

China XD Plastics Co Ltd
Form PRER14C
March 06, 2009

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

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934
(Amendment No. 5)

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

CHINA XD PLASTICS COMPANY LIMITED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g)
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount previously paid:
- (2) Form, Schedule, or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

CHINA XD PLASTICS COMPANY LIMITED
No. 9 Qinling Road, Yingbin Road Centralized Industrial Park
Harbin Development Zone, Heilongjiang, China 150078

January __, 2009

Dear Stockholders:

The enclosed Information Statement is being furnished to the holders of record of shares of the common stock (the Common Stock) and Series B preferred stock (the Series B Preferred Stock) of China XD Plastics Company Limited f/k/a NB Telecom, Inc., a Nevada corporation (the Company), as of the close of business on the record date, January 9, 2009. The purpose of the Information Statement is to notify our stockholders that on January 8, 2009, the Company received a written consent in lieu of a meeting of stockholders (the Written Consent) from one stockholder which has 70.22% of the total voting power holding 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock, representing 50.36%, of the issued and outstanding shares of Common Stock and 100% of the issued and outstanding shares of Series B Preferred Stock with 40% of the total voting power, respectively, representing 70.22% of the voting power of the combined classes of stock. The Written Consent adopted the following resolutions, which authorized the Company to amend the Company s Articles of Incorporation for the purpose of increasing the authorized capital from 10,805,802 shares, consisting of 805,802 shares of common stock, par value \$0.0001 and 10,000,000 shares of preferred stock, par value \$0.0001 to 550,000,000 authorized capital, consisting of 500,000,000 shares of common stock, par value \$0.0001, and 50,000,000 shares of preferred stock, par value \$0.0001.

You are urged to read the Information Statement in its entirety for a description of the actions taken by the majority stockholder of the Company. The resolutions will become effective twenty calendar days after this Information Statement is first mailed to our stockholders.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

No action is required by you. The enclosed Information Statement is being furnished to you to inform you that the foregoing actions have been approved by the holder of at least a majority of the outstanding shares of all voting stock of the Company. Because a stockholder holding at least a majority of the voting rights of our outstanding Common Stock and Series B Preferred Stock has voted in favor of the foregoing actions, and has sufficient voting power to approve such actions through his ownership of Common Stock and Series B Preferred Stock, no other stockholder consents will be solicited in connection with the transactions described in this Information Statement. The Board is not soliciting your proxy in connection with the adoption of these resolutions and proxies are not requested from stocks.

This Information Statement is being mailed on or about January 19, 2009 to stockholders of record on January 9, 2009.

Sincerely,

/s/ Jie Han
Jie Han
President

CHINA XD PLASTICS COMPANY LIMITED
No. 9 Qinling Road, Yingbin Road Centralized Industrial Park
Harbin Development Zone, Heilongjiang, China 150078

**INFORMATION STATEMENT
PURSUANT TO SECTION 14(C)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND RULE 14C-2 THEREUNDER**

**NO VOTE OR OTHER ACTION OF THE
COMPANY'S STOCKHOLDERS IS
REQUIRED IN CONNECTION WITH THIS
INFORMATION STATEMENT.**

**WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY**

This Information Statement is being furnished to the holders of record of shares of the common stock (the "Common Stock") of China XD Plastics Company Limited f/k/a NB Telecom, Inc., a Nevada corporation (the "Company"), as of the close of business on the record date, January 9, 2009. The purpose of the Information Statement is to notify our stockholders that on January 8, 2009, the Company received a written consent in lieu of a meeting of stockholders (the "Written Consent") from the holder of 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock, representing 50.36% of the issued and outstanding shares of Common Stock and 100% of the issued and outstanding shares of Series B Preferred Stock, respectively, representing 70.22% of the voting power of the combined classes of stock which is calculated as follows: the 805,802 shares of Common Stock of the Company represents 60% of the voting power and the 1,000,000 shares of Series B Preferred Stock represents 40% of the voting power. Therefore, the stockholder which owns 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock accounts for (a) 50.36% of the Common Stock 60% voting block or 50.36% multiplied by 60%, which equates to 30.22% of the total voting power of the Company, and (b) 100% of the Series B Preferred Stock voting block or 100% multiplied by 40% which equates to 40% of the total voting power of the Company. The aggregate voting power from the two classes of stock is 30.22% and 40% which equals 70.22% total. The stockholder acquired its shares of Common Stock and Series B Preferred Stock of the Company pursuant to that certain Agreement and Plan of Merger, dated December 24, 2008 entered into by the Company. The Written Consent adopted the following resolutions, which authorized the Company to amend the Company's Articles of Incorporation for the purpose of increasing the authorized capital from 10,805,802 shares, consisting of 805,802 shares of common stock, par value \$0.0001 and 10,000,000 shares of preferred stock, par value \$0.0001 to 550,000,000 authorized capital, consisting of 500,000,000 shares of common stock, par value \$0.0001, and 50,000,000 shares of preferred stock, par value \$0.0001.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Because a stockholder holding at least a majority of the voting rights of our outstanding Common Stock and Series B Preferred Stock has voted in favor of the foregoing resolutions, and has sufficient voting power to approve such actions through his ownership of common stock, no other shareholder consents will be solicited in connection with the transactions described in this Information Statement. The Board is not soliciting proxies in connection with the adoption of these resolutions and proxies are not requested from stockholders.

In accordance with our bylaws, our board of directors has fixed the close of business on January 9, 2009 as the record date for determining the stockholders entitled to notice of the above noted actions. This Information Statement is being mailed on or about January 19, 2009 to stockholders of record on the record date.

DISTRIBUTION AND COSTS

We will pay all costs associated with the distribution of this Information Statement, including the costs of printing and mailing. In addition, we will only deliver one information statement to multiple security holders sharing an address, unless we have received contrary instructions from one or more of the security holders. Also, we will promptly deliver a separate copy of this information statement and future stockholder communication documents to any security holder at a shared address to which a single copy of this information statement was delivered, or deliver a single copy of this information statement and future stockholder communication documents to any security holder or holders sharing an address to which multiple copies are now delivered, upon written request to us at our address noted above.

Security holders may also address future requests regarding delivery of information statements by contacting us at the address noted above.

VOTE REQUIRED; MANNER OF APPROVAL

Approval to amend the current Articles of Incorporation of the Company under the Nevada Revised Statutes (NRS) Section 78.390 (the Amendment) require the affirmative vote of the holders of a majority of the voting power of the Company. Accordingly, the holders of a majority of the voting power of the Company must approve the Amendment.

In addition, NRS 78.320 provides in substance that stockholders may take action without a meeting of the stockholders and without prior notice if a consent or consents in writing, setting forth the action so taken, is signed by the holders of the outstanding voting shares holding not less than the minimum number of votes that would be necessary to approve such action at a stockholders meeting. This action is effective when written consents from holders of record of a majority of the outstanding shares of voting stock are executed and delivered to the Company.

