by the Company (the "**Register of Charges**"), either at the Company's registered office, or at the office of the Company's registered agent. Details of the Hong Kong Share Charge should therefore be entered into the Register. Furthermore, for the purposes of priority, an application should be made to the British Virgin Islands Registrar of Corporate Affairs to register the charges created by the Hong Kong Share Charge at the Registry of Corporate Affairs;[and

(c) subject to registration as detailed in paragraph 3.8(b) above, the security interest created by the Hong Kong Share Charge will, as a matter of British Virgin Islands law have priority over any claims by third parties (other than those preferred by law) including any liquidator or a creditor of the Company, subject in the case of a winding up of the Company in a jurisdiction other than the British Virgin Islands to any provisions of the laws of that jurisdiction as to priority of claims in a winding up, save that a floating charge will rank behind a subsequently registered fixed charge unless the floating charge contains a prohibition or restriction on the power of the Company to create any future security interest ranking ahead in priority to or equally with the floating charge.

3.9 In relation to the BVI Share Charge:

(a) the BVI Share Charge creates a valid first equitable mortgage over the Secured Shares;

(b) no steps are required as a matter of British Virgin Islands law to perfect such security interest; and

(c) subject to the insolvency laws applicable to the Guarantor, the security interest created by the BVI Share Charge will have priority over any claims by third parties (other than those preferred by law).

3.10 To protect the interest of the holder of security over the Secured Shares, there may be entered in the register of members of the Company:

(a) a statement that the Secured Shares are the subject of security;

(b) the name of the holder of the security; and

(c) the date on which the statement and name are entered in the register of members. A copy of the register of members may be filed at the Registry of Corporate Affairs.

3.11 Based solely upon our review of the Registered Agent's Certificate and the Register of Members, the following shares with a par value of US$1.00 in the capital of the Company are registered in the name of the following shareholder of the Company and are validly issued, fully paid up and non-assessable:

Name of shareholder	**Number of shares**
China XD Plastics Company Limited	40,000

3.12 On the basis of our searches conducted at the Registry of Corporate Affairs and at the High Court Registry on [●] 2014, no currently valid order or resolution for the winding-up of the Company and no current notice of appointment of a receiver over the Company, or any of its assets, appears on the records maintained in respect of the Company. It is a requirement that notice of appointment of a receiver made under section 118 of the Insolvency Act 2003 be registered with the Registry of Corporate Affairs under section 118 of the Insolvency Act 2003. However, it should be noted that there is no mechanism to file with the Registry of Corporate Affairs notice of an appointment of a receiver made under foreign legislation.

3.13 Based solely on our inspection of the High Court Registry from the date of incorporation of the Company, there were no actions or petitions pending against the Company in the High Court of the British Virgin Islands as at the time of our searches on [●] 2014.

3.14 On the basis of our search conducted at the Registry of Corporate Affairs, no charge created by the Company has been registered pursuant to section 163 of the Act. [OR: Our search at the Registry of Corporate Affairs revealed the existence of a filed register of charges in respect of the Company, a copy of which is attached as Annexure D.] [***to be confirmed***]

3.15 None of the parties to the Transaction Documents (other than the Company) or the BVI Share Charge is or will be deemed to be resident, domiciled or carrying on business in the British Virgin Islands by reason only of the negotiation, preparation, execution, performance and/or

enforcement of the Transaction Documents or the BVI Share Charge or (in the case of a holder of Notes) by reason only of holding a Note. A holder of the Notes will not be subject to taxation under the laws of the British Virgin Islands by reason only of the acquisition, ownership or disposal of a Note.

3.16 The Initial Purchasers and the Trustee each has standing to bring an action or proceedings before the appropriate courts in the British Virgin Islands for the enforcement of the Transaction Documents and the BVI Share Charge. None of the Initial Purchasers, the Trustee or any holder of a Note is required to be licensed, qualified or otherwise entitled to carry on business in the British Virgin Islands in order to enforce its rights under the Transaction Documents or the BVI Share Charge in the British Virgin Islands, or as a consequence of the execution, delivery or performance of the Transaction Documents or the BVI Share Charge.

3.17 The obligations of the Company under the Transaction Documents will rank at least pari passu in priority of payment with all other unsecured unsubordinated obligations of the Company, other than those preferred by the laws of the British Virgin Islands.

3.18 The Company is not entitled to any immunity under the laws of the British Virgin Islands whether characterised as sovereign immunity or otherwise for any legal proceedings in the British Virgin Islands to enforce or to collect upon the Transaction Documents.

3.19 Each of the Transaction Documents and the BVI Share Charge is in such legal form that it may be enforced under the laws of the British Virgin Islands.

3.20 It is not necessary in order to ensure the legality, validity, enforceability or admissibility in evidence in the British Virgin Islands of the Transaction Documents, or subject to paragraph 3.9 above the BVI Share Charge, that any document be filed, recorded or enrolled with any governmental authority or agency or any official body in the British Virgin Islands.

3.21 There is no exchange control legislation under British Virgin Islands law and accordingly there are no exchange control regulations imposed under British Virgin Islands law. The Company, acting as principal, is free to acquire, hold and sell foreign currency and securities without restriction.

3.22 Any monetary judgment in the courts of the British Virgin Islands in respect of a claim brought in connection with the Transaction Documents or the BVI Share Charge is likely to be expressed in the currency in which such sum is made, because such courts have power to grant a monetary judgment expressed otherwise than in the currency of the British Virgin Islands, but they may not necessarily do so.

3.23 There are no usury or interest limitation laws in the British Virgin Islands which would restrict the recovery of payments from the Company in accordance with the Transaction Documents or from the Guarantor in accordance with the BVI Share Charge.

3.24 The courts of the British Virgin Islands will observe and give effect to the choice of New York law or Hong Kong law (as the case may be) as the governing law of the Transaction Documents. The submission by the Company in the Transaction Documents to the non-exclusive jurisdiction of the courts of New York or Hong Kong (as the case may be) is legal, valid and binding upon the Company assuming that the same is true under New York law or Hong Kong law (as the case may be) and under the laws, rules and procedures applying in the courts of New York or Hong Kong (as the case may be).

3.25 Service of process in the British Virgin Islands on the Company may be effected by leaving at the registered office of the Company the relevant document to be served. On the basis of our search at the Registry of Corporate Affairs, the registered office of the Company is at TMF B.V.I. Ltd., P.O. Box 438, Road Town, Tortola, British Virgin Islands.

3.26 The appointment by the Company in the Transaction Documents of an agent to accept service of process in New York is legal, valid and binding on the Company assuming the same is true under the governing law of the Transaction Documents and does not conflict with or result in a breach of any law, public rule or regulation applicable to the Company currently in force in the British Virgin Islands.

3.27 Any final and conclusive judgment obtained against the Company in (i) the courts of New York in respect of the Transaction Documents (other than the Hong Kong Share Charge), or (ii) the courts of Hong Kong in respect of the Hong Kong Share Charge, in each case for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

(a) the foreign court issuing the judgment had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

(b) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company;

(c) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the court;

(d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and

(e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

3.28 The statements in the Preliminary Offering Circular and the Final Offering Circular (as such terms are defined in the Purchase Agreement) under the captions "Risk Factors", "Enforcement of Civil Liabilities", "Plan of Distribution" and "Taxation" are accurate insofar as they are summaries of the laws and regulations of the British Virgin Islands.

4 Qualifications

The opinions expressed above are subject to the following qualifications:

4.1 The obligations assumed by the Company under the Transaction Documents will not necessarily be enforceable in all circumstances in accordance with its terms. In particular:

(a) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganisation, readjustment of debts or moratorium or other laws of general application relating to or affecting the rights of creditors;

(b) enforcement may be limited by general principles of equity. For example, equitable remedies such as specific performance may not be available, inter alia, where damages are considered to be an adequate remedy;

(c) some claims may become barred under relevant statutes of limitation or may be or become subject to defences of set off, counterclaim, estoppel and similar defences;

(d) where obligations are to be performed in a jurisdiction outside the British Virgin Islands, they may not be enforceable in the British Virgin Islands to the extent that performance would be illegal under the laws of that jurisdiction;

(e) the courts of the British Virgin Islands have jurisdiction to give judgment in the currency of the relevant obligation and statutory rates of interest payable upon judgments will vary according to the currency of the judgment;

(f) arrangements that constitute penalties will not be enforceable;

(g) enforcement may be prevented by reason of fraud, coercion, duress, undue influence, misrepresentation, public policy or mistake or limited by the doctrine of frustration of contracts;

(h) provisions imposing confidentiality obligations may be overridden by compulsion of applicable law or the requirements of legal and/or regulatory process;

(i) the courts of the British Virgin Islands may decline to exercise jurisdiction in relation to substantive proceedings brought under or in relation to the Transaction Documents in matters where they determine that such proceedings may be tried in a more appropriate forum;

(j) we reserve our opinion as to the enforceability of the relevant provisions of a Transaction Document to the extent that it purports to grant exclusive jurisdiction as there may be circumstances in which the courts of the British Virgin Islands would accept jurisdiction notwithstanding such provisions; and

(k) a company cannot, by agreement or in its articles of association, restrict the exercise of a statutory power and there is doubt as to the enforceability of any provision in the Transaction Documents whereby the Company covenants to restrict the exercise of powers specifically given to it under the Act including, without limitation, the power to increase its maximum number of shares, amend its memorandum and articles of association or present a petition to a British Virgin Islands court for an order to wind up the Company.

4.2 Applicable court fees will be payable in respect of the enforcement of the Transaction Documents and the Notes.

4.3 To maintain the Company in good standing under the laws of the British Virgin Islands, annual filing fees must be paid to the Registry of Corporate Affairs.

4.4 The obligations of the Company may be subject to restrictions pursuant to United Nations sanctions as implemented under the laws of the British Virgin Islands and/or restrictive measures adopted by the European Union Council for Common Foreign and Security Policy extended to the British Virgin Islands by the Order of Her Majesty in Council.

4.5 A certificate, determination, calculation or designation of any party to the Transaction Documents as to any matter provided therein might be held by a British Virgin Islands court not to be

conclusive final and binding if, for example, it could be shown to have an unreasonable or arbitrary basis, or in the event of manifest error.

4.6 We reserve our opinion as to the extent to which the courts of the British Virgin Islands would, in the event of any relevant illegality or invalidity, sever the relevant provisions of the Transaction Documents and enforce the remainder of the Transaction Documents or the transaction of which such provisions form a part, notwithstanding any express provisions in the Transaction Documents in this regard.

4.7 We are not qualified to opine as to the meaning, validity or effect of any references to foreign (i.e. non-British Virgin Islands) statutes, rules, regulations, codes, judicial authority or any other promulgations and any references to them in a Transaction Document.

4.8 Preferred creditors under British Virgin Islands law will rank ahead of unsecured creditors of the Company. Furthermore, all costs, charges and expenses properly incurred in the voluntary winding up of a company, including the remuneration of the liquidators, are payable out of the assets of the company in priority to all other unsecured claims.

4.9 Under section 166(1) of the Act, once the Hong Kong Share Charge is registered in accordance with section 163 of the Act it shall, as a matter of British Virgin Islands law, have priority over:

(a) any other security created over the Foreign Law Secured Property that is subsequently registered in accordance with section 163 of the Act; and

(b) any other security created over the Foreign Law Secured Property that is not registered in accordance with section 163 of the Act.

4.10 Under section 166(2) of the Act, charges created on or after the commencement date which are not registered shall rank among themselves in the order in which they would have ranked had section 166 of the Act not come into force. Therefore, if the registration recommended at paragraph 3.8.(b) above is not made, the security created pursuant to the Hong Kong Share Charge will rank after any later legal interest in the Foreign Law Secured Property which is registered in accordance with section 163 of the Act and will, if it is equitable security, rank after any later unregistered legal interest in the Foreign Law Secured Property created in favour of a bona fide purchaser or mortgagee for value without notice of the equitable security interests (if any) created pursuant to the Hong Kong Share Charge.

4.11 The courts of the British Virgin Islands would not recognise or enforce foreclosure (meaning the assumption by the mortgagee of beneficial ownership of the Secured Shares and the extinction of the mortgagor's equity of redemption therein) against the Secured Shares pursuant to any provision in the BVI Share Charge in the absence of foreclosure proceedings against the relevant mortgagor in the courts of the British Virgin Islands, or a judgment in respect of foreclosure proceedings against the mortgagor in the courts of another jurisdiction which the courts of the British Virgin Islands are prepared to enforce in accordance with the usual principles applicable to the enforcement of foreign judgments in the British Virgin Islands.

4.12 This opinion is given only as to, and based on, circumstances and matters of fact existing and known to us on the date of this opinion. This opinion only relates to the laws of the British Virgin Islands which are in force on the date of this opinion.

4.13 We express no view as to the commercial terms of the Transaction Documents or whether such terms represent the intentions of the parties and make no comment with regard to the representations that may be made by the Company.

The opinions in this opinion letter are strictly limited to the matters contained in the opinions section above and do not extend to any other matters. We have not been asked to review and we therefore have not reviewed any of the ancillary documents relating to the Transaction Documents and express no opinion or observation upon the terms of any such document.

This opinion letter is addressed to and for the benefit solely of the addressees (and their respective successors) and may not be relied upon by any other person for any purpose, nor may it be transmitted or disclosed (in whole or part) to any other person without our prior written consent except as pursuant to judicial or governmental order, pursuant to legal, regulatory or arbitration process, or as otherwise required by law, regulation or rules of any applicable stock exchange.

Yours faithfully

Maples and Calder

First Schedule

Addressees

1. Morgan Stanley &Co. International plc
2. UBS AG, Hong Kong Branch
3. The Hongkong and Shanghai Banking Corporation Limited
4. Citicorp International Limited as Trustee, [Security Trustee] [and Collateral Agent]

Second Schedule

Transaction Documents

1. A purchase agreement dated [●] 2014 entered into by the Company, China XD Plastics Company Limited, Xinda Holding (HK) Company Limited, Xinda Holding (HK) US Sub Inc., Favor Sea (US) Inc., UBS AG, Hong Kong Branch ("**UBS**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), and Morgan Stanley & Co. International plc ("**Morgan Stanley**") as initial purchasers (the "**Purchase Agreement**").

2. An indenture relating to the Notes dated [●] 2014 entered into by the Company, Citicorp International Limited ("**Citicorp**") as trustee (the "**Trustee**") [and the Collateral Agent (as defined therein)] (the "**Indenture**").

3. The Notes

4. The Share Charge dated [●] 2014, relating to a charge over the shares in Xinda Holding (HK) Company Limited, entered into by the Company in favour of Citicorp International Limited as security trustee (the "**Hong Kong Share Charge**").

Annexure A

Registered Agent's Certificate

Annexure B

Director's Certificate

Annexure C

Register of Members

EXHIBIT C

Form of Opinion of Shearman & Sterling (US)

[•], 2013

To the Persons listed in Schedule A

Favor Sea Limited

US$[•] [•]% Senior Notes due 20[•]

Ladies and Gentlemen:

We have acted as United States counsel to Favor Sea Limited, a company incorporated under the laws of the British Virgin Islands with limited liability (the "Company"), in connection with the purchase and sale, pursuant to the Purchase Agreement, dated [•], 2013 (the "Purchase Agreement"), among the Company, each of the guarantors listed on Schedule B to the Purchase Agreement (collectively, the "Guarantors"), and each of you, of US$[•] aggregate principal amount of [•]% Senior Notes due 20[•] (the "Notes") of the Company, irrevocably and unconditionally guaranteed (the "Guarantees") by the Guarantors. The Notes are to be issued by the Company pursuant to an indenture, dated as of [•], 2013 (the "Indenture"), among the Company, the Guarantors and Citicorp International Limited, as trustee (the "Trustee"). This opinion letter is furnished to you pursuant to Section [8(d)] of the Purchase Agreement.

In that connection, we have reviewed originals or copies of the following documents:

(a) the Purchase Agreement;

(b) the Indenture;

(c) forms of certificates representing the Notes delivered today; and

(d) forms of the Guarantees.

The documents described in the foregoing clauses (a) through (d) are collectively referred to herein as the "Opinion Documents".

We have also reviewed the following:

(a) the preliminary offering memorandum dated [•], 2013 relating to the offering of the Notes, as supplemented by a pricing term sheet dated [•], 2013 (together, the "Disclosure Package");

(b) the final offering memorandum dated [•], 2013 relating to the offering of the Notes (the "Offering Memorandum"); and

(c) originals or copies of such other corporate records of the Company and the Guarantors, certificates of public officials and of officers of the Company and the Guarantors and agreements and other documents as we have deemed necessary as a basis for the opinions expressed below.

In our review of the Opinion Documents and other documents, we have assumed:

(a) The genuineness of all signatures.

(b) The authenticity of the originals of the documents submitted to us.

(c) The conformity to authentic originals of any documents submitted to us as copies.

(d) As to matters of fact, the truthfulness of the representations made in the Purchase Agreement and the other Opinion Documents and in certificates of public officials and officers of the Company and the Guarantors.

(e) That each Opinion Document is the legal, valid and binding obligation of each party thereto, other than the Company and the Guarantors, enforceable against each such party in accordance with its terms.

(f) That:

(i) Each of the Company and the Guarantors is an entity duly organized and validly existing under the laws of the jurisdiction of its organization.

(ii) Each of the Company and the Guarantors has power and authority (corporate or otherwise) to execute, deliver and perform, and has duly authorized, executed and delivered (except to the extent Generally Applicable Law is applicable to such execution and delivery), the Opinion Documents to which it is a party.

(iii) The execution, delivery and performance by each of the Company and the Guarantors of each Opinion Document to which it is a party have been duly authorized by all necessary action (corporate or otherwise) and do not:

(A) contravene its certificate or articles of incorporation or equivalent thereof, bylaws or other organizational documents;

(B) except with respect to Generally Applicable Law, violate any law, rule or regulation applicable to it; or

(C) result in any conflict with or breach of any agreement or document binding on it (other than the documents specified in Schedule

(B) of which any addressee hereof has knowledge, has received notice or has reason to know.

(iv) Except with respect to Generally Applicable Law, no authorization, approval, consent or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by any of the Company and the Guarantors of any Opinion Document to which it is a party or, if any such authorization, approval, consent, action, notice or filing is required, it has been duly obtained, taken, given or made and is in full force and effect.

We have not independently established the validity of the foregoing assumptions.

"Generally Applicable Law" means the federal law of the United States of America, and the law of the State of New York (including the rules or regulations promulgated thereunder or pursuant thereto), that a New York lawyer exercising customary professional diligence would reasonably be expected to recognize as being applicable to the Company and the Guarantors, the Opinion Documents or the transactions governed by the Opinion Documents. Without limiting the generality of the foregoing definition of Generally Applicable Law, the term "Generally Applicable Law" does not include any law, rule or regulation that is applicable to the Company and the Guarantors, the Opinion Documents or such transactions solely because such law, rule or regulation is part of a regulatory regime applicable to any party to any of the Opinion Documents or any of its affiliates due to the specific assets or business of such party or such affiliate.

Based upon the foregoing and upon such other investigation as we have deemed necessary and subject to the qualifications set forth below, we are of the opinion that:

1. The Purchase Agreement has been duly executed and delivered by the Company and the Guarantors under the laws of the State of New York.

2. The Indenture has been duly executed and delivered by the Company and the Guarantors under the laws of the State of New York and is the legal, valid and binding obligation of each of the Company and the Guarantors, enforceable against each of the Company and the Guarantors in accordance with its terms.

3. The Notes have been duly executed under the laws of the State of New York by the Company and, when authenticated by the Trustee in accordance with the Indenture and delivered and paid for as provided in the Purchase

Agreement, will be the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.

4. Each Guarantee has been duly executed and delivered by each Guarantor under the laws of the State of New York, and when the Notes are issued and delivered by the Company against payment therefor in accordance with the terms of the Purchase Agreement and the Indenture, such Guarantee will be the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms.

5. The execution and delivery by each of the Company and the Guarantors of each Opinion Document to which it is a party do not, and the performance by the Company and the Guarantors of their respective obligations thereunder will not, (i) result in a violation of Generally Applicable Law, or (ii) result in a breach of or a default under the material contracts as set out in Schedule B.

6. No authorization, approval or other action by, and no notice to or filing with, any United States federal or New York governmental authority or regulatory body is required for the due execution, delivery or performance by any of the Company or the Guarantors of any Opinion Document to which it is a party, except as may be required under the securities or blue sky laws of any jurisdiction in the United States in connection with the offer and sale of the Notes and the Guarantees.

7. Each of the Company and the Guarantors is not required to register, and after giving pro forma effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Offering Memorandum, would not be required to register, as an investment company under the Investment Company Act of 1940, as amended.

8. Based upon the representations, warranties and agreements of the Company, the Guarantors and you in the Purchase Agreement and assuming compliance with the offering and transfer procedures and restrictions described in the Offering Memorandum, it is not necessary in connection with the offer and sale of the Notes and the Guarantees to you under the Purchase Agreement or in connection with the initial resale of such Notes and the Guarantees by you in the manner contemplated by the Purchase Agreement to register the Notes or the Guarantees under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, it being understood that no opinion is expressed as to any subsequent resale of any Notes or the Guarantees.

9. The statements in the Disclosure Package and the Offering Memorandum under the caption "Description of the Notes", insofar as such

statements constitute summaries of documents referred to therein, fairly summarize in all material respects the documents referred to therein.

10. The statements in the Disclosure Package and the Offering Memorandum under the caption "Taxation— Certain U.S. Federal Income Tax Considerations," insofar as such statements constitute summaries of legal matters referred to therein, fairly summarize in all material respects the legal matters referred to therein.

11. Assuming the validity of such action under the laws of the British Virgin Islands, in the case of the Company, and the State of Nevada and Hong Kong, in the case of the Guarantors with respect to their respective jurisdiction of organization, under the laws of the State of New York relating to submission to jurisdiction, each of the Company and the Guarantors, as applicable, (i) has, pursuant to Section [18(b)] of the Purchase Agreement and Section [●] of the Indenture, validly submitted to the jurisdiction of any New York state or United States federal court located in the Borough of Manhattan, The City of New York, New York, in any action or proceeding arising out of or with respect to the Purchase Agreement and the Indenture, and (ii) has validly appointed [Xinda Holding (HK) US Sub Inc] as its authorized agent for the purposes described in Section [18(b)] of the Purchase Agreement and Section [●] of the Indenture; and service of process effected in the manner set forth in Section [18(b)] of the Purchase Agreement and Section [●] of the Indenture will be effective under the laws of the State of New York in connection with any such action or proceeding.

Our opinions expressed above are subject to the following qualifications:

(a) Our opinions in paragraphs 2 through 4 above are subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally (including without limitation all laws relating to fraudulent transfers) and (ii) possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights.

(b) Our opinions in paragraphs 2 through 4 are also subject to the effect of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(c) Our opinions are limited to (i) Generally Applicable Law, (ii) in the case of our opinion in paragraph 8, the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and (iii) in the case of our opinion in paragraph 7 above, the Investment Company Act of 1940, as amended, and we do not express any opinion herein concerning any other law. We are not admitted to practice in the State of Nevada or the British Virgin Islands and have not made any independent investigation of the laws of the State of Nevada or the British Virgin Islands. Insofar as our opinions expressed above relate to matters governed by the laws of the State of Nevada or the British Virgin Islands, we have assumed, without independent investigation or inquiry,

the correctness of the advice and conclusions of the State of Nevada or the British Virgin Islands counsels to each of the Company, the Guarantors and yourselves, which have furnished opinions to you today in accordance with the Purchase Agreement, and our opinions expressed above are subject to the assumptions and qualifications contained therein.

(d) We express no opinion with respect to the enforceability of any indemnity against any loss in converting into a specified currency the proceeds or amount of a court judgment in another currency.

This opinion letter is rendered to you in connection with the transactions contemplated by the Opinion Documents. This opinion letter may not be relied upon by you for any other purpose without our prior written consent.

[Remainder of page intentionally left blank]

This opinion letter speaks only as of the date hereof. We expressly disclaim any responsibility to advise you of any development or circumstance of any kind, including any change of law or fact, that may occur after the date of this opinion letter that might affect the opinions expressed herein.

Very truly yours,

SZ/AY/MK KWL

SCHEDULE A

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf London E14 4QA

UBS AG, Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

SCHEDULE B

[List of Material Contracts governed by New York law and filed in the Company's filings for the past three years]

[•], 2013

To the Persons listed in Schedule A

Favor Sea Limited

US$[•] [•]% Senior Notes due 20[•]

Ladies and Gentlemen:

We have acted as United States counsel to Favor Sea Limited, a company incorporated in the British Virgin Islands with limited liability (the "Company"), in connection with the purchase and sale, pursuant to the Purchase Agreement, dated [•], 2013 (the "Purchase Agreement"), among the Company, the guarantors listed in Schedule B to the Purchase Agreement (the "Guarantors") and each of you, of US$[•] aggregate principal amount of [•]% Senior Notes due 20[•] (the "Notes") of the Company, irrevocably and unconditionally guaranteed by the Guarantors. The Notes are to be issued by the Company pursuant to an indenture, dated as of [•], 2013, among the Company, the Guarantors and Citicorp International Limited, as trustee.

In such capacity, we examined the preliminary offering memorandum dated [•], 2013, as supplemented by a pricing term sheet dated [•], 2013 (together, the "General Disclosure Package"), and the final offering memorandum dated [•], 2013 relating to the Notes (the "Offering Memorandum"). As used herein, the term "Applicable Time" means [9:00 a.m.] New York time on [•], 2013, which we have assumed with your permission to be the time of first sale of the Notes.

We also reviewed and participated in discussions concerning the preparation of the General Disclosure Package and the Offering Memorandum with certain officers or employees of the Company, with their counsel and auditors, and with your representatives. The limitations inherent in the independent verification of factual matters and in the role of outside counsel are such, however, that we cannot and do not assume any responsibility for the accuracy,

completeness or fairness of any of the statements made in the General Disclosure Package or the Offering Memorandum, except as set forth in paragraphs 8 and 9 of our opinion addressed to you, dated the date hereof.

Subject to the limitations set forth in the immediately preceding paragraph, we advise you that, on the basis of the information we gained in the course of performing the services referred to above, no facts came to our attention which caused us to believe that (i) the General Disclosure Package (other than the financial statements and other financial data contained therein or omitted therefrom, as to which we have not been requested to comment), as of the Applicable Time, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; or (ii) the Offering Memorandum (other than the financial statements and other financial data contained therein or omitted therefrom, as to which we have not been requested to comment), as of its date or the date hereof, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

[Remainder of page intentionally left blank]

This letter is being furnished to you solely for your benefit in connection with your purchase of the Notes, and is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

SZ/AY/MK KWL

SCHEDULE A

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf London E14 4QA

UBS AG, Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

EXHIBIT D

Form of Opinion of Holland & Hart LLP

HOLLARD & HART

January [●], 2014

Morgan Stanley & Co. International plc
UBS AG, Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

Re: $[●] [●]% Senior Notes due [●] of Favor Sea Limited Ladies and Gentlemen:

We have acted as special Nevada counsel to China XD Plastics Company Limited, a Nevada corporation (the "Parent Guarantor"), in connection with the issuance and sale by Favor Sea Limited (the "Issuer") of $[●] principal amount of its [●]% Senior Notes due [●] (the "Securities"), pursuant to an indenture dated as of the date hereof (the "Indenture") by and among the Issuer, the Parent Guarantor, Xinda Holding HK Company Limited, a corporation formed in Hong Kong (" Subsidiary Guarantor, and together with Parent Guarantor, the "Guarantors") and Citicorp International Limited, as trustee (in such capacity, the "Trustee") and as collateral agent (in such capacity, the "Collateral Agent"). This opinion letter is prepared and delivered pursuant to Section 8(f) of the Purchase Agreement (the " Purchase Agreement") dated [●], 2014, among you, the Issuer and the Guarantors. All capitalized terms used but not defined herein shall have the respective meanings that are given to them in the Purchase Agreement.

In our capacity as counsel to the Parent Guarantor, we have examined the following documents, all dated as of [●], 2014, except where otherwise noted:

(a) Purchase Agreement;

(b) Indenture (including the terms of the Guarantees contained therein);

(c) The Guarantees delivered by Parent Guarantor in connection with the issuance of the Securities;

(d) Equitable Mortgage among the Parent Guarantor, the Collateral Agent and the Issuer, with respect to shares held by the Parent Guarantor in the Issuer (the "Security Agreement");

(e) The Parent Guarantor's organizational documents, consisting of:

(i) Articles of Incorporation of the Parent Guarantor, filed with the Nevada Secretary of State on December 1, 2005, as amended January 6, 2009, April 20, 2009 and September 28, 2011, together with the Certificate of Designation of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock filed with the Nevada Secretary of State on January 6, 2009, and the Certificate of Designation of Series C Convertible Preferred Stock filed with the Nevada Secretary of State on November 30, 2009, the Certificate of Change filed with the Nevada Secretary of State on January 6, 2009, two Certificates of Correction filed with the Nevada Secretary of State on September 19, 2011, and the Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock of the Parent Guarantor, filed with the Nevada Secretary of State on September 28, 2011, the Amended and Restated Certificate of Designation, Preferences and Rights of Series D Junior Convertible Preferred Stock, filed with the Secretary of State of Nevada on [●], 2014 (collectively, the "Articles");

(ii) Second Amended and Restated Bylaws of the Parent Guarantor dated November 8, 2011, filed by the Parent Guarantor as Exhibit 3.1 to the Parent Guarantor's Current Report on Form 8-K filed with the United States Securities and Exchange Commission on November 8, 2011 (the "Bylaws");

(iii) Action by Unanimous Written Consent of the Board of Directors of the Parent Guarantor dated [●], 2014;

(iv) Action by Unanimous Written Consent of the Board of Directors of the Parent Guarantor dated [●], 2014;

(v) Action by Written Consent of the Series D Stockholder of the Parent Guarantor dated [●], 2014;

(vi) Action by Written Consent of the Series D Stockholder of the Parent Guarantor dated [●], 2014;

(vii) Letter Request by and between the Parent Guarantor and the Series D Stockholder of the Parent Guarantor dated [●], 2014;

(viii) Opinion Certificate of the Parent Guarantor dated of even date herewith (the "Opinion Certificate"); and

(ix) Certificate of Existence as to the Parent Guarantor issued by the Nevada Secretary of State on [●], 2014 (the "Good Standing Certificate").

The documents listed as (a) through (d) above are referred to below collectively as the "Transaction Documents."

In addition, we have reviewed such other a greements, instruments and documents, and such questions of law as we have deemed necessary or appropriate to enable us to render the opinions expressed below. Additionally, we have examined originals or copies, certified to our satisfaction, of such cert ificates of public officials

and officers and representatives of the Parent Guarantor and we have made such inquiries of officers and representatives of the Parent Guarantor as we have deemed relevant or necessary, as the basis for the opinions set forth h erein.

Our opinions herein are based upon our consideration of only those statutes, rules and regulations which, in our experience, are normally applicable to guarantors of notes. We express no opinion as to any state or federal laws or regulations appl icable to the subject transactions because of the legal or regulatory status of any parties to the Transaction Documents or as to the securities laws or Blue Sky laws of any jurisdiction.

In rendering the opinions which follow, we have, with your consent , assumed and relied upon, the following:

(a) the genuineness of all signatures on documents reviewed by us, all documents submitted to us as originals or duplicate originals are authentic and all documents submitted to us as copies, whether certified or not, conform to authentic original documents and the legal capacity of all natural persons executing such documents;

(b) the accuracy and completeness of all certificates and other statements, documents and records reviewed by us, and the accuracy and completeness of all representations, warranties, schedules and exhibits contained in the Transaction Documents and in the Opinion Certificate, with respect to the factual matters set forth therein;

(c) all parties to the Transaction Documents (other than the Parent Guarantor) are duly organized, validly existing and in good standing under the laws of the jurisdiction in which they are organized;

(d) the Transaction Documents have been duly executed and delivered by the parties thereto (other than the Parent Guarantor);

(e) each of the parties to the Transaction Documents other than the Parent Guarantor has and had at the time of the execution and delivery thereof, all requisite corporate power and authority to execute, deliver and perform its obligations under the Transaction Documents to which it is a party;

(f) the execution, delivery and performance of the Transaction Documents by all parties thereto other than the Parent Guarantor have been authorized by all required corporate action on the part of such other parties;

(g) there are no oral or written modifications of or amendments to any of the Transaction Documents and that there has been no waiver of any of the provisions of the Transaction Documents by action of the parties or otherwise;

(h) the Issuer is a wholly-owned subsidiary of the Parent Guarantor;

(i) there has not been any mutual mistake of fact or misunderstanding, fraud, duress or undue influence;

(j) the conduct of the parties to the Purchase Agreement has complied with any requirement of good faith, fair dealing and conscionabi lity; and

(k) the Transaction Documents accurately reflect the complete understanding of the parties with respect to the transactions contemplated thereby and the rights and obligations of the parties thereunder and there are no agreements or understandings among the parties, written or oral, and there is no usage of trade or course of prior dealing among the parties that would, in either case, define, supplement or qualify the terms of the Transaction Documents;

In rendering the opinion in paragraph 1 below a s to the good standing and valid existence of the Parent Guarantor, we have relied solely upon the Good Standing Certificate.

