

China XD Plastics Co Ltd
Form 10-Q
May 10, 2018

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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from ____ to ____

Commission File Number: 000-53131

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

Nevada 04-3836208
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

No. 9 Dalian North Road, Haping Road Centralized Industrial Park,
Harbin Development Zone, Heilongjiang Province, PRC 150060
(Address of principal executive offices) (Zip Code)

86-451-84346600
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CHINA XD PLASTICS COMPANY LIMITED AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | March 31, 2018 US\$ | December 31, 2017 US\$ |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 50,814,789 | 190,392,211 |
| Restricted cash | 170,455,598 | 129,699,454 |
| Time deposits | 343,505,988 | 288,023,017 |
| Accounts receivable, net of allowance for doubtful accounts | 190,293,398 | 298,868,984 |
| Inventories | 556,919,906 | 421,736,682 |
| Prepaid expenses and other current assets | 111,816,277 | 144,326,151 |
| Total current assets | 1,423,805,956 | 1,473,046,499 |
| Property, plant and equipment, net | 844,425,358 | 835,561,739 |
| Land use rights, net | 33,025,874 | 31,943,652 |
| Long-term prepayments to equipment and construction suppliers | 224,826,888 | 190,627,514 |
| Other non-current assets | 13,148,575 | 12,924,279 |
| Total assets | 2,539,232,651 | 2,544,103,683 |
| LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term loans, including current portion of long-term bank loans | 674,006,093 | 775,396,929 |
| Bills payable | 431,472,146 | 252,768,510 |
| Accounts payable | 47,678,749 | 227,993,140 |
| Income taxes payable | 15,879,046 | 17,710,217 |
| Accrued expenses and other current liabilities | 144,619,028 | 138,605,509 |
| Total current liabilities | 1,313,655,062 | 1,412,474,305 |
| Long-term bank loans, excluding current portion | 145,577,201 | 114,208,319 |
| Deferred income | 108,962,772 | 99,168,276 |
| Other non-current liabilities | 111,839,048 | 107,898,318 |
| Total liabilities | 1,680,034,083 | 1,733,749,218 |
| Redeemable Series D convertible preferred stock (redemption amount of US\$252,601,000 and US\$244,044,200 as of March 31, 2018 and December 31, 2017, respectively) | | |
| | 97,576,465 | 97,576,465 |
| Stockholders' equity: | | |
| Series B preferred stock | 100 | 100 |
| Common stock, US\$0.0001 par value, 500,000,000 shares authorized, 49,748,731 shares and 49,748,731 shares issued, 49,727,731 shares and 49,727,731 shares outstanding as of March 31, 2018 and December 31, 2017, respectively | 4,975 | 4,975 |

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| | | | |
|--|---------------|---------------|---|
| Treasury stock, 21,000 shares at cost | (92,694 |) (92,694 |) |
| Additional paid-in capital | 83,242,685 | 83,159,893 | |
| Retained earnings | 667,890,370 | 648,790,469 | |
| Accumulated other comprehensive income (loss) | 10,576,667 | (19,084,743 |) |
| Total stockholders' equity | 761,622,103 | 712,778,000 | |
| Commitments and contingencies | - | - | |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity | 2,539,232,651 | 2,544,103,683 | |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| | Three-Month Period Ended | |
|--|--------------------------|---------------|
| | March 31, | |
| | 2018 | 2017 |
| | US\$ | US\$ |
| Revenues | 310,453,033 | 237,840,197 |
| Cost of revenues | (256,585,577) | (203,068,027) |
| Gross profit | 53,867,456 | 34,772,170 |
| Selling expenses | (1,051,009) | (518,813) |
| General and administrative expenses | (8,875,009) | (7,053,671) |
| Research and development expenses | (5,049,898) | (5,851,100) |
| Total operating expenses | (14,975,916) | (13,423,584) |
| Operating income | 38,891,540 | 21,348,586 |
| Interest income | 2,312,623 | 1,163,259 |
| Interest expense | (12,894,205) | (10,021,976) |
| Foreign currency exchange losses | (3,955,808) | (476,085) |
| Losses on foreign currency option contracts | (520,981) | - |
| Government grant | 1,477,559 | 1,439,531 |
| Total non-operating expense, net | (13,580,812) | (7,895,271) |
| Income before income taxes | 25,310,728 | 13,453,315 |
| Income tax expense | (6,210,827) | (3,552,326) |
| Net income | 19,099,901 | 9,900,989 |
| Earnings per common share: | | |
| Basic and diluted | 0.29 | 0.15 |
| Net Income | 19,099,901 | 9,900,989 |
| Other comprehensive income | | |
| Foreign currency translation adjustment, net of nil income taxes | 29,661,410 | |