The Company has two classes of voting stock outstanding consisting of Common Stock and Series B Preferred Stock. There are currently 805,802 shares of Common Stock issued and outstanding, and each share of Common Stock is entitled to 1 vote. The holder of the Series B Preferred Stock has voting power equivalent to 40% of the total voting power of all Common Stock holders of the Company. Accordingly, by way of example, the vote or written consent of (1) the stockholders holding at least 671,502 shares of the Common Stock or (2) the stockholder holding at least the 1,000,000 shares of the Series B Preferred Stock issued and outstanding and at least an additional 134,301 shares of the Common Stock is necessary to approve the filing of the Certificate of Amendment. In accordance with our bylaws, our board of directors has fixed the close of business on January 9, 2009 as the record date for determining the stockholders entitled to vote or give written consent.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

On January 8, 2009, a stockholder holding 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock, representing 50.36%, of the issued and outstanding shares of Common Stock and 100% of the issued and outstanding shares of Series B Preferred Stock (representing 70.22% of the voting power of the combined classes of stock) executed and delivered to the Company the Written Consent. Accordingly, in compliance with the NRS, at least a majority of the outstanding shares has approved the Amendment. As a result, no vote or proxy is required by the stockholders to approve the adoption of the foregoing resolutions.

Under Rule 14c-2 promulgated under the Securities Exchange Act of 1934, as amended (the Act), the Articles of Amendment may not be filed with the Nevada Secretary of State until twenty calendar days after this Information Statement is first mailed to our stockholders. As mentioned earlier the Amendment will become effective upon the filing of the Articles of Amendment with the Secretary of State of the State of Nevada, which is anticipated to be on or about February 9, 2009, twenty days after the mailing of this Information Statement.

PURPOSES AND EFFECT OF THE CHANGE

On January 8, 2009, the Company received a written consent in lieu of a meeting of stockholders (the Written Consent) from the holder of 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock, representing 50.36%, of the issued and outstanding shares of Common Stock and 100% of the issued and outstanding shares of Series B Preferred Stock having a total voting power of 40%, respectively, representing 70.22% of the voting power of the combined classes of stock which is calculated as follows: the 805,802 shares of Common Stock of the Company represents 60% of the voting power and the 1,000,000 shares of Series B Preferred Stock represents 40% of the voting power. Therefore, the stockholder which owns 405,864 shares of Common Stock and 1,000,000 shares of Series B Preferred Stock accounts for (a) 50.36% of the Common Stock 60% voting block or 50.36% multiplied by 60%, which equates to 30.22% of the total voting power of the Company, and (b) 100% of the Series B Preferred Stock voting block or 100% multiplied by 40% which equates to 40% of the total voting power of the Company. The aggregate voting power from the two classes of stock is 30.22% and 40% which equals 70.22% total. The Written Consent adopted the resolutions, which authorized the Company to amend the Company's Articles of Incorporation for the purpose of increasing the authorized capital from 10,805,802 shares, consisting of 805,802 shares of common stock, par value \$0.0001 and 10,000,000 shares of preferred stock, par value \$0.0001 to 550,000,000 authorized capital, consisting of 500,000,000 shares of common stock par value \$0.0001, and 50,000,000 shares of preferred stock, par value \$0.0001. The text of the proposed Amendment to the Articles of Incorporation which contains the increase in the authorized capital is attached hereto as Appendix I. This Amendment will not affect total stockholder equity but will increase the authorized capitalization of the Company. Subsequent to the Amendment and the conversion of the 1,000,000 shares of the convertible Series A Preferred Stock, there will be approximately 39,000,000 shares of Common Stock of the Company issued and outstanding.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Our Board of Directors believes that by increasing the number of authorized capital of the Company will give the Company more flexibility to meet its obligations. Currently, the Company does not have sufficient shares of Common Stock authorized to (a) honor certain post merger contractual obligations under that certain Agreement and Plan of Merger the Company entered into on December 24, 2008 whereby there are 1,000,000 shares of convertible Series A preferred stock of the Company convertible into approximately 1:38.2 into 38,194,072 shares of Common Stock of the Company, and (b) allow for future transactions to raise the working capital funds of the Company. Accordingly, the Company needs to increase its authorized share capital. Subsequent to the Amendment and the conversion of the 1,000,000 shares of the convertible Series A Preferred Stock, there will be approximately 39,000,000 shares of Common Stock of the Company issued and outstanding. Management of the Company currently does not have any loans, proposals or arrangements with respect to future transactions to raise the working capital funds of the Company as referenced above.

The additional Common Stock authorized by the proposed amendment would have rights identical to our currently outstanding Common Stock. Holders of our Common Stock are entitled to 1 vote per share. The additional Series B Preferred Stock authorized by the proposed amendment would have rights identical to our currently outstanding Series B Preferred Stock such that holders of Series B Preferred Stock have voting power equivalent to 40% of the total voting power of all Common Stock holders of the Company. Holders of our Common Stock and Series B Preferred Stock are entitled to vote on all matters submitted to a vote of our stockholders, including the election of directors, and except as otherwise required by law, the holders of such shares will exclusively possess all voting power. Holders of Common Stock and Series B Preferred Stock do not have the right to cumulative voting for the election of directors. Subject to the preferential rights of any outstanding series of preferred stock, the holders of Common Stock and Series B Preferred Stock will be entitled to such dividends as may be declared from time to time by our Board from funds legally available therefore and will be entitled to receive pro rata all of our assets available for distribution to such holders upon liquidation. The Board further believes that it is in Company's best interests to increase the number of authorized shares of Common Stock in order to provide the Company with the flexibility to issue Common Stock without further action by the Company's stockholders (unless required by law or regulation) for such other corporate purposes as the Board may deem advisable. These purposes may include, among other things, the sale of shares to obtain additional capital funds, the purchase of property, the use of additional shares for various equity compensation and other employee benefit plans of the Company or of acquired companies, the acquisition of other companies, and other bona fide purposes.

TRANSACTION INFORMATION:

(1) Summary Term Sheet:

On December 24, 2008, the NB Telecom, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Agreement") by and among its wholly owned acquisition subsidiary China XD Plastics Company Limited (the "Merger Sub"), a Nevada corporation, Favor Sea Limited ("Favor Sea"), a corporation formed under the laws of the British Virgin Islands, and the shareholders of Favor Sea including the principal shareholder, XD Engineering Plastics Company Limited ("XD"), a British Virgin Islands corporation.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

In connection with the acquisition, and in exchange for the outstanding stock of Favor Sea, the shareholders of Favor Sea received 50,367,778 shares of the common stock of the Company and 1,000,000 shares of convertible Series A preferred stock of the Company, and XD individually received 1,000,000 shares of Series B preferred stock of the Company (the Merger).

The 50,367,778 shares of common stock were converted into 805,802 shares post a reverse stock split of 124.1:1 for 1. The 1,000,000 shares of convertible Series A preferred stock of the Company are convertible into approximately 1:38.2 into 38,194,072 shares of the common stock of the Company. Assuming the conversion of the Series A preferred stock of the Company, the shareholders of Favor Sea will own approximately 99% of the Common Stock of the Company. Subsequent to the Merger and as a direct consequence, the name of the Company was changed to China XD Plastics Company Limited.

(2) Contact Information:

Contact information for both NB Telecom, Inc. and China XD Plastics Company Limited is:

NB Telecom, Inc./China XD Plastics Company Limited
No. 9 Qinling Road,
Yingbin Road Centralized Industrial Park Harbin Development Zone,
Heilongjiang, China 150078

(3) Business conducted:

NB Telecom, Inc. (the Company) is a provider of both privately owned and company owned payphones and stations in Pennsylvania. The Company receives revenues from the collection of the payphone coinage, a portion of usage of service from each payphone and a percentage of long distance calls placed from each payphone from the telecommunications service providers. In addition, the Company also receives revenues from the service and repair of privately owned payphones, sales of payphone units and the sales of prepaid phone cards.

