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**SINO DRAGON NEW ENERGY HOLDINGS LIMITED**  
**中國龍新能源控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

( Stock Code: 0395 )

**PLACING OF EXISING SHARES AND  
SUBSCRIPTION OF NEW SHARES  
AND  
RESUMPTION OF TRADING**

*Placing Agent*



**China Everbright Securities (HK) Limited**

**PLACING OF EXISTING SHARES**

On 20 January 2010, the Placing Agent entered into the Placing Agreement with the Vendor pursuant to which the Placing Agent undertakes to effect the placing of the Placing Shares at the Placing Price on a best efforts basis to not less than six Places.

The Placing Shares (or the Subscription Shares) represent (i) approximately 6.17% of the existing issued share capital of the Company of 1,621,939,880 Shares as at the date of this announcement and (ii) approximately 5.81% of the issued share capital of the Company of 1,721,939,880 Shares as enlarged by the Subscription.

The Placing Price (or the Subscription Price) of HK\$0.495 represents:

- (i) a discount of approximately 8.33% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 3.77% to the average closing price of HK\$0.477 per Share as quoted on the Stock Exchange from 14 January 2010 to the Last Trading Day, both dates inclusive, being the last five consecutive trading days prior to the date of the Placing Agreement.

The net proceeds of approximately HK\$48.4 million from the Placing is intended to be used to finance potential investment project which the Company is in the process of identifying the suitable targets. The net price per Placing Share is expected to be approximately HK\$0.484.

### **SUBSCRIPTION OF NEW SHARES**

On 20 January 2010, the Company entered into the Subscription Agreement with the Vendor pursuant to which the Vendor conditionally agreed to subscribe for an aggregate of 100,000,000 Subscription Shares at a price of HK\$0.495 per Subscription Share.

The Subscription is conditional upon, among other things, (i) successful completion of the Placing; (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; (iii) the Executive granting a waiver to the Vendor and parties acting in concert (if any) a waiver of any obligation, as a result of completion of the Subscription, to make a general offer for all of the issued Shares other than those already owned by them under Note 6 on dispensations from Rule 26 of the Takeovers Code; and (iv) the Company obtaining all consents and approvals from the relevant regulatory authorities in Canada in respect of the transaction contemplated in the Subscription Agreement.

**Shareholders and potential investors should note that completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the Placing and Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 21 January 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 22 January 2010.

## **THE PLACING AGREEMENT**

### **Date**

20 January 2010

### **Parties**

(1) the Placing Agent

(2) the Vendor

## **THE PLACING**

### **Placing Shares**

Pursuant to the Placing Agreement, the Placing Agent has agreed to procure, on a best efforts basis, not less than six Placees for 100,000,000 Shares at the Placing Price. The Placing Shares represent (i) approximately 6.17% of the existing issued share capital of the Company of 1,621,939,880 Shares as at the date of this announcement and (ii) approximately 5.81% of the issued share capital of the Company of 1,721,939,880 Shares as enlarged by the Subscription.

### **Placing Commission**

The Placing Agent will receive a placing commission of 2% equivalent to the Placing Price multiplied by the number of the Placing Shares successfully placed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owners are not connected persons of the Company and its connected persons.

### **Placees**

The Placing Agent will place the Placing Shares, on a best efforts basis, to not less than six Placees who are individual, institutional or professional investors and whose ultimate beneficial owners will be third parties independent of and not acting in concert with the Vendor or his concert parties, and will not be connected persons of the Company and its connected persons.

### **Placing Price**

The Placing Price (or the Subscription Price) of HK\$0.495, represents:

- (i) a discount of approximately 8.33% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (ii) a premium of approximately 3.77% to the average closing price of HK\$0.477 per Share as quoted on the Stock Exchange from 14 January 2010 to the Last Trading Day, both dates inclusive, being the last five consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company, the Vendor and the Placing Agent. The Directors consider that the Placing Price and the placing commission are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Ranking of Placing Shares**

The Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

### **Conditions of the Placing**

The Placing is unconditional.

