

China XD Plastics Co Ltd
 Form 4
 September 30, 2011

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MORGAN STANLEY

(Last) (First) (Middle)
 1585 BROADWAY,
 (Street)

NEW YORK, NY 10036

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
China XD Plastics Co Ltd [CXDC]

3. Date of Earliest Transaction
 (Month/Day/Year)
09/28/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

See explanation of responses

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) | | |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|-----|-------|
| | | | | (A) or (D) | Code | V | Amount | (D) | Price |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security | 2. Conversion or Exercise | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any | 4. Transaction Code | 5. Number of Derivative Securities Acquired | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Underlying Security (Instr. 3 and 4) |
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|---|--|---|
|---------------------------------|---------------------------|--------------------------------------|-----------------------------------|---------------------|---|--|---|

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| (Instr. 3) | Price of Derivative Security | (Month/Day/Year) | (Instr. 8) | (A) or Disposed of (D) (Instr. 3, 4, and 5) | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title |
|---|------------------------------------|------------------|------------|---|------|---|-----|-----|---------------------------|--------------------|-----------------|
| Series D Jr. Convertible Preferred Stock, par value \$0.0001 | \$ 0 | 09/28/2011 | A | 16,000,000 | | | | | 01/01/2012 ⁽⁵⁾ | 09/28/2014 | Common Stock |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|--------------|---------|------------------------------|
| | Director | 10% Owner | Officer | Other |
| MORGAN STANLEY 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MS HOLDINGS INC 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MORGAN STANLEY PRIVATE EQUITY ASIA III, INC. 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MORGAN STANLEY PRIVATE EQUITY ASIA III, L.L.C. 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MORGAN STANLEY PRIVATE EQUITY ASIA III LP 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MORGAN STANLEY PRIVATE EQUITY ASIA EMPLOYEE INVESTORS III LP 1585 BROADWAY NEW YORK, NY 10036 | X | X | | See explanation of responses |
| MORGAN STANLEY PRIVATE EQUITY ASIA III HOLDINGS (CAYMAN) LTD C/O WALKERS CORPORATE SERVICES LIMITED WALKER HOUSE, 87 MARY STREET GEORGE TOWN, GRAND CAYMAN, E9 KY1-9005 | X | X | | See explanation of responses |
| MSPEA MODIFIED PLASTICS HOLDING LTD C/O WALKERS CORPORATE SERVICES LIMITED WALKER HOUSE, 87 MARY STREET GEORGE TOWN, GRAND CAYMAN, E9 KYI-9005 | X | X | | See explanation of responses |

Signatures

| | |
|---|------------|
| MORGAN STANLEY, By: /s/ Christina Huffman, Authorized Signatory | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MS HOLDINGS INCORPORATED, By: /s/ Harvey Bertram Mogenson, Director/President | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MORGAN STANLEY PRIVATE EQUITY ASIA III, INC., By: /s/ Alan K. Jones, President | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MORGAN STANLEY PRIVATE EQUITY ASIA III, L.L.C., By: Morgan Stanley Private Equity Asia III, Inc., its sole member, By: /s/ Alan K. Jones, President | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MORGAN STANLEY PRIVATE EQUITY ASIA III, L.P., By: Morgan Stanley Private Equity Asia III, L.L.C., its general partner, By: Morgan Stanley Private Equity Asia III, Inc., its sole member, By: /s/ Alan K. Jones, President | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MORGAN STANLEY PRIVATE EQUITY ASIA EMPLOYEE INVESTORS III, L.P., By: Morgan Stanley Private Equity Asia III, L.L.C., its general partner, By: Morgan Stanley Private Equity Asia III, Inc., its sole member, By: /s/ Alan K. Jones, President | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MORGAN STANLEY PRIVATE EQUITY ASIA III HOLDINGS (CAYMAN) LTD, By: /s/ Alan K. Jones, Sole Director | 09/30/2011 |
| __Signature of Reporting Person | Date |
| MSPEA MODIFIED PLASTICS HOLDING LIMITED, By: /s/ Alan K. Jones, Director | 09/30/2011 |
| __Signature of Reporting Person | Date |

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

This form is filed by (i) Morgan Stanley, a Delaware corporation ("MS Parent"), (ii) MS Holdings Incorporated, a Delaware corporation ("MS Holdings"), (iii) Morgan Stanley Private Equity Asia III, Inc., a Delaware corporation ("MS Inc"), (iv) Morgan Stanley Private Equity Asia III, L.L.C., a Delaware limited liability company ("MS LLC"), (v) Morgan Stanley Private Equity Asia III, L.P., a Cayman Islands limited partnership ("MS LP"), (vi) Morgan Stanley Private Equity Asia Employee Investors III, L.P., a Cayman Islands limited partnership ("MS Employee"), (vii) Morgan Stanley Private Equity Asia III Holdings (Cayman) Ltd, a Cayman Islands limited liability company ("MSPEA Holdings") and (viii) MSPEA Modified Plastics Holding Limited, a Cayman Islands limited liability company ("MSPEA") (collectively, the "Reporting Persons").