China XD Plastics Company Limited (the Merger Sub) is a wholly-owned subsidiary of the Company which has been established solely for the purpose of this transaction and does not have any business, assets, liabilities or operations.

Favor Sea Limited is a holding company whose only asset, held through a subsidiary, is 100% of the registered capital of Harbin Xinda Macromolecule Material Co., Ltd., a limited liability company organized under the laws of the People's Republic of China.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Harbin Xinda Macromolecule Material Co. Ltd. (Xinda) is a high-tech company that was founded in September 2004 under the laws of the People's Republic of China with registered capital of 20 million RMB (US\$2,416,451). Xinda's executive offices and manufacturing facility are located at No. 9 Qinling Road, Yingbin Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang Province, in northeast China. Xinda engages in the development, manufacture, and distribution of modified plastic, primarily for use in automobiles. The technology that has enabled us to become China's leading producer of automotive modified plastics is carried in our wholly-owned research laboratory, Harbin Xinda Macromolecule Material Research Institute (the Research Institute), a subsidiary established in 2007. The Research Institute has developed into a leader in research and development for China's macromolecular industry. The Research Institute is outfitted with more than 80 sets of testing, analytical and production equipment used to analyze the physical and mechanical properties of the heat resistances, durability, stability, and environmental performance exhibited by modified plastics.

(4) Terms of the Transaction.

On December 24, 2008, the Company entered into an Agreement and Plan of Merger (the Agreement) by and among its wholly owned acquisition subsidiary China XD Plastics Company Limited (the Merger Sub), a Nevada corporation, Favor Sea Limited (Favor Sea), a corporation formed under the laws of the British Virgin Islands, and the shareholders of Favor Sea including the principal shareholder, XD. Engineering Plastics Company Limited (XD), a British Virgin Islands corporation. The Company engaged in the transaction to improve shareholders' values based on the lackluster performance of the Company's existing operations. The acquired entity, Favor Sea and its principal shareholder, XD, entered into the transaction to become a U.S. listed company based on their cost-benefit analysis which was made before the financial meltdown of the U.S. As disclosed in the Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 31, 2008, pursuant to the Agreement, the Company acquired all of the outstanding capital stock of Favor Sea, through the Merger Sub. Favor Sea is a holding company whose only asset, held through a subsidiary, is 100% of the registered capital of Harbin Xinda Macromolecule Material Co., Ltd. (Xinda), a limited liability company organized under the laws of the People's Republic of China. In connection with the acquisition, and in exchange for the outstanding stock of Favor Sea the shareholders of Favor Sea received 50,367,778 shares of the common stock of the Company and 1,000,000 shares of convertible Series A preferred stock of the Company, and XD individually received 1,000,000 shares of Series B preferred stock of the Company (the Merger). Subsequent to the Merger and as a direct consequence, the name of the Company was changed to China XD Plastics Company Limited pursuant to Chapter 92A the Revised Nevada Statutes in connection with the Merger. The 50,367,778 shares of common stock were converted into 805,802 shares post a reverse stock split of 124.1:1 for 1 pursuant to Nevada Revised Statutes Section 78.207 for both the total number of authorized shares of common stock and the total number of issued and outstanding shares of common stock. The 1,000,000 shares of convertible Series A preferred stock of the Company are convertible into approximately 1:38.2 into 38,194,072 shares of the common stock of the Company. Assuming the conversion of the Series A preferred stock of the Company, the shareholders of Favor Sea will own approximately 99% of the Common Stock of the Company.

(5) Regulatory Approvals:

The Company has obtained the relevant approval for the merger, the name change and the reverse split from the Secretary of State of Nevada.

(6) Reports, opinions, appraisals:

Not applicable.

(7) Past contacts, transactions or negotiations:

For the previous two years the Company has no negotiations or any contacts concerning any matters with Favor Sea Limited, whatsoever. The only negotiations that took place between the parties resulted in the merger transaction which was described and disclosed in the Form 8-K filed on December 31, 2008. Favor Sea Limited, after due diligence based on public filings, identified and approached the Company for a merger. The transaction was negotiated and closed in the month of December 2008.

(8) Selected financial data:

Not applicable.

(9) Pro Forma Information:

Summary Selected Pro Forma Condensed Consolidated Financial Data

The following summary selected unaudited pro forma condensed consolidated balance sheet has been presented with consolidated subsidiaries at September 30, 2008. The following summary selected unaudited pro forma condensed consolidated statement of income for the nine months ended September 30, 2008 and for the year ended December 31, 2007 has been presented as if the acquisition had occurred January 1, 2007.

The unaudited pro forma condensed consolidated statements do not necessarily represent the actual results that would have been achieved had the companies been combined at the beginning of the year, nor may they be indicative of future operations. These unaudited pro forma condensed financial statements should be read in conjunction with the companies' respective historical financial statements and notes included thereto.

	<u>Year ended December 31, 2007</u>	<u>Nine months ended September 30, 2008</u>
Income Statement Data		
Net Revenues	\$ 34,177,415	\$ 55,802,003
Gross profit	\$ 6,347,442	\$ 13,921,235
Income from operations	\$ 5,622,507	\$ 12,019,405
Net income	\$ 5,272,502	\$ 11,437,903
Net income per common share basic	\$ 0.12	\$ 0.25
Weighted average number of shares used in calculating net income per share basic	49,632,222	49,632,222

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

As at September 30, 2008

Balance Sheet Data

Current assets	\$	47,191,190
Total assets	\$	60,083,321
Current liabilities	\$	38,148,515
Total liabilities	\$	38,148,515
Minority interests	\$	0
Stockholders' equity	\$	21,934,806

(10) Pro Forma Information:

Historical and Pro Forma Per Share Data

The following table sets forth the historical and pro forma per share data of Favor Sea and pro forma historical and equivalent pro forma data of the Company:

9/30/2008	Favor Sea Historical	NB Telecom, Inc. Historical	NB Telecom, Inc. Pro Forma Combined	Favor Sea Pro Forma Equivalent
Book value	60,083,321	5,877	60,083,321	
Shares used in calculation	40,000	49,632,222	49,632,222	
Book value per share	1,502	0.00	1.21	1,524.108696
Earnings (loss) per share	285.95	0.00	0.25	314.75
Dividends	0	0	0	
Dividends per share	0	0	0	
FOR THE YEAR ENDED 12/31/2007				
Earnings (loss) per share	131.81	0	0.12	151.08
Dividends	0	0	0	0
Dividends per share	0	0	0	0

(11) Pro Forma Information:

See the unaudited pro forma condensed consolidated financial statements of the Company at the end of this Information Statement.

Common equity and related stockholder matters

All the authorized and issued securities of Favor Sea consist of shares of common stock. The common stock of Favor Sea is not traded on any public trading market, domestic or foreign. The value of one share of common stock as of December 16, 2008 was \$1.00. As of December 30, 2008, there were approximately 130 shareholder of Favor Sea common stock holding an aggregate of 40,000 shares. As described in the section entitled Transaction Information on page ___ of this Information Statement, all the shares of Favor Sea were exchanged for shares of NB Telecom, Inc. in connection with the merger.