### **Completion**

The Placing is expected to be completed on or before two Business Days immediately after the date of the Placing Agreement or such other date as the Vendor and the Placing Agent shall agree.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

20 January 2010

### **Parties**

- (1) the Company
- (2) the Vendor

### **The Subscription Price**

The Subscription Price is HK\$0.495 per Subscription Share. The Subscription Price is the same as the Placing Price and was determined after arm's length negotiations between the Company and the Vendor with reference to the Placing Price.

## **The Subscription Shares**

The Subscription Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorized to issue up to 286,467,960 Shares. Up to the date of this announcement, 186,200,000 Shares have been issued under the General Mandate. Following the completion of the Subscription, a total number of 100,000,000 Shares will be allotted and issued, leaving a balance of 267,960 Shares to be allotted and issued under the General Mandate.

## **Number of Subscription Shares**

The number of Subscription Shares is equivalent to the number of Placing Shares.

## **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

## **Conditions of the Subscription**

The Subscription is conditional upon:

- (i) the successful completion of the Placing;
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares;
- (iii) the Executive granting a waiver to the Vendor and parties acting in concert with him from their obligation, as a result of completion of the Subscription, to make a general offer for all of the issued Shares other than those already owned by them under Note 6 on dispensations from Rule 26 of the Takeovers Code; and
- (iv) the Company obtaining all consents and approvals from the relevant regulatory authorities in Canada in respect of the transactions contemplated under the Subscription Agreement.

Completion of the Subscription will not take place if any of the above conditions are not fulfilled. None of the above conditions can be waived.

## **Completion**

Subject to fulfillment of the above conditions, completion of the Subscription will take place on the date falling two Business Days after the date when all the conditions set out above are satisfied or such later date as the Company and the Vendor may agree.

The Subscription constitutes a connected transaction under the Listing Rules but it falls within the exemption under Rule 14A.31(3)(d) of the Listing Rules if the Subscription is completed within 14 days from the date of the Subscription Agreement (i.e. 3 February 2010). In the event that the Subscription is not completed within 14 days from the date of the Subscription Agreement, the Subscription will not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and shall be subject to the approval of independent shareholders of the Company and the Company will comply with the relevant connected transaction requirements of Chapter 14A of the Listing Rules.

In the event that the conditions of the Subscription Agreement are not fulfilled by 3 February 2010, or such later date as may be agreed between the Company and the Vendor, all rights, obligations and liabilities of the Company and the Vendor in relation to the Subscription shall cease and determine.

## **REASONS FOR THE PLACING AND SUBSCRIPTION**

The gross proceeds from the Placing will be approximately HK\$49.5 million. The net proceeds of the Placing will amount to approximately HK\$48.4 million and is intended to be used to finance potential investment project which the Company is in the process of identifying the suitable targets.

The Directors had considered various ways of raising funds and consider that the Placing represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing and Subscription are in the interests of the Company and the Shareholders as a whole.

**Completion of the Subscription is subject to the satisfaction of the conditions precedent in the Subscription Agreement. As the Placing and Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities for the 12 months immediately before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds up to the date of this announcement</b>
26 August 2009	Placing of 186,200,000 Shares and subscription of 186,200,000 new Shares at a price of HK\$0.174 per Share <i>(Note)</i>	approximately HK\$32 million	To finance potential investment project	Approximately HK\$7.8 million was used to inject as capital of a subsidiary and approximately HK\$11 million was utilized for general working capital of the Group

*Note: The number of Shares and the price have been stated after taking into account the effect of the share subdivision which was approved by the Shareholders on 6 November 2009.*

## EFFECTS ON SHAREHOLDING STRUCTURE

	<b>As at the date of this announcement</b>		<b>Immediately after the Placing but before the Subscription</b>		<b>Immediately after the completion of the Placing and Subscription</b>	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Vendor and his concert parties	575,741,880	35.50	475,741,880	29.33	575,741,880	33.44
CCB International (Holdings) Limited <i>(Note 1)</i>	186,000,000	11.47	186,000,000	11.47	186,000,000	10.80
Placees <i>(Note 2)</i>	-	-	100,000,000	6.17	100,000,000	5.81
Other public Shareholders	860,198,000	53.03	860,198,000	53.03	860,198,000	49.95
<b>Total</b>	<b>1,621,939,880</b>	<b>100.00</b>	<b>1,621,939,880</b>	<b>100.00</b>	<b>1,721,939,880</b>	<b>100.00</b>

The Vendor and parties acting in concert with him together currently hold 575,741,880 Shares, representing approximately 35.50% of the issued share capital of the Company. Upon completion of the Placing (but before completion of the Subscription), the aggregate shareholding of the Vendor and parties acting in concert with him in the Company will be reduced to approximately 29.33% of the issued share capital of the Company. Upon completion of the Subscription, the aggregate shareholding of the Vendor and parties acting in concert with him will be increased to approximately 33.44% of the issued share capital of

the Company as enlarged by the Subscription. An application has been made by the Vendor to the Executive for a waiver from the obligation to make a general offer to the Shareholders under Note 6 on dispensations from Rule 26 of the Takeovers Code. Completion of the Subscription will not take place if the waiver cannot be obtained.

*Notes :*

1. CCB International (Holdings) Limited is a wholly-owned subsidiary of the China Construction Bank in Hong Kong. CCB International (Holdings) Limited is a third party independent of and not acting in concert with the Vendor or his concert parties.
2. It is expected that the Placees will be third parties independent of and not acting in concert with the Vendor or his concert parties, and will not be connected persons of the Company and its connected persons.

## **GENERAL**

The Group is principally engaged in the research, development, manufacture and sale of zirconium chemicals and other businesses related to zirconium and new energy.

As at the date of this announcement, the authorised share capital of the Company consists of 4,000,000,000 Shares out of which 1,621,939,880 Shares are issued and fully paid up.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 21 January 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 22 January 2010.

## TERMS AND DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“AGM”	the annual general meeting of the Company held on 15 May 2009
“associate(s)”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“Business Day”	means any day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Sino Dragon New Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the main board of the Stock Exchange (stock code: 0395)
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Last Trading Day”	20 January 2010, being the last full trading day for the Shares before the date of this announcement
“Listing Rules”	Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to acquire any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of 100,000,000 existing Shares legally and beneficially owned by the Vendor pursuant to the terms of the Placing Agreement
“Placing Agent”	China Everbright Securities (HK) Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 20 January 2010 entered into between the Placing Agent and the Vendor in relation to the Placing
“Placing Price”	HK\$0.495 per Placing Share, exclusive of Hong Kong stamp duty, Stock Exchange trading fees and SFC transaction levy
“Placing Shares”	100,000,000 existing Shares legally and beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“SFC”	Securities and Futures Commission of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 100,000,000 Subscription Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20 January 2010 entered into between the Company and the Vendor in relation to the Subscription
“Subscription Price”	HK\$0.495 per Subscription Share
“Subscription Shares”	100,000,000 new Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	Yang Xin Min, being the legal and beneficial owner of 575,741,880 Shares
“%”	per cent

By Order of the Board  
**SINO DRAGON NEW ENERGY HOLDINGS LIMITED**  
**Yang Xin Min**  
*Chairman*

Hong Kong, 21 January 2010

*As at the date of this announcement, the Directors of the Company are Mr. Yang Xin Min, Ms. Huang Yue Qin, Mr. Zhou Quan, Mr. Li Fu Ping and Mr. Fang Guo Hong as Executive Directors, Mr. Cheng Faat Ting Gary, Mr. Victor Tong and Prof. Ji Chang Ming as Independent Non-Executive Directors.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading..*

*\* for identification purposes only*