In rendering the opinion in paragraph 2 below as to the execution and delivery by the Parent Guarantor of the Transaction Documents, we have assumed that signed and dated originals of the Transaction Documents have been exchanged among all parties thereto without further conditions on the effectiveness or release thereof. Furthermore, we express no opinion as to the execution and delivery of the Transaction Documents to the extent that the validity of the execution and delivery of Transaction Documents is governed by any law other than the laws of the State of Nevada .

We express no opinion as to the following:

(1) As to whether the Parent Guarantor may guarantee or otherwise become liable for, or pledge any assets to secure, indebtedness incurred by its subsidiary except to the extent the Parent Guarantor may be determined to have benefited from the incurrence of such indebtedness by its parent, or whether such benefit may be measured other than by the extent to which the proceeds of the indebtedness incurred by the subsidiary are directly or indirectly made available to the Parent Guarantor for its corporate purposes; or

(2) The exercise of fiduciary duties in authorizing the execution, delivery and performance of the Transaction Documents on behalf of the Parent Guarantor.

Whenever our opinion with respect to the existence or absence of facts is indicated to be based on our knowledge or awareness, we are referring to the actual present knowledge of the particular Holland & Hart LLP attorneys who have been involved our representation in connection with the Transaction Documents. Except as expressly set forth herein, we have not undert aken any independent investigation, examination or inquiry to determine the existence or absence of any facts (and have not

caused the review of any court file or indices) and no inference as to our knowledge concerning any facts should be drawn as a resul t of the limited representation undertaken by us.

Based upon the foregoing and subject to the qualifications stated herein, we are of the opinion that:

1. The Parent Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada, and has all corporate power and authority necessary to execute, deliver and perform its obligations under the Transaction Documents and the transactions contemplated thereby.

2. Each Transaction Document to which the Parent Guarantor is a party has been duly (a) authorized by all necessary corporate action, (b) executed, and (c) delivered, in each case, by the Parent Guarantor.

3. The execution and delivery of the Transaction Documents by the Parent Guarantor, and Parent Guarantor's compliance with the terms thereof, performance of its obligations thereunder and consummation of the transactions contemplated therein will not: (a) conflict with or violate any provision of the Articles or Bylaws of the Parent Guarantor, or (b) result in a violation of any Nevada law or regulation, or, to our knowledge, in a violation of any judgment, order, writ, injunction, decree or rule of any court, administrative agency or other governmental authority under any Nevada law or regulation that is applicable to the Parent Guarantor.

4. No consent, approval, authorization, order, registration or qualification of or with any Nevada governmental or regulatory authority or, to our knowledge, arbitrator is required for the execution, delivery and performance by the Parent Guarantor of each of the Transaction Documents to which it is a party, the issuance and sale of the Securities and compliance by the Parent Guarantor with the terms thereof and the consummation of the transactions cont emplated by the Transaction Documents.

The opinions expressed herein are based upon and are limited to the laws of the State of Nevada and we express no opinion with respect to the laws of any other state or jurisdiction or federal laws.

Our opinions set forth in this letter are based upon the facts in existence and laws in effect on the date hereof and we expressly disclaim any obligation to update our opinions herein, regardless of whether changes in such facts or laws come to our attention after the delivery hereof.

This opinion shall not be construed as or deemed to be a guaranty or insuring agreement.

The opinions expressed in this letter are strictly limited to the matters stated herein and no other opinions may be implied. The opinions herein a re provided as legal opinions only, effective as of the date of this letter and not as representations of fact.

We understand that the addressee has made independent investigations of the facts contained in the assumptions as the addressee deems necessary, and that the determination of the extent of any such investigations of fact have been made independent of this opinion letter, and the legal analysis contained in this opinion letter is not in any way reliant on such independent investigations.

This opinion is rendered solely as of the date hereof and is furnished to you solely for your benefit and may be relied upon by you and your successors and assigns, including any purchaser of the note(s) under the Purchase Agreement (it being understood that this opinion is rendered only as of the date hereof), and may not be relied on by, nor may copies be delivered to, any other person without our prior written consent except as required by applicable law. We assume no obligation to inform you of any facts, circumstances or events that may hereafter be brought to our attention that may alter, affect or modify the opinions expressed herein and undertake no obligation or responsibility to update or supplement this opinion in response to subsequent changes in the law or future events or circumstances affecting the transactions contemplated by the Transaction Documents. We express no opinion as to circumstances or events that may occur subsequent to the date of this letter.

This letter is issued in the State of Nevada and, by issuing this letter, the law firm of Holland & Hart LLP shall not be deemed to be transacting business in any other state. Furthermore, by issuing this letter to the addressee, the law firm of Holland & Hart LLP does not consent to the jurisdiction of any state but the State of Nevada and any claim or cause of action arising out of the opinions expressed herein must be brought in the State of Nevada.

Very truly yours,

EXHIBIT E

Form of Opinion of Han Kun Law Offices

漢　坤　律　師　事　務　所

HAN KUN LAW OFFICES

Suite 906, Office Tower C1, Oriental Plaza, 1 East Chang An Avenue, Beijing 100738, P. R. China TEL: (86 10) 8525-5500;FAX: (86 10)8525-5511/5522

[DATE]

To: Favor Sea Limited

To Whom It May Concern:

We are qualified lawyers of the People's Republic of China (" PRC" or "China", for the purpose of this opinion only, shall not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan). We act as the PRC counsel to Favor Sea Limited (the "Company"), a company organized under the laws of the British Virgin Islands in connection with the offering of US$[●] principal amount of [●]% Senior Notes due [●] (the "Notes"), pursuant to a purchase agreement, dated [●] (the "Purchase Agreement"), entered into by and between, among others, the Company and the initial purchasers named therein (the "Initial Purchasers"). The Company's obligations under the Notes and the Indenture will be unconditionally guaranteed (the "Guarantees"), on a senior basis, by China XD Plastics Company Limited (the "Parent Guarantor") and each subsidiary of the Parent Guarantor that guarantees the Notes (collectively, the "Guarantors"). The Notes and the Guarantees are referred to herein as the "Securities." The Securities are to be issued pursuant to an Indenture (the "Indenture") dated as of [●], 2014 by and among the Company, the Guarantors and the Trustee. The Purchase Agreement, the Indenture, the Notes, the Guarantees and the Collateral Documents are hereinafter collectively referred to as the "Transaction Documents".

We have been requested by the Company to render this opinion regarding, *inter alia*, Heilongjiang Xinda Enterprise Group Company Limited (**黑龙江鑫达企业集团有限公司**) ("WFOE"), and the following companies: Heilongjiang Xinda Enterprise Group Macromolecule Material Research Center Co., Ltd. (**黑龙江鑫达企业集团高分子材料研发中心有限公司**) ("Xinda Group Material Research"), Heilongjiang Xinda Software Development Company Limited (**黑龙江鑫达软件开发有限责任公司**) ("Xinda Software"), Heilongjiang Xinda Enterprise Group Meiyuan Training Center Company Limited (**黑龙江鑫达企业集团梅园培训中心有限公司**) ("Meiyuan Training Center"), Harbin Xinda Plastics New Materials Co., Ltd. (**哈尔滨鑫达塑料新材料有限公司**) ("Xinda Plastics"), Sichuan Xinda Enterprise Group Company Limited (**四川鑫达企业集团有限公司**) ("Sichuan Xinda Group"), Sichuan Xinda Enterprise Group Meiyuan Training Center Company Limited (**四川鑫达企业集团梅园培训中心有限公司**) ("Sichuan Meiyuan Training Center"), Sichuan Xinda Enterprise Group Software Development Company Limited (**四川鑫达企业集团软件开发有限公司**) ("Sichuan Xinda Software"), Sichuan Xinda Enterprise Group Sales Company Limited (**四川鑫达企业集团销售有限公司**) ("Sichuan Xinda Sales") (referred to collectively as the "PRC Subsidiaries", and together with the WFOE, the "PRC Entities").

Unless otherwise defined herein, capitalized terms used herein shall have the same meanings specified in the Purchase Agreement.

In rendering this opinion, we have reviewed the originals or copies of certain documents as

we deemed necessary or appropriate to render this opinion which were provided to us by the Company, the PRC Entities and such other documents, corporate records and certificates issued by the governmental authorities in the PRC (collectively, the "Documents"), and we have made investigation of the applicable laws and regulations of the PRC promulgated and publicly available as of the date of this opinion.

In arriving at the opinion expressed below, we have assumed without independent investigation or inquiry (collectively, the "Assumptions"):

i. All signatures, seals and chops are genuine, each signature on behalf of a party thereto is that of a person duly authorized by such party to execute the same, all Documents submitted to us as originals are authentic, and all Documents submitted to us as certified or photostatic copies conform to the originals; each of the Company and the PRC Entities has valid and legitimate title and ownership to their properties, assets and revenues outside China;

ii. Each of the parties to the Documents other than the PRC Entities is duly organized and is validly existing in good standing under the laws of its jurisdiction of organization and/or incorporation (where applicable); each of them, other than the PRC Entities, has full power and authority or legal capacity to execute, deliver and perform its obligations under the Documents to which it is a party in accordance with the laws of its jurisdiction of organization;

iii. The Documents that were presented to us remain in full force and effect on the date of this opinion and have not been revoked, amended or supplemented, and no amendments, revisions, supplements, modifications or other changes have been made, and no revocation or termination has occurred, with respect to any of the Documents after they were submitted to us for the purposes of this legal opinion;

iv. The laws of any country or region other than China which may be applicable to the execution, delivery, performance or enforcement of any of the Documents are complied with;

v. All the Documents and the factual statements provided to us by the Company and the PRC Entities, including but not limited to those set forth in the Documents, are complete, true and correct. Where important facts were not independently established to us, we have relied upon certificates issued by the government agencies with proper authority which are available to us; and

vi. All the explanations and interpretations provided by the government officers duly reflect the official position of the relevant governmental authorities.

Based upon the Assumptions and subject to our review of the Documents, the qualifications and limitations set forth herein, we are of the opinion, so far as the currently effective and publicly available laws, rules and regulations of China (collectively, "PRC Laws") are concerned, that:

1. The WFOE was duly incorporated on December 9, 2011 and is validly existing as a wholly - foreign owned enterprise with the status of a Chinese legal person under PRC Laws, with the legal and necessary corporate power and authority, as duly authorized by the PRC government, to own, use, lease and operate its assets and conduct its business as

described in its business license. The WFOE has the legal right to enjoy civil rights and assume civil liabilities to sue and be sued in PRC court proceedings.

2. Each of the PRC Subsidiaries is duly incorporated and validly existing as a limited liability company with the status of a Chinese legal person under the laws and regulations of the PRC, with the legal and necessary corporate power and authority, as duly authorized by the PRC government, to own, use, lease its assets and conduct its business as described in its business license. Each of the PRC Subsidiaries has the legal right to enjoy civil rights and assume civil liabilities to sue and be sued in PRC court proceedings.

3. The articles of association(as amended, if applicable), the business license and, if applicable, the approval certificate (the "Constitutional Documents") of each of the PRC Entities have been duly approved and issued by the relevant government authorities of PRC. The Constitutional Documents of each of the PRC Entities are in compliance with the requirements of applicable PRC Laws and are in full force and effect. To the best of our knowledge after due inquiry, the business carried out by each of the PRC Entities complies with its articles of association in effect and is within the business scope described in its current business license.

4. The registered capital of the WFOE is RMB50,000,000, all of which has been fully and timely contributed in accordance with the verification report issued by Heilongjiang Jinyuda Accounting Firm Co., Ltd. (**黑龙江金营达会**计师**事务所有限公司**) on December 21, 2011, and such capital contribution is not in violation of the Constitutional Documents of the WFOE or PRC Laws. Xinda Holding (HK) Company Limited is the owner of 100% of the paid-in registered capital of the WFOE. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

5. The registered capital of Xinda Software is RMB 2,000,000, all of which has been fully and timely contributed in accordance with the verification report issued by Heilongjiang Li Xin Accounting Firm Co., Ltd. (**黑龙江立信会**计师**事务所有限责任公司**) on October 11, 2010, and such capital contribution is not in violation of the Constitutional Documents of Xinda Software or PRC Laws. WFOE is the owner of 100% of the registered capital of

   Xinda Software. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

6. The registered capital of Xinda Plastics is RMB 5,000,000, all of which has been fully and timely contributed in accordance with the verification report issued by Heilongjiang Li Xin Accounting Firm Co., Ltd. (**黑龙江立信会**计师**事务所有限责任公司**) on January 16, 2012, and such capital contribution is not in violation of the Constitutional Documents of Xinda Plastics or PRC Laws. WFOE is the owner of 100% of the registered capital of Xinda Plastics. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

7. The registered capital of Xinda Group Material Research is RMB 4,000,000, all of which has been fully and timely contributed in accordance with the verification report issued by Heilongjiang Li Xin Accounting Firm Co., Ltd.(**黑龙江立信会**计师**事务所有限责任公司**) on December 13, 2012, and such capital contribution is not in violation of the Constitutional Documents of Xinda Group Material Research or PRC Laws. WFOE is the owner of 100% of the registered capital of Xinda Group Material Research. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of

all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

8. The registered capital of Meiyuan Training Center is RMB 500,000, all of which has been fully and timely contributed in accordance with the verification report issued by Heilongjiang Li Xin Accounting Firm Co., Ltd. (**黑龙江立信会**计师**事务所有限**责**任公 司**) on July 22, 2011, and such capital contribution is not in violation of the Constitutional Documents of Meiyuan Training Center or PRC Laws. WFOE is the owner of 100% of the registered capital of Meiyuan Training Center. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

9. The registered capital of Sichuan Xinda Group is RMB 250,000,000, of which RMB 50,000,000 has been timely contributed in accordance with the verification report issued by Sichuan Debang Certified Public Accountants Co., Ltd. (**四川德邦会**计师**事**务**所有限** 责**任公司**) on March 20, 2013, and such capital contribution is not in violation of the Constitutional Documents of Sichuan Xinda Group or PRC Laws. WFOE is the owner of 100% of the registered capital of Sichuan Xinda Group. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

10. The registered capital of Sichuan Meiyuan Training Center is RMB 80,000,000, of which RMB 16,000,000 has been timely contributed in accordance with the verification report issued by Sichuan Debang Certified Public Accountants Co., Ltd. (**四川德邦会**计师**事**务 **所有限**责**任公司**)on March 25, 2013, and such capital contribution is not in violation of the Constitutional Documents of Sichuan Meiyuan Training Center or PRC Laws. Sichuan Xinda Group is the owner of 100% of the registered capital of Sichuan Meiyuan Training Center. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

11. The registered capital of Sichuan Xinda Software is RMB 5,000,000, of which RMB 1,000,000 has been timely contributed in accordance with the verification report issued by Sichuan Debang Certified Public Accountants Co., Ltd. (**四川德邦会**计师**事**务**所有限**责 **任公司**)on March 25, 2013, and such capital contribution is not in violation of the Constitutional Documents of Sichuan Xinda Software or PRC Laws. Sichuan Xinda Group is the owner of 100% of the registered capital of Sichuan Xinda Software. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

12. The registered capital of Sichuan Xinda Sales is RMB 15,000,000, of which RMB 3,000,000 has been timely contributed in accordance with the verification report issued by Sichuan Debang Certified Public Accountants Co., Ltd. (**四川德邦会**计师**事**务**所有限**责 **任公司**) on March 25, 2013, and such capital contribution is not in violation of the Constitutional Documents of Sichuan Xinda Sales or PRC Laws. Sichuan Xinda Group is the owner of 100% of the registered capital of Sichuan Xinda Sales. To the best of our knowledge after due inquiry, all of the above equity interests are free and clear of all liens, encumbrances, security interest, mortgage, pledge, equities or claims or any third-party rights.

13. To the best of our knowledge after due inquiry, except for the PRC Entities, the Company

does not own directly or indirectly any equity interest in any company, joint venture, partnership or other entity or venture incorporated or otherwise organized or formed in the PRC.

14. To the best of our knowledge after due inquiry, except as disclosed in the Preliminary Offering Circular dated [●], 2014 and the Final Offering Circular dated [●], 2014, respectively (collectively, the "Offering Circulars"), none of the PRC Entities is in breach or violation of or in default, as the case may be, under (A) its articles of association, business license or other Constitutional Documents, (B) any material obligation, indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness governed by the PRC Laws to which any of the PRC Entities is a party (nor has any event occurred which with notice, lapse of time, or both would result in any breach of, or constitute default under or give the holder of any indebtedness the right to require the repurchase, redemption or repayment of all or part of such indebtedness), (C) the terms or provisions of any Material Loan Agreements or Material Business Agreements as set out in Schedule A, (D) any law, regulation or rule of the PRC, or any decree, judgment or order of any court in the PRC applicable to the PRC Entities, (E) any license, lease, contract or other agreement or instrument governed by the PRC Laws to which any of the PRC Entities is a party or by which any of them may be bound or affected, except for, in the case of (D) and (E), such breach orviolation or default that, as the case may be, would not reasonably be expected to have, individually or in aggregate, a material adverse effect ("Material Adverse Effect"), meaning any event, circumstance, condition, occurrence or situation or any combination of the foregoing that has or could be reasonably expected to have a material and adverse effect upon the conditions (financial or otherwise), business, properties or results of operations or prospects of the Parent Guarantor and its PRC Subsidiaries taken as a whole, or an adverse effect on the ability of any of the Company and the Guarantors to perform their respective obligations under the Securities or the other Transaction Documents or to consummate the transactions contemplated by the Transaction Documents on a timely basis.

15. To the best of our knowledge after due inquiry, there are no material outstanding guarantees or contingent payment obligations of any of the PRC Entities in respect of the indebtedness of third parties.

16. The (A) execution, delivery and performance of the Transaction Documents, (B) offering, sale and delivery and initial resale of the Securities and the listing of the Securities on the SGX-ST, (C) the compliance by each of the Company and Guarantors with all of the provisions of the Transaction Documents, as applicable, and (D) consummation of the transactions contemplated by the Transaction Documents, as applicable, do not (i) result in any violation of the business license, articles of association or other Constitutional Documents of any of the PRC Entities, (ii) contravene any Material Loan Agreements or Material Business Agreements as set out in Schedule A, (iii) result in any violation of, or penalty under, any PRC Laws, any judgment, order or decree of any PRC government authority or court applicable to the PRC Entities, or (iv) conflict with or constitute a breach of, or default under or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the PRC Entities pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, which is governed by the PRC Laws to which any of the PRC Entities is a party, or to which any of the property or assets of the PRC Entities is subject, except as otherwise permitted under the Transaction Documents and except for such conflict, breach, default, lien, charge or encumbrance under clause (iv) which do not have a Material Adverse Effect.

17. Each of Material Loan Agreements and Material Business Agreements listed in Schedule

A has been duly authorized, executed and delivered by the PRC Entities which are parties to such Material Loan Agreements and Material Business Agreements as the case may be, and each of such PRC Entities has the corporate power and capacity, to enter into and to perform its obligations under such Material Loan Agreements and Material Business Agreements; each of the Material Loan Agreements and Material Business Agreements constitutes a legal, valid and binding obligation of the respective PRC Entity thereto, enforceable against such parties in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the execution, delivery and performance by the PRC Entities of each of the Material Loan Agreements and Material Business Agreements to which such PRC Entities is a party do not result in any violation of any PRC Laws; no further governmental authorizations are required under the PRC Laws in connection with the execution by the PRC Entities of the Material Loan Agreements and Material Business Agreements or the performance of the terms thereof.

18. The execution and delivery by each of the PRC Entities of, and the performance by each of the PRC Entities of its obligations under, each of the Material Loan Agreements and Material Business Agreements to which it is a party and the consummation by each of the PRC Entities of the transactions contemplated therein do not: (i) result in any violation of the business license and the articles of association of the PRC Entities, (ii) result in any violation of any applicable PRC Laws or (iii) result in a breach or violation of or constitute a default under arbitration award or judgment, order or decree of any court of the PRC applicable to the PRC Entities, as the case may be, any agreement or instrument governed by the PRC Laws, to which any of them is a party or which is binding on any of their assets, except where, in respect of (iii) above, such violation, breach or default which, individually or in the aggregate, would not have a Material Adverse Effect.

19. To the best of our knowledge after due inquiry, no consent from or waiver by creditors of any of the PRC Entities is required under the Material Loan Agreements and Material Business Agreements in connection with the issuance of the Securities and the consummation of the transactions contemplated under the Transaction Documents.

20. Except as described in the Offering Circulars, each of the PRC Entities has full power and authority to declare and effect dividend payments. All dividends declared and payable upon the equity interest of the WFOE in accordance with the PRC Laws may under the current PRC Laws be paid in Renminbi, which may be converted into U.S. dollars and freely transferred out of the PRC, *provided however*, that necessary foreign exchange procedures shall be completed in accordance with the relevant PRC Laws on foreign exchange regulations on a timely basis. Such dividends paid by the WFOE may be subject to a withholding tax at the rate of 10% (subject to reduction as provided by any applicable taxation treaty) as described in the Offering Circulars. Such dividends are not subject to any other taxes under the PRC Laws.

21. Under applicable PRC Laws, there is no stamp duty if the Transaction Documents are not executed within China, and therefore, there is no tax or duty (including any issuance or transfer tax or duty and any tax or duty on capital gains or income, whether chargeable on a withholding basis or otherwise) payable by or on behalf of the Initial Purchasers to any governmental authorities in connection with the issuance, sale or delivery of the Securities, the execution, delivery and performance of the Transaction Documents or the consummation of any other transactions contemplated in the Transaction Documents.

22. The entering into and performance or enforcement of the Transaction Documents in accordance with its terms do not subject the Initial Purchasers to a requirement to be licensed or otherwise qualified to do business in the PRC, nor shall the Initial Purchasers

be deemed to be resident, domiciled, carrying on business through an establishment or place in the PRC or in breach of any laws or regulations in the PRC by reason of the entering into, performance or enforcement of the Transaction Documents.

23. Each of the PRC Entities has the corporate powers and authority to, and has obtained all necessary licenses, consents, authorizations, permissions, approvals, orders, registrations, certificates and permits from and filings with PRC governmental authorities or any other PRC regulatory body having jurisdiction over it (collectively, "Authorizations") for it to own, lease, license, use and operate its properties and assets and to conduct its business as described in its business license, and such Authorizations are in full force and effect. We are not aware of any notice of revocation, suspension, modification of any Authorization issued by any PRC governmental authorities, and nothing has come to our attention that any governmental authority in the PRC is considering modifying, suspending or revoking any of such Authorizations.

24. To the best of our knowledge after due inquiry, none of the PRC Entities is in breach or violation of (i) any provision of its Constitutional Documents; (ii) any provision of PRC Laws; (iii) any agreement governed by PRC Laws by which any of the PRC Entities is a party or to which any of the properties or assets of any of the PRC Entities is subject; or (iv) Authorizations, any order, decree or regulation of any governmental authority in the PRC having jurisdiction over the PRC Entities or over any of the properties or assets of the PRC Entities.

25. To the best of our knowledge after due inquiry, there are no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any equity interest in any of the PRC Entities, and there is no security interest, mortgage, pledge, lien, encumbrance, claim or any third party right, the exercise of which may lead to the change of shareholdings or the amount of the registered capital of the PRC Entities.

26. The lease agreement listed in Schedule B to which the WFOE is a party is legally binding and enforceable in accordance with its respective terms under the PRC Laws. To our best knowledge after due inquiry, each of the PRC Entities have valid title to all of its material movable assets located in China, free and clear of all claims, liens, mortgage, guarantee, pledge, security interests or other encumbrances.

27. Schedule C lists all the intellectual properties used by the PRC Entities (the "Intellectual Property"). Each of the PRC Entities has the exclusive right to the Intellectual Property, free and clear of any Encumbrance. To our best knowledge after due inquiry, none of the Intellectual Property is subject to any outstanding decree, order, injunction, judgment or ruling of any PRC governmental authority or court restricting the use of such Intellectual Property in the PRC that would impair the validity or enforceability of such Intellectual Property, nor has any of the PRC Entities received any notice of any claim of infringement or conflict with any intellectual property rights of others in the PRC.

28. To our best knowledge after due inquiry, there are no pending or threatened legal, arbitration or governmental proceedings or disputes in the PRC to which the Company or any of the PRC Entities is a party or to which any property of the PRC Entities is the subject.

29. To the best of our knowledge after due inquiry, none of the PRC Entities is subject to any winding up or liquidation proceedings, and nor has any proceedings been commenced or expressly threatened in the PRC which might render the PRC Entities liquidated or insolvent.

30. To the best of our knowledge after due inquiry and except as described in the Offering

Circulars, during the periods from January 1, 2011 to September 30, 2013, none of the PRC Entities has contravened any PRC laws and regulations in relation to the protection of the environment, and each PRC Entities (i) is not in violation of any and all applicable national and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received all permits, licenses or other approvals required of it under applicable Environmental Laws to conduct its respective businesses in the PRC, (iii) is not in violation of all terms and conditions of any such permit, license or approval.

31. To the best of our knowledge after due inquiry, no labor dispute, legal proceedings or other conflict with the employees of any of the PRC Entities exists or is imminent or threatened, except such non-compliances, disputes, legal proceedings or conflicts which, if determined adversely to the PRC Entities would not, individually or in the aggregate, have a Material Adverse Effect.

32. There are no applicable PRC Laws requiring any insurance to be obtained in respect of the business or operations of the PRC Entities or ownership of any of their assets as disclosed in the Offering Circulars which is not so obtained, except for which the failure to obtain would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

33. The SAFE registration forms listed in Schedule D, as provided by the Company, are valid and legitimate under the *Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Financing and Inbound Investment through Offshore Special Purpose Companies by PRC Residents*, effective as of November 1, 2005(**《关于境内居民通**过**境外特殊目的公司境外融**资**及返程投**资**外**汇**管理有关**问题**的通知》**) ("SAFE Rules")and Han Jie (韩**杰**)has duly completed the registrations required under the SAFE Rules.

34. To the best of our knowledge after due inquiry, the preferential tax listed in Schedule E granted by the relevant PRC tax authority to the WFOE is not in violation of the applicable laws, regulations, decrees or rules of the PRC; all returns, reports or filings which ought to have been made from January 1, 2011 until September 30, 2013 in respect of the PRC Entities for taxation purposes as required by the PRC Laws have been made and are not the subject of any dispute with any PRC governmental authority; none of the PRC entities has been investigated, claimed or penalized for any material PRC tax incompliance and none of the PRC Entities have violated any PRC tax law, regulation, decrees or rules, except for the violations which do not, individually or in the aggregate, be expected to have a Material Adverse Effect on any of the PRC Entities.

35. Under applicable PRC Laws, no stamp (if the Transaction Documents are not executed within China), registration, documentary or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by or on behalf of the Company, Guarantors or any of the PRC Entities to the relevant PRC tax authority in connection with the execution and delivery by the Company and Guarantors of, and performance by the Company and Guarantors of, their respective obligations under (including the issue of the Securities) or the consummation of other transactions contemplated by, each of the Transaction Documents and the Securities.

36. The application of the net proceeds to be received by the Company from the sale of the Securities as contemplated in the Offering Circulars does not (i) contravene any provision of the PRC Laws, subject to the approvals, registration or filings that may be required by the PRC governmental authority if applicable, or the articles of association or business

license of any PRC Entities or (ii) contravene the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument governed by PRC Laws to which any of the PRC Entities is a party or to which any property of the PRC Entities is the subject, or any judgment, order or decree of any PRC governmental authority applicable to the PRC Entities.

37. On August 8, 2006, six PRC government authorities, namely, Ministry of Commerce (the "MOFCOM"), State Administration for Industry and Commerce, China Securities Regulatory Commission (the "CSRC"), State Administration of Foreign Exchange, the State Assets Supervision and Administration Commission, and the State Administration for Taxation, jointly issued the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors* (the "New M&A Rules"), which became effective on September 8, 2006. The New M&A Rules purport, among other things, to require offshore "special purpose vehicles", that are (1) formed for the purpose of overseas listing of the equity interests of PRC companies via acquisition and (2) are controlled directly or indirectly by PRC companies and/or PRC individuals, to obtain the approval of the CSRC prior to the listing and trading of their securities on overseas stock exchanges. On September 21, 2006, pursuant to the New M&A Rules and other PRC Laws, the CSRC published on its official website relevant guidance with respect to the listing and trading of PRC domestic enterprises' securities on overseas stock exchanges (the "Related Clarifications"), including a list of application materials regarding the listing on overseas stock exchange by special purpose vehicles. Based on our understanding of current PRC Laws, the Parent Guarantor is not required to obtain the approval of CSRC and MOFCOM under the New M&A Rules and the Related Clarifications in connection with the transactions contemplated by the Plan of Merger (the "Merger Agreement") by and among NB Telecom, Inc, the Parent Guarantor, the stockholders of the Parent Guarantor, dated as of December 24, 2008, or the Incentive Option Agreement (the " Option Agreement"), made on May 16, 2008, between Ms. Ellie Qiuyao Piao and Mr. Han Jie, although Mr. Han Jie and other Chinese citizens did not obtain necessary registration from local branch of State Administration of Foreign Exchange in Heilongjiang Province before completion of the transactions contemplated by the Merger Agreement and the Option Agreement (collectively, the "Reverse Merger"). We are not aware of any precedent that either CSRC or MOFCOM required any PRC-based NASDAQ listed company to obtain necessary approvals under the New M&A Rules and the Related Clarifications in connection with their previous reverse merger, reorganization, listing or offering arrangement.

38. None of the PRC Entities or their properties, assets or revenues has any right of immunity, on the ground of sovereignty, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court in the PRC.

39. To the best of our knowledge after due inquiry, the execution, delivery and performance of the Transaction Documents by the Company and the Guarantors and the consummation of the transactions contemplated therein and the compliance by the Company and the Guarantors with their obligations thereunder do not, whether with or without the giving of notice or lapse of time or both, conflict with or constitute a breach of, or default under or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of any of the PRC Entities pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other instrument or agreement governed by the PRC Laws, to which any of the PRC Entities is a party, or as to which any of the property or assets of the PRC Entities is subject, nor does such action result in any violation of the provision of articles of association, business license or certificate of approval (if applicable) of any of the PRC Entities, or any Authorizations or PRC Laws. No consent, approval, authorization or order of any PRC governmental authority,

including without limitation the CSRC, is required, nor is any registration, filing or similar formalities required, for the execution, delivery and performance of the Transaction Documents, the issue, offering, delivery and initial resale of the Securities and the listing of the Securities o ST, the compliance by each of the Company and Guarantors with all of the provisions of the Transaction Documents, as applicable, and the consummation of the other transactions contemplated by each of the Transaction Documents.

40. The choices of law provisions in the Transaction Documents do not contravene in any way any applicable PRC Laws. The submission by the parties to the non-exclusive jurisdiction of the New York Courts, the waiver by the Company and Guarantors of any objection to the venue of a proceeding in a New York Court, the waiver and agreement of the Company not to plead an inconvenient forum, and the agreement of the Company and Guarantors that the Transaction Documents be construed in accordance with and governed by the laws of the State of New York in each case does not contravene in any way any applicable PRC Laws. Any judgment obtained in a foreign court arising out of or in relation to the obligations of the Company and Guarantors under the Transaction Documents would be recognized in PRC courts subject to applicable provisions of the Civil Procedure Law and the General Principles of Civil Law of the PRC relating to the enforceability of judgments rendered by foreign courts as set forth in the Offering Circulars; service of process effected in the manner set forth in the Transaction Documents, insofar as the PRC Laws are concerned, is effective to confer jurisdiction over the Company and Guarantors in the PRC, subject to compliance with relevant civil procedural requirements under the PRC Laws if the service of process is conducted in the PRC.

41. The indemnification and contribution provisions set forth in the Purchase Agreement do not contravene the PRC Laws. Subject to compliance with relevant civil procedural requirements under the PRC Laws, (i) assuming due authorization, execution and delivery by each party thereto, and insofar as matters of the PRC Laws are concerned, the Purchase Agreement is in proper legal form under the PRC Laws for the enforcement thereof against the Company and Guarantors, and (ii) to ensure the legality, validity, enforceability or admissibility in evidence of the Purchase Agreement in the PRC, it is not necessary that any such document he filed or recorded with any PRC governmental authorities or that any stamp or similar tax be paid on or in respect of any such document.

42. Under the EIT Law and its implementation rules, the holders of the Securities who are non-PRC resident enterprises and who do not have an establishment or place of business in the PRC to which relevant income is effectively connected, are not subject to withholding tax, income tax or duties imposed by any governmental authorities in the PRC in respect of (i) any payments, dividends or other distributions made on the Securities from the Company, or (ii) gains made on sale of Securities, unless the Company is recognized by the relevant PRC taxation authorities as a PRC resident enterprise as defined in the EIT Law or relevant income is considered to be income derived from the sources within the PRC.

43. There are no reporting obligations to any PRC governmental authorities under PRC Laws on the holders of the Securities who are not PRC residents.

44. The statements in the General Disclosure Package and the Offering Circulars under "Summary", "Risk Factors", "Our Business" "Our Corporate Structure", "Management's Discussion and Analysis of Financial Condition and Results", "Enforcement of Civil Liabilities", "Taxation" and "Regulation" in each case insofar as such statements purport to constitute summaries of the matters of PRC Laws, fairly reflect the matters purported to be summarized and are true and correct in all material respects; and such statements did

not contain an untrue statement of a material fact, and did not omit to state any material fact necessary to make the statements, in light of the circumstances under which they were made, not misleading.