We currently intend to retain all future earnings for use in the operation and expansion of our business. We do not intend to pay any cash dividends in the foreseeable future but will review this policy as circumstances dictate. Should we decide in the future to do so, as a holding company, our ability to pay dividends and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiaries based in the PRC. Our operating subsidiaries, from time to time, may be subject to restrictions on its ability to make distributions to us, including restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions.

Favor Sea does not have any Equity Compensation Plans in effect.

RISK FACTORS

Our Chief Executive Officer has a large degree of control on us through his position and stock ownership and his interests may differ from other stockholders.

Our Chief Executive Officer, Mr. Jie Han has an option on XD. Engineering Plastics Company Limited's shares. As a result, Mr. Han will be able to influence the outcome of stockholder votes on various matters, including the election of directors and extraordinary corporate transactions such as business combinations. Mr. Han's interests may differ from that of other stockholders.

Risks Related To Series B Preferred Stock.

There are now 1,000,000 shares of Series B Preferred Stock issued to XD. Engineering Plastics Company Limited with 40% of the total voting power of the Company's common stock put together and other consent rights on mergers and acquisitions, significant acquisition or disposition of assets and change of control, among others. This gives XD. Engineering Plastics Company Limited significant voting power. Such voting power may enable XD. Engineering Plastics Company Limited to block actions that may benefit the common stockholders thus reduce the value of their holdings.

Existing shareholders will experience dilution from the conversion of Series A Convertible Preferred Stock

Assuming the conversion of the 1,000,000 shares of convertible Series A Preferred Stock, the percentage ownership of the existing shareholders who do not hold such shares of convertible Series A Preferred Stock will be reduced. Such existing shareholders will experience subsequent dilution, however such newly issued securities will not have rights, preferences and privileges senior to those of the existing shareholders.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of January 7, 2009, the number of shares of common stock beneficially owned by (i) each person or entity known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each officer and director of the Company, and (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using beneficial ownership concepts under the rules of the Securities and Exchange Commission. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to vote or direct the voting of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the Securities and Exchange Commission rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary beneficial interest. Except as noted below, each person has sole voting and investment power.

The Certificate of Change to effectuating the 124.1 to 1 reverse split of the issued and outstanding shares of common stock, while correspondingly reducing the Company's authorized capital, was filed with the Secretary of State of Nevada on January 6, 2009. As of such date, the Company had 110,000,000 shares of stock authorized, of which 100,000,000 shares of common stock were authorized, issued and outstanding and 10,000,000 shares of preferred stock were authorized, of which 1,000,000 shares of Series A Preferred Stock were issued and outstanding and 1,000,000 shares of Series B Preferred Stock were issued and outstanding.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

There are no options or warrants convertible into shares of Common Stock. There are 1,000,000 shares of convertible Series A preferred stock of the Company convertible approximately 1:38.2 into 38,194,072 shares of Common Stock of the Company.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

<i>Name and Address of Beneficial Owner(1)</i>	<i>Amount and Nature of Beneficial Ownership(2)</i>	<i>Percentage of Class</i>
Paul Kelly	0	
Craig Burton	0	
Leonard Battaglia	0	
All officers and directors as a group (3 persons)	0	
XD. Engineering Plastics Company Limited P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola, British Virgin Islands	405,864	50.36%(3)

- (1) Except as otherwise noted, each shareholder's address is No. 9 Qinling Road, Yingbin Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang, China 150078.
- (2) Except as otherwise noted, all shares are owned of record and beneficially.
- (3) XD is the holder of 1,000,000 shares of convertible Series A preferred stock of the Company convertible approximately 1:38.2 into 38,194,072 shares of Common Stock of the Company. XD also is the holder of 1,000,000 shares of Series B Preferred Stock which has voting power equivalent to 40% of the total

EXECUTIVE COMPENSATION

The following is a summary of the compensation paid to our executive officers for the two years ending December 31, 2007.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Nonequity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total (\$)
Paul Kelly President	2006	\$33,448	\$0	\$0	\$0	0	\$0	\$0	\$33,448
	2007	\$23,270	\$0	\$0	\$0	0	\$0	\$0	\$23,270
Craig Burton	2006	\$0	\$0	\$0	\$0	0	\$0	\$0	\$0
	2007	\$0	\$0	\$0	\$0	0	\$0	\$300	\$300

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

The following is a summary of all options, unvested stock and equity incentive plans for our Executive Officers for the year ending December 31, 2007.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards			Stock Awards					
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Un-Exercisable Options	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	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Awards: Number of Unearned Shares, Other Rights That Have Not Vested	Equity Incentive Awards: Market or Payout Value of Unearned Shares, Other Rights That Have Not Vested
Paul Kelly	0	0	0	N/A	N/A	0	0	0	0
Craig Burton	0	0	0	N/A	N/A	0	0	0	0

The following is a summary of the compensation paid to our Directors for the period ending December 31, 2007.

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
Paul Kelly	23,270	0	0	0	0	0	23,270
Craig Burton	300	0	0	0	0	0	300
Leonard J. Battaglia	0	0	0	0	0	0	0

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than as described in this Information Statement, none of the following parties has, since the date of incorporation of the Company, had any material interest, direct or indirect, in any transaction with the Company or in any presently proposed transaction that has or will materially affect us:

- any of our directors or officers;
- any person proposed as a nominee for election as a director;
- any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock; or
- any relative or spouse of any of the foregoing persons who has the same house as such person.

INTEREST OF CERTAIN PERSONS IN OR IN OPPOSITION TO MATTERS TO BE ACTED UPON

No director, executive officer, associate of any officer or director or executive officer, or any other person has any interest, direct or indirect, by security holdings or otherwise, in the Amendment to the Articles of Incorporation or reverse split which is not shared by all other stockholders.

OTHER MATTERS

The Board knows of no other matters other than those described in this Information Statement which have been approved or considered by the holders of a majority of the shares of the Company's voting stock.

INVESTOR INFORMATION

All reports filed by the Company with the SEC are available free of charge via EDGAR through the SEC website at www.sec.gov. In addition, the public may read and copy materials filed by the Company with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information about the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330.

IF YOU HAVE ANY QUESTIONS REGARDING THIS INFORMATION STATEMENT AND/OR THE ARTICLES OF AMENDMENT, PLEASE CONTACT:

CHINA XD PLASTICS COMPANY LIMITED

No. 9 Qinling Road, Yingbin Road Centralized Industrial Park
Harbin Development Zone, Heilongjiang, China 150078

By Order of the Board of Directors,

/s/ Jie Han
Jie Han
President

INFORMATION RELATED TO THE MERGER

- Item 1.01** **Entry into a Material Definitive Agreement**
- Item 2.01** **Completion of Acquisition of Assets**
- Item 3.02** **Unregistered Sale of Equity Securities**
- Item 3.03** **Material Modification to Rights of Security holders**
- Item 5.01** **Changes in Control of Registrant**
- Item 5.02** **Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

On December 24, 2008, NB Telecom, Inc. (the Company) acquired all of the outstanding capital stock of Favor Sea Limited, a British Virgin Islands corporation, through China XD Plastics Company Limited, a Nevada corporation (the Merger Sub) wholly owned by the Company. Favor Sea Limited is a holding company whose only asset, held through a subsidiary, is 100% of the registered capital of Harbin Xinda Macromolecule Material Co., Ltd. (Xinda), a limited liability company organized under the laws of the People's Republic of China (China or PRC). Xinda is engaged in the development, manufacture and marketing of modified plastics, primarily for use in the automotive industry. Xinda's offices and manufacturing facilities are located in China.

