
THE WALL STREET TRANSCRIPT

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KL/MST/CAR

TWST: Could you provide a brief overview of China XD Plastics, that is, the company's history, including its products and customers?

Mr. Zhao: China XD is the largest manufacturer of modified plastics for automotive applications in China. Its wholly owned subsidiary, Harbin Xinda Macromolecule Material Company Limited., was founded in September 2004 in Harbin, Heilongjiang Province, Northeast of China. Back to 1985, our CEO Mr. Jie Han founded Harbin Xinda Nylon Factory, the predecessor of the Harbin Xinda Macromolecule Material Company Limited. Our products are modified plastics primarily for automotive applications and modified plastics for special purpose applications. The company is engaged in research and development, manufacturing and distribution of modified plastics for automobiles. Our products have been widely used in the exterior and interior trim and functional components of more than 30 automobile models, including Audi, Red Flag, Volkswagen, and Mazda. All the end-users of the company are included in the top 10 automobiles manufactures in China. So far, the company has obtained 117 certifications from the automobiles manufactures including FAW Group, Hafei Group and Brilliance Auto, which holds the largest number of certifications from the automobile manufactures in China. The company sells 90% of its production to the automotive industry and the rest 10% goes into oil field, mining, power stations and others. Currently China XD has 296 full time employees.

TWST: Recently, China Engineering Plastics Association recognized China XD as the company having the highest growth potential. What is distinctive about your technologies? Are there any other companies that are working along similar lines? What makes China XD different or superior?

Mr. Zhao: Approximately, there are more than 1,000 companies in China engaged in the production of modified plastics, but only more than 70 of them are qualified to supply their products to the automobile manufactures and have a production capacity of over 3000 tons. China XD has its own R&D institution,

Harbin Xinda Macromolecule Material Research Institute with a strong R&D team. Although there is a high entry-barrier for automotive-use modified plastics industry, we have accumulated 117 certifications through 25 years' practical experiences. Also, we have qualified professional management team and plenty of supply experiences. In addition, we have a Science Advisory Board including 7 R&D advisors from the leading universities in China.

TWST: You mentioned a moment ago that there are over 1,000 companies involved in modified plastics. With whom are you in direct competition? What is the landscape and how is it changing or evolving?

Mr. Zhao: The modified plastics market for automobiles has been dominated by large international modified plastics manufacturers such as, German BASF, Netherland Basell and DSM. So far, they have market share more than 60%. By comparison, our advantage is that our products meet the standard through our R&D efforts combined with access to plenty of resources and geographic advantage, allowing us to offer high quality products with competitive pricing. More importantly, we have regulation advantage over our foreign competitors. The Chinese government mandates automakers to use more parts produced domestically, which will help us further penetrate the market in the future.

TWST: Last month there was a lot of publicity regarding the Chinese automotive market surpassing the US market for the first time ever and your China Association of Automobile Manufacturers indicated that it's possible that China could surpass the US in sales in 2009. What's prompting this? What's causing this explosive growth in the Chinese automotive industry?

Mr. Zhao: I think primarily there are three reasons: the first reason is that automobile consumption is included in China's economy stimulus package; secondly, government mandates to increase percentage of auto parts manufactured in China gradually to a higher level; lastly, rising income and growing affluence of middle class.

Thanks to manufacturers like Xinda, China has been able to gradually increase the percentage of domestic manufactured auto parts, which leads to dramatically lower not only the cost of auto parts but automobiles. Therefore, stimulates the auto consumption in China. In 2008, automobile production in China reached about 9.38 million units. Based on official estimate, China will produce over 12 million units by 2010.

TWST: How sensitive is the company to the declining Chinese exports and its overall impact on the Chinese economy? Will that affect the company at all?

Mr. Zhao: Our company currently only sells products in China and there is no plan for export in the near future. So, it's okay for us although the declining trend of Chinese exports. The most important thing though, is that the Chinese auto industry is still growing and that auto sales in China have surpassed United States for the first time. Although we are the largest domestic modified plastics manufacturer for automobile applications, we only hold 4% market share and there is a vast development space for the company.

TWST: The company has enjoyed phenomenal growth over the last few years. For example, in 2008, revenue was up 177% and in 2007, revenues were \$55 million, up from \$25 million the previous year. Is that kind of growth sustainable?

Mr. Zhao: For our company we have a long-term plan. As you can see in 2005, we had a capacity of 7,000 tons. In 2006, we had 25,000 tons. In 2008, we produced over 40,000 tons of modified plastics. By the year 2010, our production capacity is estimated to reach around 100,000 tons through targeted acquisitions. Based on the Chinese growing market demands and our continuing efforts, we believe our company will keep the business growing according to the company's plan.

TWST: I see earlier this month that China XD completed a reverse stock split and adopted a new ticker symbol, which is CXDC. How have you organized and structured the company since that stock split?

Mr. Zhao: As a newly listed US public company, our management team has certain knowledge about the US capital market. After completion of the reverse merger and studying SEC rules, we are confident and determined to manage our company to the next level as a public company.

TWST: Are there any negative dynamics? Are you worried about anything going wrong?

Mr. Zhao: No, I don't think so. We are firm believers of our company and business.

TWST: Tell us about your senior management, including Jie Han, your CEO. I see that he was recently honored as the Outstanding CEO of the Year by the plastics industry.

Mr. Zhao: The present management team includes Mr. Jie Han, Mr. Qingwei Ma and Mr. Junjie Ma. The Company is very serious to the quality of the management team.

Mr. Jie Han is the Chairman and CEO of the company. As a 44 years old hard working leader, his age under-represents his 25 industry experience. As I stated previously, he founded Harbin Xinda Nylon Factory in 1985. Mr. Jie Han is an expert in the modified plastics industry. He currently serves as an executive director of China Plastic Processing Industry Association and also as a director of Heilongjiang Industry and Commerce Association. In addition, he is a deputy to the Harbin Municipal People's Congress.

Mr. Han has made significant contribution to increasing domestic-manufactured modified plastics for automobiles in China. So, I believe he is the very CEO to get the honor.

The Chief Operating Officer is Mr. Qingwei Ma. Though he is also quite young, he has 12 years of experience in the modified plastics industry. As he gained sufficient experience in various positions in Xinda from the Quality Assurance Manager, R&D Department Manager to Production Manager, he is qualified to serve and manage a public company.

Mr. Junjie Ma is the head of research institute. He is also a polymer material engineer and has developed more than 120 plastic additives and modified plastics for the automotive industry, among which 50 products have been approved by auto manufacturers. He also has 12 years of experience in modified plastics. With sufficient experience and abundant research achievements, it is obvious that he has the capability to operate and manage the research institute.

That's our management team, young but experienced and full of ambition.

TWST: How well do you feel the investment community understands China XD? Do they understand the China XD story?

Mr. Zhao: Right now, as a new company in US capital market, I don't think investors know too much about our company. But our management believes that with excellent financial performance, strict compliance with SEC rules and other regulation, and growing demand in China market, china XD will be recognized by investors with long term view.

TWST: What strategies are you using to communicate with investors, both current and potential?

Mr. Zhao: We will pass our information through the media and our Investor relations firm. We will utilize direct communication with institutional investors via road shows, investment conferences and media interviews.

TWST: As we look out over the next two years, what should investors expect from the company?

Mr. Zhao: Our business is growing at fast pace. I believe that this is what investors are looking for. We also believe that stock market will eventually reflect companies' intrinsic value.

TWST: What are the two or three best reasons that you would give to a long-term investor to take a very close look at China XD?

Mr. Zhao: First of all, we are the best in the breed in terms of product quality in China. With our award-winning R&D team, we have achieved 117 certificates from major OEMs. From past several years' statistics data, we know China automobile industry has lots of potentials. We are confident in our products because they are competitive priced and high quality in the market.

Secondly, our sales revenue and net profit have increased by three digits percentage speaking for the past three years. China XD's sale network covers northeast of China and will expand to eastern China soon. We are planning to expand our geographic coverage to increase our sales.

The third reason I can give you is that we have a first class management team. They all are talented and experienced. With combined 49 years professional experience, they have enough knowledge in technology, manufacturing, planning and marketing, etc.

China XD's modified plastics will also benefit from the growing auto production volumes in China and the government's support.

TWST: Is there anything you would like to add? Have we missed anything?

Mr. Zhao: No, I don't believe so.

TWST: Thank you.

Mr. Zhao: Thank you.