45. Nothing has come to our attention that leads us to reasonably believe that the General Disclosure Package at the Applicable Time, and as of its issue date and the date hereof, contained or contains, in so far as the PRC Laws are concerned, an untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (it being understood that we have not been requested to and do not make any comment with respect to the financial statements, their footnotes or other financial data contained in the General Disclosure Package or the Offering Circulars).

Our opinion expressed above is subject to the following additional qualifications:

i. Our opinion is subject to the restrictions of (i) any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally (including without limitation all laws relating to fraudulent transfers) and (ii) any judicial or administrative actions affecting creditors' rights generally.

ii. Our opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, social ethics, national security, good faith, fair dealing, and applicable statutes of limitation; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent or coercionary; (iii) judicial discretion with respect to the availability of specific performance, injunctive relief, remedies or defenses, or calculation of damages; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in the PRC.

iii. No independent search, investigation or other verification action has been conducted by us with any governmental authorities for the purpose of issuing our opinion.

iv. Our opinion is limited to the PRC laws and regulations of general application on the date hereof. We have made no investigation of, and do not express or imply any views on, the laws of any country other than the PRC.

v. The PRC laws and regulations referred to herein are laws and regulations publicly available and currently in force on the date hereof and there is no guarantee that any of such laws and regulations, or the interpretation or enforcement thereof, will not be changed, amended or revoked in the future with or without retrospective effect.

vi. This opinion is issued based on our understanding of the current PRC laws and regulations. For matters not explicitly provided under the current PRC laws and regulations, the interpretation, implementation and application of the specific requirements under the PRC laws and regulations are subject to the final discretion of competent PRC legislative, administrative and judicial authorities, which may be different from our opinion.

vii. We may rely, as to matters of fact (but not as to legal conclusions), to the extent reasonable, on certificates and confirmations of PRC government authorities or

responsible officers of the Company and the PRC Entities.

viii. This opinion is intended to be used in the context which is specifically referred to herein.

ix. As used in this opinion, the expression "to our knowledge" or similar language with reference to matters of fact refers to the current actual knowledge of the attorneys of this firm who have worked on matters for the Company and the PRC Entities in connection with the Securities. Except to the extent expressly set forth herein or as we otherwise believe to be necessary to our opinion, we have not undertaken any independent investigation to determine the existence or absence of any fact, and no inference as to our knowledge of the existence or absence of any fact should be drawn from our representation of the Company and the PRC Entities or the rendering of this opinion.

The opinion expressed herein is solely for the benefit of the Company and without our prior written consent, neither our opinion nor this opinion letter may be disclosed to or relied upon by any other person.

This opinion letter is strictly limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressed stated herein. The opinion expressed herein is rendered only as of the date hereof, and we assume no responsibility to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinion expressed herein.

Yours faithfully,

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HAN KUN LAW OFFICES

Schedule A

List of Material Loan Agreements and Material Business Agreements

1.采购合同、产品买卖合同		
合同名称	**合同方**	**合同订立日期**
产品买卖合同	供应方：哈尔滨天成塑料经销有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：长春金恒汽车工业塑料有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：吉林省凤翼科技有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：长春晟涵汽车材料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：沈阳恒益盛塑料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：北京享诺塑料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：天津港保税区华浦国际贸易有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：宁波市科技园区华鼎新材料科技有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：宁波君辉塑胶材料有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：无锡普莱斯化工材料有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日
产品买卖合同	供应方：黑龙江绥嘉铖塑胶经贸有限公司 采购方：黑龙江鑫达企业集团有限公司	2012年12月25日

产品买卖合同	供应方：哈尔滨市润恒塑胶材料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：黑龙江绥嘉铖塑胶经贸有限公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：吉林省龙霖非金属材料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：长春晟涵汽车材料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：沈阳恒益盛塑料有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：沈阳鸿鑫源新材料科技有限公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：北京金畅智科技有限公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：天津港保税区华浦国际贸易有限责任公司 采购方：黑龙江鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：天津德鑫国际贸易有限公司 采购方：四川鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：青岛浦尔森新材料有限公司 采购方：四川鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：无锡百思特塑胶新材料有限公司 采购方：四川鑫达企业集团有限公司	2013年12月25日
产品买卖合同	供应方：宁波义之诚塑料有限公司 采购方：四川鑫达企业集团有限公司	2013年12月25日
2. 财务合同		
合同名称	**合同方**	**合同订立日期**

授信额度协议	被授信人：黑龙江鑫达企业集团有限公司 授信人：中国银行股份有限公司哈尔滨平房支行	2012年06月26日
流动资金借款合同	贷款人：中国银行股份有限公司哈尔滨平房支行 借款人：黑龙江鑫达企业集团有限公司	2013年04月16日
融易达业务申请	申请人：黑龙江鑫达企业集团有限公司 被申请银行：中国银行股份有限公司哈尔滨平房支行	2013年01月14日
融易达业务申请	申请人：黑龙江鑫达企业集团有限公司 被申请银行：中国银行股份有限公司哈尔滨平房支行	2013年02月05日
融易达业务合同	申请人：黑龙江鑫达企业集团有限公司 被申请银行：中国银行股份有限公司哈尔滨平房支行	2012年12月13日
商业汇票承兑协议	承兑申请人：黑龙江鑫达企业集团有限公司 承兑人：中国银行股份有限公司哈尔滨平房支行	2013年01月31日
流动资金借款合同	贷款人：中国银行股份有限公司哈尔滨平房支行 借款人：黑龙江鑫达企业集团有限公司	2013年03月19日
流动资金借款合同	贷款人：中国农业银行哈尔滨西桥支行 借款人：黑龙江鑫达企业集团有限公司	2012年12月24日
流动资金借款合同	贷款人：中国农业银行哈尔滨西桥支行 借款人：黑龙江鑫达企业集团有限公司	2013年1月24日
流动资金借款合同	贷款人：中国农业银行哈尔滨西桥支行 借款人：黑龙江鑫达企业集团有限公司	2013年2月7日
流动资金最高额借款合同	贷款人：交通银行股份有限公司哈尔滨花园支行 借款人：黑龙江鑫达企业集团有限公司	2013年01月5日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顺乡支行 销货方：黑龙江鑫达企业集团有限公司	2012年11月23日

国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2012	年12	月17 日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月 18 日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月22 日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2013	年04	月10 日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2013	年04	月19 日
国内保理业务合同	保理银行：中国工商银行股份有限公司哈尔滨顾乡支行 销货方：黑龙江鑫达企业集团有限公司	2013	年04	月26 日
流动资金贷款协议	贷款人：龙江银行股份有限公司平房支行 借款人：黑龙江鑫达企业集团有限公司	2013	年03	月19 日
保理业务协议	保理银行：龙江银行股份有限公司平房支 行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月19 日
保理业务协议	保理银行：龙江银行股份有限公司平房支 行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月19 日
保理业务协议	保理银行：龙江银行股份有限公司平房支 行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月19 日
保理业务协议	保理银行：龙江银行股份有限公司平房支 行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月19 日
保理业务协议	保理银行：龙江银行股份有限公司平房支 行 销货方：黑龙江鑫达企业集团有限公司	2013	年03	月19 日

流动资金贷款合同	贷款人：中国建设银行股份有限公司哈尔滨香坊支行 借款人：黑龙江鑫达企业集团有限公司	2012 年 12 月 20 日
流动资金贷款合同	贷款人：中国建设银行股份有限公司哈尔滨香坊支行 借款人：黑龙江鑫达企业集团有限公司	2013年
银行承兑协议	承兑人：中国建设银行股份有限公司哈尔滨香坊支行 出票人：黑龙江鑫达企业集团有限公司	2013 年
保证金质押合同	质权人：中国建设银行股份有限公司哈尔滨香坊支行 出质人：黑龙江鑫达企业集团有限公司	2013 年 01 月 25 日

Han Kun Law Offices

Schedule B

List of Lease Agreements

合同名称	租赁标的	合同方	订立日期
房屋租赁合同	中国黑龙江哈尔滨市开发区哈平路集中区大连北路9号的房屋(20499.53 ㎡)	出租方：哈尔滨鑫达高科有限公司 承租方：黑龙江鑫达企业集团有限公司	2012 年 04 月 20 日

Schedule C

List of Intellectual Properties

(1) 拥有以下已经登记/正在申请中的专利:

登记号/申请号	专利名称	权利人	专利类型	申请阶段
200910073402.3	超临界流体快速扩散法合成纳米碳酸钙增强的微晶聚丙烯复合材料	黑龙江鑫达企业集团有限公司	发明	实质审查生效
201010173663.5	一种适合 PEEK 的成型方法	黑龙江鑫达企业集团有限公司	发明	实质审查生效
201010508149.2	一种高耐热 PC/ASA 合金材料及其制备方法	黑龙江鑫达企业集团有限公司	发明	实质审查生效
201010508177.4	一种抗老化、耐黄变、低气味聚丙烯复合材料及其制备方法	黑龙江鑫达企业集团有限公司	发明	实质审查生效
201110094454.6	汽车专用改性聚丙烯非标准情况下的拉伸性能快速检测方法	黑龙江鑫达企业集团有限公司	发明	公开
201110122566.8	一种塑料生产线中央集中控制方法制备工艺	黑龙江鑫达企业集团有限公司	发明	公开
201110158488.7	一种预混筛分系统制备工艺方法	黑龙江鑫达企业集团有限公司	发明	公开
201110158528.8	一种汽车专用改性塑料冲击性能快速检测方法	黑龙江鑫达企业集团有限公司	发明	公开
201110233488.9	塑料生产线高性能均化制备工艺	黑龙江鑫达企业集团有限公司	发明	公开
201110319832.6	一种高韧性聚碳酸酯共混材料及其制备方法	黑龙江鑫达企业集团有限公司	发明	公开
201110399890.4	一种高强度、高耐热玻纤增强聚醚醚酮复合材料及制备方法	黑龙江鑫达企业集团有限公	发明	已受理

登记号/申请号	专利名称	权利人	专利类型	申请阶段
		司		
201210114931.5	一种高强度碳纤维增强聚醚醚酮复合材料及其制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210147444.9	一种耐热易加工的天然纤维增强聚乳酸复合材料制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210201826.5	高性能无卤阻燃 PC/ABS 复合材料及其制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210295154.9	高包封率、释药稳定的聚乳酸溶菌酶药物微球制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210358122.9	一种超疏水微孔高分子薄膜材料的制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210411231.2	石墨烯/聚合物导电复合材料	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210472283.0	一种力学强度增强的聚丙烯动力锂电池隔膜及其制备方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理
201210474211.X	一种多层热压法制备羟基磷灰石/聚乳酸复合材料的方法	黑龙江鑫达企业集团企业技术中心有限公司	发明	已受理

(2)拥有以下软件著作权：

著作权登记号	类型	著作权人	开发完成日期	首次发表日期

鑫达产品应用分析服务软件 V1.0			黑龙江鑫达软件开发有限责任公司		2010 年 12 月 20 日						
	2011SR015889	软件				2011	年	02	月	20	日

Schedule D

List of SAFE Registration

登记人	登记日期
韩杰	2011 年 3 月 31 日
韩杰	2011 年 7 月 21 日
韩杰	2011 年 11 月 14 日

Schedule E

List of Preferential Tax Treatment

纳税人	减免税种类	减免后税率	减免期
黑龙江鑫达企业集团有限公司	企业所得税	15%	2012 年 1 月 1 日– 2012 年 12 月 31 日

EXHIBIT F

Form of Opinion of Shearman & Sterling (HK)

SHERMAN & STERLING

SOLICITORS AND INTERNATIONAL LAWYERS

12TH FLOOR GLOUCESTER TOWER | THE LANDMARK | 15 QUEEN'S ROAD CENTRAL | HONG KONG

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Date: [●], 2014

PRIVATE AND CONFIDENTIAL

To the Persons listed in Schedule A to this letter

Re: Xinda Holding (HK) Company Limited Dear Sirs:

1. We have acted as Hong Kong legal advisers to China XD Plastics Company Limited (as the parent guarantor) ("China XD"), Xinda Holding (HK) Company Limited (as the subsidiary guarantor) ("Xinda HK", together with China XD, the "Guarantors"), and Favor Sea Limited (as the issuer) ("Favor Sea") in connection with the issue of US$ [●] [●]% senior notes due [●] (the "Notes") issued by Favor Sea and unconditionally and irrevocably guaranteed by the Guarantors. The Notes are to be sold to the initial purchasers (the "Initial Purchasers") listed on Schedule A to the Purchase Agreement (as defined below) pursuant to a purchase agreement, dated [●], 2014, (the "Purchase Agreement") entered into by and among Favor Sea, the Guarantors, Morgan Stanley & Co. International plc ("Morgan Stanley"), UBS AG, Hong Kong Branch ("UBS") and The Hongkong and Shanghai Banking Corporation Limited ("HSBC" and together with Morgan Stanley and UBS, the "Joint Global Coordinators" and the "Representatives," acting as Representatives of the Initial Purchasers). We are providing this opinion to you pursuant to Section 8(g) of the

Purchase Agreement.

2. Except as otherwise indicated, capitalized terms used but not otherwise defined in this opinion shall have the same meanings as defined in the Purchase Agreement.

DOCUMENTS EXAMINED AND SEARCHES

3. For the purposes of giving this opinion, we have examined and relied upon copies, photocopies or copies received by fax or by electronic means, or originals if so expressly stated, of the following documents:

(a) the certificate of incorporation of Xinda HK dated May 27, 2008;

(b) the executed Purchase Agreement;

(c) an indenture (the "Indenture"), dated **[●]**, 2014, entered into by and among the Guarantors, Favor Sea (as issuer), [Citicorp International Limited (as trustee), Citicorp International Limited (as collateral agent) (in such capacity, the "Collateral Agent"), Citibank, N.A., London Branch (as paying agent) and Citigroup Global Markets Deutschland AG (as registrar)] in relation to the Notes;

(d) the global notes representing the Notes;

(e) the guarantee (the "Guarantee") annexed to the global notes which terms are set forth in the Indenture;

(f) the share pledge agreement given by Favor Sea in favor of the Collateral Agent dated **[●]** (the "Share Pledge");

(g) the memorandum and articles of association of Xinda HK dated May 21, 2008 (the "Memorandum and Articles of Association");

(h) the board minutes of Xinda HK dated **[●]**, 2014 (the "Board Minutes"), approving and authorizing, among other things, the execution, delivery of the Relevant Documents (as defined below) to which it is a party and the performance by it of the transactions contemplated therein;

(i) the shareholders' resolutions of Xinda HK dated **[●]**, 2014 (the "Shareholders' Resolutions") approving and authorizing, among other things, the execution, delivery of the Relevant Documents to which it is a party and the performance by it of the transactions contemplated therein;

(j) the results of a search conducted by Target On-Line Financial Limited on **[●]**, 2014 of the public records of Xinda HK on file and available for inspection by the public at the Hong Kong Companies Registry (the "Companies Registry");

(k) the results of a search conducted by Target On-Line Financial Limited on **[●]**, 2014 on the cause book of the Registry of the High Court of Hong Kong (in respect of all matters which Xinda HK is a party);

(l) the results of a search conducted by Target On-Line Financial Limited on **[●]**, 2014 on the cause book of the Registry of the District Court of Hong Kong (in respect of all matters which Xinda HK is a party);

(m) the results of a search conducted by Target On-Line Financial Limited on **[●]**, 2014 at the Official Receiver's Office in Hong Kong (in respect of all matters against Xinda HK); and

(n) the preliminary offering memorandum dated November 14, 2014, together with a pricing term sheet dated **[●]**, 2014, and a final offering memorandum dated **[●]**, 2014 (collectively the "Offering Memoranda") in relation to the issuance of the Notes

The documents numbered (b) to (f) are collectively referred to as the "Relevant Documents", and documents numbered (j) to (m) are collectively referred to as the "Searches".

4. Except for the above documents listed in paragraph 3 above, we have not, for the purposes of this opinion, examined any contracts or other documents entered into by or affecting any party to the Relevant Documents or any corporate records of any party. We have not made any other enquiries or searches concerning any party (whether within Shearman & Sterling or otherwise), except as expressly mentioned in this opinion.

SCOPE OF OPINION

5. This opinion is confined solely to matters of the laws of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") as at the date of this opinion. For the purposes of this opinion, we have made no independent investigation of, and express or imply no opinion with respect to, the laws of any other jurisdiction, or the statutes, administrative decisions, rules, regulations or requirements of any county, municipality, subdivision or local authority of any jurisdiction.

6. This opinion is to be governed by and construed in accordance with Hong Kong law as at the date of this opinion. We assume no obligation to update or supplement this

opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws.

7. The opinions given in this opinion are strictly limited to the matters stated in paragraph 9 (Opinion) and do not extend to any other matters. Furthermore, we express no opinion as to whether a foreign court (applying its own conflicts rules) will act in accordance with parties' agreement as to jurisdiction and/or choice of law.

ASSUMPTIONS

8. In rendering this opinion, we have assumed (without making any investigation or further enquiry) that:

(a) all documents delivered to us (whether as originals or copies) are authentic, complete and up-to-date, and all signatures, seals and markings on them are genuine;

(b) no amendments (manuscript or otherwise) have been or will be made to the Relevant Documents and the Offering Memoranda;

(c) the Memorandum and Articles of Association which we examined are those now in force;

(d) the Board Minutes and the Shareholders' Resolutions which we examined have not been amended or rescinded and remain valid and each director of the parties to the Relevant Documents has disclosed any interest which he or she may have in the transactions contemplated by or in the Relevant Documents and no such director has any such interest except to the extent permitted under applicable laws and the board meeting and the shareholders' meeting of Xinda HK are properly constituted in accordance with the Memorandum and Articles of Association;

(e) each of the parties to the Relevant Documents (other than Xinda HK, on which we specifically express an opinion) has been duly incorporated, and is validly existing, if applicable, under its respective applicable laws;

(f) each of the parties to the Relevant Documents (other than Xinda HK, on which we specifically express an opinion solely based on the Searches) has not passed a resolution for its voluntary winding up and no petition has been presented, nor order made by any court, for the winding-up or bankruptcy of any such party; no receiver, manager, administrative receiver, administrator or similar officer has been appointed (nor any notice of intention to appoint any such person been given to or filed with any person or court) in relation to such party or any of its assets; such party has not entered into any voluntary

arrangement with its creditors (or any class of creditors) nor has there been any filing at court of any documentation requesting or pertaining to the grant of any moratorium in connection with or prior to any voluntary arrangement;

(g) each of the Parties to the Relevant Documents (other than Xinda HK, on which we specifically express an opinion) has the capacity, power, authority and legal right to enter into, execute and deliver the Relevant Documents and perform its obligations therein;

(h) each of the parties to the Relevant Documents (other than Xinda HK, on which we specifically express an opinion) has the capacity, power and authority to execute, deliver and perform their respective obligations under the Relevant Documents, and has taken all necessary actions to authorize the execution and delivery of the Relevant Documents and the performance of its obligations therein, and such authorization has not been amended or revoked and remains valid;

(i) each of the Relevant Documents has been executed and delivered by each of the parties (other than Xinda HK in relation to its due authorization, execution and delivery of the Relevant Documents to which it is a party under Hong Kong law on which we specifically express an opinion) to it in accordance with all applicable laws;

(j) each of the Relevant Documents constitutes legal, valid and binding obligations of each of the parties thereto, which will be enforceable under all applicable laws (other than Hong Kong law, on which we specifically express an opinion);

(k) there is no bad faith, or intention to use bad faith, fraud, undue influence, coercion or duress on the part of any party to the Relevant Documents or its respective directors, employees, agents or advisors;

(l) each of the Relevant Documents has been entered into for *bona fide* reasons on arm's length and commercial terms, and none of the parties is or will be seeking to achieve any purposes which are not apparent from the Relevant Documents and may render such documents illegal or void;

(m) the execution and delivery of each of the Relevant Documents by the parties to it and the performance of their obligations therein are sufficiently to the benefit and in the interests of such parties;

(n) the opinion that there is no contravention of the provisions of Section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") by the issue and possession for the purpose of issue of the

Offering Memoranda relating to the Notes in Hong Kong is based on the assumption that only "professional investors" within the meaning of Section 1 of Part 1 of Schedule 1 to the SFO and the Securities and Futures (Professional Investor) Rules were approached in relation to the issuance and offer of the Notes and that all placees of the Notes are "professional investors" within such definition;

(o) the choice of New York law to govern the Relevant Documents was freely made in good faith by the respective parties thereto and for bona fide reasons and there is no reason for avoiding the same on the grounds of public policy. For a choice to be bona fide, it must be genuine, not capricious and not a mere pretence;

(p) all statements of fact (including all relevant representations and warranties) contained in the Relevant Documents are, when made or repeated or deemed to be made or repeated, true, accurate and complete and that any representation or warranty made by any party to the Relevant Documents that it is not aware of or has no notice or knowledge of any act, matter, thing or circumstance means that the same does not exist or has not occurred;

(q) there are no dealings or arrangements between any of the parties to the Relevant Documents which affect any of the terms of the Relevant Documents but were not disclosed to us;

(r) apart from the Relevant Documents, there are no contractual or other similar restrictions (including restrictions under the Memorandum and Articles of Association or equivalent document of each of the parties (other than Xinda HK, on which we specifically express an opinion) to the Relevant Documents) which would affect the opinions herein;

(s) there are no laws, rules, regulations or requirements of any jurisdiction outside Hong Kong which will render the execution, delivery or performance of the Relevant Documents illegal or ineffective and that, insofar as any obligation under the Relevant Documents is performed in, or is otherwise subject to, any jurisdiction other than Hong Kong, its performance will not be illegal or ineffective by virtue of the laws of that jurisdiction;

(t) none of the opinions expressed in this opinion will be affected by any laws (including those relating to public policy) of any jurisdiction outside Hong Kong;

(u) none of the parties to the Relevant Documents is entitled to any sovereign immunity from the jurisdiction of the courts of Hong Kong;

(v) Xinda HK or any of its respective properties, assets or revenues are not entitled to any right of immunity on the grounds of sovereignty from any legal action or proceeding, set-off or counterclaim or from the jurisdiction of any court, or the service of process or from attachment prior to or in aid of execution of judgment or from any other legal process or proceeding for the giving of any relief or the enforcement of any judgment under the laws of the PRC;

(w) the completeness and accuracy in all respects of the information disclosed in the Searches relating to Xinda HK and the information entered or contained in or on the relevant registers and/or cause books has not, since the date on which the results of such Searches were obtained, been altered or added to and such Searches did not fail to disclose any information which has been delivered for filing but which did not appear on the public file and was not disclosed at the time of the relevant Searches; and

(x) Favor Sea is not a non-Hong Kong company that is required to be registered with the Hong Kong Companies Registry under Part XI of the Companies Ordinance (Cap 32 of Laws of Hong Kong) (the "Companies Ordinance").

OPINION

9. On the basis of the above assumptions and subject to the qualifications and observations set out in this opinion, we are of the opinion that, as a matter of Hong Kong law in force as at the date of this opinion:

(a) Xinda HK is a company limited by shares duly incorporated, registered and validly existing under Hong Kong law and is not in liquidation and has legal capacity to sue and be sued in a court of law in Hong Kong;

(b) Xinda HK has the power under the Memorandum and Articles of Association to own assets and conduct its business as described in each of the Offering Memoranda;

(c) Xinda HK has (i) the capacity, power, authority and legal right to enter into, execute and deliver the Relevant Documents and perform its obligations therein (including the issuance of the Guarantee), and (ii) taken all necessary actions to authorize such execution, delivery and performance;

(d) each of the Relevant Documents to which Xinda HK is a party has been duly authorized, executed and delivered by Xinda HK under Hong Kong law;

(e) the execution and delivery of the Relevant Documents by Xinda HK and the performance by Xinda HK of its obligations therein will not conflict with or

result in (i) a violation of any of the provisions of the Memorandum and Articles of Association or (ii) any Hong Kong law or regulation or any order or decree of any governmental authority or agency or any official body in Hong Kong applicable to Hong Kong incorporated companies generally;

(f) the execution and delivery of the Share Pledge by Favor Sea and the performance by Favor Sea of its obligations therein will not conflict with or result in a violation of any Hong Kong law or regulation or any order or decree known to us of any governmental authority or agency or any official body in Hong Kong;

(g) under Hong Kong law, there are no consents, licenses, approvals, authorizations, filing or registration with or orders required by Xinda HK from any court, governmental or other regulatory authorities or agencies in Hong Kong in connection with the Guarantee or its execution, delivery and performance of the Relevant Documents to which Xinda HK is a party (including the issuance of the Guarantee), and no filing or registration of the Relevant Documents or the Offering Memoranda with any court, governmental or other regulatory authority or agency in Hong Kong is required under Hong Kong law to ensure their validity, enforceability or admissibility into evidence (other than court filings in the ordinary course of proceedings);

(h) under Hong Kong law, there are no consents, licenses, approvals, authorizations, filing or registration with or orders required by Favor Sea from any court, governmental or other regulatory authorities or agencies in Hong Kong in connection with its execution, delivery and performance of the Share Pledge, and no filing or registration of the Share Pledge with any court, governmental or other regulatory authority or agency in Hong Kong is required under Hong Kong law to ensure its validity, enforceability or admissibility into evidence (other than court filings in the ordinary course of proceedings);

(i) based on the Searches, Xinda HK was not, since May 27, 2008 (being its date of incorporation) and as at **[●]**, 2014, a party to any High Court action and District Court action commenced in Hong Kong, and there are no records of any petition for winding-up of Xinda HK, no record or any order or resolution for the winding up of Xinda HK or any notice or petition for the appointment of a receiver of Xinda HK or its assets or properties in Hong Kong;

(j) based on the Searches, there are no charges over assets of Xinda HK [other than the **[●]** charges dated **[●]** which were registered with the Companies Registry and were released on **[●]**];

(k) the obligations of Xinda HK under the Relevant Documents to which it is a

party constitute direct, unconditional, unsubordinated obligations of Xinda HK and will rank pari passu with all other unsecured and unsubordinated obligations of Xinda HK, save for such obligations as may be preferred by mandatory provisions of applicable law, including but not limited to those preferential debts listed in Section 265 of the Companies Ordinance;

(l) the Share Pledge will constitute valid, legally binding and enforceable obligations of Favor Sea under the laws of Hong Kong;

(m) the Share Pledge creates a valid security interest under the laws of Hong Kong in favor of the Collateral Agent over the assets expressed in the Share Charge to be subject to a security interest;

(n) the choice of Hong Kong law as the governing law of the Share Pledge is a valid choice of law and would be recognized and applied by a Hong Kong court of competent jurisdiction;

(o) save for any stamp duty as may be payable in respect of any transfer of shares in Xinda HK under the Share Pledge, no stamp duty or similar tax is payable in Hong Kong in connection with the giving of the Guarantee by Xinda HK, the issue of the Notes or the execution and delivery of, or performance by or enforcement by, any of the parties to the Relevant Documents or to ensure the legality, validity, binding effect and admissibility into evidence in Hong Kong of the Relevant Documents;

(p) all payments by each of Xinda HK and Favor Sea under the Relevant Documents to which it is a party may be made free and clear of and without withholding or deduction for or on account of any taxes imposed by or on behalf of any relevant authority in Hong Kong;

(q) the issue, or possession for the purposes of issue, whether in Hong Kong or elsewhere, of an advertisement, invitation or document relating to the Notes will not contravene the provisions of Section 103 of the SFO provided that (i) such advertisement, invitation or document is not, or does not contain, an invitation to the public or (ii) such issue or possession for the purposes of issue, is made by or on behalf of an intermediary licensed or registered for Type 1, Type 4 or Type 6 regulated activity (as such terms are defined in the SFO) (whether acting as principal or as agent) or (iii) the Notes are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder or (iv) such issue or possession for the purposes of issue, is otherwise permitted under the securities laws of Hong Kong;

(r) neither the Offering Memoranda nor other documents in respect of the issue of

the Notes is a prospectus to which the requirements of the Companies Ordinance apply, provided that offers and sales of the Notes in Hong Kong by means of any document are made only (i) to "professional investors" as defined in the SFO and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance;

(s) the statements in the Offering Memoranda (set out in Schedule B of this opinion) under the captions "Plan of Distribution – Selling Restrictions – Hong Kong," "Enforcement of Civil Liabilities" and "Limitations on Validity and Enforceability of the Guarantees and the Collateral" insofar as such statements constitute a summary of Hong Kong legal matters are true and accurate in all material respects;

(t) the courts of Hong Kong will recognize and give effect to the choice of New York law as the governing law of the Relevant Documents (other than the Share Pledge) and the provisions for the submission by Xinda HK to the jurisdiction of the courts of New York in the Relevant Documents to which it is a party are valid and binding and do not contravene any laws of Hong Kong;

(u) as the United States of America is not a country within the scope of the Foreign Judgments (Reciprocal Enforcement) Ordinance (Cap. 319 of the Laws of Hong Kong), a judgment obtained in the State of New York cannot be enforced by registration for enforcement within Hong Kong. A judgment obtained in a court in the State of New York may form the basis of a cause of action within the jurisdiction of the High Court of Hong Kong by an action or counterclaim for the amount due under it;

(v) under the laws of Hong Kong, Xinda HK (including its respective properties, assets or reserves to the extent located in Hong Kong) is not entitled to any immunity on the grounds of sovereignty from any Hong Kong legal action, suit or proceeding, from set-off or counterclaim being claimed in proceedings in Hong Kong, from the jurisdiction of the Hong Kong courts, from services of process, from attachment prior to or in aid of execution of judgment in Hong Kong, or from other legal process or proceeding for the giving of any relief or for the enforcement of any judgment in Hong Kong. [The irrevocable and unconditional waiver and agreement of Xinda HK Section **[●]** of the Indenture not to plead or claim any such immunity in any legal action, suit or proceeding against them under the Purchase Agreement or the Notes, is valid and binding under the laws of Hong Kong;]

(w) no deduction or withholding for or on account of Hong Kong taxes will be required to be made by the Initial Purchasers to any tax authority in Hong Kong from any payment due from them in connection with (i) the issue, sale and delivery by Xinda HK of the Notes to, or for the account of, such Initial Purchasers; or (ii) the sale and delivery by such Initial Purchasers of the Notes to any subsequent purchasers thereof;

QUALIFICATIONS

10. Our opinion is subject to the following qualifications:

(a) save as expressed in paragraphs 9(j) and 9(t) we express no opinion on the provisions of the Relevant Documents as well as any non-contractual obligations arising out of or in connection therewith which are governed under New York law;

(b) the opinion that Xinda HK is a company limited by shares duly incorporated under Hong Kong law, that it is not subject to any High Court action and District Court action commenced in Hong Kong between [●] and [●], 2014 and is not in liquidation is based on the assumptions set out in this opinion and otherwise solely upon our examination of the results of the Searches. It should be noted that (i) forms and notifications submitted to the Companies Registry do not immediately appear in the public records which are available for inspection at the Companies Registry, (ii) a search at the Companies Registry alone is not capable of revealing whether or not a winding-up petition or a petition for the making of an administration order has been presented, (iii) filings and submissions submitted to the Registry of the High Court and District Court of Hong Kong do not immediately appear in the cause book of the Registry of the High Court of Hong Kong and the Registry of the District Court of Hong Kong, and (iv) forms and notifications, in particular, notice of a winding-up order or resolution, notice of an administration order and notice of the appointment of a receiver may not be filed at the Official Receiver's Office in Hong Kong immediately and there may be a delay in the relevant notice appearing on the file of the company concerned;

(c) any guarantee and/or indemnity provisions of the Relevant Documents (i) are subject to principles of Hong Kong laws that may operate to exonerate, discharge, reduce or extinguish the liabilities of a guarantor or indemnifying party notwithstanding the express terms of such guarantees or indemnities; and (ii) intended to prevent Xinda HK from being exonerated or discharged from its obligations thereunder, or its liabilities being reduced or extinguished, by reason of the occurrence of events or the conduct or action of any parties, may not be enforceable in all instances, as the Hong Kong courts construe guarantees and indemnities strictly and the ability to rely on protective

language in any particular situation will depend on the facts and the circumstances applicable to such situation;

(d) the term "enforceable" as used in this opinion means that the obligations assumed by Xinda HK under the Relevant Documents are of a type and form that the Hong Kong courts would ordinarily enforce. This opinion is not to be taken to imply that any obligation under the Relevant Documents would necessarily be capable of enforcement in all circumstances in accordance with its terms or that the Hong Kong courts would necessarily grant any remedy. It does not address the extent to which a judgment obtained in a court outside Hong Kong will be enforceable in Hong Kong;

(e) the enforceability of the Relevant Documents may be subject to (i) statues of limitation, lapses of time and laws relating to bankruptcy, insolvency, liquidation, administration, arrangement, moratorium or re-organization or other laws relating to or affecting generally the enforcement of the rights of creditors, (ii) the fact that claims may be time-barred or subject to defences of set-off or counterclaim, and (iii) public policy considerations, statutes or court decisions that may limit the rights of a party to obtain indemnification against such party's own negligence, willful misconduct, unlawful conduct or violations of laws, rules or regulations or to exculpate any persons for breaches of any statutory duty or intentional harm;

(f) the enforceability of the Relevant Documents may be limited by general principles of equity, including, without limitations, concepts of materiality, reasonableness, good faith and fair dealing and by possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights; in addition, equitable remedies, such as injunction and specific performance, are discretionary and may not be awarded by the Hong Kong courts, particularly in situations where damages are considered to be an adequate and appropriate remedy. This is so regardless of whether the case is considered in a proceeding in equity or law;

(g) if each of China XD, Xinda HK and Favor Sea is not a separate legal and independent entity undertaking commercial activities independent from the PRC Government and as such, each of China XD, Xinda HK and Favor Sea does not enjoy powers of independent management and freedom from interference, with ownership of assets and the capacity independently to assume civil liabilities, then China XD, Xinda HK and Favor Sea and their assets may be entitled to sovereign or other immunity in the courts of Hong Kong. In such circumstances, Hong Kong courts will not have jurisdiction, and prosecution or enforcement may not be taken in the Hong Kong courts against any of China XD, Xinda HK and Favor Sea and any of their assets. In addition, any representation or undertaking given by them in the Relevant

Documents not to claim and to waive any sovereign or other immunity or not being entitled to make such claim or waiver may not be enforceable in the courts of Hong Kong;

(h) the obligations to make any payments of default or additional interest and other default or additional amounts under the Relevant Documents may not be enforceable if the Hong Kong courts holds that such a payment constitutes a penalty and not a genuine and reasonable pre-estimate of the loss likely to be suffered as a result of the default in such payments. We express no opinion on whether any such payments constitute a genuine and reasonable pre-estimate;

(i) the Hong Kong courts may decline to accept jurisdiction under the Relevant Documents if concurrent proceedings are pending elsewhere or if it decides that another jurisdiction is a more appropriate forum;

(j) the Hong Kong courts may decline to give effect to any of the undertakings to pay costs made by each of the parties under the Relevant Documents, and may not award, by way of costs, all of the expenditure incurred by a successful litigant in proceedings brought before such courts;

(k) the Hong Kong courts may decline to give effect to any provision of the Relevant Documents which provides that in the event of any invalidity, illegality or unenforceability of any provision of any such document, the remaining provisions thereof shall not be affected or impaired, particularly if doing so would (i) be contrary to public policy, or (ii) involve the making of a new contract for the parties;

(l) the Hong Kong courts may give a judgment in a currency other than Hong Kong dollars if, subject to the terms of the contract, it is the currency which most fairly expresses the plaintiff's loss, but such judgments may be required to be converted into Hong Kong dollars or any other currencies for enforcement purposes;

(m) where the sum payable under a judgment, which is to be registered in Hong Kong, is expressed in a currency other than Hong Kong dollars, the judgment will be registered as if it were a judgment for such sum expressed in Hong Kong dollars converted at the rate of exchange prevailing at the date of registration;

(n) notwithstanding the provisions of the Relevant Documents, a determination, designation, calculation or certificate of any party as to any matter provided for in the Relevant Documents might, in certain circumstances, be held by the Hong Kong courts not to be final, conclusive and binding;

(o) under the rules of procedure applicable to proceedings in a Hong Kong court, a Hong Kong court may, at its discretion, order a plaintiff in an action, being (i) a party who is not ordinarily resident in Hong Kong, or (ii) a limited company to whom it appears may not be able to pay an award of costs against it, to provide security for costs;

(p) we express no opinion on the accuracy or completeness of any representations, warranties, conditions or statements of fact set out in the Relevant Documents and the Offering Memoranda, which representations, warranties, conditions or statements we have not independently verified; and

(q) the choice of New York law in the Relevant Documents would not be recognized or upheld if there were reasons for avoiding the choice of law on the grounds that its application would be contrary to public policy or it was not made freely for *bona fide* reasons. The choice of New York law would not be upheld, for example, if it were made with the intention of evading the law of the jurisdiction with which the contract had its most substantial connection and which, in the absence of New York law, would have invalidated the contract or been inconsistent with it and the Hong Kong court's enforcement of any judgment from the New York court is subject to common law principles, specifically, the conditions that such judgment be final and conclusive and be for a definite monetary sum.