In connection with the acquisition, the following transactions took place:

The Merger Sub issued 10 shares of the common stock of the Merger Sub which constituted no more than 10% ownership interest in the Merger Sub and 1,000,000 shares of convertible Series A preferred stock of the Company to the shareholders of Favor Sea Limited, and also 1,000,000 shares of Series B preferred stock to XD Engineering Plastics Company Limited, a British Virgin Islands corporation, the principal shareholder of Favor Sea Limited (XD), in exchange for the outstanding stock of Favor Sea Limited (the Share Exchange or Merger). The 10 shares of the common stock of the Merger Sub were converted into approximately 50,367,778 shares of the common stock of the Company prior to and approximately 405,928 post a reverse stock split of 124.1 for 1 pursuant to Nevada Revised Statutes Section 78.207 for both the total number of authorized shares of common stock and the total number of issued and outstanding shares of common stock (Reverse Split), and the 1,000,000 shares of convertible Series A preferred stock of the Company shall convert approximately 1:38.2 into 38,194,072 shares of the common stock of the Company after the completion of the Merger so that eventually the shareholders of Favor Sea Limited own approximately 99% of the common stock of the Company.

The record date for the Reverse Split is set for December 31, 2008. The record holders of the Company's common stock on the date of December 31, 2008 shall be subject to a 124.1:1 reverse split with fractional shares to be rounded up to one hundred round lot, with the round-up shares to be deducted from certain designated shareholders by the Company.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Paul Kelly, Craig Burton and Leonard J. Battagha resigned from our Board of Directors effective December 31, 2008.

Jie Han, the Chairman of Xinda, was elected to serve on our Board of Directors. He will be appointed as the Chief Executive Officer and Chief Financial Officer of the Company.

Qingwei Ma and Junjie Ma were elected to serve on the Board. They will be appointed as officers of the Company.

As part of the Merger, the Company's name is changed from NB Telecom, Inc. to the Merger Sub's name China XD Plastics Company Limited. The Company is communicating with NASDAQ for the name change and trading symbol change on the OTC Bulletin Board.

As a result of these transactions, persons affiliated with Xinda now own securities that represent 99% of the equity in the Company. In addition, persons affiliated with Xinda will control the Board of Directors of the Company ten days after the notice pursuant to Rule 14f-1 is mailed to the shareholders of record.

New Management

Within the next few days, the Company will file with the Securities and Exchange Commission (SEC) and mail to its shareholders of record an information statement prepared in accordance with SEC Rule 14f-1, containing information about Jie Han, Qingwei Ma and Junjie Ma among other things. Ten days after the information statement is mailed to the shareholders of record, Jie Han, Qingwei Ma and Junjie Ma will take office on the Board. At that time, the executive officers and directors of the Company will be:

<u>Name</u>	<u>Age</u>	<u>Positions with the Company</u>
Jie Han	43	Chairman, Chief Executive Officer and Chief Financial Officer
Qingwei Ma	34	Director, Chief Operating Officer
Junjie Ma	33	Director, Head of Research Institute

All directors hold office until the next annual meeting of our shareholders and until their successors have been elected and qualify. Officers serve at the pleasure of the Board of Directors.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Jie Han. Mr. Han co-founded Xinda in 2004, and has been employed by Xinda since that time. In January 2008 Mr. Han was appointed Chairman and Chief Executive Officer of 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 24 years of experiences in the industry, Mr. Jie Han is an expert in the management and financial works dealing with 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 Harbin Municipal People's Congress.

Qingwei Ma. Mr. Ma has been employed as General Manager of Xinda since it was founded in 2004. In 2008 he was promoted to Chief Operating Officer. Prior to joining 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 11 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 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 engineers 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.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Principal Shareholders

Upon completion of the Share Exchange and post the reverse split, there will be approximately 39,000,000 shares of the Company's common stock issued and outstanding. In addition, there will be 1,000,000 shares of non-convertible Series B Convertible Preferred Stock issued and outstanding. The holders of the Series B Preferred Stock have voting power equivalent to 40% of the total voting power of all common stock holders of the Company.

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of December 31, 2008 by the following:

each shareholder who beneficially owns more than 5% of our common stock (on a fully-diluted basis);

Jie Han, our Chief Executive Officer

each of the members of the Board of Directors; and

all of our officers and directors as a group.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percentage of Class
Jie Han	0(3)	
Qingwei Ma	0	
Junjie Ma	0	
All officers and directors as a group (3 persons)	0(3)	
XD. Engineering Plastics Company Limited(4) P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola, British Virgin Islands	32,462,600(3)	83.23%

- (1) Except as otherwise noted, each shareholder's address is c/o Harbin Xinda Macromolecule Material Co., Ltd., No. 9 Qinling Road, Yingbin Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang Province, P.R. China.
- (2) Except as otherwise noted, all shares are owned of record and beneficially.
- (3) Jie Han and Qiuyao Piao, the sole shareholder of XD, are parties to an Option Agreement dated May 16, 2008. The agreement provides that Mr. Han may purchase XD from Ms. Piao for a nominal price if Xinda achieves certain revenue thresholds. Mr. Han may purchase 25% of XD if Xinda's revenues during the first three quarters of 2008 exceed \$40 million. He may purchase 14% of XD if Xinda's revenues during the first three quarters of 2009 exceed \$70 million. And he may purchase 61% of XD if Xinda's revenues during the first three quarters of 2010 exceed \$110 million.
- (4) Qiuyao Piao and Jie Han are the directors of XD. Qiuyao Piao is the chairwoman and Chief Executive Officer of XD. By agreement between them, only Ms. Piao has the authority to vote and dispose of the shares held by XD.

INFORMATION REGARDING THE ACQUIRED COMPANIES

Favor Sea Limited

Favor Sea Limited (Favor Sea) was organized under the laws of the British Virgin Islands on May 2, 2008. It has initiated no business activity. On August 11, 2008, Favor Sea acquired 100% of the outstanding shares of Hong Kong Engineering Plastics Company Limited, in exchange for debt. Those shares represent the only asset of Favor Sea.

Hong Kong Engineering Plastics Company Limited

Hong Kong Engineering Plastics Company Limited (HK Engineering Plastics) was organized under the laws of the Hong Kong Special Administrative Region on May 27, 2008. It has initiated no business activity. On July 28, 2008, HK Engineering Plastics acquired 100% of the registered capital of Harbin Xinda Macromolecule Material Co. That ownership interest represents the only asset of HK Engineering Plastics.

Harbin Xinda Macromolecule Material Co., Ltd.

Harbin Xinda Macromolecule Material Co. Ltd. (Xinda) is a high-tech company that was founded in September 2004 under the laws of the People's Republic of China with registered capital of 20 million RMB (US\$2,416,451). Xinda's executive offices and manufacturing facility are located at No. 9 Qinling Road, Yingbin Road Centralized Industrial Park, Harbin Development Zone, Heilongjiang Province, in northeast China. Xinda engages in the development, manufacture, and distribution of modified plastic, primarily for use in automobiles. The technology that has enabled us to become China's leading producer of automotive modified plastics is carried in our wholly-owned research laboratory, Harbin Xinda Macromolecule Material Research Institute (the Research Institute), a subsidiary established in 2007. The Research Institute has developed into a leader in research and development for China's macromolecular industry. The Research Institute is outfitted with more than 80 sets of testing, analytical and production equipment used to analyze the physical and mechanical properties of the heat resistances, durability, stability, and environmental performance exhibited by modified plastics.