(cont'd from FN1) MS Holdings is a wholly owned subsidiary of MS Parent. MS Inc is a wholly owned subsidiary of MS Holdings and is the managing member of MS LLC. MS LLC is the general partner of both MS LP and MS Employee. MS LP holds 92.13% of MSPEA Holdings and MS Employee holds 7.87% of MSPEA Holdings. MSPEA Holdings owns 100% of MSPEA.

(3) (cont'd from FN2) MSPEA is the record holder of 16,000,000 shares (the "Preferred Shares") of Series D Junior Convertible Preferred Stock (the "Series D Preferred Stock"), par value \$0.0001 per share. MS Parent may be deemed to beneficially own the Preferred Shares beneficially owned by operating units (collectively, the "MS Reporting Units") of MS Parent, its subsidiaries and affiliates (collectively, "MS"). This filing does not reflect securities, if any, beneficially owned by any operating units of MS whose ownership of securities is disaggregated from that of the MS Reporting Units in accordance with the Securities and Exchange Commission Release No. 34-39538

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(January 12, 1998).

- (cont'd from FN3) Neither the filing of this Form 4 nor any of its contents shall be deemed to constitute an admission by any Reporting Person that it is the beneficial owner of any such Preferred Shares for purposes of Section 16 of the Securities Exchange Act of 1934, or for any other purpose, and each of the Reporting Persons expressly disclaims the beneficial ownership thereof except to the extent of its pecuniary interest therein, if any. MSPEA has affirmed the appointment of its nominees to the Issuer's board of directors, Mr. Eddy Huang and Mr. Jun Xu, who became two of the Issuer's directors on September 28, 2011. By virtue of Mr. Eddy Huang and Mr. Jun Xu, being the Issuer's directors, each of the Reporting Persons is a director by deputization.

- (5) The Preferred Shares may be converted into Common Stock at any time on or after January 1, 2012 at the holder's election. The Preferred Shares that remain not converted will convert into Common Stock automatically on the 3rd anniversary of the issuance, which will be on September 28, 2014.

- The conversion price is \$6.25 per share. The conversion price is subject to adjustments for any reorganization, recapitalization, consolidation or reclassification, stock dividend, stock split, reverse stock split, combination or other like changes in the Company's capital structure. Following the filing with the Securities and Exchange Commission of the audited financial statements of the Issuer for each of the fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 respectively, if the consolidated net income of the Issuer (after all charges and provisions for taxes and adjusted to exclude certain mutually agreed excluded items) falls short of a certain specified level, respectively, then MSPEA has the right to elect to purchase from either (i) XD. Engineering Plastics Company Limited ("XD"), a stockholder of the Issuer, and/or Mr. Jie Han, another stockholder of the Issuer, or (ii) the Issuer, certain number of shares of Common Stock at par value.

- (cont'd from FN6) If the Issuer issues or sells any shares of Common Stock at a price ("New Issue Price") below the conversion price then in effect, MSPEA has the right to purchase from XD or Mr. Jie Han certain number of shares of Common Stock to make MSPEA whole with respect to what it should have received from the Issuer if all outstanding shares of the Series D Preferred Stock held by it are converted at the New Issue Price. XD granted a security interest to MSPEA in 16,000,000 shares of Common Stock of the Issuer that it currently owns. These shares of Common Stock serve as collateral for the obligations of XD and Mr. Jie Han to transfer shares of Common Stock to MSPEA, comply with restrictions on transfer of their shares of Common Stock, as well as perform their other obligations to MSPEA.

- (8) (cont'd from FN7) The maximum number of shares of Common Stock that MSPEA may receive upon, or in connection with, conversion of the Preferred Shares (including shares of Common Stock delivered by the Issuer and shares of Common Stock transferred by XD and Mr. Jie Han) may not exceed 33% of the shares of Common Stock outstanding as of September 28, 2011 on a fully-diluted basis.

- (9) (cont'd from FN8) MSPEA has the right to require the Issuer to redeem the Preferred Shares upon specified triggering events at a redemption price that will provide MSPEA with an internal rate of return of 15% on its investment in the Preferred Shares. MSPEA also has the right to require the Issuer to redeem the Preferred Shares if the Issuer fails to meet specified profit targets, at a redemption price that will provide MSPEA with an internal rate of return of 15% on its investment in the Preferred Shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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