OBSERVATIONS

11. We would like to make the following observations:

(a) on July 1, 1997, Hong Kong became the Hong Kong Special Administrative Region of the People's Republic of China. On April 4, 1990, the National People's Congress of the People's Republic of China (the " NPC") adopted the Basic Law. Under Article 8 of the Basic Law, the laws of Hong Kong in force at June 30, 1997 (that is, the common law, rules of equity, ordinances, subsidiary legislation and customary law) shall be maintained, except for any that contravene the Basic Law and subject to any amendment by the legislature of Hong Kong. Under Article 160 of the Basic Law, the laws of Hong Kong in force at June 30, 1997 are to be adopted as laws of Hong Kong unless they are declared by the Standing Committee of the NPC (the " Standing Committee") to be in contravention of the Basic Law and, if any laws are later discovered to be in contravention of the Basic Law, they shall be amended or cease to have force in accordance with the procedures prescribed by the Basic Law; and

(b) under paragraph 1 of the Decision of the Standing Committee of the National People's Congress on the Treatment of the Laws Previously in Force in Hong

Kong in Accordance with Article 160 of the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the " Decision") taken on February 23, 1997, the Standing Committee decided that the "laws previously in force in Hong Kong, which include the common law, rules of equity, ordinances, subsidiary legislation and customary law, except for those which contravene the Basic Law, are to be adopted as the laws of the Hong Kong Special Administrative Region". Under paragraph 2 of the Decision, the Standing Committee decided that the ordinances and subsidiary legislation set out in Annex I to the Decision "which are in contravention of the Basic Law" are not to be adopted as the laws of Hong Kong. One of the ordinances set out in that Annex is the Application of English Law Ordinance (Cap. 88 of the Laws of Hong Kong) (the "English Law Ordinance"). The English Law Ordinance applied the common law and rules of equity of England to Hong Kong. We have assumed in giving this opinion that the effect of paragraph 2 of the Decision, insofar as it relates to the English Law Ordinance, was to repeal the English Law Ordinance prospectively and that the common law and rules of equity of England which applied in Hong Kong on June 30, 1997 continue to apply, subject to their subsequent independent development which will rest primarily with the courts of Hong Kong which are empowered by the Basic Law to refer to precedents of other common law jurisdictions when adjudicating cases. The judgment of the Court of Appeal of the High Court in HKSAR v. Ma Wai Kwan David and Others, Res No.1 of 1997 supports this assumption that the common law and rules of equity of England which applied to Hong Kong on June 30, 1997 continue to apply to Hong Kong.

BENEFIT OF OPINION

12. This opinion is addressed to you and may be relied upon by you only in connection with the Relevant Documents. It may not be used, disclosed or relied upon by you for any other purpose or by any other person, nor may copies be delivered to any other person, nor is it to be quoted or referred to in any public document or filed with any government agency or other person without in each instance our prior written consent. This opinion may, however, with our further written consent, be used and, if necessary, furnished, where it is reasonable to do so and without prior notice to us (to the extent notice is impracticable) (i) for the purpose of responding to requests to review the opinion by governmental, regulatory or judicial authorities having competent jurisdiction over the Joint Global Coordinators, the Representatives or the Initial Purchasers and (ii) in connection with the defense of any legal or regulatory proceeding or investigation arising out of the offer and sale of the Notes. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Yours faithfully

Shearman & Sterling

Schedule A

UBS AG, Hong Kong Branch
Morgan Stanley & Co. International plc
The Hongkong and Shanghai Banking Corporation Limited

Schedule B

Below sets out the extracts of the relevant sections in the Offering Memoranda referred to in paragraph 9(s) of the opinion:

PLAN OF DISTRIBUTION – SELLING RESTRICTIONS – HONG KONG

This offering circular has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering circular may not be issued, circulated or distributed in Hong Kong. A copy of this offering circular may, however, be issued to a limited number of prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to ''professional investors'' within the meaning of the Securities and Futures Ordinance (Cap. 571. Laws of Hong Kong) and any rules made thereunder.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of the British Virgin Islands and the Subsidiary Guarantor is organized under the laws of Hong Kong. Substantially all of our directors and officers reside outside the United States and all or a substantial portion of their assets and substantially all of our and our Subsidiary Guarantor's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them, in the United States, judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws or other laws of the United States, or any state or territory within the United States.

We have been advised by our Hong Kong legal adviser, Shearman & Sterling, that there is no legislation stipulating that there can be reciprocal enforcement of judgments between Hong Kong and the United States in Hong Kong. However, some judgments from a United States court can be enforced in Hong Kong by way of common law. Thus, there is doubt as to the enforceability in Hong Kong of a judgment obtained from a United States court.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE COLLATERAL

We have been advised by our Hong Kong legal adviser, Shearman & Sterling, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicate upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign court is a court of competent jurisdiction, the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits.

EXHIBIT G

Form of Opinion of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP

November [ ], 2013

To [ ] Ladies and Gentlemen:

We have acted as special counsel to Xinda Holding (HK) US Sub Inc., a New York corporation (the "Company"), in connection with rendering the opinion set forth herein.

In our capacity as special counsel to the Company, we have examined, among other things, originals, or copies identified to our satisfaction as being true copies, of the following:

1. The Certificate of Incorporation of the Company;

2. The certificate dated as of the date hereof executed by or on behalf of the Company (the "Opinion Certificate"); and

3. The Certificate of Good Standing of the Company dated as of November [ ], 2013 issued by the Secretary of State of the State of New York (the "Good Standing Certificate").

In rendering this opinion we have relied, without independent investigation, solely upon the representations and warranties of the Company as to matters of fact contained in the documents and certificates provided to us by the Company referred to in items 1 through 3 of the foregoing paragraph and specifically identified to you, and we are not aware of any reason why we are not justified in so relying. We have assumed the accuracy of all copies provided to us and the genuineness of all signatures on all relevant documents. We also have obtained and relied upon such certificates from public officials and from the Company as we considered necessary for the purpose of rendering this opinion.

This opinion relates solely to the corporate laws of the State of New York, and we express no opinion with respect to the effect or applicability of the laws in other areas or of other jurisdictions.

On the basis of our examination and in reliance thereon and on our consideration of such other matters of fact and questions of law as we consider relevant in the circumstances, we are of the opinion that, based solely upon the Good Standing Certificate, the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New York.

* * *

This opinion is rendered as of the date first written above solely for your benefit and may not be relied on by, nor may copies be delivered to, any other person without our prior written consent. Our opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company. We assume no obligation to inform you of any facts, circumstances, events or changes in the law that may hereafter be brought to our attention that may alter, affect or modify the opinions expressed herein.

GUNDERSON DETTMER STOUGH
VILLENEUVE FRANKLIN & HACHIGIAN, LLP

Exhibit 4.14

EXECUTION VERSION

FAVOR SEA LIMITED

as Issuer

CHINA XD PLASTICS COMPANY LTD.

as Parent Guarantor and

THE OTHER GUARANTORS NAMED HEREIN

and

CITICORP INTERNATIONAL LIMITED
as Trustee and as Collateral Agent

Indenture

Dated as of February 4, 2014

US$150,000,000

11.75% Guaranteed Senior Notes Due 2019

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INDENTURE (the "**Indenture**"), dated as of February 4, 2014, among Favor Sea Limited, a company incorporated with limited liability under the laws of the British Virgin Islands (the "**Company**"), China XD Plastics Company Ltd., a company incorporated in the State of Nevada, United States (the "**Parent Guarantor**"), Xinda Holding (HK) Company Limited, a company incorporated in Hong Kong (the "**Subsidiary Guarantor**", and together with the Parent Guarantor, the "**Guarantors**") and Citicorp International Limited, as Trustee and as Collateral Agent.

RECITALS

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of up to US$150,000,000 aggregate principal amount of the Company's 11.75% Guaranteed Senior Notes Due 2019 and, if and when issued, any Additional Notes as provided herein (the "**Notes**"). All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done, and the Company has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of the Company as hereinafter provided.

WHEREAS, the Guarantors party hereto have duly authorized the execution and delivery of this Indenture as guarantors of the Notes. All things necessary to make this Indenture a valid agreement of each Guarantor, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the Guarantees, when the Notes are executed by the Company and authenticated and delivered by the Trustee and duly issued by the Company, the valid obligations of such Guarantor as hereinafter provided.

THIS INDENTURE WITNESSETH

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 Definitions.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, in each case, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary or such acquisition.

"**Additional Amounts**" has the meaning set forth in Section 4.21.

"**Additional Notes**" has the meaning set forth in Section 2.09.

"**Adjusted Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Affiliate Transaction**" has the meaning set forth in Section 4.15.

"**Amended and Restated Series D Certificate** " means the Amended and Restated Certificate of Designation, Preferences and Rights of Series D Junior Convertible Preferred Stock of China XD Plastics Company Limited dated January 24, 2014.

"**Affiliate Transaction**" has the meaning set forth in Section 4.15.

"**Agent**" means any Collateral Agent, Registrar, Paying Agent, Authenticating Agent or Intercreditor Agent (if any).

"**Agent Members**" has the meaning set forth in Section 2.06.

"**Applicable Premium**" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at February 4, 2017 (such redemption price being described in Section 3.02(a) exclusive of accrued interest), plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through February 4, 2017, computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"**Asset Acquisition**" means (1) an Investment by the Parent Guarantor or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any Restricted Subsidiary; or (2) an acquisition by the Parent Guarantor or any Restricted Subsidiary of the property and assets of any Person other than the Parent Guarantor or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Parent Guarantor or any Restricted Subsidiary (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shal not include:

(1) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) the making of any Permitted Investment or Restricted Payment permitted to be made, and is made, under Section 4.07;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by Section 5.01(a) or that constitutes a Change of Control under this Indenture; and

(7) a sale, transfer or other disposition to the Parent Guarantor or a Restricted Subsidiary, including, without limitation, an issuance or sale by the Parent Guarantor or a Restricted Subsidiary of any Capital Stock of a Restricted Subsidiary to the Parent Guarantor or to another Restricted Subsidiary.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction (including any period for which such lease has been extended), determined in accordance with GAAP.

"**Authenticating Agent**" refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

"**Authorization Certificate**" has the meaning set forth in Section 2.02.

"**Authorized Officer**" means, with respect to the Company or a Guarantor, any one officer or director, who, in each case, is authorized to represent the Company or such Guarantor, as the case may be, in each case as evidenced to the Trustee in an Authorization Certificate.

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Bank Deposit Secured Indebtedness**" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to in effect exchange foreign currency into Renminbi or vice versa.

"**Board of Directors**" means the board of directors of the Parent Guarantor or the Company, as the case may be, to manage the business of the Parent Guarantor or the Company, as applicable, or (other than for purposes of determining Change of Control) any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized or required by law or governmental regulation to close.

"**Capital Stock**" means, with respect to any Person, any and al shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock but excluding debt securities convertible into such equity.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**Certificated Notes**" means the Notes, in certificated, registered form, executed and delivered by the Company (and the Guarantors) and authenticated by the Trustee in exchange for the Global Notes, (1) in the event that the Depositary is at any time unwilling or unable to act as depository for the Global Notes and a successor depository is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility or (2) when an Event of Default has occurred and is continuing with respect to the Notes and the Company has received a written request from the Holder to do so.

"**Change of Control**" means the occurrence of one or more of the following events:

(1) (a) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person or the merger or amalgamation of another Person with or into the Parent Guarantor or the merger of any Person with or into a Subsidiary of the Parent Guarantor, unless immediately after such transaction the Permitted Holders hold securities of the surviving or transferee Person that represent at least a majority of the aggregate voting power of the Voting Stock of the surviving or transferee Person, or (b) the direct or indirect sale, assignment, conveyance, transfer, lease or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all the assets of the Parent Guarantor and its Subsidiaries, taken as a whole, to another Person other than a Permitted Holder;

(2) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d- 3 of the Exchange Act) of less than 30% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the Board of Directors of the Parent Guarantor, together with any new directors whose election to the Board of Directors of the Parent Guarantor was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Parent Guarantor then in office;

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor; or

(6) the Parent Guarantor ceasing to directly or indirectly own all outstanding Capital Stock of the Company (except a merger or consolidation of the Parent Guarantor, with and into the Company, or the liquidation of the Parent Guarantor following the transfer of all or substantially all of its assets to the Company, in each case in compliance with the applicable provisions herein).

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline.

"**Clearstream**" means Clearstream Banking, *société anonyme*, Luxembourg.

"**Collateral**" means al collateral securing, or purported to be securing, directly or indirectly, the Notes or any Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the Company and the initial Subsidiary Guarantor.

"**Collateral Agent**" means the collateral agent appointed under this Indenture to hold the Collateral for the benefit of the Holders pursuant to Section 12.04, which initially shall be Citicorp International Limited.

"**Commodity Hedging Agreement**" means any commodities swap agreement, commodities cap agreement, commodities floor agreement, commodities futures agreement, commodities option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage commodities prices and commodities price risk.

"**Common Stock**" means, with respect to any Person, any and al shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of this Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Company**" means the party named as such in the preamble to this Indenture or any successor obligor under this Indenture and the Notes pursuant to this Indenture.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the remaining term of the Notes from the redemption date to February 4, 2017.

"**Comparable Treasury Price**" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"**Consolidated Assets**" means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor's and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements).

"**Consolidated EBITDA**" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non- recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of the Restricted Subsidiaries; (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non- cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV; and (iii) notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary of a Person will be added to the Consolidated Net Income to compute Consolidated EBITDA of such Person only to the extent that a corresponding amount of the income or profit of the Restricted Subsidiary would be permitted at the date of determination to be dividended to such Person by such Restricted Subsidiary without prior governmental or other approval (which has not been obtained or waived), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"**Consolidated Fixed Charges**" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Subsidiaries (other than Unrestricted Subsidiaries) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock).

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with GAAP, (2) amortization of debt issuance costs and original issue discount

expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, such Person or any of its Restricted Subsidiaries and (7) any capitalized interest; *provided* that interest expense attributable to interest on any
Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"**Consolidated Net Income**" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of the Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of the Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is subject to prior governmental or other approval (which has not been obtained or waived) or is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after-tax gains realized on the sale or other disposition of (a) any property or asset of the Parent Guarantor or any Restricted Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor or a Restricted Subsidiary realized on sales of Capital Stock of the Parent Guarantor or of any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;

(7) any net after-tax extraordinary or non-recurring gains or losses; and

(8) any non-cash expense, loss, income or gain relating to any change in fair value of (i) share options and other equity based compensation or (ii) convertible securities issued by the Parent Guarantor.

"**Consolidated Net Worth**" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Parent Guarantor and the Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of the Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"**continuing**" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Corporate Trust Office**" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at Citicorp International Limited, 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

"**Creditor Representative**" means (i) the Trustee (acting on the instructions of the Holders pursuant to the terms of the Indenture and the Security Documents) or (ii) the trustee, administrative agent or other representative of holders of any Permitted Pari Passu Secured Indebtedness, acting in accordance with the terms of the agreements governing such Indebtedness.

"**Currency Hedging Agreement**" means any currency swap agreement, currency cap agreement currency floor agreement, currency futures agreement, commodity option agreement or any other similar agreement or arrangement which may consist of one or more of the foregoing agreements, designed to manage currencies and currency risk.

"**Custodian**" means Citibank, N.A., London Branch, as custodian for DTC.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Depositary**" means the depositary of each Global Note, which wil initially be DTC. "**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its

terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in Section 4.13 and Section 4.14 and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to Section 4.13 and Section 4.14.

"**Distribution Compliance Period**", with respect to any Note, means the period of 40 consecutive days beginning on and including the later of (a) the day on which such Note is first offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S, notice of which day shall be promptly given by the Company to the Trustee, and (b) the date of issuance with respect to such Note or any predecessor of such Note.

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"**DTC**" means The Depository Trust Company and its successors.

"**Equity Offering**" means (i) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Parent Guarantor other than to Affiliates of the Parent Guarantor after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of the Parent Guarantor beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a company controlled by such Person concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the Parent Guarantor at the same price as the public offering or private placing price; *provided* that the aggregate gross cash proceeds received by the Parent Guarantor as a result of such offering described in clause (i) or (ii) or a combination thereof (excluding gross cash proceeds received from the Parent Guarantor or any of its Subsidiaries) shall be no less than US$5.0 million (or the Dollar Equivalent thereof).

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Event of Default**" has the meaning set forth in Section 6.01. "**Excess Proceeds**" has the meaning set forth in Section 4.14.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"**Fitch**" means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

"**Fixed Charge Coverage Ratio**" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "**Four Quarter Period**") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "**Reference Period**") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect will be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect will be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; *provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**GAAP**" means generally accepted accounting principles in the United States as in effect from time to time. At any time after the Original Issue Date, the Parent Guarantor may elect to apply International Financial Reporting Standards ("**IFRS**") accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP and GAAP concepts shall thereafter be construed to refer to IFRS and corresponding IFRS concepts; provided that any such election, once made, shall be irrevocable. All ratios and computations contained or referred to in this Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"**Global Notes**" has the meaning set forth in Section 2.04.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "guarantee" shal not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"**Guaranteed Indebtedness**" has the meaning set forth in Section 4.12.

"**Guarantor Pledgors**" means the initial Guarantor Pledgors and any other Guarantor that pledges Collateral to secure the obligations of the Company under the Notes and this Indenture and of such Guarantor under its Guarantee; *provided* that "Guarantor Pledgor" does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, this Indenture and the Notes.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"**Holder**" means the Person in whose name a Note is registered in the Note register. "**Incur**" means, with respect to any Indebtedness or Disqualified Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Disqualified Stock; *provided* that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary (or fails to meet such qualifications) and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) al obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*:

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person.

"**Initial Purchasers**" means Morgan Stanley & Co. International plc, UBS AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and China Minsheng Banking Corp., Ltd. Hong Kong Branch.

"**Intercreditor Agent**" means the party named as such in any Intercreditor Agreement or any successor intercreditor agent under such Intercreditor Agreement.

"**Intercreditor Agreement**" means the intercreditor agreement, in a form satisfactory to the Trustee and the Collateral Agent, to be entered into by the Company, the Guarantor Pledgors, the Trustee, the Collateral Agent and the holders of Permitted Pari Passu Secured Indebtedness (or their representative), which shall include the terms, conditions and provisions set forth in Schedule II hereto, as amended, waived, restated, replaced and/or supplemented from time to time.

"**Interest Payment Date**" means February 4 and August 4 of each year, commencing August 4, 2014.

"**Interest Rate Hedging Agreement**" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate future contract, interest rate option agreement or any other similar agreement or arrangement which may consist of one or more of any of the foregoing agreements, designed to manage interest rates and interest rate risk.

"**Interest Record Date**" has the meaning specified in the Form of Note attached hereto as Exhibit A.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any guarantee of any obligation of another Person.

For the purposes of Section 4.07 and Section 4.18: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Parent Guarantor's proportionate interest in the assets (net of the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors and (3) if the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Parent Guarantor, the Parent Guarantor shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case maybe, which shall have been designated by the Parent Guarantor as having been substituted for S&P or Moody's or both, as the case may be.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Majority Creditors**" means one or more trustee, administrative agent or other representative (including the Trustee) in respect of obligations under the Notes or any Permitted Pari Passu Secured Indebtedness that represent at least 50% of the aggregate principal amount of all obligations under the Notes and Permitted Pari Passu Secured Indebtedness.

"**Moody's**" means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

"**Net Cash Proceeds**" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and the Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, al as determined in conformity with GAAP and reflected in an Officers' Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Non-Guarantor Subsidiaries**" means al of the Restricted Subsidiaries that are not Subsidiary Guarantors.

"**Notes**" has the meaning assigned to such term in the Recitals.

"**Offer to Purchase**" means an offer to purchase Notes by the Company from the Holders commenced by the Company by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register (or otherwise communicating in accordance with the applicable procedures of DTC) stating:

(1) the provision in this Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "**Offer to Purchase Payment Date**");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "*Option of the Holder to Elect Purchase*" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On or before the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail (or otherwise deliver in accordance with applicable procedures of DTC) to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Company signed by an Officer the Trustee shall promptly authenticate and mail (or otherwise deliver in accordance with applicable procedures of DTC) (or cause to be transferred by book entry) to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"**Offering Memorandum**" means the offering memorandum of the Company dated January 24, 2014 in connection with the offering of the Notes issued on the Original Issue Date.

"**Officer**" means one of the executive officers of the Parent Guarantor or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"**Officers' Certificate**" means a certificate signed by two Officers; *provided* that, with respect to any Subsidiary Guarantor having only one Officer, an "**Officers' Certificate**" means a certificate signed by such Officer.

"**Opinion of Counsel**" means a written opinion from external legal counsel selected by the Company, *provided* that such counsel shall be reasonably acceptable to the Trustee in its sole discretion.

"**Original Issue Date**" means the date on which the Notes are originally issued under this Indenture.

"**Original Series D Indebtedness**" has the meaning set forth in Section 4.06.

"**outstanding**" when used with respect to the Notes means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or accepted by the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor reasonably satisfactory to the Trustee has been made; and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture.

A Note does not cease to be outstanding because the Company or any Affiliate of the Company holds the Note; *provided* that in determining whether the Holders of the requisite amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under this Indenture, Notes owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Notes and that the pledgee is not the Company or an Affiliate of the Company.

"**Pari Passu Guarantee**" means a guarantee by any Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company and such Guarantor were permitted to Incur such Indebtedness by Section 4.06 and (2) such guarantee ranks *pari passu* with any outstanding Guarantee of such Guarantor.

"**Paying Agent**" means initially the Trustee acting in such capacity or subsequently any other party that replaces the Trustee and is appointed as the principal paying and transfer agent with respect to the Notes or any successor thereto and any paying and transfer agent with respect to the Notes subsequently appointed pursuant to a paying and transfer agent agreement or letter of appointment.

"**Payment Date**" shall have the meaning set forth in Section 4.01.

"**Permitted Businesses**" means any business which is the same as or reasonably ancillary or complementary to any of the businesses of the Parent Guarantor and the Restricted Subsidiaries on the Original Issue Date.

"**Permitted Holders**" means any or al of the following:

(1) Mr. Jie Han;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1) of this definition;

(3) the estate or trust of the Person specified in clause (1) of this definition or the legal representative thereof; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1), (2) and (3) of this definition.

Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of this Indenture (or would result in a Change of Control Offer in the absence of the waiver of such requirement by Holders in accordance with this Indenture) will thereafter constitute additional Permitted Holders.

"**Permitted Indebtedness**" has the meaning set forth in Section 4.06(b). "**Permitted Investment**" means:

(1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in Permitted Businesses or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in Permitted Businesses or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in Permitted Businesses;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;

(7) receivables, trade credits, finance leases or other current assets owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms within 90 days;

(8) Investments consisting of consideration received in connection with an Asset Sale under clause (iv)(B) of, and made in compliance with, Section 4.14;

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or permitted under Section 4.08;

(10) loans or advances to vendors, contractors, suppliers or distributors, including advance payments for equipment and machinery made to the manufacturer thereof, of the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms within 90 days;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and

(13) Investments in existence on the Original Issue Date.

"**Permitted Liens**" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and the Restricted Subsidiaries, taken as a whole;

(5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Restricted Subsidiary or (ii) is merged with or into or consolidated with the Parent Guarantor or any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets of such Person (if such Person becomes a Restricted Subsidiary) or the property or assets acquired by the Parent Guarantor or such Restricted Subsidiary (if such Person is merged with or into or consolidated with the Parent Guarantor or such Restricted Subsidiary); provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(6) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;

(7) Liens arising from the rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Permitted Refinancing Indebtedness in respect of Secured Indebtedness; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Secured Indebtedness being refinanced;

(11) Liens securing Hedging Obligations permitted to be Incurred under paragraph (v) of Section 4.06(b); *provided* that (i) Indebtedness relating to any such Hedging Obligation is, and is permitted under Section 4.08 to be, secured by a Lien on the same property securing such Hedging Obligation or (ii) such Liens are encumbering customary initial deposits or margin deposits or are otherwise within the general parameters customary in the industry and incurred in the ordinary course of business;

(12) Liens under the Security Documents;

(13) Liens securing Attributable Indebtedness of up to US$5.0 million (or the Dollar Equivalent) that is permitted to be Incurred under this Indenture; *provided* that (a) such Lien covers only the properties that are the subject of the Sale and Leaseback Transaction pursuant to which such Attributable Indebtedness is Incurred; and (b) the principal amount of the Attributable Indebtedness secured by such Lien does not exceed 130% of the value of the property (at the time of the initial sale in connection with the Sale and Leaseback Transaction) that is the subject of the related Sale and Leaseback Transaction;

(14) Liens on the Collateral, *pari passu* with the Lien for the benefit of the Holders, created by the Parent Guarantor, the Company and any Subsidiary Guarantor Pledgor that secures Permitted Pari Passu Secured Indebtedness;

(15) Liens on deposits securing trade letters of credit (and reimbursement obligations relating thereto) incurred in the ordinary course of business;

(16) any interest or title of a lessor in the property subject to any operating lease;

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;

(18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;

(19) Liens on assets of a Non-Guarantor Subsidiary securing Indebtedness of Non- Guarantor Subsidiaries permitted to be Incurred under the covenant described under Section 4.06;

(20) Liens securing Indebtedness permitted under paragraph (x) of Section 4.06(b); provided that such Lien (i) covers only the equipment, property or assets acquired with such Indebtedness (but not any Capital Stock of Persons holding such equipment, property or assets) and (ii) is created within 180 days of such acquisition;

(21) Liens securing Indebtedness permitted under paragraph (xii) of Section 4.06(b); *provided* that such Lien covers only (i) pledges of one or more bank accounts and (ii) accounts receivables incurred in the ordinary course of business; and

(22) Liens securing Indebtedness permitted under paragraph (xv) of Section 4.06(b); *provided* that (i) such Lien covers only pledges of one or more bank accounts and (ii) the total deposits in such pledged bank accounts shall not at any time exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

provided that for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (5), (12) and (14) above only.

"**Permitted Pari Passu Secured Indebtedness**" means Indebtedness of the Company (including Additional Notes) or the Parent Guarantor which ranks *pari passu* with the Notes or the Parent Guarantee, as the case may be, and any Pari Passu Guarantee of a Guarantor with respect to such Indebtedness; *provided* that (1) the Parent Guarantor, the Company or such Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under Section 4.06; (2) the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent), other than with respect to Additional Notes, become party to the Intercreditor Agreement; and (3) the Parent Guarantor or the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, including compliance with the conditions stated in (1) and (2) above.

"**Permitted Subsidiary Indebtedness**" means Indebtedness of any Non-Guarantor Restricted Subsidiary; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all Indebtedness of all Non-Guarantor Restricted Subsidiaries issued (excluding any Indebtedness of any Non-Guarantor Restricted Subsidiary permitted under paragraphs (i), (iii) and (v) of Section 4.06(b) does not exceed an amount equal to 15% of Total Assets (or the Dollar Equivalent thereof).

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**PRC**" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"**PRC CJV**" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws and regulations may be amended from time to time.

"**PRC CJV Partner**" means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**principal**" of any Indebtedness means the principal amount of such Indebtedness (or if such Indebtedness was issued with original issue discount, the face amount of such Indebtedness *less* the remaining unamortized portion of the original issue discount of such Indebtedness), together with, unless the context otherwise indicates, any premium then payable on such Indebtedness.

"**QIB**" has the meaning set forth in Section 2.04.

"**Rating Agencies**" means (1) S&P, (2) Moody's and (3) Fitch; *provided* that if S&P, Moody's or Fitch shal not make a rating of the Notes publicly available, one or more nationally recognized statistical rating organizations (as defined in Section 3(a)(62) of the Exchange Act), as the case may be, selected by the Company, which shal be substituted for S&P, Moody's or Fitch, as the case may be.

"**Rating Category**" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as wel as from "BB-" to "B+," wil constitute a decrease of one gradation).

"**Rating Date**" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under Section 5.01, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after the date of public notice of the occurrence of a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under Section 5.01, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of such three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Parent Guarantor (acting in good faith), of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Parent Guarantor by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"**Register**" has the meaning assigned to such term in Section 2.05. "**Registrar**" has the meaning assigned to such term in Section 2.05. "**Regulation S**" means Regulation S under the Securities Act. "**Regulation S Global Note**" has the meaning set forth in Section 2.04(c). "**Regulation S Legend**" has the meaning set forth in Section 2.04(d). "**Relevant Jurisdiction**" has the meaning set forth in Section 4.21(a).

"**Responsible Officer**" when used with respect to the Trustee shal mean any officer of the Trustee having direct responsibility for the administration of this Indenture, or to whom corporate trust matters are referred because of that officer's knowledge of and familiarity with the particular subject.

"**Restricted Certificated Note**" has the meaning set forth in Section 2.04(d). "**Restricted Global Note**" has the meaning set forth in Section 2.04(c). "**Restricted Note Legend**" has the meaning set forth in Section 2.04(d). "**Restricted Payments**" has the meaning assigned to such term in Section 4.07.

"**Restricted Subsidiary**" means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary

"**Rule 144A**" means Rule 144A under the Securities Act.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

"**SEC**" means the Securities and Exchange Commission.

"**Secured Indebtedness**" means any Indebtedness of the Parent Guarantor or a Restricted Subsidiary secured by a Lien.

"**Secured Party**" means, each of (i) the Trustee (for itself and for the benefit of the Holders), and (ii) (x) the holder of any other Permitted Pari Passu Secured Indebtedness (if there is only one creditor with respect to any series of Permitted Pari Passu Secured Indebtedness) or

(y) its representative or agent thereof (if there is more than one such creditor), in each case that has become a party to the Intercreditor Agreement on behalf of itself, or as the case may be, holder(s) of Permitted Pari Passu Secured Indebtedness.