Modified plastic is produced by changing the physical and/or chemical characteristics of ordinary resin materials. In order for plastics to be used in the automobile environment, they must satisfy certain physical criteria in terms of electro-magnetic characteristics, reaction to light and heat, durability, flame resistance, and mechanical functionality. Xinda's unique formulas and processing techniques enable us to produce low-cost high-quality modified plastic materials, which have been accepted by many of the major automobile manufacturers in China. In addition, we also provide specially engineered plastics and environment-friendly plastics for use in the assembly of equipment for oilfields, mining, ship power, power station equipment, and other industries.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Xinda's primary market is the rapidly expanding Chinese automotive industry. In 2007 8.88 million automobiles were sold in China, which increased by 22% than previous year. It is estimated that the Chinese auto market will be growing by 15% annually in the coming years. Each automobile requires 100kg to 150 kg of modified plastic, which means that by 2010 the demand for modified plastic in the Chinese automobile industry will be approximately 1.2 million tons annually. Xinda's existing facility has an annual production capacity of 40,000 tons. If we complete the acquisition of an additional 19 production lines, discussed below, our annual capacity will reach 100,000 tons.

Our specialized plastics are utilized in the exterior and interior trim and in the functional components of more than 30 automobile brands manufactured in China, including Audi, Red Flag, Volkswagen and Mazda. At present, Xinda manufactures approximately 145 types of automobile-specific modified plastic products, 117 of which have been certified for use by one or more of the automobile manufacturers in China. The automotive applications for our plastics include exteriors (automobile bumpers, rear- and side- view mirrors, license plate), 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 145 products are organized into seven categories, based on their physical characteristics:

Modified Polypropylene:

COMPNIPIER: a form of modified polypropylene that exhibits high fluidity and impact resistance. These products are primarily used for the interior automobile parts, such as the inner panels, instrument panels, and box lids. 27 of these products have been certified for use in the Chinese auto industry.

COMPWIPER: a form of modified polypropylene that exhibits low-temperature-resistance and impact resistance. These products are primarily used for external automobile parts, such as the front and back bumpers and mudguards. 23 of these products have been certified for use in the Chinese auto industry.

COMPGOPER: a form of modified polypropylene that exhibits high-temperature-resistance and resistance to static. These products are used primarily for automobile functional components, such as the unit heater shells and air conditioner shells. 33 of these products have been certified for use in the Chinese auto industry.

Modified ABS:

MOALLOLY: a form of modified ABS (acrylonitrile butadiene styrene) plastic that exhibits high gloss, high rigidity, and size stability. These products are primarily used for automobile functional components, such as the heat dissipating grid and wheel covers. 6 of these products have been certified for use in the Chinese auto industry.

Modified Nylon:

POLGPAMR: a form of modified nylon that exhibits high wear and heat resistance. These products are primarily used for automotive parts requiring high flame and heat resistance. 10 of these products have been certified for use in the Chinese auto industry.

Engineering Plastic

MOAMIOLY: a wear-resistant form of engineering plastic. These products are primarily used for the engine hood, intake manifold, and bearings. 7 of these products have been certified for use in the Chinese auto industry.

Alloy Plastic

BRBSPCL: a form of alloy plastic. These products are used primarily for the rearview mirror, grille, automotive electronics and other components. The products can also be used in computers, plasma TVs, mobile phones and other electronic and electrical consumer products. 7 of these products have been certified for use in the Chinese auto industry.

Environment-friendly Modified Plastic

POLGBSMR: an environment-friendly form of modified plastic, is used in automobiles with environmental standard requirements. 4 of these products have been certified for use in the Chinese auto industry.

Modified Plastic for Special Engineering

PEEK: a special engineering form of modified plastics that can be used in communication and transportation, electronic and electric appliance, machinery, medical equipment and analytical equipment. Xinda is developing products in this field based on the years' research findings. However, none of these products has been certified for use in the auto industry.

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 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 workshop, one storage room, one transformer station, and two guard rooms, with a usable area of 7,359 square meters (79,212 square feet). All the company's properties are insured by China Pacific Property Insurances Co., Ltd.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

The land on which our facility is located measures 14,715 square meters (158,391 square feet). The land use right was issued to Xinda by the City of Harbin. The right will expire in 2053. Compliance with Chinese environmental regulations currently cost us 30,000 RMB (\$4,392) annually. However during 2008 we are engaged in a ground remediation project to comply with new regulations. The cost of the project in 2008 will be 10,180,000 RMB (\$1.5 million). As a result of the new regulations, our annual environmental compliance cost is expected to increase to 1,018,000 RMB (\$150,000).

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. 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 has developed its own techniques and equipment for many of the steps in the production process. Among the aspects of production for which Xinda 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 often 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 as a National Torch Project and a National Spark Plan Project, and has given Xinda the Most Valuable High Tech in China award. Xinda is an executive member of the Council of the Chinese Automobile Parts Association, a member of the Chinese Modified Plastics Professional Committee, and a member of the Chinese Plastics Engineering Committee.

Asset Purchase Agreement

With the acceleration of the localization of China auto parts industry and the rapid increase of sales of special modified plastics for automobiles, it is estimated that the demand of special modified plastics for automobiles will increase from 0.728 million tons in 2006 to 1.20 million tons in 2010. Because of this, Xinda's production capacity of automotive special modified plastics cannot meet with customers' increasing order demand, and Xinda decides to achieve 0.1 million tons of special modified plastics for automobiles by 2010 through the form of acquiring all Xinda High-tech's assets which is used to produce modified plastics for automobiles. Xinda and Xinda High-tech entered into an Assets Purchase Agreement on September 20, 2008.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Pursuant to the Assets Purchase Agreement, Xinda will purchase 6 buildings including office building, 19 full automatic production lines and related lands and subsidiary facilities. Xinda High-tech sold all facilities to Xinda at the price of 240 million RMB (\$35 million). Xinda will pay all funds before the end of September, 2009.

Raw Materials

The principal raw materials used for the production of the Company's products are plastic resins such as polypropylene, ABS and nylon. Nearly 60% of these raw materials come from overseas petrochemical enterprises, and 40% from domestic petrochemical enterprises. All of our contracts for raw materials are one-year renewable contracts.

Polypropylene is a chemical compound manufactured from petroleum.

Acrylonitrile Butadiene Styrene (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.

Currently we have adequate access to these raw materials by dealing with major suppliers in the industry. Xinda has one-year renewable contracts with each of suppliers. Because the raw materials are mostly petroleum products, the rise of oil price will directly affect the cost for the raw materials. However, in that event, we should be able to pass the cost to our customers by raising the price for our products.

Because raw materials constitute a substantial part of the cost of our products, we seek to reduce the cost of raw materials by dealing with two major suppliers: Dalian Free Trade Zone Mankeri International Trade Co., Ltd. (Mankeri), and Dalian Lanhai International Trade Co., Ltd. During the nine months ended on September 30, 2008, Xinda purchased approximately 70% of its raw materials from Mankeri and 20% from Dalian Lanhai International Trade Co., Ltd. In 2007 we purchased 86% of our raw materials from Mankeri, and 80% in 2006. By dealing with these major suppliers, Xinda obtains reduced prices for raw materials, and thus reduces the cost of our products. If we were unable to purchase from Mankeri, we would still have adequate sources of raw materials from other petrochemical dealers, but the cost would increase by 1-2%.

Intellectual Property

Our Research Institute, Xinda Macromolecule Material Research Institute, was organized to provide us with ongoing additions to our technology, which represents the key to our competitive success. Our goal is to utilize state-of-the-art methods and equipment to produce plastics of the highest quality that are cost-efficient for our customers. Toward this end, we have staffed the Research Institute with 38 researcher employees, over 90% of whom have advanced degrees or specialized undergraduate training.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

To supplement the efforts of our Research Institute, we have developed cooperative research programs with a number of the leading technology centers in China, including the Changchun Institute of Applied Chemistry of the Chinese Academy of Science, the Beijing Chemical Engineering Institute, the Harbin Institute of Technology, the Northeast Forestry University, Jilin University, and the Korea HEP Institute. Besides providing specialized research and development skills, these relationships help us to formulate cutting edge research programs aimed at addressing developing issues 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 among the leaders in China's chemical engineering industry. Currently, the members of the Scientific Advisory Board are:

Jin Yong: The member of the Chinese Academy of Engineering, director of the Research Institute of Chemical Engineering Science and Technology at Tsinghua University.

Wu Zhongwen: Director of the Research Institute of Special Plastics Engineering of Jilin University.

Zheng Kai: Secretary General of China's Plastics Engineering Industry Association.

Huang Yudong: Dean of the Chemical Engineering Department at Harbin Industrial University

Li Bin: Dean of the Science Department at Eastern Forest Industry University.

Xing Yuqing: Director of the Teaching and Research Section of the Chemical Engineering Department at Harbin Industrial University

Jiang Zhenhua: Director of the Engineering Research Center of the Special Plastics Engineering Education Department of Jilin University

As a result of our collection of academic and technological expertise, we have a portfolio of 10 patents for which we have applications pending in China.

No.	Patent Name	Patent Application No.	Application Date and Status
1	Measures for efficient recycling and circulating usage of waste and old plastics	200510010540.90	2005.11.15 Pending
2	Special engineering plastics dedicated to military industry products	200510010543.20	2005.11.15 Pending
3	Special materials for wall tubes of polyethylene winding structure of tube inbuilt technology without opening tank lid	200510010541.30	2005.11.15 Pending
4	Stuffing master batch material dedicated to polypropylene resin	200510010542.80	2005.11.15 Pending
5	Special materials for air inflow manifold of automobile engine	200710072563.10	2007.7.25 Pending
6	High-lustre low shrinkage ratio nano polypropylene modified compound and its manufacturing methods	200510010539.60	2005.11.15 Pending
7	Strengthened toughened aging resistant polypropylene/nano calcium carbonate compound material and its manufacturing methods	200510010538.10	2005.11.15 Pending
8	Green inflaming-retardant ABS alloy	200610009836.30	2006.03.21 Pending
9	Compound nano special materials dedicated to automobile bumper	200510010066.x	2005.06.06 Pending
10	High-performance special polypropylene materials dedicated to automobile	200610009837.80	2006.3.21 Pending

Trademark

We own the trademarks for our graphic logo and Chinese characters of (Xinda), which we use in packaging our products and marketing ourselves. Currently the two trademarks are under the application for Company's name change due to the change of our name from Harbin Xinda Macromolecule Material Inc. to Harbin Xinda Macromolecule Material Co., Ltd.

Marketing

Currently Xinda's sales network covers the northeastern and eastern regions of China. Xinda has two sales branches: one in Changchun City where the largest portion of the automobile manufacturing industry in China is located, and the other in Ningbo City in the eastern part of China where the second largest portion of such industry known as Shanghai Region is located. Xinda has a sales team of 18 persons, each with more than three years of sales experiences. In 2007, 93% of our sales were derived from the northeastern market, with continuing expansion into the northern and eastern regions of China.

Xinda sells directly to its customers or indirectly through sales agents. Xinda rates potential customers based on its Customer Estimation Management System. For those customers who can make payment within our collection period, Xinda sells products directly to them, and provides full after-sale services. These customers are usually the major automobile manufacturers who have certified our products. For potential customers who may not be able to make payment within our collection period, we assign a local sales agent to market to them.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

We enter into Sales Agency Agreements with local agents in areas where large automobile manufacturers are located. The sales agents are responsible for developing the markets for our products and collecting payments from our customers. In distributing our products during the agency period, the agents are required to use Xinda's product certificate, brand and package standards set by us. They must also reimburse us the amount of payment that the customers fail to make within our collection period. After the termination of the agency relationship, the customers developed by the agents are proprietary to Xinda.

During the past three years, the Company has sold most of its products in the three northeastern provinces of China: Heilongjiang, Jilin, and Liaoning. We expect to develop more customers in the cities and provinces located in the Eastern part of China, such as Shanghai and Zhejiang Province.

No single customer accounted for more than 10% of our sales during the nine months ended on September 30, 2008, or during 2007 or 2006.

Competition

Currently Xinda's primary Chinese competitor in the automobile industry is a large industrial company named Guangzhou Kingfa Science & Technology Co., Ltd. (Guangzhou Kingfa). Guangzhou Kingfa entered the market in 2006 and its facilities with a manufacturing capacity of 100,000 tons are under construction. Guangzhou Kingfa has much larger financial resources than Xinda. Currently, however, it has fewer certified products and sells less modified plastic to the automobile industry than Xinda.

The Chinese auto market is dominated, however, by modified plastic manufactured overseas or in factories controlled by foreign companies. Almost 60% of the modified plastic used in Chinese automobiles is manufactured by non-Chinese fabricators, primarily manufacturers from Germany, the Netherlands and Japan. Although Xinda and its Chinese competitors compare very favourably with these foreign competitors in terms of price, service and delivery times, the lack of production capacity in the Chinese modified plastics industry has allowed the foreign competition to remain dominant in that industry.

Employees

Xinda's operations are organized into seven operational departments such as technologies, sales, supply, R&D and finance. There are currently 296 full-time employees, including 94 in manufacturing, 38 in R&D, 32 in management, 13 in financial department, 18 in sales, purchasing and marketing and 132 in other departments.

Risk Factors

You should carefully consider the risks described below before buying our common stock. If any of the risks described below were realized, that event could cause the trading price of our common stock to decline, and you could lose all or part of your investment.

Risks related to doing business in China

Our business operations are conducted entirely in China. Because China's economy and its laws, regulations and policies are different from those typically found in the west and are continually changing, we will face risks including those summarized below.

China is a developing nation governed by a one-party government and may be more susceptible to political, economic, and social upheaval than other nations.

China is a developing country governed by a one-party government. China is also a country with an extremely large population, widening income gaps between rich and poor and between urban and rural residents, minority ethnic and religious populations, and growing access to information about the different social, economic, and political systems to be found in other countries. China has also experienced extremely rapid economic growth over the last decade, and its legal and regulatory systems have changed rapidly to accommodate this growth. These conditions make China unique and may make it susceptible to major structural changes. Such changes could include a reversal of China's movement to encourage private economic activity, labor disruptions or other organized protests, nationalization of private businesses, internal conflicts between the police or military and the citizenry, and international political or military conflict. If any of these events were to occur, it could shut down China's economy and cause us to temporarily or permanently cease operations.