"**Secured Party Documents**" mean, collectively, this Indenture, any agency agreements and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Securities Act Legends**" means the Regulation S Legend and the Restricted Noted Legend, each a "**Securities Act Legend**".

"**Security Documents**" means, collectively, the pledges, charges, mortgages and any other agreements or instruments that may evidence or create, or purport to evidence or create, any Lien in favor of the Trustee, the Collateral Agent and/or any holder of any Permitted Pari Passu Secured Indebtedness in any or all of the Collateral.

"**Senior Management**" means the chief executive officer and the chief financial officer of the Parent Guarantor.

"**Series D Preferred Stock**" means the Series D convertible preferred stock, par value US$0.0001 per share, of the Company, which terms shall reflect and include the terms in the Amended and Restated Series D Certificate, as of the Original Issue Date.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in the documentation governing such Indebtedness as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"**Subordinated Indebtedness**" means any Indebtedness of the Company or any Guarantor that is contractually subordinated or junior in right of payment to the Notes or to any Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Company under this Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means the initial Subsidiary Guarantor named herein and any other Restricted Subsidiary that guarantees the obligations of the Company under this Indenture and the Notes; *provided* that "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with this Indenture and the Notes.

"**Subsidiary Guarantor Pledgor**" means any Subsidiary Guarantor that pledges or otherwise creates security over the Collateral to secure the obligations of the Company under the Notes and this Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that "Subsidiary Guarantor Pledgor" does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, this Indenture and the Notes.

"**Surviving Person**" shal have the meaning as set forth in Section 5.01(a)(i). "**Tax Redemption Date**" shal have the meaning as set forth in Section 3.01. "**Temporary Cash Investment**" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the PRC, Hong Kong or any agency of either of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the PRC, Hong Kong or any agency of either of the foregoing, in each case maturing within one year; *provided* that any such direct obligations of, or fully and unconditionally guaranteed by, any state of the European Economic Area is rated at least "BBB+" by S&P or "Baa3" by Moody's;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof any state of the European Economic Union, the United Arab Emirates or Hong Kong and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or "A2" by Moody's;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communication, Longjiang Bank Corporation, China Guangfa Bank, China Citic Bank International Limited, Hongkong and Shanghai Banking Corporation and Societe Generale Bank, (ii) any other bank or trust company organized under the laws of the PRC or Hong Kong whose long-term debt is rated by Moody's or S&P as high or higher than any of those banks listed in clause (i) of this paragraph (7) or (iii) any other bank organized under the laws of the PRC; *provided* that, in the case of clause (iii), such deposits do not exceed US$10.0 million (or the Dollar Equivalent thereof) with any single bank or US$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

"**Total Assets**" means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last date of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements); *provided* that with respect to paragraph (x) of Section 4.06(b) and the definition of "Permitted Subsidiary Indebtedness", Total Assets shal be calculated after giving pro forma effect to include the aggregate value of all the equipment, property or assets the acquisition, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case of as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

"**Transaction Date**" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"**Trustee**" means the party named as such in the first paragraph of this Indenture or any successor trustee under this Indenture pursuant to Article 7.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligatio n or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means, with respect to any Subsidiary of the Parent Guarantor, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by the Parent Guarantor or one or more Wholly Owned Subsidiaries of the Parent Guarantor; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

SECTION 1.02 Rules of Construction. Unless the context otherwise requires or except as otherwise expressly provided,

(b) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article or other subdivision;

(d) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated; and

(e) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations).

ARTICLE II

ISSUE, EXECUTION, FORM AND REGISTRATION OF NOTES

SECTION 2.01 Authentication and Delivery of Notes. On the Original Issue Date, the Company shall execute and deliver Notes in an aggregate principal amount outstanding of not more than US$150,000,000 to the Trustee for authentication, accompanied by an Officers' Certificate of the Company directing such authentication and specifying the amount of Notes to be authenticated, the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. At any time and from time to time after the Original Issue Date, the Company may execute and deliver Notes to the Trustee for authentication, accompanied by an Officers' Certificate of the Company directing such authentication and specifying the amount of Notes to

be authenticated, the applicable rate at which interest will accrue on such Notes, the date on which the original issuance of such Notes is to be authenticated, the date from which interest will begin to accrue, the date or dates on which interest on such Notes will be payable and the date on which the principal of such Notes will be payable and other terms relating to such Notes. In each case, the Trustee shall thereupon authenticate and deliver said Notes to or upon the written order of the Company (as set forth in such Officers' Certificate).

SECTION 2.02 Execution of Notes and Endorsement of Subsidiary Guarantees. (a) The Notes shall be executed by or on behalf of the Company by the signature of an Authorized Officer of the Company. Each of the Guarantors shall execute the endorsement of the Guarantees on the Notes by an Authorized Officer of such Guarantor. Such signatures may be the manual or facsimile signature of the present or any future Authorized Officer. With the delivery of this Indenture, the Company and each of the Guarantors is furnishing, and from time to time thereafter may furnish, a certificate substantially in the form of Exhibit F (an "**Authorization Certificate**") identifying and certifying the incumbency and specimen (or facsimile) signatures of the Authorized Officers. Until the Trustee receives a subsequent Authorization Certificate, the Trustee shall be entitled to conclusively rely on the last Authorization Certificate delivered to it for purposes of determining the Authorized Officers. Typographical and other minor errors or defects in any signature shall not affect the validity or enforceability of any Note which has been duly authenticated and delivered by the Trustee.

(b) In case an Authorized Officer who shall have signed any of the Notes shall cease to be such Authorized Officer before the Note shall be authenticated and delivered by the Trustee or disposed of by or on behalf of the Company, such Note nevertheless may be authenticated and delivered or disposed of as though the Person who signed such Note had not ceased to be such Authorized Officer; and any Note may be signed on behalf of the Company by such Person as, at the actual date of the execution of such Note, shall be an Authorized Officer, although at the date of the execution and delivery of this Indenture any such Person was not an Authorized Officer.

SECTION 2.03 Certificate of Authentication. Only such Notes as shall bear thereon a certification of authentication substantially as set forth in the forms of the Notes in Exhibit A hereto, executed by the Trustee by manual signature of one of its authorized signatories, shall be entitled to the benefits of this Indenture or be valid or obligatory for any purpose. Such certification by the Trustee upon any Note executed by or on behalf of the Company shall be conclusive evidence that the Note so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.04 Form, Denomination and Date of Notes; Payments.

(a) The Notes and the Trustee's certificates of authentication shal be substantially in the form set forth in Exhibit A hereof. On the Original Issue Date, the Notes shall be issued in the form provided in Section 2.04(c). The Notes shall be numbered, lettered, or otherwise distinguished in such manner or in accordance with such plans as the Authorized Officer of the Company executing the same may determine with the approval of the Trustee.

The Notes may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto, with the rules of any securities market in which the Notes are admitted to trading, or to conform to general usage.

(b) Each Note shall be dated the date of its authentication. Each Note shall bear interest from the date of issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for and shall be payable on the dates specified on the face of the form of Note set forth as Exhibit A hereto. Interest on the Notes shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

(c) On the Original Issue Date, an appropriate Authorized Officer of each of the Company and the Guarantors will execute and deliver to the Trustee for (i) Notes sold within the United States to "**qualified institutional buyers**" as defined in and pursuant to Rule 144A under the Securities Act (each, a "**QIB**"), one or more restricted global Notes (each, a "**Restricted Global Note**") in definitive, fully registered form without coupons, in a denomination of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000, substantially in the form of Exhibit A hereto; and (ii) for Notes sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, one or more Regulation S global Notes (each, a "**Regulation S Global Note**" and, together with the Restricted Global Note, "**Global Notes**") in definitive, fully registered form without coupons, in a denomination of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000, substantially in the form of Exhibit A hereto; all such Notes so executed and delivered to the Trustee pursuant to clauses (i) and (ii) of this subsection (c) shall be in an aggregate principal amount that shall equal the aggregate principal amount of the Notes that are to be issued on the Original Issue Date. The aggregate principal amount of the Restricted Global Notes and the Regulation S Global Notes may from time to time be increased or decreased by adjustments made on the records of the Custodian for the Depositary or its nominee, as hereinafter provided.

(d) Each Restricted Global Note, each restricted Certificated Note issued in exchange for interests in the Restricted Global Note ("**Restricted Certificated Note**") shall bear the following legend (the "**Restricted Note Legend**"), unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act:

"THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**"), AND THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

Each Regulation S Global Note (and each Certificated Note issued in exchange for interests in the Regulation S Global Note) shall, until after the expiration of the Distribut ion Compliance Period of any Note, bear the following legend (the "**Regulation S Legend**"):

"THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WERE ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. THIS LEGEND SHALL BE REMOVED AFTER THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN THE INDENTURE)."

Each Global Note (i) shall be delivered by the Trustee to DTC acting as the Depositary or, pursuant to DTC's instructions, shal be delivered by the Trustee on behalf of DTC to and deposited with the Custodian, and in either case shall be registered in the name of Cede & Co., or such other name as DTC shall specify, and (ii) shall also bear a legend substantially to the following effect:

"UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE THEREOF. THIS NOTE MAY NOT BE EXCHANGEABLE IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITARY OR A NOMINEE THEREOF, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE."

Global Notes may be deposited with such other Depositary that is a clearing agency registered under the Exchange Act as the Company may from time to time designate in writing to the Trustee, and shall bear such legend as may be appropriate.

(e) Each Note issued hereunder that has more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes shall bear a legend in substantially the following form:

"THIS NOTE HAS BEEN ISSUED WITH "ORIGINAL ISSUE DISCOUNT" (WITHIN THE MEANING OF SECTION 1272 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED). UPON WRITTEN REQUEST, THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO ANY HOLDER OF THIS NOTE THE FOLLOWING INFORMATION: (1) THE ISSUE PRICE AND ISSUE DATE OF THE NOTE, (2) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT ON THE NOTE AND (3) THE YIELD TO MATURITY OF THE NOTE. HOLDERS SHOULD CONTACT TAYLOR ZHANG AT 500 5TH AVE, STE4120, NEW YORK, NY 10110."

(f) If at any time the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Notes or if at any time the Depositary shall no longer be a clearing agency registered under the Exchange Act, the Company shall appoint a successor Depositary with respect to such Global Notes. If (i) a successor Depositary for such Global Notes is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, or (ii) an Event of Default has occurred and is continuing with respect to the Notes and the Company has received a written request from the Holder to do so, the Company will execute, and the Trustee, upon receipt of an Officers' Certificate of the Company directing the authentication and delivery thereof, will authenticate and deliver, Certificated Notes (which may bear a Securities Act Legend) in any authorized denominations in an aggregate principal amount equal to the principal amount of such Global Notes in exchange for such Global Notes.

(g) Global Notes shall in all respects be entitled to the same benefits under this Indenture as Certificated Notes authenticated and delivered hereunder.

(h) The Person in whose name any Note is registered at the close of business on any Interest Record Date with respect to any Interest Payment Date shall be entitled to receive the interest, if any, payable on such Interest Payment Date notwithstanding any transfer or exchange of such Note subsequent to the Interest Record Date and prior to such Interest Payment Date.

SECTION 2.05 Registration,Transfer and Exchange. The Notes are issuable only in registered form. The Company will keep at the office or agency to be maintained for the purpose as provided in Section 4.02 (the "**Registrar**"), a register (the "**Register**") in which, subject to such reasonable regulations as it may prescribe, it wil register, and will register the transfer of, Notes as provided in this Article. The name and address of the registered holder of each Note and the amount of each Note, and all transfers and exchanges related thereto, will be recorded in the Register. Such Register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. Such Register shall be open for inspection by the Trustee at all reasonable times and upon reasonable notice.

Upon due presentation for registration of transfer of any Note, the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Note or Notes in authorized denominations for a like aggregate principal amount.

A Holder may register the transfer of a Note only by written application to the Registrar stating the name of the proposed transferee and otherwise complying with the terms of this Indenture. No such registration of transfer shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, final acceptance and registration of the transfer by the Registrar in the Register. Prior to the registration of any transfer by a Holder as provided herein, the Company, the Trustee and any agent of any of them shall treat the Person in whose name the Note is registered as the owner thereof for all purposes whether or not the Note shall be overdue, and neither the Company, the Trustee, nor any such agent shall be affected by notice to the contrary. Furthermore, any Holder of a Global Note shall, by acceptance of such Global Note, agree that transfers of beneficial interests in such Global Note may be effected only through a book-entry system maintained by the Holder of such Global Note (or its agent) and that ownership of a beneficial interest in the Note shall be required to be reflected in a book entry. At the option of the Holder, Notes may be exchanged for other Notes of any authorized denomination and of a like aggregate principal amount, upon surrender of the Notes to be exchanged to the Registrar. When Notes are presented to the Registrar with a request to register the transfer or to exchange them for an equal principal amount of Notes of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if the requirements for such transactions set forth herein are met. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Notes at the Registrar's request.

Every Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Registrar) be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the Holder thereof or his attorney duly authorized in writing in a form satisfactory to the Company and the Registrar.

The Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes (other than any such transfer taxes or other similar governmental charge payable upon exchanges). No service charge to any Holder shall be made for any such transaction.

The Company shall not be required to exchange or register a transfer of (1) any Notes for a period of 15 days next preceding the first mailing of notice of redemption of Notes to be redeemed or (2) any Notes called or being called for redemption.

All Notes issued upon any registration of transfer or exchange of the Notes shall be valid obligations of the Company, evidencing the same debt and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Claims against the Company or the Guarantors for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in this Indenture within a period of six years.

SECTION 2.06 Book-entry Provisions for Global Notes. (a) Each Restricted Global Note initially shall (1) be registered in the name of a nominee of the Depositary, (2) be delivered to the Custodian on behalf of the Depositary and (3) bear the Restricted Note Legend. Each Regulation S Global Note initially shall (i) be registered in the name of a nominee for the Depositary, (ii) be delivered to the Custodian on behalf of the Depositary and (iii) bear the Regulation S Legend. Beneficial ownership interests in a Regulation S Global Note shall not be exchangeable for interests in a Restricted Global Note or any Note without the Regulation S Legend until the expiration of the Distribution Compliance Period. Interests in the Regulation S Global Notes may be held by any member of, or participants in, the Depositary, including Euroclear and Clearstream (collectively, the "**Agent Members**").

Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, or the Custodian, or under the Global Notes, and the Depositary may be treated by the Company, the Trustee and any agent of any of them as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of any of them, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Global Note.

(b) Except as provided in Section 2.07, transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to the Depositary, its successors or their respective nominees. Interests of beneficial owners in a Global Note may be transferred, and transfers increasing or decreasing the aggregate principal amount of Global Notes may be conducted only in accordance with the rules and procedures of the Depositary and, to the extent relevant, the provisions of Section 2.07. In addition, Certificated Notes shall be transferred to all beneficial owners in exchange for their beneficial interests in any Restricted Global Note or Regulation S Global Note, respectively, under the circumstances set forth in Section 2.04(f). Notwithstanding anything to the contrary in this Section 2.06(b), no Regulation S Global Note may be exchanged for a Certificated Note until the end of the Distribution Compliance Period applicable to such Regulation S Global Note and receipt by the Trustee and receipt by the Trustee and the Company of any certificates required by either of them pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act.

(c) Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(d) In connection with the transfer of an entire Restricted Global Note or Regulation S Global Note to beneficial owners pursuant to paragraph (b) of this Section 2.06, the Restricted Global Note or Regulation S Global Note, as the case may be, shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interest in such Restricted Global Note or Regulation S Global Note, as the case may be, an equal aggregate principal amount of Certificated Notes of authorized denominations.

(e) Any Certificated Note delivered in exchange for an interest in a Restricted Global Note pursuant to paragraph (b) or (d) of this Section shall, except as otherwise provided by paragraph (e) of Section 2.07, bear the Restricted Note Legend in accordance with Section 2.04(d).

(f) The registered holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(g) So long as the Global Notes remain outstanding and are held by or on behalf of the Custodian and/or the Depositary in the relevant clearing system(s), the rules and practice of such clearing system(s) shall apply to the Notes.

SECTION 2.07 Special Transfer Provisions. Unless and until the relevant Securities Act Legend is removed from a Certificated Note or Global Note pursuant to paragraph (d) below, the following additional provisions shall apply to the proposed transfer, exchange or replacement of Certificated Notes or, to the extent relevant to the Trustee, the Registrar or the Depositary, any beneficial interest in a Global Note:

(a) Transfers Between Global Notes

(i) *Restricted Global Note to Regulation S Global Note*. If the owner of a beneficial interest (an "**Owner Transferor**") in a Restricted Global Note wishes at any time, whether before or after the expiration of the Distribution Compliance Period, to transfer such beneficial interest to a person (an "**Owner Transferee**") who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this Section 2.07(a)(i). "**Applicable Procedures**" means, with respect to any transfer or exchange of a beneficial interest in a Global Note, the rules and procedures of DTC, Euroclear and Clearstream, Luxembourg to the extent the same are applicable to such transfer or exchange and shall be complied with by any Holder or any party which has a beneficial interest in a Global Note. Upon receipt by the Registrar of (1) written instructions given in accordance with the Applicable Procedures from an Agent Member whose account is to be debited (an "**Agent Member Transferor**") with respect to the Restricted Global Note directing the Registrar to credit or cause to be credited to a specified account of another Agent Member (an "**Agent Member Transferee**") a beneficial interest in a Regulation S Global Note in a principal amount equal to the beneficial interest in the Restricted Global Note to be transferred (the "**Restricted Global Transferred Amount**"), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member Transferee to be credited with, and the account of the Agent Member Transferor to be debited for, the Restricted Global Transferred Amount and (3) a certificate in substantially the form set forth in Exhibit B given by the Owner Transferor, the Registrar shall instruct DTC to reduce the principal amount of the Restricted Global Note, and to increase the principal amount of the Regulation S Global Note, by the Restricted Global Transferred Amount, and to credit or cause to be credited to the account of the Agent Member Transferee a beneficial interest in such Regulation S Global Note, and to debit or cause to be debited to the account of the Agent Member Transferor a beneficial interest in such Restricted Global Note, in each case having a principal amount equal to the Rule 144A Transferred Amount.

(ii) *Regulation S Global Note to Restricted Global Note*. If an Owner Transferor wishes at any time to transfer a beneficial interest in a Regulation S Global Note to an Owner Transferee who wishes to take delivery thereof in the form of a beneficia l interest in a Restricted Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.07(a)(ii). Upon receipt by the Registrar of (1) written instructions given in accordance with the Applicable Procedures from the Agent Member Transferor, directing the Registrar to credit or cause to be credited to a specified account of an Agent Member Transferee a beneficial interest in the Restricted Global Note in a principal amount equal to that of the beneficial interest in the Regulation S Global Note to be so transferred (the "**Regulation S Global Transferred Amount**"), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member Transferee to be credited with, and the account of the Agent Member Transferor to be debited for, the Regulation S Global Transferred Amount and (3) a certificate in substantially the form set forth in Exhibit C given by the Owner Transferee, the Registrar shall instruct DTC to reduce the principal amount of the Regulation S Global Note, and increase the principal amount of the Restricted Global Note, by the Regulation S Global Transferred Amount, and to credit or cause to be credited to the account of the Agent Member Transferee a beneficial interest in such Restricted Global Note, and to debit or cause to be debited to the account of the Agent Member Transferor a beneficial interest in such Regulation S Global Note, in each case having a principal amount equal to the Regulation S Global Transferred Amount.

(b) Exchange of Regulatio n S Global Note for Restricted Global Note. If the owner of a beneficial interest in a Regulation S Global Note wishes at any time after the expiration of the Distribution Compliance Period, to exchange such interest for a beneficial interest in a Restricted Global Note (an "**Owner Exchanger**"), such exchange may be effected, subject to the Applicable Procedures, only in accordance with this Section 2.07(b). Upon receipt by the Registrar of (1) written instructions given in accordance with the Applicable Procedures from an Agent Member Transferor, directing the Registrar to credit or cause to be credited to a specified account of an Agent Member Transferee a beneficial interest in the Restricted Global Note equal to that of the beneficial interest in the Regulation S Global Note to be so exchanged (the "**Global Exchanged Amount**"), (2) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member Transferee to be credited with, and the account of the Agent Member Transferor to be debited for, the Global Exchanged Amount and (3) a certificate in substantially the form set forth in Exhibit D given by the Owner Exchanger, the Registrar shall instruct DTC to reduce the principal amount of the Regulation S Global Note, and increase the principal amount of the Restricted Global Note, by the Global Exchanged Amount, and to credit or cause to be credited to the account of Agent Member Transferee a beneficial interest in such Restricted Global Note, and to debit or cause to be debited to the account of the Agent Member Transferor a beneficial interest in such Regulation S Global Note, in each ease equal to the Global Exchanged Amount.

(c) Restrictions on Transfer of Regulation S Global Note. (i) Prior to the expiration of the Distribution Compliance Period, (A) the Regulation S Global Note shall be a temporary global security for purposes of Rules 903 and 904 under the Securities Act, whether or not designated as such on the face of such Note, and (B) interests in the Regulation S Global Note may only be held through Euroclear or Clearstream. During the Distribution Compliance Period, beneficial ownership interests in the Regulation S Global Note may only be sold, pledged or transferred through Euroclear or Clearstream in accordance with the Applicable Procedures and may not be transferred in the United States except pursuant to an available exemption from the registration requirements of the Securities Act and all applicable state securities laws. Upon the expiration of the Distribution Compliance Period, beneficial ownership interests in the Regulation S Global Note shall be transferable in accordance with applicable law and the other terms of the Indenture.

(d) Certificated Note to Certificated Note. If a Holder of a Certificated Note (a "**Certificated Holder Transferor**") wishes at any time to transfer all or any portion of a Certificated Note to a person who wishes to take delivery thereof in the form of a Certificated Note (a "**Holder Transferee**"), such transfer may be effected only in accordance with this Section 2.07(d). Upon receipt by the Registrar of (1) the Certificated Note to be transferred duly endorsed, or accompanied by a written instrument of transfer substantially in the form attached to the form of Notes in Exhibit A duly executed, by the Certificated Holder Transferor or his attorney duly authorized in writing providing for the transfer to the Holder Transferee, and (2) a certificate in substantially the form set forth in Exhibit E given by the Certificated Holder Transferor, the Registrar, upon notice from the Company that it has received any other additional documentation and evidence in a form satisfactory to the Company (including but not limited to an opinion of counsel) as the Company may, in its absolute discretion, require to evidence that the transfer is being made in compliance with an applicable exemption from registration, shall cancel the Certificated Note, and the Company shall execute, and the Registrar shall authenticate and deliver, a new Certificated Note for the principal amount of the Certificated Note so transferred, registered in the name of the Holder Transferee. If any Certificated Note is so transferred in part but not in whole, then the Company shall execute, and the Registrar shall authenticate and deliver, a new Certificated Note for the principal amount of the Certificated Note not so transferred, registered in the name of the Certificated Holder Transferor.

(e) Securities Act Legend. Upon the registration of transfer, exchange or replacement of Notes bearing a Securities Act Legend, the Registrar shall deliver only Notes that bear the same Securities Act Legend unless (i) the requested transfer, exchange or replacement with respect to Restricted Global Notes, is after the time period referred to in Rule 144(d) under the Securities Act as in effect with respect to such transfer, exchange or replacement, or (ii) there is delivered to the Registrar an Opinion of Counsel to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act. Upon the registration of transfer, exchange or replacement of Notes not bearing a Securities Act Legend, the Registrar shall deliver Notes that do not bear a Securities Act Legend.

(f) General. By its acceptance of any Note bearing a Securities Act Legend, each Holder of such a Note acknowledges the restrictions on transfer of such Note set forth in this Indenture and in such Securities Act Legend and agrees that it will transfer such Note only as provided in this Indenture. The Registrar shall not register a transfer of any Note unless such transfer complies with the restrictions on transfer of such Note set forth in this Indenture. In connection with any transfer of Notes, each Holder agrees by its acceptance of the Notes to furnish the Registrar or the Company such certifications, legal opinions or other information as either of them may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act; *provided* that the Registrar shall not be required to determine (but may rely on a determination made by the Company with respect to) the sufficiency of any such certifications, legal opinions or other information.

The Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.06 or this Section 2.07 in accordance with its customary procedures. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(g) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.08 Mutilated, Defaced, Destroyed, Stolen and Lost Notes.

(a) The Company shall execute and deliver to the Trustee Certificated Notes in such amounts and at such times as to enable the Trustee to fulfill its responsibilities under this Indenture and the Notes.

(b) In case any Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, upon the request of the registered holder thereof, the Company in its discretion may execute, and, upon the written request of Authorized Officers of the Company, the Trustee shall authenticate and deliver, a new Note, bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and substitution for the Note so apparently destroyed, lost or stolen. In every case the applicant for a substitute Note shall furnish to the Company, the Guarantors and the Trustee and any agent of the Company, the Guarantors or the Trustee such security or indemnity as may be required by each of them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft evidence to their satisfaction of the apparent destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substitute Note, such Holder, if so requested by the Company or the Guarantors, will pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Note. The Trustee is hereby authorized, in accordance with and subject to the foregoing conditions in this clause (b), to authenticate and deliver from time to time, Notes in exchange for or in lieu of Notes, respectively, which become mutilated, defaced, destroyed, stolen or lost. Each Note delivered in exchange for or in lieu of any Note shall carry all the
rights to interest (including rights to accrued and unpaid interest and Additional Amounts) which were carried by such Note.

(c) All Notes surrendered for payment or exchange shall be delivered to the Trustee. The Trustee shall cancel and destroy all such Notes surrendered for payment or exchange, in accordance with its Note destruction policy, and, upon receipt of as written request from the Company, shall deliver a certificate of destruction to the Company and the Guarantors.

(d) In the event any such mutilated, defaced, destroyed, lost or stolen certificate has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new certificate, pay such Notes.

SECTION 2.09 Further Issues. Subject to the covenants described in Article 4 and in accordance with the provisions of this Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the "**Additional Notes**") having the same terms and conditions as the Notes (including the benefit of the Guarantees) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "**Further Issue**") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under Section 4.06 and the other provisions in this Indenture; *provided further* that if Additional Notes that are consolidated and form a single series with previously outstanding Notes are not fungible with the previously outstanding Notes for U.S. federal income tax purposes, a separate CUSIP, ISIN or other identifying number must be used for such Additional Notes.

SECTION 2.10 Cancellation of Notes; Disposition Thereof. All Notes surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Company or any agent of the Company or the Trustee, shall be delivered to the Trustee for

cancellation or, if surrendered to the Trustee, shall be canceled by it; and no Notes shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall dispose of canceled Notes held by it in accordance with its customary procedures, and upon receipt of a written request from the Company, deliver a certificate of disposition to the Company. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are delivered to the Trustee for cancellation.

SECTION 2.11 CUSIP Numbers. The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shal use for the Notes "CUSIP" numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing of any change in the "CUSIP" numbers.

ARTICLE III

REDEMPTION

SECTION 3.01 Redemption for Tax Reasons. (a) The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders, the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "**Tax Redemption Date**") if, as a result of:

(i) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or

(ii) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (A) with respect to the Company or any initial Guarantor, on or after the Original Issue Date, or (B) with respect to any Guarantor who guarantees the Notes after the Original Issue Date or a Surviving Person, on or after the date such Guarantor or Surviving Person becomes a Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or this Indenture, the Company, a Surviving Person or a Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Guarantor, as the case may be; *provided* that no such notice of redemption

shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

(b) Prior to the mailing of any notice of redemption of the Notes pursuant to Section 3.01(a), the Company, a Surviving Person or a Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(i) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Guarantor, as the case may be, taking reasonable measures; and

(ii) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee is entitled to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

SECTION 3.02 Optional Redemption.

(a) On or after February 4, 2017, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on February 4 of the years indicated below:

Year	Redemption Price
2017	105.875%
2018	102.938%

(b) The Company may at its option redeem the Notes, in whole but not in part, at any time prior to February 4, 2017, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

(c) At any time and from time to time prior to February 4, 2017, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 111.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date

remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

(d) The Company wil give not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee of any redemption.

(e) If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows: (i) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or (ii) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or such other method as the Company shall determine and so instruct in writing to the Trustee in accordance with this Indenture.

(f) A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

SECTION 3.03 Method and Effect of Redemption. (a) The notice of redemption will identify the Notes to be redeemed and will include or state the following:

(i) the redemption date;

(ii) the redemption price, including the portion thereof representing any accrued interest;

(iii) the place or places where Notes are to be surrendered for redemption;

(iv) Notes called for redemption must be so surrendered in order to collect the redemption price;

(v) on the redemption date the redemption price will become due and payable on Notes called for redemption, and interest on Notes called for redemption will cease to accrue on and after the redemption date; and

(vi) if any Note contains a CUSIP, ISIN or Common Code number, no representation is being made as to the correctness of the CUSIP, ISIN or Common Code number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes.

(b) Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and upon surrender of the Notes called for redemption to the Paying Agent, the Company shall redeem such Notes at the redemption price. On and after the redemption date, interest will cease to accrue on Notes or

portions of them called for redemption. Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

ARTICLE IV

COVENANTS

SECTION 4.01 Payment of Notes. (a) The Company will pay the principal of and interest, and Additional Amounts, if any, on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than at the close of business one Business Day prior to the Interest Payment Date, the due date of any principal on any Notes, the Tax Redemption Date pursuant to Section 3.01 or the redemption date pursuant to Section 3.02 (each a "**Payment Date**"), the Company wil pay or cause to be paid to the account of the Paying Agent at the office of the Paying Agent at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, in immediately available funds, an amount which shall be sufficient to pay the aggregate amount of interest or principal or both, as the case may be, becoming due in respect of the Notes on such Payment Date; *provided* that if the Company or any Affiliate of the Company is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case the Company shall promptly notify the Trustee and the Paying Agent of its compliance with this paragraph. For the avoidance of doubt, the Paying Agent shall not be bound to make payment to the Holders until the Paying Agent is satisfied that full payment has been received from the Company, or the Guarantors, as the case may be.

(b) The Company shall procure that on or before 11:00 a.m. (New York City time) on the second Business Day prior to each Payment Date the bank through which such payment is to be made will send to the Paying Agent confirmation that it has received from the Company an irrevocable instruction to make the relevant payment (by facsimile transmission or SWIFT).

(c) An installment of principal or interest will be considered paid on the date due if the Trustee (or the Paying Agent, other than the Company or any Affiliate of the Company) holds on that date money designated for and sufficient to pay the installment. If the Company or any Affiliate of the Company acts as Paying Agent, an installment of principal or interest will be considered paid on the due date only if paid to the Holders.

(d) The Trustee (or the Paying Agent, which will include the Company or any Affiliate of the Company if it is acting as Paying Agent) will make payments in respect of the Notes represented by the Global Notes by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes, the Trustee (or Paying Agent) will make all payments by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address; provided that if the Company or any Affiliate of the Company is acting as Paying Agent, it shall make such payment to the Holders as specified above.

(e) At least three Business Days prior to the first Payment Date and, if there has been any change with respect to the matters set forth in the below-mentioned certificate, at least three Business Days prior to each Payment Date thereafter, the Company shall furnish the Trustee with an Officers' Certificate instructing the Trustee as to any circumstances in which payments of principal of, or interest on, the Notes due on such date shall be subject to deduction or withholding for, or on account of, any Taxes described in Section 4.21 and the rate of any such deduction or withholding. If any such deduction or withholding shall be required and if the Company therefore becomes liable to pay Additional Amounts, if any, pursuant to Section 4.21 then at least three Business Days prior to each Payment Date, the Company shall furnish the Trustee with a certificate which specifies the amount required to be withheld on such payment to Holders of the Notes, and the Additional Amounts, if any, due to the Holders of the Notes, and at least one Business Day prior to such Payment Date, will pay to the Trustee such Additional Amounts, if any, as shall be required to be paid to such Holders.

(f) Whenever the Company appoints a Paying Agent other than the Trustee for the purpose of paying amounts due in respect of the Notes, it will cause such Paying Agent to execute and deliver to the Trustee an instrument or an agreement pursuant to which such agent shall agree with the Company, among other things, to be bound by and observe the provisions of this Indenture (including the Notes). The Company shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee:

(i) that it will hold all sums received by it as such Paying Agent for the payment of the principal of, or interest on, the Notes (whether such sums have been paid to it by or on behalf of the Company or by any other obligor on the Notes or the Subsidiary Guarantee) in trust for the benefit of the Holders or of the Trustee;

(ii) that it will give the Trustee written notice of any failure by the Company (or by any other obligor on the Notes or the Subsidiary Guarantee) to make any payment of the principal, or interest on, the Notes and any other payments to be made by or on behalf of the Company under this Indenture, when the same shall be due and payable; and

(iii) that it will pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of a failure referred to in clause (ii) above.

Anything in this Section 4.01 to the contrary notwithstanding, the Company may at any time, for the purpose of obtaining a satisfaction and discharge of this Indenture or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by the Company or any Paying Agent hereunder, as required by this Section 4.01 and such sums shall be held by the Trustee upon the trusts herein contained. If the Paying Agent shall pay all sums held in trust to the Trustee as required under this Section 4.01, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

Anything in this Section 4.01 to the contrary notwithstanding, the agreements to hold sums in trust as provided in this Section 4.01 are subject to the provisions of Section 8.04.

SECTION 4.02 Maintenance of Office or Agency. (a) The Company will maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company hereby initially designates the office of the Paying Agent at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland, as such office of the Company. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each place where principal of, and interest on, any Notes are payable. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) So long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "**SGX ST**") and the rules of the SGX ST so require, if any Global Note is exchanged for Certificated Notes, the Company (1) will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, and (2) make through the SGX-ST an announcement of the exchange that will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore. The Company will give to the Trustee written notice of the location of any such office or agency and of any change of location thereof. If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive. The Company has initially appointed the Paying Agent and Registrar listed in Exhibit H.

SECTION 4.03 Governme nta l Approvals and Licenses; Compliance with Law. The Parent Guarantor will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (b) preserve and maintain good and valid title to its properties and assets (including land-use rights); and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure to so obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, properties, financial position, results of operations or prospects of the Parent

Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company to perform its obligations under the Notes or this Indenture or the ability of the Parent Guarantor or any Subsidiary Guarantor to perform its obligations under its Guarantee or this Indenture.

SECTION 4.04 Payment of Taxes and other Claims. The Parent Guarantor will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Parent Guarantor or any Subsidiary or its income or profits or property and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Parent Guarantor or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

SECTION 4.05 Intentio na lly Omitted.

SECTION 4.06 Limitatio n on Indebtedness. (a) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that the Company and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default or Event of Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 3.0 to 1.0. Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Parent Guarantor and the Restricted Subsidiaries may Incur, to the extent provided below, each and al of the following ("**Permitted Indebtedness**"):

(i) Indebtedness under the Notes (excluding any Additional Notes) and each Guarantee;

(ii) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under Section 4.06(b)(i), (iii), (v), (vi), (vii), (viii), (ix), (xi) and (xiv); *provided* that all Indebtedness of Non-Guarantor Subsidiaries outstanding on the Original Issue Date shall be included in the calculation of Permitted Subsidiary Indebtedness;

(iii) Indebtedness of the Parent Guarantor or any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; *provided* that (A) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (iii), (B) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes, and if any Guarantor is the obligor on such Indebtedness (and

the Company is not the obligee), such Indebtedness must be unsecured and expressly subordinated in right of payment to the Guarantee of such Guarantor and (C) if the Indebtedness is owed to the Company or any Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;

(iv) Indebtedness (**"Permitted Refinancing Indebtedness**") of the Parent Guarantor or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shal have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid substantially concurrently with, but in any case prior to, the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the proviso in Section 4.06(a) or clauses (i), (ii), (x), (xii) or (xv) of Section 4.06(b) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (A) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Guarantee shall only be permitted under this clause (iv) if (1) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or any Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Guarantee, as the case may be, or (2) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or any Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantee, as the case may be, (B) such new Indebtedness, determined as of the date of Incurrence of such new
Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, and (C) in no event may Indebtedness of the Company or any Guarantor be refinanced pursuant to this clause (iv) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor.

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(vi) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently, except in the case of daylight overdrafts, drawn against insufficient funds in the ordinary course of business; *provided, however*, that this Indebtedness is extinguished within five Business Days of Incurrence;

(vii) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance or similar requirements, in each case in the ordinary course of business;

(viii) Indebtedness arising from agreements of the Parent Guarantor or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case Incurred or assumed in connection with the disposition of any business, assets of the Parent Guarantor or of a Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of any of the Parent Guarantor's or a Restricted Subsidiary's business or assets for the purpose of financing an acquisition; provided, however, that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Parent Guarantor and/or the relevant Restricted Subsidiary in connection with the disposition;

(ix) obligations with respect to trade letters of credit, bid, performance and surety bonds and completion guarantees provided by the Parent Guarantor or any of its Restricted Subsidiaries securing obligations, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees are not drawn upon or, if and to the extent drawn upon is honored in accordance with its terms and, if to be reimbursed, is reimbursed no later than 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement following payment on the letter of credit, bond or guarantee;

(x) Indebtedness of the Parent Guarantor or any Restricted Subsidiary:

(A) representing Capitalized Lease Obligations incurred in the ordinary course of business; or

(B) constituting purchase money Indebtedness incurred to finance all or any part of the purchase price of equipment, property or assets to be used in Permitted Businesses in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary; provided, however, that (A) the aggregate principal amount of such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets so acquired, (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the acquisition of such equipment, property or assets and (C) on the date of the Incurrence of any Indebtedness permitted by this clause (x) and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (x) (together with any Permitted Refinancing Indebtedness thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (xii) and clause (xv) below (together with any Permitted Refinancing Indebtedness thereof) does not exceed an amount equal to 20% of Total Assets;

(xi) (A) guarantees by the Parent Guarantor and any Restricted Subsidiary of Indebtedness of the Company or any Guarantor permitted under this Indenture or
(B) guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non-Guarantor Subsidiary permitted to be incurred under this Indenture; *provided* that, in each case, if such guarantee is of Subordinated Indebtedness, such guarantee shall be subordinated to the Notes and the relevant Guarantee;

(xii) Indebtedness of the Parent Guarantor or any Restricted Subsidiary maturing within one year used by the Parent Guarantor or any Restricted Subsidiary for working capital; *provided* that on the date of the Incurrence of any Indebtedness permitted by this clause (xii) and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of such Indebtedness Incurred under this clause (xii) (together with any Permitted Refinancing Indebtedness thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (x) above and clause (xv) below (together with any Permitted Refinancing Indebtedness thereof) does not exceed an amount equal to 20% of Total Assets;

(xiii) in addition to the items referred to in clauses (i) through (xii) above and clauses (xiv) and (xv) below, Indebtedness of the Parent Guarantor and its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (xiii) and then outstanding, not to exceed US$5.0 million (or the Dollar Equivalent thereof) at any time outstanding;

(xiv) Indebtedness represented by the Series D Preferred Stock outstanding as of the Original Issue Date (which, for the avoidance of doubt, shall reflect and include the terms of the Amended and Restated Series D Certificate) (the "**Original Series D Indebtedness**") and any Indebtedness deemed to be Incurred to refinance the Original Series D Indebtedness solely as a result of any extension of the maturity date of the Series D Preferred Stock; and

(xv) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principa l amount outstanding of all such Indebtedness Incurred pursuant to this clause (xv) (together with any Permitted Refinancing Indebtedness thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (x) and (xii) above (together with any Permitted Refinancing Indebtedness thereof) does not exceed an amount equal to 20% of Total Assets.

(c) For purposes of determining compliance with this Section 4.06, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in Section 4.06(a) and one or more types of Permitted Indebtedness, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

(d) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness constitutes Permitted Refinancing Indebtedness Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant

currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this Section 4.06, the maximum amount of Indebtedness that may be Incurred pursuant to this Section 4.06 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.The principal amount of any Permitted Refinancing Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

SECTION 4.07 Limitation on Restricted Payments. (a) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (i) through (iv) below being collectively referred to as "**Restricted Payments**"):

(i) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's or any of the Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid solely in shares of the Parent Guarantor's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary;

(ii) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary or any direct or indirect parent of the Parent Guarantor (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Parent Guarantor or any Restricted Subsidiary;

(iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Parent Guarantor and any Restricted Subsidiary); or

(iv) make any Investment, other than a Permitted Investment; if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(B) the Parent Guarantor could not Incur at least US$1.00 of Indebtedness under the proviso in Section 4.06(a); or

(C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and the Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (v) (to the extent such Restricted Payment is made to the Parent Guarantor or a Restricted Subsidiary),

(vii) and (viii) of Section 4.07(b)), shall exceed the sum of:

(1) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2013 and ending on the last day of the Parent Guarantor's most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee at the time of such Restricted Payment; *plus*

(2) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to, a Person who is not a Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Parent Guarantor of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any (x) Subordinated Indebtedness or (y) Capital Stock of the Parent Guarantor or any Restricted Subsidiary (other than such Capital Stock held by the Parent Guarantor or any Restricted Subsidiary); *plus*

(3) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Original Issue Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; *plus*

(4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to

exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person; *plus*

(5) US$10.0 million (or the Dollar Equivalent thereof).

(b) The foregoing provision shall not be violated by reason of:

(i) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(ii) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness in respect of such Subordinated Indebtedness in accordance with Section 4.06(b)(iv);

(iii) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of Section 4.07(a);

(iv) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of Section 4.07(a);

(v) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor;

(vi) the repurchase, redemption or other acquisition of Capital Stock of the Parent Guarantor from employees, former employees, directors or former directors of the Parent Guarantor or any Restricted Subsidiary (or their estate or authorized representatives) upon the death, disability or termination of employment of such employees or directors pursuant to agreements or plans (including employment agreements and share option plans) approved by the

board of directors of the Parent Guarantor in an aggregate amount not to exceed US$5.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Parent Guarantor;

(vii) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof; or

(viii) an acquisition of the Capital Stock of a Restricted Subsidiary from a minority shareholder of such Restricted Subsidiary which increases the proportion of the Capital Stock of such Restricted Subsidiary held, directly or indirectly, by the Parent Guarantor;

provided that, in the case of clauses (ii), (iii) and (iv) of this Section 4.07(b), no Default or Event of Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

(c) The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant wil be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an independent appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

(d) Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07 were computed, together with a copy of any fairness opinion or appraisal required by this Indenture.

SECTION 4.08 Limitation on Liens. The Parent Guarantor will not, and will not permit the Company or any Subsidiary Guarantor to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Collateral (other than Permitted Liens). The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (including Capital Stock of Subsidiaries) that is not Collateral, or income or profits therefrom, or assign or convey any right to receive therefrom, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are (or the related Guarantee in the case of Liens of a Guarantor is) secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

SECTION 4.09 Limitation on Sale and Leaseback Transactions. The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Parent Guarantor or a Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Parent Guarantor or such Restricted Subsidiary, as the case may be, could have (x) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under Section 4.06 and (y) incurred a Lien to secure such Indebtedness pursuant to Section 4.08, in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transactio n are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, Section 4.14.

SECTION 4.10 Limitation on Dividend and Other Payment Restrictio ns Affecting Restricted Subsidiaries. (a) Except as provided in Section 4.10(b), the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;

(ii) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;

(iii) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

(iv) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(b) The provisions of Section 4.10(a) do not apply to any encumbrances or restrictions:

(i) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Guarantees, this Indenture, the Security Documents or any Permitted Pari Passu Secured Indebtedness, or any extensions, refinancings, renewals or replacements of any of the

foregoing agreements; *provided* that, as determined in good faith by the Board of Directors, the encumbrances and restrictions in any Permitted Pari Passu Secured Indebtedness and any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions in this Indenture or that are then in effect and that are being extended, refinanced, renewed or replaced, respectively;

(ii) existing under or by reason of applicable law, rule, regulation or order;

(iii) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(iv) that otherwise would be prohibited by Section 4.10(a)(iv) if they arise, or are agreed to, in the ordinary course of business and (A) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (B) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by this Indenture or (C) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;

(v) with respect to a Restricted Subsidiary and imposed pusuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Section 4.06, Section 4.11 and Section 4.14; or

(vi) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness (1) permitted under clauses (x), (xii) or (xv) of Section 4.06(b) (and any Permitted Refinancing Indebtedness thereof) if, as determined in good faith by the Board of Directors, the encumbrances or restrictions are (x) customary for such type of agreement and (y) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company and the Guarantors' to make required payment on the Notes and the Guarantees or (2) permitted under Section 4.06(b) (other than clauses (x), (xii) and (xv) thereof) if, as determined in good faith by the Board of Directors, the encumbrances or restrictions, taken as a whole, are no more restrictive in any material respect than those applicable to the Parent Guarantor and the Restricted Subsidiaries in this Indenture; or

(vii) existing in customary provisions in joint venture agreements and other similar agreements permitted under this Indenture, to the extent such encumbrance or

restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (1) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (2) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability the Company to make the required payments on the Notes, or (y) any Guarantor to make required payments under its Guarantee.

SECTION 4.11 Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries. The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(a) (i) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary or (ii) in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries; *provided* that in the case of clause (ii) only, the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Section 4.14;

(b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(c) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Section 4.14; and

(d) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under Section 4.07 if made on the date of such issuance or sale and provided that the Parent Guarantor complies with Section 4.14.

SECTION 4.12 Limitation on Issuances of Guarantees by Restricted Subsidiaries. (a) The Parent Guarantor will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Restricted Subsidiary, unless (i) (A) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to this Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (B) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (ii) such guarantee is permitted by clause (ii), (iii), (xi)(B) or (xv) of Section 4.06(b).

(b) If the Guaranteed Indebtedness (i) ranks *pari passu* in right of payment with the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Guarantee or (ii) is subordinated in right of payment to the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Guarantee.

SECTION 4.13 Repurchase of Notes Upon a Change of Control Triggering Event. (a) Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "**Offer to Purchase**").

(b) Each of the Company and the Parent Guarantor shall timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to this Section 4.13.

(c) Notwithstanding the foregoing, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(d) None of the Trustee, the Collateral Agent or the Agents shall be required to monitor or take any steps to ascertain whether a Change of Control Triggering Event, or any event which could lead to the occurrence of a Change of Control Triggering Event, has occurred or may occur.

SECTION 4.14 Limitatio n on Asset Sales. (a) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(i) no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(ii) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(iii) in the case of an Asset Sale that constitutes an Asset Disposition, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in Section 4.06(a) after giving pro forma effect to such Asset Disposition;

(iv) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an independent accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement in writing that validly releases the Parent Guarantor or such Restricted Subsidiary, as the case may be, from further liability; and

(B) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

(b) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor or any Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:

(i) permanently repay unsubordinated Indebtedness of the Parent Guarantor or any Restricted Subsidiary (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary or any Affiliate of the Parent Guarantor; or

(ii) acquire properties and assets (other than current assets) that will be used in the Permitted Businesses (including any Capital Stock in a Person holding such property or assets, which is primarily engaged in a Permitted Business and is or will upon the acquisition by the Parent Guarantor or any Restricted Subsidiary of such Capital Stock become a Restricted Subsidiary) ("**Replacement Assets**");

provided that, pending the application of Net Cash Proceeds in accordance with clauses (i) or (ii) of this Section 4.14(b), such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

(c) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in Section 4.14(b) wil constitute "**Excess Proceeds**". Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within ten days thereof, the Parent Guarantor or the Company must make an Offer to Purchase Notes having a principal amount equal to:

(i) accumulated Excess Proceeds, multiplied by;

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000. The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

(d) If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a *pro rata* basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

SECTION 4.15 Limitation on Transactions With Shareholders and Affiliates. (a) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, conduct, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an "**Affiliate Transaction**"), unless:

(i) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained at the time of the Affiliate Transaction in a comparable transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is neither such a holder nor an Affiliate of the Parent Guarantor; and

(ii) the Parent Guarantor delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (ii)(A) above, an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an independent accounting, appraisal or investment banking firm of recognized international standing.

(b) The foregoing limitation does not limit, and shall not apply to:

(i) the payment of reasonable and customary regular fees to directors of the Parent Guarantor who are not employees of the Parent Guarantor;

(ii) transactions between or among the Parent Guarantor and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(iii) any Restricted Payment of the type described in clause (i) or (ii) of Section 4.07(a) (other than Restricted Payments made in respect of Series D Preferred Stock) if permitted by Section 4.07;

(iv) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;

(v) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Parent Guarantor or any Restricted Subsidiary with directors, officers, employees and consultants in the ordinary course of business and the payment of reasonable compensation pursuant thereto;

(vi) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Parent Guarantor solely because the Parent Guarantor owns, directly or indirectly, Capital Stock in such Person;

(vii) transactions with customers, clients, suppliers or joint venture partners in the ordinary course of the business of the Parent Guarantor and its Restricted Subsidiaries and otherwise in compliance with the terms of this Indenture; *provided* that in the reasonable determination of the members of the Board of Directors or Senior Management of the Parent Guarantor, such transactions or agreements are on terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that could have been obtained at the time of such transactions or agreements in a comparable transaction or agreement by the Parent Guarantor or such Restricted Subsidiary with an unrelated Person;

(viii) Restricted Payments in respect of the Series D Preferred Stock made in accordance with the terms thereof to the extent permitted under Section 4.07; and

(ix) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary, in the ordinary course of business, pursuant to an employee stock or share option plan, restricted stock plans, long-term incentive plans or similar employee benefits plans; *provided* that such scheme or plans is in compliance with the listing rules of the Nasdaq Global Market or such other recognized stock exchange on which any Capital Stock of the Parent Guarantor is listed, for so long as any Capital Stock of the Parent Guarantor is listed on the Nasdaq Global Market or such other stock exchange.

(c) In addition, the requirements of clause (ii) of Section 4.15(a) shall not apply to (i) Investments (other than Permitted Investments) not prohibited by Section 4.07, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned

Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii), (A) such transaction is entered into in the ordinary course of business and (B) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary is a Person described in clause (x) or (y) of Section 4.15(a).

SECTION 4.16 Limitation on Business Activities. The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock or an Unrestricted Subsidiary or joint venture or other entity (other than any Restricted Subsidiary) that is engaged in a business other than Permitted Businesses as long as any Investment therein is not prohibited under Section 4.07.

SECTION 4.17 Use of Proceeds. The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date, in any amount, for any purpose other than (a) as specified under "*Use of Proceeds*" in the Offering Memorandum and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

SECTION 4.18 Designation of Restricted and Unrestricted Subsidiaries. (a) The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(ii) such Restricted Subsidiary and its Subsidiaries do not own any Disqualified Stock of the Company or any Guarantor or Disqualified Stock or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor or hold any Indebtedness of, or any Lien on any property, assets or proceeds of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under Section 4.06 or such Lien would violate Section 4.08;

(iii) such Restricted Subsidiary and its Subsidiaries do not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this Section 4.18(a);

(iv) none of the Parent Guarantor or any Restricted Subsidiary guarantees or provides credit support or is directly or indirectly liable for the Indebtedness of such Restricted Subsidiary; and

(v) the Investment deemed to have been made thereby in such newly- designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made under Section 4.07.

(b) The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(ii) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly- designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred under Section 4.06;

(iii) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred under Section 4.08;

(iv) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary);

(v) if such newly designated Restricted Subsidiary is not organized under the laws of the PRC, such newly designated Restricted Subsidiary will upon such designation execute and deliver to the Trustee a supplemental indenture to this Indenture by which such newly designated Restricted Subsidiary will become a Subsidiary Guarantor; and

(vi) if such Restricted Subsidiary is not organized under the laws of the PRC or directly owned by a Restricted Subsidiary organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any Restricted Subsidiary will be pledged as required under Section 12.02.

(c) Any such designation of a Restricted Subsidiary or an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Parent Guarantor giving effect to such designation or revocation, as the case may be, and an Officers' Certificate certifying that such designation or revocation complied with the foregoing conditions.

SECTION 4.19 Anti-Layering. The Parent Guarantor will not, and will not permit the Company or any Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Parent Guarantor, the Company or any Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Guarantees on substantially identical terms. This Indenture shall not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) senior Indebtedness as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

SECTION 4.20 Provision of Financia l Statements and Reports. (a) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than

10 calendar days after they are filed, with the SEC or any other recognized exchange on which the Parent Guarantor's Common Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with the SEC or such exchange; *provided* that if at any time the Parent Guarantor is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and does not otherwise report on an annual and quarterly basis on forms provided for such annual and quarterly reporting pursuant to the rules and regulations promulgated by the SEC, and the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(i) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Parent Guarantor, copies of the financial statements (on a consolidated basis and in the English language) of the Parent Guarantor in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and

(ii) as soon as they are available, but in any event within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year of the Parent Guarantor, copies of the financial statements (on a consolidated basis and in the English language) of the Parent Guarantor in respect of such quarter (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants.

(b) In addition, so long as any Note remains outstanding, the Parent Guarantor wil provide to the Trustee (i) within 120 days after the close of each fiscal year, an Officers' Certificate stating (x) the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate (or, if unavailable, written confirmation) from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided*, that the Parent Guarantor shall not be required to provide such auditor certificate (or written confirmation) if the external auditors refuse to provide such certificate (or confirmation) as a result of the general policy of such external auditors, and (y) the fiscal year-end of the Parent Guarantor (if the Parent Guarantor has elected to change the manner in which it fixes its fiscal year-end); and (ii) as soon as possible and in any event within 10 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

(c) Further, the Company and each Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Guarantor is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and

meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

(d) If the Parent Guarantor has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the annual and quarterly financial information required by this Section 4.20 shall include a reasonably detailed presentation, as determined in good faith by Senior Management of the Parent Guarantor, either on the face of the financial statements or in the footnotes to the financial statements and in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of the Offering Memorandum, of the financial condition and results of operations of the Parent Guarantor and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

(e) In the event that any direct or indirect parent company of the Parent Guarantor becomes a Guarantor of the Notes, the Parent Guarantor may satisfy its obligations under this covenant to provide consolidated financial information of the Parent Guarantor by furnishing consolidated financial information relating to such parent; *provided* that (1) such financial statements are accompanied by consolidating financial information for such parent, the Parent Guarantor, the Company, the Subsidiary Guarantors and the Non-Guarantor Subsidiaries and (2) such parent is not engaged in any business in any material respect other than such activities as are incidental to its ownership, directly or indirectly, of the Capital Stock of the Parent Guarantor.

(f) Delivery of reports, information and documents by the Company or a Guarantor to the Trustee (except any Officers' Certificate or compliance certificates specifically addressed to the Trustee) is for informational purposes only. The Trustee shall have no obligation to examine, verify, distribute or request such reports, information or documents from the Company or a Guarantor and the Trustee's receipt of such shal not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's and each Guarantor's, as the case may be, compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officers' Certificate or such compliance certificate without further verification).

SECTION 4.21 Additiona l Amounts. (a) All payments of principal of, and premium (if any) and interest on the Notes or under the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person or an applicable Guarantor is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "**Relevant Taxing Jurisdiction**") or any jurisdiction through which payment is made or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "**Relevant Jurisdictions**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Guarantor, as the case may be, will pay such additional amounts ("**Additional Amounts**") as wil result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(i) for or on account of:

(A) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(1) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments or enforcement of rights thereunder or under a Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(2) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(3) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(B) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(C) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives ;

(D) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentaiton of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere;

(E) any tax, assessment, withholding or deduction required by sections 1471 through 1474 (or any successor provisions or amendments thereof) of the U.S. Internal Revenue Code of 1986, as amended (**"FATCA"**), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(F) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (A), (B), (C), (D) and (E); or

(ii) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment, to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

(b) The Company or the relevant Guarantor will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company or the relevant Guarantor will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Company or the relevant Guarantor will furnish to the Trustee, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments. Upon request, copies of those receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the Holders or beneficial owners of the Notes. At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company or a Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Company wil deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on such payment date. In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

(c) Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in this Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

SECTION 4.22 Maintenance of Insurance. The Parent Guarantor will, and will cause its Restricted Subsidiaries to, maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses, including, without limitation, property and casualty insurance.

SECTION 4.23 No Payments For Consents. The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be

paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Notes or any Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

SECTION 4.24 Suspensions of Certain Covenants. If on any date following the date of this Indenture, the Notes have a rating of Investment Grade from any two of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a "**Suspension Event**"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from at least two of the Rating Agencies, the following provisions of this Indenture will be suspended:

(1) Section 4.06;

(2) Section 4.07;

(3) Section 4.09;

(4) Section 4.10;

(5) Section 4.11;

(6) Section 4.12;

(7) Section 4.14; and

(8) Section 4.16.

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to Section 4.18 or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first
day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of this Indenture during the continuance of the Suspension Event. Following such reinstitution, the calculations under Section 4.07 will be made as if such covenant had been in effect since the date of this Indenture and throughout the continuance of the Suspension Event (and accordingly, Restricted Payments made during the continuance of the Suspension Event will reduce the amount available to be made as Restricted Payments under Section 4.07(a)) except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Promptly following the occurrence of any Suspension Event or any Suspension Event ceasing to be in effect, the Parent Guarantor will provide an Officers' Certificate to the Trustee regarding such occurrence.

ARTICLE V

CONSOLIDATION, MERGER AND SALE OF ASSETS

SECTION 5.01 Consolidation, Merger and Sale of Assets. (a) Neither the Parent Guarantor nor the Company may consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of al or substantially al of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(i) the Parent Guarantor or the Company, as the case may be, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Parent Guarantor or the Company consolidated or merged, or that acquired or leased such property and assets (the "**Surviving Person**") shal be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Hong Kong, the United States, any state or territory thereof or the District of Columbia, and shall expressly assume, by a supplemental indenture to this Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor or the Company, as the case may be, under this Indenture, the Notes, the Security Documents and the Intercreditor Agreement, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and this Indenture, the Notes, the Security Documents and the Intercreditor Agreement shall remain in full force and effect;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor or the Company, as the case may be, immediately prior to such transaction;

(iv) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in Section 4.06(a);

(v) the Parent Guarantor shal deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (iii) and (iv) of this Section 5.01(a)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with;

(vi) each Guarantor, unless such Guarantor is the Person with which the Parent Guarantor or Company, as the case may be, has entered into a transaction described under this Section 5.01, shall execute and deliver a supplemental indenture to this Indenture

confirming that its Guarantee shall apply to the obligations of the Parent Guarantor, the Company or the Surviving Person, as the case may be, under and in accordance with the Notes and this Indenture; and

(vii) no Rating Decline shall have occurred.

(b) No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Subsidiary Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless each of the following conditions is met:

(i) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Hong Kong, the United States, any state or territory thereof or the District of Columbia and shall expressly assume, by a supplemental indenture to this Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor under this Indenture, the Notes and its Guarantee, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and this Indenture, the Notes and such Guarantee shall remain in full force and effect;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(iv) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in Section 4.06(a);

(v) the Parent Guarantor shal deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (iii) and (iv) of this Section 5.01(b)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with; and

(vi) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with Section 4.14 or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions of Section 10.11.

Notwithstanding the foregoing, (i) any Subsidiary Guarantor may merge with or into or transfer all or part of its properties and assets to the Company or any Guarantor, so long as the Company or such Guarantor survives such merger, (ii) the Parent Guarantor may merge with an Affiliate of the Parent Guarantor solely for the purpose of reincorporating the Parent Guarantor in the British Virgin Islands, the Cayman Islands, Hong Kong, the United States, any state or territory thereof or the District of Columbia so long as the amount of Indebtedness of the Parent Guarantor and the Restricted Subsidiaries is not increased thereby and (iii) the Parent Guarantor may merge or consolidate with and into the Company, or be liquidated following the transfer of all or substantially all of its assets to the Company, in each case in compliance with the applicable provisions of this Indenture; provided that on and after such merger, consolidation or liquidation, al references to "Parent Guarantor" and the "Company" in this Indenture shal refer to the continuing Person.

Upon any consolidation, merger, winding up, sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the assets of the Company or a Guarantor in accordance with this covenant, the Company and a Guarantor, as the case may be, will be released from its obligations under this Indenture and the Notes or its Guarantee, as the case may be, and the continuing Person will succeed to, and be substituted for, and may exercise every right and power of, the Company or a Guarantor, as the case may be, under the Indenture, the Notes and such Guarantee; provided that, in the case of a lease of all or substantially all its assets, the Company will not be released from the obligation to pay the principal of and interest on the Notes, and a Guarantor will not be released from its obligations under its Guarantee.

ARTICLE VI

DEFAULT AND REMEDIES

SECTION 6.01 Events of Default. Each of the following events is an "**Event of Default**":

(a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption, required purchase or otherwise;

(b) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(c) default in the performance or breach of the provisions of Section 4.08 or Section 5.01, or the failure by the Parent Guarantor or the Company to make an Offer to Purchase in the manner described under Sections 4.13 or Section 4.14 or any failure by the Parent Guarantor to create, or cause its Restricted Subsidiaries to create, a first priority Lien (subject to Permitted Liens and the Intercreditor Agreement (if any)) on the Collateral in accordance with the provisions described under Section 12.01 or 12.02;

(d) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in this Indenture or under the notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(e) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (i) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (ii) a default in payment of principal of, or interest or premium on, or any other amounts in respect of, such Indebtedness when the same becomes due and payable;

(f) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$15.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) the Parent Guarantor or any Restricted Subsidiary (i) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Restricted Subsidiary, or (iii) effects any general assignment for the benefit of creditors;

(i) any Guarantor denies or disaffirms its obligations under its Guarantee, is declared null and void in a judicial proceeding or, except as permitted by this Indenture, any Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect;

(j) any default by the Company or any Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Intercreditor Agreement (if any) that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral; or

(k) the Company or any Guarantor Pledgor denies or disaffirms its obligations under any Security Document or the Intercreditor Agreement (if any) or, other than in accordance with this Indenture, the Security Documents and the Intercreditor Agreement (if any), any Security Document or the Intercreditor Agreement (if any) ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first-priority Lien (subject to Permitted Liens and the Intercreditor Agreement (if any)) over the Collateral (if any).

SECTION 6.02 Acceleration. If an Event of Default (other than an Event of Default specified in clause (g) or (h) of Section 6.01) occurs and is continuing under this Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) of Section 6.01 occurs with respect to the Parent Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

SECTION 6.03 Other Remedies. If an Event of Default occurs and is continuing, the Trustee shall upon written direction of the Holders of at least 25% in aggregate principal amount of the Notes pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or, subject to the Intercreditor Agreement (if any), to enforce the performance of any provision of the Notes, this Indenture or the Security Documents. The Trustee or the Collateral Agent may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee shall upon written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes (i) give the Collateral Agent a written notice of the occurrence of such continuing Event of Default and (ii) instruct the Collateral Agent in accordance with the terms of this Indenture, the Security Documents and the Intercreditor Agreement (if any) to, foreclose on the Collateral in accordance with the terms of the Security Documents and the Intercreditor Agreement (if any) and take such further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate.

SECTION 6.04 Waiver of Past Defaults. The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all the Holders waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind and annul a declaration of acceleration and its consequences if (x) all existing Events of Default, other than the non- payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05 Control by Majority. The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee or the Collateral Agent.

However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law, this Indenture or the Security Documents, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reasonably satisfactory indemnification or security is assured to it.

SECTION 6.06 Limitation on Suits. A Holder may not institute any proceeding, judicial or otherwise, with respect to this Indenture or the Notes, or for the appointment of a receiver or a trustee, or for any other remedy under this Indenture or the Notes, unless:

(a) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder or Holders offer the Trustee indemnity or security reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(d) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (b) above or (y) 60 days after the receipt of the offer of indemnity or security pursuant to clause (c) above, whichever occurs later; and

(e) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

SECTION 6.07 Rights of Holders to Receive Payment.
Notwithstanding anything to the contrary, the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 Compliance Certificate. Two Officers of the Parent Guarantor and the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Parent Guarantor and the Restricted Subsidiaries and the Parent Guarantor's and the Restricted Subsidiaries' performance under this Indenture and that the Parent Guarantor and each

Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. Two Officers of each of the Parent Guarantor and the Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under this Indenture, on or prior to the date that is not more than 30 days after such default.

SECTION 6.09 Collectio n Suit by Trustee. If an Event of Default in payment of principal or interest specified in clause (a) or (b) of Section 6.01 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust for the whole amount of principal and accrued interest remaining unpaid, together with interest on overdue principal and, to the extent lawful, overdue installments of interest, in each case at the rate specified in the Notes, and such further amount as is sufficient to cover the properly incurred costs and expenses of collection, including the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee hereunder.

SECTION 6.10 Trustee May File Proofs of Claim. The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company or any Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the properly incurred compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.11 Restoration of Rights and Remedies. If the Trustee or any Holder has instituted a proceeding to enforce any right or remedy under this Indenture and the proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to the Holder, then, subject to any determination in the proceeding, the Company, any Guarantors, the Trustee and the Holders will be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Company, any Guarantors, the Trustee and the Holders will continue as though no such proceeding had been instituted.

SECTION 6.12 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court may require any party litigant in such suit (other than the

Trustee) to file an undertaking to pay the costs of the suit, and the court may assess reasonable costs, including reasonable attorneys' fees, against any party litigant (other than the Trustee) in the suit having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.13 does not apply to a suit by a Holder to enforce payment of principal of or interest on any Note on the respective due dates, or a suit by Holders of more than 10% in principal amount of the outstanding Notes.

SECTION 6.13 Rights and Remedies Cumulative. No right or remedy conferred or reserved to the Trustee or to the Holders under this Indenture is intended to be exclusive of any other right or remedy, and all such rights and remedies are, to the extent permitted by law, cumulative and in addition to every other right and remedy hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or exercise of any right or remedy hereunder, or otherwise, will not prevent the concurrent assertion or exercise of any other right or remedy.

SECTION 6.14 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default will impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 6.15 Waiver of Stay, Extensio n or Usury Laws. The Company and each Guarantor covenants, to the extent that it may lawfully do so, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company or the Guarantor from paying all or any portion of the principal of, or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. The Company and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VII

THE TRUSTEE

SECTION 7.01 General. (a) The duties and responsibilities of the Trustee are as set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article.

(b) Except during the continuance of a Default or an Event of Default, the Agents need perform only those duties that are specifically set forth in this Indenture, the Notes, the Security Documents or the Intercreditor Agreement (if any) and no others, and no implied covenants or obligations will be read into this Indenture, the Notes, the Security Documents or

the Intercreditor Agreement (if any) against the Agents. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by this Indenture, the Notes, the Security Documents or the Intercreditor Agreement (if any), and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. During the continuance of an Event of Default, the Trustee will act only upon the written direction of the Holders of at least 25% of the aggregate principal amount then outstanding.

(c) Should the Trustee become a creditor of the Company or any of the Guarantors, rights of the Trustee to obtain payment of claims in certain cases or to realize on certain property received by the Trustee in respect of any such claims, as security or otherwise, will be limited. The Trustee is permitted to engage in other transactions with the Company and its Affiliates and profit therefrom without being obliged to account for such profits. The Company hereby irrevocably waives, in favor of the Trustee, any conflict of interest which may arise by virtue of the Trustee acting in various capacities under this Indenture or for other customers of the Trustee. The Company acknowledges that the Trustee and its affiliates may have interests in, or may be providing or may in the future provide financial or other services to other parties with interests which the Company may regard as conflicting with its interests and may possess information (whether or not material to the Company) other than as a result of the Trustee acting as Trustee hereunder, that the Trustee may not be entitled to share with the Company. Consistent with its long-standing policy to hold in confidence the affairs of its customers, the Trustee will not disclose confidential information obtained from the Company without its consent to any of the Trustee's other customers nor wil it use on the Company's behalf any confidential information obtained from any other customer. Without prejudice to the foregoing, the Company agrees that the Trustee may deal (whether for its own or its customers' account) in, or advise on, securities of any party and that such dealing or giving of advice, will not constitute a conflict of interest for the purposes of this Indenture.

(d) The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company with the same rights it would have if it were not the Trustee, Paying Agent, Note Registrar or such other Agent; *provided*, that, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign.

(e) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct, except that the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.04 or 6.05.

SECTION 7.02 Certain Rights of Trustee. Subject to Section 7.01:

(a) In the absence of bad faith on its part, the Trustee may rely, and will be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document (whether in original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person, including a director of the Company. The Trustee need not investigate any fact or matter stated in the

document, but the Trustee shall examine the document to determine whether it conforms to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). The Trustee, in its absolute discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Notwithstanding anything herein to the contrary, before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Sections 13.04 and 13.05 and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on the certificate or opinion

(c) The Trustee has no obligation to monitor the financial performance of the Company or any Guarantors.

(d) The Trustee may delegate duties to, and may act through, its attorneys and agents and will not be responsible for the acts, omissions, misconduct or negligence of any attorney or agent appointed with due care by it hereunder.

(e) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee security and/or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(f) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 6.04 or 6.05 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; provided however, that the Trustee's conduct does not constitute wilful misconduct or gross negligence.

(g) The Trustee may consult with counsel or other professional advisors of its selection, and the written advice of such counsel or advisors or any Opinion of Counsel will be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(h) No provision of this Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives security and indemnity satisfactory to it against any loss, liability or expense.

(i) If any Guarantor is substituted to make payments on behalf of the Company pursuant to Article 10 or Article 11, the Company shall promptly notify the Trustee and any clearing house through which the Notes are traded of such substitution.

(j) The Trustee may request that each of the Parent Guarantor and the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate.

(k) The permissive rights of the Trustee enumerated herein shall not be construed as duties unless so specified herein.

(l) The Trustee will treat information relating to the Company as confidential, but (unless consent is prohibited by law) the Company consents to the transfer and disclosure by the Trustee of any information relating to the Company to and between branches, subsidiaries, representative offices, affiliates and agents of the Trustee and third parties selected by any of them, wherever situated, for confidential use consistent with the Trustee's obligations under this Indenture (including in connection with the provision of any service and for data processing, statistical and risk analysis purposes). The Trustee and any branch, subsidiary, representative office, affiliate, agent or third party may transfer and disclose any such information as required by any law, court regulator or legal process with prior written notice to the Company.

(m) In no event shall the Trustee be responsible or liable, directly or indirectly, for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The provisions of this clause shall survive the termination or expiry of this Agreement or the resignation or removal of the Trustee.

(n) If an Event of Default occurs and is continuing, all Agents will be required to act on the Trustee's direction.

(o) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any of the covenants contained in Article 4. The Trustee will not be responsible for the creditworthiness or solvency of the Company and any Guarantor.

(p) The Trustee shall not be liable for any failure or delay in the performance of its obligations under this Indenture or any other transaction document because of circumstances beyond the Trustee's control, including, without limitation, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, rebellion, embargo, civil commotion or the like which restrict or prohibit the performance of the obligations contemplated by this Indenture or any other transaction document (as the case may be), and other causes beyond the Trustee's control whether or not of the same class or kind as specifically named above.

(q) The Trustee is not obliged to do or omit to do anything which in its reasonable opinion, would or may be illegal or would constitute a breach of any law, rule, regulation, or any decree, order or judgment of any court, or practice, request, direction, notice, announcement or similar action (whether or not having the force of law) of any relevant government, government agency, regulatory authority, stock exchange or self-regulatory organization to which the Trustee is subject.

(r) The Trustee shall not be liable for errors in judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(s) The Trustee shall be entitled to assume, without enquiry, that the Company has performed all of its obligations in accordance with all of the provisions of this Indenture, unless notified to the contrary.

(t) If a default or an Event of Default shall have occurred, or if the Trustee finds it expedient or necessary, or is requested by the Company to undertake duties which are of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Indenture (including, but not limited to the processing of payments in connection with the exercise of redemption rights upon a Change of Control Triggering Event), the Company will pay such additional remuneration as it may agree or, failing such agreement, as determined by an independent international merchant or investment bank (acting as an expert) selected by the Trustee and, prior to the occurrence of an Event of Default that is continuing, also approved by the Company. The expenses involved in such nomination and such merchant or investment bank's fee will be paid by the Company. The determination of such merchant or investment bank will be conclusive and binding on the Company and the Trustee.

SECTION 7.03 Individual Rights of Trustee. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights.

SECTION 7.04 Trustee's Disclaimer. The Trustee (a) makes no representation as to the validity or adequacy of this Indenture or the Notes, (b) is not accountable for the Company's use or application of the proceeds from the Notes, (c) is not responsible for any statement in the Notes other than its certificate of authentication and (d) shall not have any responsibility for the Company's or any Holder's compliance with any state or U.S. federal securities law in connection with the Notes.

SECTION 7.05 Notice of Default. Within 30 days after the earlier of receipt from the Company of notice of the occurrence of any Default or Event of Default hereunder or the date when such Default or Event of Default becomes known to the Trustee,the Trustee will send notice of the Default to each Holder unless the Default or Event of Default has been cured; *provided* that, except in the case of a default in the payment of the principal of or interest on any Note, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of the Trustee in good faith determines that withholding the notice is in the interest of the Holders. The Trustee shall not be deemed to have knowledge of any non-compliance with this Indenture, a Default or Event of Default unless and until a Responsible Officer obtains actual knowledge of such Default or Event of Default through written notification describing the circumstances of such non-compliance, and identifying the circumstances constituting such default or Event of Default from the Company or from Holders of not less than 25% in aggregate principal amount of outstanding Notes. The Trustee shall have no obligation to investigate whether any Default or Event of Default has occurred. In the absence

of written notice of a Default or Event of Default, the Trustee may assume without any liability in connection with such assumption that there is no Default or Event of Default.

SECTION 7.06 Compensation and Indemnity. (a) The Company will pay the Trustee properly incurred compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a Trustee of an express trust. The Company will reimburse the Trustee upon request for all reasonable and documented expenses, disbursements and advances (including costs of collection) incurred or made by the Trustee for its services hereunder, including the compensation and properly incurred expenses of the Trustee's agents and counsel.

(b) Each of the Company and the Guarantors, jointly and severally, will indemnify the Trustee or any predecessor Trustee and their agents, employees, officers and directors for, and hold them harmless against, any loss, damage, claim, including taxes, or liability or reasonable expense, including reasonable legal fees, incurred by it without gross negligence or willful misconduct on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the properly incurred costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes.

(c) To secure the Company's payment obligations in this Section, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, and interest on particular Notes.

(d) This Section 7.06 shall survive the redemption or maturity of the Notes, the termination of this Indenture, and resignation or removal of the Trustee.

(e) When the Trustee incurs expenses or renders services pursuant to this Indenture after the occurrence of an Event of Default specified in Section 6.01(g) or (h) with respect to the Company or any Guarantor, the expenses are intended to constitute expenses of administration under the United States Bankruptcy Code (Title 11 of the United States Code) or any other similar law for the relief of debtors.

(f) All rights, powers, protections and benefits available to the Trustee under this Indenture shall apply equally to each of the other capacities of Citicorp International Limited under this Indenture (as applicable).

SECTION 7.07 Replacement of Trustee. (a) The Trustee may resign at any time by written notice to the Company.

(i) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(ii) The Company may remove the Trustee if: (A) the Trustee is adjudged a bankrupt or an insolvent; (B) a receiver or other public officer takes charge of the Trustee or its property; or (C) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Company. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Company, (i) the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Company will execute any and all instruments for fully vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Company will give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.06 will continue for the benefit of the retiring Trustee.

SECTION 7.08 Successor Trustee by Consolidation, Merger, Conversion or Transfer. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business or assets (including the administration of the trust created by this Indenture) to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act will be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

SECTION 7.09 Money Held in Trust. The Trustee will not be liable for interest on any money received by it except as it may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.10 Appointment of Co-Trustee. The Trustee may, by written notice to the Company, appoint anyone to act as an additional trustee jointly with the Trustee:

(a) if the Trustee considers such appointment to be in the interests of the Holders

(b) to conform with any legal requirement, restriction or condition in a jurisdiction in which a particular act is to be performed; or

(c) to obtain a judgment or to enforce a judgment or any provision of this Indenture in any jurisdiction.

Subject to the provisions of this Indenture, the Trustee may confer on any person so appointed such functions as it thinks fit. The Trustee may by written notice to the Company and the person so appointed remove that person. At the Trustee's request, the Company wil
forthwith do all things as may be required to perfect such appointment or removal and it irrevocably appoints the Trustee to be its attorney in its name and on its behalf to do so. The Trustee shall not be liable or responsible for supervising any such co-trustee or for any misconduct or negligence of such co-trustee provided it has exercised reasonable care in selecting such co-trustee.

ARTICLE VIII

DEFEASANCE AND DISCHARGE

SECTION 8.01 Defeasance and Discharge of Indenture. The Company shall be deemed to have paid and shall be discharged from any and all obligations in respect of the Notes, on the 183rd day after the deposit referred to in clause (i) of this Section 8.01 has been made and the provisions of this Indenture will no longer be in effect with respect to the Notes (except for, among other matters, (i) the rights of Holders to receive payments in respect of the principal, premium, if any, and interest on the Notes when such payments are due, solely out of the trust referred to below, (ii) certain obligations to register the transfer or exchange of the Notes, to issue temporary Notes, to replace stolen, destroyed, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Parent Guarantor's and the Company's obligations in connection therewith and (iv) the defeasance and discharge provisions of this Indenture) if, among other things:

(i) the Company (a) has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of this Indenture and the Notes (and without consideration of any reinvestment of interest) and (b) delivers to the Trustee a certificate or attestation of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of this Indenture and the Notes and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;

(ii) the Company has delivered to the Trustee (a) either (1) an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters that is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this

Section 8.01 and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (2) a ruling directed to the Company or the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, and (b) an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(iii) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its or any Guarantor's creditors or others;

(iv) immediately after giving effect to such deposit on a *pro forma* basis, no Default or Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and the deposit and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of the Restricted Subsidiaries is a party or by which the Parent Guarantor or any of the Restricted Subsidiaries is bound;

(v) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the discharge or defeasance have been complied with; and

(vi) the Company has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at Stated Maturity (which instructions may be contained in the Officers' Certificate referred to in clause (v) above). In the case of either discharge or defeasance of the Notes, each of the Guarantees will terminate.

SECTION 8.02 Covenant Defeasance. The Company may omit to comply with any term, provision or condition set forth in, and this Indenture will no longer be in effect with respect to, clauses (iii), (iv), (v)(x) and (vii) of Section 5.01(a), clauses (iii), (iv), (v)(x) and (vi) of Section 5.01(b), Article 4 (other than Sections 4.01, 4.02, 4.03, 4.04 and 4.19), clause (c) of Section 6.01 with respect to clauses (iii), (iv), (v)(x) and (vii) of Section 5.01(a), clauses (iii), (iv), (v)(x) and (vi) of Section 5.01(b) and with respect to the other events set forth in such clause, clause (d) of Section 6.01 with respect to such other covenants and clauses (e) and (f) of Section 6.01 shall be deemed not to be Events of Default; provided the following conditions have been satisfied:

(a) The Company has (x) irrevocably deposited with the Trustee, in trust, for the benefit of the Holders, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with

their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of this Indenture and the Notes (without consideration of any reinvestment of interest) and (y) delivers to the Trustee a certificate or attestation of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of this Indenture and the Notes and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust.

(b) The Company has delivered to the Trustee an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and covenant defeasance had not occurred.

(c) The Company has delivered to the Trustee an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law.

(d) The Company shal have delivered to the Trustee an Officers' Certificate acceptable to the Trustee stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others.

(e) Immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and the deposit and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

(f) The Company must deliver to the Trustee an Officers' Certificate acceptable to the Trustee and an Opinion of Counsel, each stating that all conditions precedent relating to such defeasance have been complied with.

(g) The Company has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at Stated Maturity (which instructions may be contained in the Officers' Certificate referred to in clause (f) above).

SECTION 8.03 Applicatio n of Trust Money. Subject to Section 8.04, the Trustee will hold in trust the money or U.S. Government Obligations deposited with it

pursuant to Section 8.01 or 8.02, and apply the deposited money and the proceeds from deposited U.S. Government Obligations to the payment of principal of and interest on the Notes in accordance with the Notes and this Indenture.

SECTION 8.04 Repayment to Company. Subject to Sections 7.06,

8.01 and 8.02, the Trustee will promptly pay to the Company upon written request any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee will promptly pay to the Company upon written request any money held for payment with respect to the Notes that remains unclaimed for six years; *provided* that before making such payment the Trustee may at the expense of the Company publish once in a newspaper of general circulation in the City of New York, or send to each Holder entitled to such money, notice that the money remains unclaimed and that after a date specified in the notice (at least 30 days after the date of the publication or notice) any remaining unclaimed balance of money will be repaid to the Company. After payment to the Company, Holders entitled to such money must look solely to the Company for payment, unless applicable law designates another Person, and all liability of the Trustee with respect to such money will cease.

SECTION 8.05 Reinstatement. If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Sections 8.01 or 8.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Notes wil be reinstated as though no such deposit in trust had been made until such time as the Trustee is permitted to apply all such money in accordance with this Article VIII. If the Company makes any payment of principal of or interest on any Notes because of the reinstatement of its obligations, it will be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust by the Trustee.

ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01 Amendments Without Consent of Holders. The Company, the Guarantors, the Trustee and the Collateral Agent may amend or supplement this Indenture, the Notes, the Intercreditor Agreement, if any, or any Security Document and the Guarantees without the consent of any Holder, to:

(i) cure any ambiguity, defect, omission or inconsistency in this Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(ii) comply with Section 5.01;

(iii) evidence and provide for the acceptance of appointment by a successor Trustee or Collateral Agent; *provided* that the successor Trustee or Collateral Agent is otherwise qualified and eligible to act as such under the terms of this Indenture;

(iv) provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture

(v) in any other case where a supplemental indenture to this Indenture is required or permitted to be entered into pursuant to the provisions of this Indenture without the consent of any Holder;

(vi) effect any changes to this Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(vii) add any Guarantor or any Guarantee or release any Guarantor from any Guarantee or add or release any Subsidiary Guarantor Pledgor and the corresponding Collateral, in each case, as provided or permitted by the terms of this Indenture;

(viii) add covenants of the Parent Guarantor and its Restricted Subsidiaries or Events of Default for the benefit of Holders or to make changes that would provide additional rights to the Holders or to surrender any right or power conferred upon the Company or any Guarantor;

(ix) to conform the text of this Indenture, the Notes or the Guarantees to any provision of the section "Description of the Notes" in the Offering Memorandum to the extent that such provision in the section "Description of the Notes" in the Offering Memorandum was intended to be a verbatim recitation of a provision of this Indenture, the Notes or the Guarantees;

(x) to permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendments to the Security Documents or this Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with this Indenture);

(xi) to add additional Collateral to secure the Notes or any Guarantee; or

(xii) make any other change that does not adversely affect the rights of any Holder under this Indenture, the Notes and the Guarantees.

SECTION 9.02 Amendments With Consent of Holders. (a) The Amendments of this Indenture, the Intercreditor Agreement or any Security Documents may be made by the Company, the Guarantors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company or any Guarantor with any provision of this Indenture, the Notes, the Intercreditor Agreement or any Security Document; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(i) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(ii) reduce the principal amount of, or premium, if any, or interest on, any Note;

(iii) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(iv) impair the right of any Holder to receive payment of principal, premium, if any, or interest on, or to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Guarantee;

(v) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify, amend or supplement this Indenture;

(vi) make any change in the amendment or waiver provisions which require each Holder's consent;

(vii) waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the Notes;

(viii) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of this Indenture or for waiver of certain defaults;

(ix) release any Guarantor from its Guarantee, except as provided in this Indenture;

(x) release any Collateral, except as provided in this Indenture, the Intercreditor Agreement and the Security Documents;

(xi) amend, change or modify any Guarantee in a manner that adversely affects the Holders;

(xii) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or this Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Intercreditor Agreement, such Security Document, and this Indenture;

(xiii) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale;

(xiv) change the time at which any Notes may be redeemed or repurchased, or the redemption date or the redemption price of the Notes from that stated under Section 3.01 or Section 3.02, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;

(xv) amend, change or modify the obligation of the Company or any Guarantor to pay Additional Amounts; or

(xvi) amend, change or modify any provision of this Indenture or the related definition affecting the ranking of the Notes or any Guarantee in a manner which adversely affects the Holders.

(b) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(c) An amendment, supplement or waiver under this Indenture by any Holder given in connection with a tender of such Holder's Notes wil not be rendered invalid by such tender. After an amendment, supplement or waiver under this Indenture becomes effective, the Company is required to give to the Holders a notice briefly describing such amendment, supplement or waiver. Any failure of the Company to give such notice to all the Holders, or any defect therein, will not impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03 Effect of Consent. (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

SECTION 9.04 Trustee's Rights and Obligations. The Trustee is entitled to receive, and will be fully protected in relying upon, in addition to the documents required by Section 13.04, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture and an Officers' Certificate stating that al conditions precedent have been complied with. If the Trustee has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee.
The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE X

SUBSIDIARY GUARANTEES

SECTION 10.01 The Subsidiary Guarantees. Subject to the provisions of this Article 10, each of the Subsidiary Guarantors (whether originally a signatory hereto or

added pursuant to a supplemental indenture) hereby, jointly and severally, guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authentication Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable to the Holders or the Trustee under this Indenture or the Notes.

SECTION 10.02 Guarantee Unconditional. The obligations of each Subsidiary Guarantor hereunder are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under this Indenture or any Note, by operation of law or otherwise;

(b) any modification or amendment of or supplement to this Indenture or any Note;

(c) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in this Indenture or any Note;

(d) the existence of any claim, set off or other rights which the Subsidiary Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with this Indenture or any unrelated transactions; provided that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim;

(e) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of this Indenture or any Note; or

(f) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Subsidiary Guarantor's obligations hereunder.

SECTION 10.03 Discharge; Reinstatement. Each Subsidiary Guarantor's obligations hereunder wil remain in full force and effect until the principal of, premium, if any, and interest on the Notes and all other amounts payable by the Company under this Indenture have been paid in full. If at any time any amount paid under a Note or this Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

SECTION 10.04 Waiver by the Subsidiary Guarantors. Each Subsidiary Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person. In particular, the Subsidiary

Guarantors irrevocably waive their right to require the Trustee to pursue or exhaust the Trustee's legal or equitable remedies against the Company prior to exercising the Trustee's rights under the Subsidiary Guarantees.

SECTION 10.05 Subrogation and Contribution. Upon making any payment with respect to any obligation of the Company under this Article, the Subsidiary Guarantor making such payment will be subrogated to the rights of the payee against the Company with respect to such obligation; provided that the Subsidiary Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Subsidiary Guarantor, with respect to such payment so long as any amount payable by the Company hereunder or under the Notes remains unpaid.

SECTION 10.06 Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Company under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Subsidiary Guarantors hereunder forthwith on demand by the Trustee or the Holders.

SECTION 10.07 Limitation on Amount of Subsidiary Guarantee. Notwithstanding anything to the contrary in this Article, each Subsidiary Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Subsidiary Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable law of any other jurisdiction. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Subsidiary Guarantor under its Subsidiary Guarantee are limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 10.08 Ranking of Subsidiary Guarantees. The Subsidiary Guarantee of each Subsidiary Guarantor: (a) is a senior obligation of such Subsidiary Guarantor; (b) is senior in right of payment to any obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; (c) ranks at least *pari passu* in right of payment with all unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); (d) is structurally subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and (e) is effectively subordinated to all existing and future secured obligations of such Subsidiary Guarantor, to the extent of the value of the collateral securing such obligations (other than the Collateral pledged by such Subsidiary Guarantor).

SECTION 10.09 Further Subsidiary Guarantors. (a) The Parent Guarantor will, for the benefit of the Holders of the Notes, cause each of its future Restricted Subsidiaries (other than Subsidiaries organized under the laws of the PRC), promptly upon and in any event within 30 days after it becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to this Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Notwithstanding the foregoing sentence, the Parent

Guarantor may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary; *provided*, that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Non-Guarantor Subsidiaries organized outside the PRC do not account for more than 5.0% of the Total Assets as of the date such entity becomes a Restricted Subsidiary. In addition, if, at any time, the Consolidated Assets of all Non- Guarantor Subsidiaries organized outside the PRC exceed 5.0% of the Total Assets, the Parent Guarantor shall cause one or more Non-Guarantor Subsidiaries organized outside the PRC to execute and deliver to the Trustee a supplemental indenture to this Indenture in the form of Exhibit G pursuant to which such Non-Guarantor Subsidiaries will guarantee the payment of the Notes such that the 5.0% limitation is complied with. Such supplemental indenture shall be executed within 30 days from the date of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile on a timely manner and which may include internal consolidated financial statements) are available. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date will, upon execution of the applicable supplemental indenture to this Indenture, be a "Subsidiary Guarantor".

SECTION 10.10 Execution and Delivery of Guarantee. The execution by each Subsidiary Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit G) evidences the Subsidiary Guarantee of such Subsidiary Guarantor, whether or not the person signing as an officer of the Subsidiary Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Subsidiary Guarantee set forth in this Indenture on behalf of each Subsidiary Guarantor.

SECTION 10.11 Release of the Subsidiary Guarantees. (a) A Subsidiary Guarantee given by a Subsidiary Guarantor will be released upon,

(i) repayment in full of the Notes;

(ii) a defeasance as provided in Article 8;

(iii) the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of this Indenture; or

(iv) the sale or merger of a Subsidiary Guarantor in compliance with the terms of this Indenture (including Sections 4.11, 4.14 and 5.01) resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (a) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's or Parent Guarantor's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (b) the proceeds from such sale or disposition are used for the purposes permitted or required by this Indenture.

(b) No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or any Holder until the Company has delivered to the Trustee an Officers' Certificate stating that al requirements relating to such release have been complied

with and that such release is authorized and permitted under the terms of this Indenture. At the request of the Company, the Trustee will execute and deliver an instrument evidencing such release.

ARTICLE XI

PARENT GUARANTEE

SECTION 11.01 The Parent Guarantee. Subject to the provisions of this Article 11, the Parent Guarantor hereby guarantees as principal obligor to each Holder of a Note authenticated by the Trustee or the Authentication Agent and to the Trustee and its successors and assigns the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable to the Holders or the Trustee under this Indenture or the Notes.

SECTION 11.02 Guarantee Unconditional. The obligations of the Parent Guarantor hereunder are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under this Indenture or any Note, by operation of law or otherwise;

(b) any modification or amendment of or supplement to this Indenture or any Note;

(c) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganizatio n or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in this Indenture or any Note;

(d) the existence of any claim, set off or other rights which the Parent Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with this Indenture or any unrelated transactions; provided that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim;

(e) any invalidity, irregularity, or unenforceability relating to or against the Company for any reason of this Indenture or any Note; or

(f) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to the Parent Guarantor's obligations hereunder.

SECTION 11.03 Discharge; Reinstatement. The Parent Guarantor's obligations hereunder will remain in full force and effect until the principal of, premium, if any, and interest on the Notes and all other amounts payable by the Company under this Indenture have been paid in full. If at any time any amount paid under a Note or this Indenture is rescinded

or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

SECTION 11.04 Waiver by the Parent Guarantor. The Parent Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person. In particular, the Parent Guarantor irrevocably waives its right to require the Trustee to pursue or exhaust the Trustee's legal or equitable remedies against the Company prior to exercising the Trustee's rights under the Parent Guarantee.

SECTION 11.05 Subrogation and Contribution. Upon making any payment with respect to any obligation of the Company under this Article, the Parent Guarantor making such payment will be subrogated to the rights of the payee against the Company with respect to such obligation; provided that the Parent Guarantor may not enforce any right of subrogation or otherwise, with respect to such payment so long as any amount payable by the Company hereunder or under the Notes remains unpaid.

SECTION 11.06 Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Company under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Parent Guarantor hereunder forthwith on demand by the Trustee or the Holders.

SECTION 11.07 Ranking of Parent Guarantee. The Parent Guarantee: (a) is a general obligation of the Parent Guarantor; (b) is senior in right of payment to any obligations of the Parent Guarantor expressly subordinated in right of payment to such Parent Guarantee; (c) ranks at least *pari passu* in right of payment with all unsubordinated Indebtedness of the Parent Guarantor Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); (d) is structurally subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and (e) is effectively subordinated to all existing and future secured obligations of the Parent Guarantor, to the extent of the value of the collateral securing such obligations (other than the Collateral).

SECTION 11.08 Executio n and Delivery of Guarantee. The execution by the Parent Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit G) evidences the Parent Guarantee, whether or not the person signing as an officer of the Parent Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Parent Guarantee set forth in this Indenture on behalf of the Parent Guarantor.

SECTION 11.09 Release of the Parent Guarantee. (a) The Parent Guarantee will be released upon,

(i) repayment in full of the Notes;

(ii) a defeasance as provided in Article 8;

(iii) upon the merger or consolidation of the Parent Guarantor with and into the Company that is the continuing Person in such merger or consolidation, or upon the liquidation of the Parent Guarantor following the transfer of all or substantially all of its assets to the Company that is the continuing Person, in each case in compliance with this Indenture.

(b) No release of the Parent Guarantor from its Parent Guarantee shall be effective against the Trustee or any Holder until the Company has delivered to the Trustee an Officers' Certificate stating that al requirements relating to such release have been complied with and that such release is authorized and permitted under the terms of this Indenture. At the request of the Company, the Trustee will execute and deliver an instrument evidencing such release.

ARTICLE XII

SECURITY

SECTION 12.01 Security. (a) The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an Interest Payment Date, at maturity, by acceleration, repurchase, redemption or otherwise and whether by the Company pursuant to the Notes or by any Guarantor pursuant to its Guarantee, the payment of all other obligations with respect to, and the performance of all other obligations of the Company and the Guarantors under, this Indenture, the Notes, the Guarantees and the Security Documents are secured as provided in the Security Documents and will be secured by Security Documents hereafter delivered as required or permitted by this Indenture. The Parent Guarantor shall cause the Company and each other Guarantor Pledgor to, and the Company and each Guarantor Pledgor shall, (i) deliver to the Trustee copies of all documents delivered by any Guarantor Pledgor to the Collateral Agent pursuant to the Security Documents and (ii) do all such acts and things as may be required by applicable law, or as may be required by the provisions of the Security Documents (including any filings of continuation statements and amendments to Uniform Commercial Code financing statements that may be necessary to continue the effectiveness of such Uniform Commercial Code financing statements) to maintain (at the sole cost and expense of the Parent Guarantor) the security interest created by the Security Documents in the Collateral as a perfected security interest, subject only to Liens permitted by this Indenture.

(b) The Parent Guarantor shall cause, for the benefit of the Holders (and the Trustee and Collateral Agent), to pledge the Capital Stock of the Company and to cause the Company to pledge the Capital Stock of Xinda Holding (HK) Company Limited on a first- priority basis (subject to Permitted Liens and the Intercreditor Agreement, if any) pursuant to share mortgages or share charges on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of the Parent Guarantor and the initial Subsidiary Guarantor under the Indenture and their respective Guarantees.

SECTION 12.02 Security Granted After Issue Date. The Parent Guarantor shall, for the benefit of the Holders, pledge, or cause the Company and each Subsidiary Guarantor to pledge, the Capital Stock owned directly or acquired or otherwise obtained by the Parent Guarantor, Company and/or such Subsidiary Guarantor of any Person that

becomes a Subsidiary Guarantor, or additional shares of Capital Stock acquired or otherwise received by the Parent Guarantor or such Subsidiary Guarantor of any Subsidiary Guarantor after the Original Issue Date, within 30 days of such Person becoming a Subsidiary Guarantor or of such acquisition or receipt of additional shares of Capital Stock, to secure the obligations of the Company under the Notes and this Indenture and of the Parent Guarantor and the Subsidiary Guarantors under this Indenture and their respective Guarantees.

SECTION 12.03 Intercreditor Agreement. (a) Prior to or concurrently with the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Trustee and the Collateral Agent shall, without requiring any instruction or consent from the Holders, be directed by the Company to enter into the Intercreditor Agreement the Company, the Guarantor Pledgors and the holders of such Permitted Pari Passu Secured Indebtedness (or their representative). Each of the Holders, by acceptance of any Note or Guarantee, hereby (1) consents to the execution of the Intercreditor Agreement and any supplement, amendments or modifications thereto required under this Indenture and in a form reasonably satisfactory to the Trustee and the Collateral Agent and (2) agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Intercreditor Agreement and the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks. Neither the Trustee nor the Collateral Agent shall have any liability to any Holder for so entering into the Intercreditor Agreement.

(b) The Collateral Agent shall act as secured party under the applicable Security Documents on behalf of the creditors under the Secured Party Documents, to follow the instructions provided to it by one or more of the Creditor Representatives under the Indenture, the Security Documents and or the Intercreditor Agreement, if any, and to carry out certain other duties.

SECTION 12.04 Collateral Agent and Intercreditor Agent (a) The Company and each of the Holders, by acceptance of any Note or Guarantee, hereby designate and appoint the Trustee as the Collateral Agent under the Security Documents in respect of the security over the Collateral, and authorizes and directs the Trustee and the Collateral Agent to appoint the Intercreditor Agent under and pursuant to the terms of the Intercreditor Agreement. The Collateral Agent shall have all the duties, rights and protections provided in the Security Documents.

(b) The Collateral Agent shall hold the benefit of all Collateral under the Security Documents as, and for purposes of enforcing the provisions of the Security Documents, all rights and claims under the Security Documents shall be vested in it as trustee for the Holders.

(c) Subject to Section 7.01 hereof and Section 12.04(d), as applicable, neither the Trustee, the Collateral Agent and the Agents nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any Lien, for any defect or deficiency as to any such matters or, in the absence of

gross negligence, bad faith or willful misconduct of the Trustee, the Collateral Agent or the Agents, as applicable, for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or delay in doing so.

(d) The Collateral Agent:

(i) may refrain from acting in accordance with the Security Documents or any instructions and requests until it has received to its reasonable satisfaction: (i) such compensation for its services to be rendered and (ii) such payment, security or indemnity as it may reasonably require against the costs, expenses and liabilities to be incurred in complying with the instruction or request;

(ii) may consult with or otherwise engage (at the cost and expense of the Company) legal counsel in connection with any matter arising under this Indenture or any Security Document and shall not be liable for any action taken or omitted to be taken by it in accordance with the advice of such counsel; and

(iii) may refuse to act on any notice, direction or instruction from the Holders which, in the Collateral Agent's opinion to be determined in its sole discretion, (i) is contrary to law or the provisions of this Indenture or the Security Documents or (ii) may expose the Collateral Agent to liability (unless it shall have been indemnified to its satisfaction for such liability by the Holders giving such notice, direction or instruction).

Except during the continuance of a Default or an Event of Default, no implied covenants or obligations shall be read into this Indenture against the Collateral Agent.

SECTION 12.05 Resignation and Removal of Collateral Agent; Appointment of Successor Collateral Agent. (a) The Collateral Agent may resign from the performance of all of its functions and duties under this Indenture or the Security Documents at any time upon at least 20 days prior written notice to the Company and the Trustee; *provided that*, such resignation shall not take effect unless and until a successor Collateral Agent shall have been appointed. The Collateral Agent may be removed at any time, with or without cause, by Act of the Holders of not less than a majority of the principal amount of the Outstanding Notes; *provided* that such removal shall not take effect unless and until a successor Collateral Agent shall have been appointed.

(b) Upon receiving notice of any such resignation or upon such removal, a successor Collateral Agent shall be appointed by the Company; *provided, however*, that such successor Collateral Agent shall be (x) a bank or trust company having a combined capital and surplus of at least US$50,000,000 with an office in Hong Kong and (y) authorized under the laws of the jurisdiction of its incorporation or organization to assume the functions of the Collateral Agent. If the appointment of such successor shall not have become effective 20 days after the Collateral Agent shall have given resignation notice or the removal, then the retiring Collateral Agent or the Company may petition a court of competent jurisdiction for the appointment of a successor Collateral Agent. Such court shall, after such notice as it may deem proper, appoint a successor Collateral Agent meeting the qualifications specified herein. The parties hereto hereby consent to such petition and appointment so long as such criteria are met.

(c) The resignation of a Collateral Agent shall become effective on the date specified in the notice provided in accordance with Section 12.04(a), or, if a successor Collateral Agent has not been appointed on the date so specified, on such later date when appointment of such successor becomes effective. The resignation or removal of a Collateral Agent shall become effective only upon the execution and delivery of such documents and/or instruments as are necessary to transfer the rights and obligations of the Collateral Agent under the Security Documents and the recording or filing of such documents, instruments or financing statements as may be necessary to maintain the priority and perfection of any security interest granted by any Security Document. Copies of each such document or instrument shall be delivered to the Trustee. The appointment of a successor Collateral Agent pursuant to this Section 12.04 shall become effective upon the acceptance of such appointment (and execution by such successor of the documents, instruments or financing statements referred to above) and such successor Collateral Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent and shal be deemed to be the "Collateral Agent."

SECTION 12.06 Authorization of Actions to Be Taken. (a) Each Holder, by its acceptance of any Note or Guarantee, consents and agrees to the terms of each Security Document, as originally in effect and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs each of the Collateral Agent and the Intercreditor Agent to enter into the Security Documents to which it is a party, and empowers each of the Collateral Agent and the Intercreditor Agent to bind the Holders and other holders of "Secured Obligations" (or any similar definition in the Intercreditor Agreement) as set forth in the Security Documents to which they are a party and the Intercreditor Agreement, to enter into the Intercreditor Agreement or any amendments to the Security Documents or this Indenture and take any other action necessary to permit the creation, intended priority and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this Indenture (including, without limitation, the appointment of any Intercreditor Agent under the Intercreditor Agreement to hold the Collateral on behalf of the Holders, the holders of Permitted Pari Passu Secured Indebtedness and the other Secured Parties), and to perform its obligations and exercise its rights and powers thereunder

(b) The Collateral Agent is authorized and empowered to receive for the benefit of the Holders any funds collected or distributed to the Collateral Agent under the Security Documents to which the Collateral Agent is a party and, subject to the terms of the Security Documents, to make further distributions of such funds to the Holders according to the provisions of this Indenture.

(c) Subject to the terms of the Security Documents, the Trustee may, and shall upon the written direction of the Holders of at least 25% in aggregate principal amount of Outstanding Notes, (i) give the Collateral Agent a written notice of the occurrence of a continuing Event of Default, (ii) instruct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and (iii) direct the Collateral Agent to take further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate.

(d) Subject to the terms of the Security Documents, and at the Company's sole cost and expense, the Trustee is authorized and empowered to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem reasonably expedient to protect or enforce Liens or the Security Documents to which the Collateral Agent is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents or this Indenture, and such suits and proceedings as the Trustee may deem reasonably expedient, at the Company's sole cost and expense, to preserve or protect its interests and the interests of the Holders in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders or the Trustee.

SECTION 12.07 Release of Collateral Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents shall be automatically and unconditionally released and discharged in relation to the Notes and the Guarantees:

(i) upon repayment in full of the Notes;

(ii) upon the defeasance and discharge of the Notes under Section 8 ;

(iii) upon certain dispositions of Collateral in compliance with the covenants under Section 4.11, Section 4.14 and Section 5.01; and

(iv) with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of this Indenture.

SECTION 12.08 Payment. All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be applied as follows:

(i) *first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any fees and expenses (including, but not limited to, documented fees and expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent is entitled to indemnification under the Intercreditor Agreement and the Security Documents;

(ii) *second*, to the extent not reimbursed under the preceding paragraph, the Trustee and any other Creditor Representatives, to the extent necessary to reimburse the foregoing persons ratably for any unpaid documented fees and expenses (including fees and expenses of their respective counsels, any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and their respective counsels) incurred under any Secured Party Documents (or any other document in

connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Secured Party Documents, the Intercreditor Agreement (if any) and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons (including any paying agents, transfer agents, registrars or other agents) are entitled to indemnification under the Secured Party Documents, the Intercreditor Agreement (if any) and the Security Documents;

(iii) *third*, ratably to each of the Trustee for the benefit of the Holders, and, to the extent applicable, to other Creditor Representatives for the benefit of the holders of any Permitted Pari Passu Secured Indebtedness to satisfy outstanding obligations thereunder, in each case, to the extent not paid pursuant to the paragraphs above, in accordance with the terms of the relevant Secured Party Documents; and

(iv) *fourth*, any surplus remaining after such payments will be paid to the Company, the Guarantor Pledgors or to whomever may be lawfully entitled thereto.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01 Ranking. The Notes are (a) senior obligations of the Company, (b) senior in right of payment to any obligations of the Company expressly subordinated in right of payment to the Notes, (c) at least *pari passu* in right of payment with all unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (d) guaranteed by the Guarantors on a senior basis, subject to the limitations set forth in Article 10, (e) structurally subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries and (f) effectively subordinated to all existing and future secured obligations of the Company to the extent of the value of the collateral securing such obligations (other than the Collateral).

SECTION 13.02 [Reserved]. [Reserved]

SECTION 13.03 Notices. (a) All notices or demands required or permitted by the terms of the Notes or this Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company, any Guarantor or the Trustee) addressed to the Company, such Guarantor or the Trustee, as the case may be, at the Corporate Trust Office of the Trustee and, if intended for any Holder, addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable DTC, Euroclear or Clearstream procedures). Copies of any notice or communication to a Holder, if given by the Company, will be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder will not affect its sufficiency with respect to other Holders.

(b) Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

SECTION 13.04 Certificate and Opinion as to Conditions Precedent. (a) Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company wil furnish to the Trustee at the Trustee's request:

(i) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any; provided for in this Indenture relating to the proposed action have been complied with;

(ii) an Opinion of Counsel stating that all such conditions precedent have been complied with; and

(iii) an incumbency certificate giving the names and specimen signatures of Authorized Officers for any such Authorized Officers who have not previously provided specimen signatures to the Trustee.

(b) In any case where several matters are required to be certified by, or covered by an Opinion of Counsel of, any specified Person, it is not necessary that all such matters be certified by, or covered by the Opinion of Counsel of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an Opinion of Counsel with respect to some matters and one or more such Persons as to other matters, and any such Person may certify or give an Opinion of Counsel as to such matters in one or several documents.

(c) Any certificate of an Officer of the Company or any Guarantor may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such Officer knows, or in the exercise of reasonable care should know, that such Opinion of Counsel with respect to the matters upon which his certificate is based are erroneous. Any Opinion of Counsel may be based, and may state that it is so based, insofar as it relates to factual matters, upon a certificate of, or representations by, an officer or officers of the Company or a Guarantor stating that the information with respect to such factual matters is in the possession of the Company or such Guarantor, as the case may be, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or representations with respect to such matters are erroneous.

(d) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 13.05 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

(c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with; provided that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

SECTION 13.06 Payment Date Other Than a Business Day. If any payment with respect to a payment of any principal of, or premium (if any), or interest on, any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

SECTION 13.07 Governing Law, Consent to Jurisdiction; Waiver of Immunities. (a) Each of the Notes, the Subsidiary Guarantees and this Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Company and each of the Guarantors hereby irrevocably submits to the non-exclusive jurisdiction of any United States federal or New York state court sitting in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out, of or relating to, this Indenture, the Notes or any Guarantee or any transaction contemplated thereby. The Company and each of the Guarantors irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, trial by jury and any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. To the extent that the Company or any Guarantor, as the case may be, has or hereafter may acquire any sovereign or other immunity from jurisdiction of any court or from any legal process with respect to itself or its property, the Company or such Guarantor, as the case may be, irrevocably waives such immunity in respect of its obligations hereunder or under any Note, or any Guarantee, as applicable. The Company and each of the Guarantors agree that final judgment in any such

suit, action or proceeding brought in such a court shall be conclusive and binding upon the Company or the Guarantor, as the case may be, and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Company or any of the Guarantors, as the case may be, is subject by a suit upon such judgment or in any manner provided by law; provided that service of process is effected upon the Company or any of the Guarantors, as the case may be, in the manner specified in the following subsection or as otherwise permitted by applicable law.

(c) As long as any of the Notes remain outstanding, the Company and each of the Guarantors will at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to this Indenture, any Note or any Guarantee. Service of process upon such agent and written notice of such service mailed or delivered to the Company or any Guarantor, as the case may be, shall to the fullest extent permitted by applicable law be deemed in every respect effective service of process upon the Company or such Guarantor, as the case may be, in any such legal action or proceeding. The Company and each of the Guarantors designate and appoint Law Debenture Corporate Services Inc. for receipt of service of process in any such suit, action or proceeding, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 400 Madison Avenue, 4th Floor, New York, New York 10017, United States. Notwithstanding the foregoing, the Company or any Guarantor may, with prior written notice to the Trustee, terminate the appointment of Xinda Holding (HK) US Sub Inc and appoint another agent for the above purposes so that the Company and the Guarantors shall at all times have an agent for the above purposes in the City of New York.

(d) The Company and each of the Guarantors hereby irrevocably waives, to the fullest extent permitted by applicable law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any suit, action or proceeding (including appeals) arising out of or relating to this Indenture or any Note or any Guarantee, the posting of any bond or the furnishing, directly or indirectly, of any other security.

SECTION 13.08 No Adverse Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture or loan or debt agreement of the Company or any of the Company, and no such indenture or loan or debt agreement may be used to interpret this Indenture.

SECTION 13.09 Successors. All agreements of the Company or any Guarantor in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successor.

SECTION 13.10 Duplicate Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 13.11 Separability. In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

SECTION 13.12 Table of Contents and Headings. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

SECTION 13.13 No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors, or Employees. No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Guarantors in this Indenture, or in any of the Notes or the Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any past, present or future incorporator, stockholder, member, partner, officer, director, employee or controlling person of the Company or any of the Guarantors or of any successor Person thereof (other than the Company in respect of the Notes and each Guarantor in respect of its Guarantee). Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Guarantees. Such waiver may not be effective to waive liabilities under any applicable law.

IN WITNESS WHEREOF the parties hereto have caused this Indenture to be duly executed as of the date first written above.

FAVOR SEA LIMITED

as Issuer

By: /s/ JIE HAN
Name: JIE HAN
Title: Chairman and CEO

CHINA XD PLASTICS COMPAY LIMITED

as Parent Guarantor

By: /s/ JIE HAN
Name: JIE HAN
Title: Chairman and CEO

XINDA HOLDING (HK) COMPANY LIMITED

as Subsidiary Guarantor

By: /s/ JIE HAN
Name: JIE HAN
Title: Chairman and CEO

[SIGNATURE PAGE TO INDENTURE]

Citicorp International Limited

as Trustee

By: /s/ Terrance Young
Name: Terrance Young
Title: Vice President

Citicorp International Limited

as Collateral Agent

By: /s/ Terrance Young
Name: Terrance Young
Title: Vice President

[FACE OF NOTE]

[INSERT LEGENDS, AS APPROPRIATE] FAVOR SEA LIMITED

11.75% Guaranteed Senior Notes due 2019

No. [S-]1 [A-]2 US$[ ]

[Common Code No. 102628357] 1
[ISIN No. USG33353AA46] 1
[CUSIP No. G33353 AA4] 1

[Common Code No. 102817168] 2
[ISIN No. US312086AA95] 2
[CUSIP No. 312086 AA9] 2

Favor Sea Limited, a company incorporated under the laws of the British Virgin Islands, promises to pay to [Cede & Co.] or registered assigns the principal sum [specified in Schedule A hereto]* [of US$[ ]]**, on February 4, 2019.

Interest Payment Dates: February 4 and August 4, commencing August 4, 2014. Interest Record Dates: January 21 and July 21

The Notes are issuable in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

Additional provisions of this Note are set forth on the reverse hereof.

* Insert for Global Notes.

** Insert for Certificated Notes.

1 Insert for Regulation S Global Notes.

2 Insert for Restricted Global Notes.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated: , 20[●]

FAVOR SEA LIMITED

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the 11.75% Guaranteed Senior Notes due 2019 described in the Indenture referred to in this Note.

Date: _____

CITICORP INTERNATIONAL LIMITED, AS TRUSTEE

By: _____
Authorized Officer

FORM OF REVERSE OF NOTE

FAVOR SEA LIMITED

11.75% Guaranteed Senior Notes due 2019

1. Principal and Interest.

The Company promises to pay the principal of this Note on February 4, 2019.

The Company promises to pay interest on the principal amount of this Note on each Interest Payment Date, as set forth on the face of this Note, at the rate of 11.75% per annum.

Interest will be payable semiannually in arrears (to the Holders of record of the Notes at the close of business on January 21 and July 21 immediately preceding the Interest Payment Date) on each Interest Payment Date, commencing August 4, 2014.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has-been paid, from the Original Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Interest not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Company for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Company will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

2. Indenture; Guarantee.

This is one of the Notes issued under an Indenture, dated as of February 4, 2014 (as amended from time to time, the "**Indenture** "), among Favor Sea Limited, a company incorporated with limited liability under the laws of the British Virgin Islands (the "**Company**"), the Guarantors and Citicorp International Limited, as Trustee and as Collateral Agent. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will prevail.

The Notes are senior obligations of the Company. The Indenture limits the original aggregate principal amount of the Notes to US$150,000,000, but Additional Notes may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class.

3. Optional Redemption.

(a) On or after February 4, 2017, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the applicable date of redemption, if redeemed during the twelve-month period beginning on February 4 of the years indicated below, subject to the rights of Holders of Notes on the relevant Record Date to receive interest on the relevant Interest Payment Date:

Period	Redemption Price
2017	105.875%
2018	102.938%

(b) The Company may at its option redeem the Notes, in whole but not in part, at any time prior to February 4, 2017, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

(c) At any time and from time to time prior to February 4, 2017, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 111.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

(d) The Company wil give not less than 30 days' nor more than 60 days' notice of any redemption.

(e) If less than all of the Notes are to be redeemed, the Trustee will select Notes for redemption as follows: (i) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are listed; or (ii) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate.

(f) A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

4. Registered Form; Denominations; Transfer; Exchange.

The Notes are in registered form without coupons in denominations of US$200,000 and any multiple of US$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. Defaults and Remedies.

If an Event of Default, as defined in the Indenture, occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding may declare all the Notes to be immediately due and payable. If a bankruptcy or insolvency default with respect to the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require security and indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then Outstanding may direct the Trustee in its exercise of remedies.

6. Amendment and Waiver.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes. Without notice to or the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not materially and adversely affect the rights of any Holder.

7. Authentication.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. Governing Law.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

9. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), 3T TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.

TRANSFER NOTICE

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identifica tio n No.

Please print or typewrite name and address including zip code of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

attorney to transfer said Note on the books of the Company with full power of substitution in the premises.

In connection with any transfer of this Note:

[Check One]

☐ (a) this Note is being transferred to the Company or a subsidiary thereof;

☐ (b) this Note is being transferred pursuant to and in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, accordingly, the undersigned does hereby further certify that this Note is being transferred to a Person that the undersigned reasonably believes is purchasing this Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Upon consummation of the proposed transfer, the Note will continue to be subject to the restrictions on transfer enumerated in the Restricted Notes Legend, the Indenture and the Securities Act;

☐ (c) this Note is being transferred pursuant to and in accordance with Regulation S (and if the transfer is being made prior to the expiration of the Distribution Compliance Period, the Notes shall be held immediately thereafter through Euroclear or Clearstream) and:

(A) the offer of this Note was not made to a Person in the United States;

(B) either:

(i) at the time the buy order was originated, the transferee was outside the United States or the undersigned and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the undersigned nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(E) upon consummation of the proposed transfer, the Note will continue to be subject to the restrictions on transfer enumerated in the Regulation S Legend, the Indenture and the Securities Act.

☐ (d) this Note is being transferred in a transaction permitted by Rule 144 under the Securities Act

☐ (e) this Note is being transferred pursuant to an effective registration statement under the Securities Act; or

☐ (f) the undersigned did not purchase this Note as part of the initial distribution thereof and the transfer is being effected pursuant to and in accordance with an applicable exemption (other than (a) through (d) above) from the registration requirements under the Securities Act and the undersigned has delivered to the Trustee such additional evidence that the Company or the Trustee may require as to compliance with such available exemption.

If none of the foregoing boxes is checked, the Trustee or other Registrar shall not be obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer or registration set forth herein and in Section 2.05 of the Indenture shall have been satisfied.

Date: _____ _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

TO BE COMPLETED BY PURCHASER IF (b) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the

Securities Act and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Date: _____ _____

NOTICE: To be executed by an executive officer

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.13 or Section 4.14 of the Indenture, check the box:

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.13 or Section 4.14 of the Indenture, state the amount (in original principal amount) below:

US$ _____.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee[3]: _____

[3] Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Securities Transfer Association Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the United States Se curities Exchange Act of 1934, as amended.

Schedule A

SCHEDULE OF EXCHANGES OF NOTES

The initial principal amount of this Global Note is US$ _____ .

The following changes in the aggregate principal amount of Notes represented by this Global Note have been made:

Date	Amount of decrease in aggregate principal amount of Notes	Amount of increase in aggregate principal amount of Notes	Outstanding Balance	Signature

GUARANTEE

Each Guarantor has fully and unconditionally guaranteed to the holder of the Note upon which this Guarantee is endorsed the due and punctual payment of the principal of and interest on and all other amounts (including, without limitation, Additional Amounts) payable under such Note provided for pursuant to the Indenture, dated as of February 4, 2014 (the "**Indenture**") among Favor Sea Limited (the "**Company**"), the Guarantors and the Trustee, and the terms of such Note when and as the same shall become due and payable, whether at the stated maturity (including, without limitation, Additional Amounts), by declaration of acceleration, by call for redemption or otherwise, in each case in accordance with the terms of such Note and of the Indenture.

The obligations of each Guarantor to the holder of the Note to which this Guarantee relates are expressly set forth in Article 10 of the Indenture, and reference is hereby made to such Article and the Indenture for the precise terms of the Guarantee.

This Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Guarantee is endorsed shall have been executed by the Trustee in the manner set forth in the Indenture.

Terms not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture.

CHINA XD PLASTICS COMPANY LIMITED as Parent Guarantor

By: _____
Name:
Title:

XINDA HOLDING (HK) COMPANY LIMITED as Subsidiary Guarantor

By: _____
Name:
Title:

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM RESTRICTED GLOBAL NOTE TO REGULATION S GLOBAL NOTE

[Date]

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1, Ireland

Re: Favor Sea Limited
11.75% Guaranteed Senior Notes due 2019

Reference is hereby made to the Indenture, dated as of February 4, 2014 (the "**Indenture**"), among Favor Sea Limited (the "**Issuer**"), the Guarantors party thereto and Citicorp International Limited, as Trustee and as Collateral Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US$_____ principal amount of the Notes which are evidenced by one or more Restricted Global Notes (CUSIP No. 312086 AA9 / ISIN No. US312086AA95) and held with DTC in the name of [insert name of transferor] (the "**Transferor**"). The Transferor has requested a transfer of such beneficial interest in the Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Regulation S Global Notes (CUSIP No. G33353 AA4 / ISIN No. USG33353AA46).

In connection with such request and in respect of such Notes, the Transferor does hereby certify that such transfer has been effected pursuant to and in accordance with either (i) Rule 903 or Rule 904 (as applicable) under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or (i) Rule 144 under the Securities Act, and accordingly the Transferor does hereby further certify that:

(1) if the transfer has been effected pursuant to Rule 903 or Rule 904:

(A) the offer of the Notes was not made to a person in the United States; and

(B) either

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on

its behalf knows that the transaction was pre arranged with a buyer in the United States; and

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; or

(2) if the transfer has been effected pursuant to Rule 144, the Notes have been transferred in a transaction permitted by Rule 144 and the undersigned has delivered to the Trustee, the Paying Agent or the Registrar such additional evidence that the Issuer, the Trustee, the Paying Agent or the Registrar may require as to compliance with such available exemption.

[The Transferor further certifies that the beneficial interest transferred shall be held immediately thereafter through Euroclear or Clearstream.][4]

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers of the Notes being transferred. Terms used in this certificate and not otherwise defined in the Indenture have the meanings set forth in Regulation S under the Securities Act.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated:_____, _____

[4] Insert if transfer is being made prior to the expiration of the Distribution Compliance Period.

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM REGULATION S GLOBAL NOTE TO RESTRICTED GLOBAL NOTE

[Date]

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1, Ireland

Re: Favor Sea Limited
11.75% Guaranteed Senior Notes due 2019

Reference is hereby made to the Indenture, dated as of February 4, 2014 (the "**Indenture**"), among Favor Sea Limited (the "**Issuer**"), the Guarantors party thereto and Citicorp International Limited, as Trustee and as Collateral Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US$ _____ principal amount of the Notes which are evidenced by one or more Regulation S Global Notes (CUSIP No. G3353 AA4 / ISIN No. USG3353AA46) and held with DTC in the name of [insert name of transferor] (the "**Transferor**"). The Transferor has requested a transfer of such beneficial interest in the Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Restricted Global Notes (CUSIP No. 312086 AA9 / ISIN No. US312086AA95).

In connection with such request and in respect of such Notes, the Transferee hereby agrees that any future resale, pledge or transfer of such Notes may be made only (i) to the Issuer or any subsidiary thereof, (ii) to a person whom the seller reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction complying with Rule 903 or Rule 904 (as applicable) of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (v) pursuant to any other available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any such Notes pursuant to this clause (v) the Issuer or the Trustee may require delivery of any documents or other evidence (including but not limited to an opinion of counsel) that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption), or (vi) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. The Transferee will notify any purchaser of Notes from it of the resale restrictions referred to above, if then applicable.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers of the Notes being transferred.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , _____

cc: Favor Sea Limited

EXHIBIT D

FORM OF EXCHANGE CERTIFICATE FOR EXCHANGE OF REGULATION S GLOBAL NOTE FOR RESTRICTED GLOBAL NOTE

[Date]

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1, Ireland

Re: Favor Sea Limited
11.75% Guaranteed Senior Notes due 2019

Reference is hereby made to the Indenture, dated as of February 4, 2014 (the "**Indenture**"), among Favor Sea Limited (the "**Issuer**"), the Guarantors party thereto and Citicorp International Limited, as Trustee and as Collateral Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US$ _____ principal amount of the Notes which are evidenced by one or more Regulation S Global Notes (CUSIP No. G33353 AA4 / ISIN No. USG33353AA46) and held with DTC in the name of [insert name of transferor] (the "**Transferor**"). The Transferor has requested a transfer of such beneficial interest in the Notes to a person that will take delivery thereof in the form of an equal principal amount of Notes evidenced by one or more Restricted Global Notes (CUSIP No. 312086 AA9 / ISIN No.US312086AA95).

In connection with such request and in respect of such Notes, the Holder hereby agrees that any future resale, pledge or transfer of such Notes may be made only (i) to the Issuer or any subsidiary thereof, (i) to a person whom the sel er reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction complying with Rule 903 or Rule 904 (as applicable) of Regulation S under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act (if available), (v) pursuant to any other available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any such Notes pursuant to this clause (v) the Issuer or the Trustee may require delivery of any documents or other evidence (including but not limited

to an opinion of counsel) that it, in its sole discretion, may deem necessary or appropriate to evidence compliance with such exemption), or (vi) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. The Holder will notify any purchaser of Notes from it of the resale restrictions referred to above, if then applicable.

The Holder further represents and warrants that either:

- ☐ it is not a dealer (as defined in the Securities Act) and is a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933); or
- ☐ it is not a dealer (as defined in the Securities Act) and is a U.S. person (within the meaning of Regulation S under the Securities Act of 1933) who purchased interests in the Notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act of 1933; or
- ☐ it is a dealer (as defined in the Securities Act) and its interest in this Note does not constitute the whole or a part of an unsold allotment to or subscription by it for the Notes.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers of the Notes being transferred.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , _____

cc: Favor Sea Limited

EXHIBIT E

FORM OF TRANSFER CERTIFICATE FOR TRANSFER FROM CERTIFICATED NOTE TO CERTIFICATED NOTE

[Date]

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1, Ireland

Re: Favor Sea Limited
11.75 % Guaranteed Senior Notes due 2019

Reference is hereby made to the Indenture, dated as of February 4, 2014 (the "**Indenture**"), among Favor Sea Limited (the "**Issuer**"), the Guarantors party thereto and Citicorp International Limited, as Trustee and as Collateral Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to US_____ principal amount of the Notes presented or surrendered on the date hereof (the "**Surrendered Notes**") which are registered in the name of [insert name of transferor] (the "**Transferor**"). The Transferor has requested a transfer of such Surrendered Notes registered in the name of a person (the "**Transferee**") other than the Transferor.

In connection with such request and in respect of such Surrendered Notes, the Transferor does hereby certify that:

[CHECK ONE]

(1) the Surrendered Notes are being transferred to the Issuer;

or

(2) the Surrendered Notes are being transferred pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act") and, accordingly, the Transferor does hereby further certify that the Surrendered Notes are being transferred to a person that the Transferor reasonably believes is purchasing the Surrendered Notes for its own account, or for one or more accounts with respect to which such person exercises sole investment discretion, and such person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, in each case in a transaction meeting the requirements of Rule 144A under the Securities Act and in accordance with any applicable securities laws of any state of the United States;

or

(3) the Surrendered Notes are being transferred pursuant to and in accordance with Regulation S under the Securities Act ("**Regulation S**") and:

(A) the offer of the Surrendered Notes was not made to a person in the United States;

(B) either:

(i) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(C) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(D) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act;

or

(4) the Surrendered Notes are being transferred in a transaction permitted by Rule 144 under the Securities Act;

or

(5) the Transferor is not the Initial Purchaser of the Surrendered Notes and the transfer is being effected pursuant to and in accordance with an applicable exemption (other than (1) through (4) above) from the registration requirements under the Securities Act and the Transferor has delivered to the Trustee such additional evidence that the Issuer or the Trustee may require as to compliance with such available exemption.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer and the Initial Purchasers of the Notes being transferred.

[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____ , _____

cc: Favor Sea Limited

FORM OF AUTHORIZATION CERTIFICATE

I, [Name], [Title], of [ ], acting on behalf of [Favor Sea Limited (the "**Company**")]/[*Name of Guarantor* (the "**Guarantor**")], hereby certify that:

(A) the persons listed below are (i) Authorized Officers for purposes of the Indenture dated as of February 4, 2014 among Favor Sea Limited, a company incorporated with limited liability under the laws of the British Virgin Islands (the "**Company**"), the Guarantors party thereto, Citicorp International Limited, as Trustee and as Collateral Agent, (ii) duly elected or appointed, qualified and acting as the holder of the respective office or offices set forth opposite his name and (iii) the duly authorized persons who executed or will execute the [Notes]/[Indenture]/[Guarantee endorsed on the Notes] by their manual or facsimile signatures and were at the time of such execution, duly elected or appointed, qualified and acting as the holder of the office set forth opposite their names;

(B) each signature appearing below is the person's genuine signature; and

(C) attached hereto as Schedule I is a true, correct and complete specimen of the certificates representing the Notes.

Authorized Officers:

Name	**Company**	**Title**	**Signature**

IN WITNESS WHEREOF, I have hereunto signed my name.

Date: , 20[●]

[FAVOR SEA LIMITED]/[*NAME OF GUARANTOR*]

By: _____
Name:
Title:

Specimen Certificate Representing the Notes

EXHIBIT G

SUPPLEMENTAL INDENTURE

dated as of _____ , ____

among

FAVOR SEA LIMITED

and

Guarantors (as defined in the Indenture)

and

[name of new guarantor]

and

Citicorp International Limited,
as Trustee and as Collateral Agent

11.75% Guaranteed Senior Notes Due 2019

THIS SUPPLEMENTAL INDENTURE (this "**Supplemental Indenture**"), entered into as of _____ , _____ , among Favor Sea Limited, a company incorporated with limited liability under the laws of the British Virgin Islands (the "**Company**"), the Guarantors and [insert each new Guarantor executing this Supplemental Indenture and its jurisdiction of incorporation] (each an "**Undersigned**") and Citicorp International Limited, as trustee (the "**Trustee**") and as Collateral Agent. Capitalized terms used but not defined herein shal have the meanings given to them in the Indenture.

RECITALS

WHEREAS, the Company, the Guarantors party thereto, the Trustee and the Collateral Agent entered into the Indenture, dated as of February 4, 2014 (the "**Indenture**"), relating to the Company's 11.75% Guaranteed Senior Notes Due 2019 (the "**Notes**").

WHEREAS, as a condition to the Trustee and the Collateral Agent entering into the Indenture and the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause each of its future Subsidiaries (other than those organized under the laws of the PRC), promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee and the Collateral Agent a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payments of the Notes.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties to this Supplemental Indenture hereby agree as follows:

Section 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

Section 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Subsidiary Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Subsidiary Guarantors, including, but not limited to, Article 10 thereof.

Section 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

Section 5. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

Section 6. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein all of which are made solely by the Company and the Subsidiary Guarantors.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

[FAVOR SEA LIMITED

for itself and on behalf of all the Guarantors*

By: _____
Name:
Title:

CITICORP INTERNATIONAL LIMITED,

as Trustee

By: _____
Name:
Title:

CITICORP INTERNATIONAL LIMITED,

as Collateral Agent

By: _____
Name:
Title:

[New Guarantor]

By: _____
Name:
Title:

* Pursuant to a power of attorney granting attorney in fact to execute the instruments contemplated.

TRUSTEE, PAYING AGENT AND TRANSFER AGENT AND REGISTRAR

Trustee

Citicorp International Limited
50th Floor, Citibank Tower, Citibank Plaza 3 Garden Road
Central Hong Kong

Paying Agent and Transfer Agent

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1, Ireland

Registrar

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin
Branch One North Wall Quay
Dublin 1, Ireland

SCHEDULE I

China XD Plastics Company Limited

Xinda Holding (HK) Company Limited

SCHEDULE II CERTAIN TERMS OF THE INTERCREDITOR AGREEMENT

The Intercreditor Agreement shall provide, among other things, that:

(1) the Holders and the holders of any future Permitted Pari Passu Secured Indebtedness (or their representative or agent) will share equal priority and pro rata entitlement in and to the Collateral;

(2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Secured Party Documents;

(3) the conditions under which the Collateral Agent shall enforce the rights of the Secured Parties shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby will be as described in (5) below; and

(4) the Collateral Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Collateral Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. The Collateral Agent is not obligated to take any action if it identifies such conflict and no written instruction from the Majority Creditors pertaining to such conflict has been received by the Collateral Agent.

CHINA XD PLASTICS COMPANY LIMITED
List of Subsidiaries

Name	Jurisdiction of Incorporation
Favor Sea Limited	British Virgin Islands
Xinda Holding (HK) Company Limited	Hong Kong
Xinda Holding (HK) US Sub Inc	New York, United States of America
Xinda (HK) International Trading Company Limited	Hong Kong
Heilongjiang Xinda Enterprise Group Company Limited	People's Republic of China
Harbin Xinda Macromolecule Material Company Limited	People's Republic of China
Heilongjiang Xinda Enterprise Group Technology Center Company Limited	People's Republic of China
Heilongjiang Xinda Enterprise Group Macromolecule Material Research Center Company Limited	People's Republic of China
Sichuan Xinda Enterprise Group Company Limited	People's Republic of China
Harbin Xinda Plastics New Materials Company Limited.	People's Republic of China
Harbin Meiyuan Enterprise Management Service Company Limited	People's Republic of China
Heilongjiang Xinda Software Development Company Limited	People's Republic of China
Harbin Xinda Plastics Material Research Center Company Limited	People's Republic of China
Sichuan Xinda Group Meiyuan Enterprise Management Service Company Limited	People's Republic of China
Sichuan Xinda Group Software Development Company Limited	People's Republic of China
Sichuan Xinda Group Sales Company Limited	People's Republic of China

Consent of Independent Registered Public Accounting Firm

The Board of Directors
China XD Plastics Company Limited:

We consent to the incorporation by reference in the registration statements on Form S-3/A (No. 333-167423 and No. 333-164027) of China XD Plastics Company Limited of our report dated March 26, 2014, with respect to the consolidated balance sheets of China XD Plastics Company Limited as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, which report appears in the December 31, 2013 annual report on Form 10-K of China XD Plastics Company Limited.

/s/ KPMG

Hong Kong, China
March 26, 2014

Exhibit 31.1

CERTIFICATION

I, Jie Han, the Chief Executive Officer of the registrant, certify that:

(1) I have reviewed this Annual Report on Form 10-K of China XD Plastics Company Limited, for the year ended December 31, 2013.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2014

/s/ Jie Han

Name: Jie Han
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Taylor Zhang, the Chief Financial Officer of the registrant, certify that:

(1) I have reviewed this Annual Report on Form 10-K of China XD Plastics Company Limited, for the year ended December 31, 2013.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2014

/s/ Taylor Zhang

Name: Taylor Zhang
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES - OXLEY ACT OF 2002

In connection with the Annual Report of China XD Plastics Company Limited (the "Company"), on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of the undersigned, Jie Han, Chief Executive Officer of the Company and Taylor Zhang, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jie Han

Name: Jie Han
Title: Chief Executive Officer
(Principal Executive Officer)

March 26, 2014

/s/ Taylor Zhang

Name: Taylor Zhang
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

March 26, 2014