The PRC's laws, regulations and policies, and changes to them, may limit our ability to operate profitably or prevent us from operating at all.

Our stores and distribution centers, as well as our suppliers and the agricultural producers on whom they depend, are located in China. The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy, including the production, distribution and sale of our merchandise. In particular, we are subject to regulation by local and national branches of the Ministries of Commerce and Transportation, as well as the General Administration of Quality Supervision, the State Administration of Foreign Exchange, and other regulatory bodies. In order to operate under PRC law, we require valid licenses, certificates and permits, which must be renewed from time to time. If we were to fail to obtain the necessary renewals for any reason, including sudden or unexplained changes in local regulatory practice, we could be required to shut down all or part of our operations temporarily or permanently.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to agriculture, taxation, land use rights and other matters. Such changes could be made at the national or local level and in the form of: farm subsidies; corporate tax rates; employee benefits; leaseholder or land-use rights; enforceability of contracts; intellectual property; or retail pricing. The effects of such changes on our business cannot be predicted but could be significant.

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

Our assets are located inside China. Under the laws governing FIEs in China, dividend distribution and liquidation are allowed but subject to special procedures under the relevant laws and rules. Any dividend payment will be subject to the decision of the board of directors and subject to foreign exchange rules governing such repatriation. Any liquidation is subject to both the relevant government agency's approval and supervision as well the foreign exchange control. This may generate additional risk for our investors in case of dividend payment or liquidation.

Because our funds are held in banks which do not provide insurance, the failure of any bank in which we deposit our funds could affect our ability to continue in business.

Banks and other financial institutions in the People's Republic of China do not provide insurance for funds held on deposit. As a result, in the event of a bank failure, we may not have access to funds on deposit. Depending upon the amount of money we maintain in a bank that fails, our inability to have access to our cash could impair our operations, and, if we are not able to access funds to pay our suppliers, employees and other creditors, we may be unable to continue in business.

Anti-inflation measures may be ineffective or harm our ability to do business in China.

In recent years, the PRC government has instituted anti-inflationary measures to curb the risk of an overheated economy characterized by debilitating inflation. These measures have included devaluations of the renminbi, restrictions on the availability of domestic credit, and limited re-centralization of the approval process for some international transactions. These austerity measures may not succeed in slowing down the economy's excessive expansion or control inflation, or they may slow the economy below a healthy growth rate and lead to economic stagnation or recession; in the worst-case scenario, the measures could slow the economy without curbing inflation. The PRC government could adopt additional measures to further combat inflation, including the establishment of price freezes or moratoriums certain projects or transactions. Such measures could harm the economy generally and hurt our business by limiting the income of our customers available to purchase our merchandise, by forcing us to lower our profit margins, and by limiting our ability to obtain credit or other financing to pursue our expansion plans or maintain our business.

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

All of our revenue is 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 The Company, our subsidiary in China, would be reduced. In addition, the depreciation of significant U.S. Dollar-denominated assets could result in a charge to our income statement and a reduction in the value of these assets.

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 new 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 12% as of the date of this report. 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 the PRC State Administration of Foreign Exchange (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 come due.

Recently-modified SAFE regulations may restrict our ability to remit profits out of China as dividends.

SAFE Regulations regarding offshore financing activities by PRC residents have recently undergone a number of changes which may increase the administrative burdens we face. The failure of our stockholders who are PRC residents to make any required applications and filings pursuant to these regulations may prevent us from being able to distribute profits and could expose us and our PRC-resident stockholders to liability under PRC law.

SAFE issued a public notice (the October Notice), effective as of November 1, 2005, and implementation rules in May 2007, which require registration with SAFE by the PRC-resident stockholders of any foreign holding company of a PRC entity. These regulations apply to our stockholders who are PRC residents. In the absence of such registration, the PRC entity cannot remit any of its profits out of the PRC as dividends or otherwise.

In the event that our PRC-resident stockholders have not followed the procedures required under the October Notice and its implementation rules, we could lose the ability to remit monies outside of the PRC and would therefore be unable to pay dividends or make other distributions, and we could face liability for evasion of foreign-exchange regulations. Such consequences could affect our good standing under PRC regulations and our ability to operate in the PRC, and could therefore diminish the value of your investment.

China's legal and judicial system may not adequately protect our business and operations and the rights of foreign investors.

China's legal and judicial system may negatively impact foreign investors. In 1982, the National People's Congress amended the Constitution of China to authorize foreign investment and guarantee the lawful rights and interests of foreign investors in the China. However, the China's system of laws is not yet comprehensive. The legal and judicial systems in the China are still rudimentary, and enforcement of existing laws is inconsistent. Many judges in the China lack the depth of legal training and experience that would be expected of a judge in a more developed country. Because the China judiciary is relatively inexperienced in enforcing the laws that do exist, anticipation of judicial decision-making is more uncertain than would be expected in a more developed country. It may be impossible to obtain swift and equitable enforcement of laws that do exist, or to obtain enforcement of the judgment of one court by a court of another jurisdiction. The China's legal system is based on civil law, or written statutes; a decision by one judge does not set a legal precedent that must be followed by judges in other cases. In addition, the interpretation of Chinese laws may vary to reflect domestic political changes.

As a matter of substantive law, the foreign-invested enterprise laws provide significant protection from government interference. In addition, these laws guarantee the full enjoyment of the benefits of corporate articles and contracts to foreign-invested enterprise participants. These laws, however, do impose standards concerning corporate formation and governance, which are qualitatively different from the general corporation laws of the United States. Similarly, the PRC accounting laws mandate accounting practices that are not consistent with U.S. generally accepted accounting principles. PRC accounting laws require that an annual statutory audit be performed in accordance with PRC accounting standards and that the books of account of foreign-invested enterprises are maintained in accordance with Chinese accounting laws. Article 14 of the PRC Wholly Foreign-Owned Enterprise Law requires a wholly foreign-owned enterprise to submit certain periodic fiscal reports and statements to designated financial and tax authorities, at the risk of business license revocation. Our subsidiary, Harbin Xinda Macromolecule Material Co, Ltd., is a wholly foreign-owned enterprise and is subject to these regulations.

Edgar Filing: China XD Plastics Co Ltd - Form PRER14C

As a matter of enforcement, although the enforcement of substantive rights may appear less clear than in the U.S., foreign-invested enterprises and wholly foreign-owned enterprises are PRC-registered companies, which enjoy the same status as other PRC-registered companies in business-to-business dispute resolution. Because the Articles of Association of the Company do not specify a method for the resolution of business disputes, the Company and other parties involved in any business dispute are free to proceed either in the Chinese courts or, if they are in agreement, through arbitration. Under PRC law, any award rendered by an arbitration tribunal is enforceable in accordance with the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Therefore, PRC laws relating to business-to-business dispute resolution should not work to the disadvantage of foreign-invested enterprises such as the Company.

However, the PRC laws and regulations governing our current business operations are sometimes vague and uncertain. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to the laws and regulations governing our business and the enforcement and performance of our arrangements with suppliers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. We and any future subsidiaries are considered foreign persons or foreign-invested enterprises under PRC laws, and as a result, we are required to comply with PRC laws and regulations. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretati