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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)

ANNOUNCEMENT OF FINAL RESULTS **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

The Board of Directors of Sino Dragon New Energy Holdings Limited (the “Company”) herein presents the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2009 as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009

(Expressed in Renminbi)

| | <i>Note</i> | 2009 RMB'000 | 2008 <i>RMB'000</i> |
|----------------------------|-------------|-------------------------------|------------------------|
| Turnover | 3 | 126,108 | 478,775 |
| Cost of sales | | <u>(146,685)</u> | <u>(366,780)</u> |
| Gross (loss)/profit | | (20,577) | 111,995 |
| Other net income | 4 | 626 | 2,355 |

* *For identification purposes only*

| | | | |
|--------------------------------------|------|------------------|---------------|
| Distribution costs | | (4,585) | (12,202) |
| Administrative expenses | | (23,661) | (35,561) |
| Other operating expenses | | (5,268) | (2,817) |
| Impairment of non-current assets | 12 | (342,519) | (9,290) |
| (Loss)/profit from operations | | (395,984) | 54,480 |
| Net finance costs | 5(a) | 278 | (9,645) |
| (Loss)/profit before taxation | 5 | (395,706) | 44,835 |
| Income tax credit/(expense) | 6(a) | 93,470 | (13,942) |
| (Loss)/profit for the year | | (302,236) | 30,893 |
| Attributable to: | | | |
| Equity shareholders of the Company | | (296,430) | 31,287 |
| Minority interests | | (5,806) | (394) |
| (Loss)/profit for the year | | (302,236) | 30,893 |
| Earnings per share | | | |
| Basic (<i>cents</i>) | 7(a) | (23.8) | 2.2 |
| Diluted (<i>cents</i>) | 7(b) | (23.8) | 2.2 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

for the year ended 31 December 2009

(Expressed in Renminbi)

| | 2009 | 2008 |
|--|-------------------------|----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| (Loss)/profit for the year | <u>(302,236)</u> | <u>30,893</u> |
| Other comprehensive income/(loss) for the year (after tax and reclassification adjustments) | | |
| Exchange differences on translation of: | | |
| — financial statements of operations outside the People's Republic of China ("the PRC") | <u>1,981</u> | <u>(1,991)</u> |
| | <u>1,981</u> | <u>(1,991)</u> |
| Total comprehensive (loss)/income for the year | <u><u>(300,255)</u></u> | <u><u>28,902</u></u> |
| Attributable to: | | |
| Equity shareholders of the Company | <u>(295,561)</u> | 30,029 |
| Minority interests | <u>(4,694)</u> | <u>(1,127)</u> |
| Total comprehensive (loss)/income for the year | <u><u>(300,255)</u></u> | <u><u>28,902</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2009

(Expressed in Renminbi)

| | Note | 2009 RMB'000 | 2008 RMB'000 |
|---|------|-----------------|-----------------|
| Non-current assets | | | |
| Property, plant and equipment | | 118,944 | 303,186 |
| Construction in progress | | 1,779 | 85,938 |
| Lease prepayments | | 64,510 | 68,037 |
| Intangible assets | | 28 | 174 |
| Long-term prepayments | | 8,129 | 35,119 |
| Deferred tax assets | | 99,186 | 6,246 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 292,576 | 498,700 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 30,301 | 48,263 |
| Trade and other receivables and prepayments | 9 | 31,328 | 52,681 |
| Amount due from related parties | | 64 | 170 |
| Lease prepayments | | 1,597 | 1,617 |
| Cash and cash equivalents | | 230,136 | 278,403 |
| | | <hr/> | <hr/> |
| Total current assets | | 293,426 | 381,134 |
| | | <hr/> | <hr/> |
| Total assets | | 586,002 | 879,834 |
| | | <hr/> | <hr/> |

Current liabilities

| | | | |
|--------------------------------|-------|---------------|--------|
| Trade and other payables | 10 | 48,936 | 54,167 |
| Amounts due to related parties | | 2,733 | 10,185 |
| Interest-bearing borrowings | | — | 6,832 |
| Current taxation | 11(a) | 19,637 | 19,637 |

Total current liabilities**71,306**

90,821

Net current assets**222,120**

290,313

Total assets less current liabilities**514,696**

789,013

Non-current liabilities

Deferred tax liabilities

11(b)

—

530

NET ASSETS**514,696**

788,483

CAPITAL AND RESERVES

Share capital

82,598

74,242

Reserves

366,269

348,382

Retained earnings

65,570

362,000

**Total equity attributable to equity
shareholders of the Company****514,437**

784,624

Minority interests**259**

3,859

TOTAL EQUITY**514,696**

788,483

Notes:

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2009 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations, issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis. Items included in the financial statements of each entity comprising the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). For the purposes of presenting the consolidated financial statements, the Group adopted Renminbi as its presentation currency, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Improvements to IFRSs (2008)
- Amendments to IFRS 7, Financial instruments: Disclosures - improving disclosures about financial instruments
- Amendments to IFRS 2, Share-based payment - vesting conditions and cancellations

The amendments to IFRS 2 and Improvements to IFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the Group's financial statements. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 8). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER

The principal activities of the Group are the research, development, manufacture and sale of a wide range of zirconium chemicals, new energy materials and rechargeable batteries.

Turnover represents the sales value of goods sold less returns, discounts, and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the year is as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Sales of zirconium and new energy materials | 113,202 | 462,230 |
| Sales of rechargeable batteries | 12,773 | 16,545 |
| Sales of mineral resources | 133 | — |
| | <u>126,108</u> | <u>478,775</u> |

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenues. In 2009, revenues from sales to these customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately RMB39 million (2008: RMB68 million) and all related to the sale of zirconium compounds.

Further details regarding the Group's principal activities are disclosed in note 8.

4 OTHERS NET INCOME

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Government grants | 666 | 1,223 |
| Others | (40) | 1,132 |
| | <u>626</u> | <u>2,355</u> |

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|------------------------|------------------------|
| (a) Net finance costs: | | |
| Interest income | (135) | (705) |
| Interest on bank borrowings wholly repayable within five years | 51 | 311 |
| Net exchange (gain)/loss | (194) | 10,039 |
| | <u>(278)</u> | <u>9,645</u> |
| (b) Staff costs: | | |
| Salaries, wages and other benefits | 19,322 | 20,312 |
| Contributions to defined contribution retirement schemes | 1,246 | 2,524 |
| Equity-settled share-based payment expenses | — | 547 |
| | <u>20,568</u> | <u>23,383</u> |

| | | |
|---|-----------------------|-----------------------|
| (c) Other items: | | |
| Depreciation | 19,303 | 17,280 |
| Amortisation | | |
| — lease prepayments | 1,714 | 1,505 |
| — intangible assets | 87 | 729 |
| Reversal of impairment of trade receivables | (1,035) | — |
| Impairment of trade and other receivables | 687 | 1,990 |
| Research and development costs | 750 | 2,211 |
| Loss on disposal of property, plant and equipment | 3,306 | 44 |
| Auditors' remuneration | | |
| — audit services | 1,843 | 3,469 |
| — other services | 343 | 3,477 |
| Operating lease charges in respect of office premises in Hong Kong | 772 | 671 |
| Cost of inventories [#] | <u>146,685</u> | <u>366,780</u> |

Cost of inventories includes RMB32,006,000 (2008: RMB30,974,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these type of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Current tax — PRC Corporate Income Tax | | |
| Provision for the year | — | 19,203 |
| Over-provision in respect of prior year | — | (2,782) |
| | <u>—</u> | <u>16,421</u> |
| Deferred tax | | |
| Origination and reversal of temporary differences (<i>note 11(b)</i>) | (93,470) | (2,479) |
| | <u>(93,470)</u> | <u>13,942</u> |

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any profits assessable to Hong Kong Profits Tax for the years ended 31 December 2009 and 2008.
- (iii) Pursuant to the Corporate Income Tax Law of the PRC (“PRC Tax Law”) effective from 1 January 2008, the Group’s subsidiaries in the PRC are subject to Corporate Income Tax (“CIT”) at a tax rate of 25% on the assessable profits for the year.

No CIT provision has been made for Yixing Xinxing Zirconium Company Limited (“YXZL”) for 2009 as YXZL incurred tax losses for the year. Provision for CIT for YXZL for 2008 was calculated at 25% on the assessable profit for that year.

As a production-oriented foreign investment enterprise (“FIE”), Yixing Better Batteries Company Limited (“YBBL”) had kick off its Tax Holiday (“Tax Holiday”) under the old PRC Corporate Income Tax regime in 2008. As such, YBBL was exempted from CIT in 2008 and 2009. The unexpired Tax Holiday enjoyed by FIE established before 16 March 2007 is allowed to continue after implementation of PRC Tax Law until expiry of the Tax Holiday. As such, the applicable CIT rate of YBBL is 12.5% in years 2010 to 2012 and 25% thereafter.

Binhai Dragon Crystal Chemicals Company Limited (“BHDC”) did not have any assessable profits for both 2008 and 2009, and therefore, no CIT provision has been made for BHDC.

- (iv) Pursuant to the Income Tax Law in Indonesia, PT Asia Prima Resources (“APR”) is subject to corporate income tax at progressive rates ranging from 10% - 30%, based on the level of assessable profit earned by the enterprise. No corporate income tax provision has been made as it has no assessable profits for both 2008 and 2009.
- (v) In addition, the Group is subject to withholding tax at the rate of 10% (unless reduced by treaty) on distributions of profits generated after 31 December 2007 from the subsidiaries in the PRC.

Deferred tax liabilities have been recognised in this regard based on the expected dividends to be distributed from the Company’s subsidiaries in the PRC in the foreseeable future in respect of their profits generated after 31 December 2007.

(b) Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| (Loss)/profit before taxation | <u>(395,706)</u> | <u>44,835</u> |
| Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned | (96,815) | 15,100 |
| Tax effect of non-deductible expenses | — | 119 |
| Tax effect on unused tax losses not recognised | 3,369 | 1,013 |
| Tax effect of tax concessions | (465) | — |
| Over-provision in prior year | — | (2,782) |
| Dividend withholding tax | — | 530 |
| Others | <u>441</u> | <u>(38)</u> |
| Actual tax (credit)/expense | <u>(93,470)</u> | <u>13,942</u> |

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company for the year of RMB296,430,000 (2008: profit of RMB31,287,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2009 of 1,244,459,846 (2008 (restated): 1,424,291,820).

The weighted average number of ordinary shares in 2009 and 2008 for the purposes of calculating the basic and diluted earnings per shares have been retrospectively adjusted for the subdivision of the share on a 1 to 20 basis (“Share Subdivision”) which took place on 9 November 2009.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB296,430,000 (2008: profit of RMB31,287,000) and the weighted average number of ordinary shares in issue during the year after adjusting for the effect of potential dilutive shares, assuming they were exercised.

Weighted average number of ordinary shares (diluted):

| | 2009 | 2008 |
|--|-------------------------|------------------|
| | '000 | '000 |
| Weighted average number of ordinary shares | 1,244,460 | 1,424,292 |
| Effect of deemed issue of shares under the Company's share option scheme at consideration of HK\$0.14 (2008 (restated): HK\$0.14) per share | <u>100</u> | <u>—</u> |
| Weighted average number of ordinary shares (diluted) | <u>1,244,560</u> | <u>1,424,292</u> |

8 SEGMENT REPORTING

The Group manages its businesses by the operating subsidiaries in the People's Republic of China (the "PRC") which are engaged in the research, development, manufacture and sale of a wide range of zirconium chemicals, new energy materials and rechargeable batteries. On first-time adoption of IFRS 8, *Operating Segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely, Yixing Xinxing Zirconium Company Limited ("YXZL"), Yixing Better Batteries Company Limited ("YBBL"), Binhai Dragon Crystal Chemicals Company Limited ("BHDC") and PT Asia Prima Resources ("APR"). No operating segments have been aggregated to form the above reporting segments.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the financial statements has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the manufacturing and sales activities of the individual segments and interest-bearing borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment (loss)/profit is "adjusted (loss)/profit before taxation". To arrive at reportable segment (loss)/profit, the Group's (loss)/profit before taxation is adjusted for items not specially attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administrative costs. Income tax charge is not allocated to reporting segments.

In addition to receiving segment information concerning adjusted (loss)/profit after taxation, management is provided with segment information concerning revenue (including inter-segment sales), net finance costs from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment loss of non-current assets and additions to non-current segment assets used by the respective segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

| | YXZL | | YBBL | | BHDC | | APR | | Total | |
|---|------------------|------------------|----------------|----------------|-----------------|-----------------|--------------|--------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue from external customers | 113,202 | 462,230 | 12,773 | 16,545 | — | — | 133 | — | 126,108 | 478,775 |
| Inter-segment revenue | 1,792 | 2,942 | — | — | — | — | 4,284 | — | 6,076 | 2,942 |
| Reportable segment revenue | 114,994 | 465,172 | 12,773 | 16,545 | — | — | 4,417 | — | 132,184 | 481,717 |
| Reportable segment (loss)/profit (adjusted (loss)/profit before taxation) | (279,419) | 72,609 | 2,755 | (8,355) | (97,997) | (1,322) | (11,850) | (804) | (386,511) | 62,128 |
| Net finance costs | (84) | (9,013) | 7 | (4) | 4 | 30 | (120) | — | (193) | (8,987) |
| Depreciation and amortisation for the year | 20,001 | 18,875 | 397 | 410 | 358 | 149 | 337 | 71 | 21,093 | 19,505 |
| Impairment of non-current assets | 239,269 | 3,857 | — | 5,433 | 96,715 | — | 6,535 | — | 342,519 | 9,290 |
| Reportable segment assets | 491,415 | 798,101 | 18,640 | 15,704 | 19,279 | 99,923 | 618 | 8,480 | 529,952 | 922,208 |
| Additions to non-current segment assets during the year | 50,625 | 45,999 | 341 | 107 | 29,394 | 71,915 | 48 | 6,681 | 80,408 | 124,702 |
| Reportable segment liabilities | (150,038) | (177,306) | (3,361) | (3,180) | (45,555) | (35,066) | (89) | (604) | (199,043) | (216,156) |

(b) **Reconciliations of reportable segment revenues, profit or loss, assets and liabilities**

| | 2009 | 2008 |
|--|-------------------------|-----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| <i>Revenue</i> | | |
| Reportable segment revenue | 132,184 | 481,717 |
| Elimination of inter-segment revenue | <u>(6,076)</u> | <u>(2,942)</u> |
| Consolidated turnover | <u>126,108</u> | <u>478,775</u> |
| <i>(Loss)/profit</i> | | |
| Reportable segment (loss)/profit | (386,511) | 62,128 |
| Unallocated head office and corporate expenses | <u>(9,195)</u> | <u>(17,293)</u> |
| Consolidated (loss)/profit before taxation | <u>(395,706)</u> | <u>44,835</u> |
| <i>Assets</i> | | |
| Reportable segment assets | 529,952 | 922,208 |
| Elimination of inter-segment receivables | <u>(57,292)</u> | <u>(51,763)</u> |
| | 472,660 | 870,445 |
| Deferred tax assets | 99,186 | 6,246 |
| Unallocated head office and corporate assets | <u>14,156</u> | <u>3,143</u> |
| Consolidated total assets | <u>586,002</u> | <u>879,834</u> |

Liabilities

| | | |
|---|------------------|-----------|
| Reportable segment liabilities | 199,043 | 216,156 |
| Elimination of inter-segment payables | (145,381) | (156,548) |
| | 53,662 | 59,608 |
| Deferred tax liabilities | — | 530 |
| Unallocated head office and corporate liabilities | 17,644 | 31,213 |
| Consolidated total liabilities | 71,306 | 91,351 |

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | 2009 | 2008 |
|------------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Trade receivables | 24,233 | 34,566 |
| Less: Allowance for doubtful debts | (1,479) | (3,720) |
| | 22,754 | 30,846 |
| Advance payments to suppliers | 3,899 | 16,657 |
| Deposits and prepayments | 929 | 2,121 |
| Dividend receivable | — | — |
| Other receivables | 3,746 | 3,057 |
| | 31,328 | 52,681 |

(a) Ageing analysis

All of the trade and other receivables are expected to be recovered within one year. An ageing analysis of the trade receivables (net of allowance for doubtful debts) as of the reporting date is as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Current | <u>17,398</u> | <u>21,015</u> |
| Less than 3 months past due | 4,001 | 8,897 |
| More than 3 months but less than 1 year past due | 1,324 | 286 |
| Over 1 year past due | <u>31</u> | <u>648</u> |
| Amounts past due | <u><u>5,356</u></u> | <u><u>9,831</u></u> |
| | <u><u>22,754</u></u> | <u><u>30,846</u></u> |

Trade receivables are normally due within 30 to 90 days from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| At 1 January | 3,720 | 1,730 |
| Reversal of impairment of trade receivables (<i>note 5(c)</i>) | (1,035) | — |
| Impairment of trade receivables | — | 1,990 |
| Uncollectible amounts written off | (1,206) | — |
| | <hr/> | <hr/> |
| At 31 December | <u>1,479</u> | <u>3,720</u> |

At 31 December 2009, the Group's trade receivables of RMB1,512,000 (2008: RMB4,125,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB1,479,000 (2008: RMB3,720,000) were recognised. The Group does not hold any collateral over these balances.

(c) **Trade receivables that are not impaired**

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Neither past due nor impaired | 17,398 | 21,015 |
| Less than 3 months past due | 4,001 | 8,897 |
| More than 3 months but less than 1 year past due | 1,322 | 286 |
| Over 1 year past due | — | 243 |
| | 5,323 | 9,426 |
| | 22,721 | 30,441 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE AND OTHER PAYABLES

| | 2009 | 2008 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 6,372 | 8,114 |
| Receipts in advance from customers | 1,031 | 1,913 |
| Payable for construction costs and acquisition of property, plant and equipment | 4,016 | 6,738 |
| Other payables and accruals | 37,517 | 37,402 |
| | 48,936 | 54,167 |

All of the trade and other payables are expected to be settled within one year. Included in trade and other payables are trade payables with the following ageing analysis as of the reporting date:

| | 2009 | 2008 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months of invoice date | 3,530 | 5,145 |
| 3 months to 6 months after invoice date | 569 | 1,723 |
| 6 months to 1 year after invoice date | 741 | 378 |
| Over 1 year of invoice date | 1,532 | 868 |
| | 6,372 | 8,114 |

11 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

| | 2009 <i>RMB'000</i> | 2008 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Provision for PRC Corporate Income | | |
| Tax for the year | — | 19,203 |
| PRC income tax paid | — | (28,705) |
| | — | (9,502) |
| Balance of PRC income tax relating to prior years | <u>19,637</u> | <u>29,139</u> |
| Income tax payable | <u><u>19,637</u></u> | <u><u>19,637</u></u> |

(b) Deferred tax assets/(liabilities) recognised:

The nature of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Provisions <i>RMB'000</i> | Future benefit of tax losses <i>RMB'000</i> | Dividend withholding tax <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|-------------------------------------|---|---|--------------------------------|
| Deferred tax arising from: | | | | |
| At 1 January 2008 | 1,981 | 1,256 | — | 3,237 |
| Credited/(charged) to profit or loss (<i>note 6(a)</i>) | <u>2,663</u> | <u>346</u> | <u>(530)</u> | <u>2,479</u> |
| At 31 December 2008 | <u><u>4,644</u></u> | <u><u>1,602</u></u> | <u><u>(530)</u></u> | <u><u>5,716</u></u> |
| At 1 January 2009 | 4,644 | 1,602 | (530) | 5,716 |
| Credited to profit or loss (<i>note 6(a)</i>) | <u>83,034</u> | <u>9,906</u> | <u>530</u> | <u>93,470</u> |
| At 31 December 2009 | <u><u>87,678</u></u> | <u><u>11,508</u></u> | <u><u>—</u></u> | <u><u>99,186</u></u> |
| | | | 2009 | 2008 |
| | | | <i>RMB'000</i> | <i>RMB'000</i> |
| Deferred tax assets recognised on the statement of financial position | | | 99,186 | 6,246 |
| Deferred tax liabilities recognised on the statement of financial position | | | <u>—</u> | <u>(530)</u> |
| | | | <u>99,186</u> | <u>5,716</u> |

The Group has recognised deferred tax assets as at 31 December 2009 in respect of cumulative tax losses of RMB48,970,000 (2008: RMB6,245,000) arising from the subsidiaries in the PRC as the directors are of the opinion that future taxable profits against which the losses can be utilised will be available. The tax losses of those subsidiaries will expire in five years.

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets as at 31 December 2009 in respect of cumulative tax losses of RMB25,971,000 (2008: RMB13,327,000) arising from the subsidiaries in Hong Kong, the PRC and Indonesia, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses of the subsidiary in Hong Kong do not expire under current tax legislation while those of the subsidiaries in the PRC and Indonesia will expire in five years.

12 IMPAIRMENT OF NON-CURRENT ASSETS

During the year, the Group experienced a significant drop in demand for its zirconium and related products under the prevailing market environment and consequently recorded operating losses. The directors considered that the existence of the above conditions indicated that non-current assets of the Group's operating subsidiaries in the PRC and Indonesia may be impaired. In view of this, the directors prepared a cash flow projection to estimate the recoverable amount of these assets.

The estimates of recoverable amount were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors, and a pre-tax discount rate.

Key assumptions used for the value in use calculation:

| | |
|--------------------------|---------|
| Sales volume growth rate | 10%-15% |
| Gross contribution rate | 7%-15% |
| Pre-tax discount rate | 16%-17% |

The directors determined the growth rate and gross contribution rate based on the expectation for market development.

The directors concluded that it is appropriate to recognise impairment losses of RMB342,519,000 against these non-current assets, details of which are as follows:

| | 2009 |
|-------------------------------|----------------|
| | <i>RMB'000</i> |
| Property, plant and equipment | 243,039 |
| Construction in progress | 83,039 |
| Lease prepayments | 1,996 |
| Intangible assets | 59 |
| Long-term prepayments | 14,386 |
| | <hr/> |
| Charged to profit or loss | <u>342,519</u> |

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research, development, manufacture and sale of a wide range of zirconium chemicals, new energy materials and rechargeable batteries.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board do not recommend the payment of a final dividend for the year (2008: final dividend of HK\$0.06 per ordinary share).

The register of members of the Company will be closed from 25 May 2010 (Tuesday) to 27 May 2010 (Thursday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the Company's annual general meeting to be held on 27 May 2010, all transfer documents accompanied by the relevant share certificates must be lodged with either one of the Company's branch share registrars listed below for registration by no later than 4:30 p.m. on 24 May 2010 (Monday):

In Hong Kong:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

In Toronto:

Computershare Investor Services Inc.
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Canada

INDUSTRY REVIEW

Year 2009 was a challenging year for manufacturing industry. The global financial crisis led to a recession in most countries in 2009. What started out as a credit crisis in the financial sector quickly spilled over into a broad contraction in industrial production and trade. The recession was particularly hard on the manufacturing industry. Because the credit crunch caused a shortfall in the availability of trade-related credit instruments, it led to a slump in export trade and so hit some manufacturers hard. Zirconium chemicals industry is one of the typical examples of manufacturing businesses which was hit hard by the global recession. Market demand and selling prices of zirconium chemicals dropped significantly during the year and lingered at the low points. As many customers of zirconium chemicals, which were themselves manufacturers of various products, have scaled down their productions, their demand for zirconium chemicals suffered a consequential decline. Some overseas manufacturers had adopted a more stringent inventory policy and cutback their inventory level, and they were primarily surviving on the zirconium chemicals materials which were in stock since 2008 and did not place new orders for zirconium chemicals throughout the first half year of 2009. Although some customers resumed orders in the second half year of 2009, sales of zirconium chemicals were far below the level back in the last two years.

On the supply side, zircon sand was in excess supply in 2009 due to the significant drop in the usage of zircon sand in zirconium chemicals production as well as in other industries. Price of zircon sand had also dropped, which had also driven a price decrease for zirconium chemical products.

BUSINESS REVIEW

Same as many other manufacturers, the Group's business suffered a big hit by the global recession in 2009. The Group's consolidated turnover dropped by 74% as compared to 2008 and it reported a gross loss for the first time in its operating history. The significant reduction in consolidated turnover was mainly attributable to the cutback in zirconium chemical sales. As most of the Group's zirconium chemicals were sold to overseas countries including the United States, Japan and European countries, the manufacturing recession in these countries had significant negative impact on the Group's zirconium business. Encountering the problem of capacity under-utilisation, the Company's zirconium chemicals products absorbed exceptionally high fixed overheads which were not compensated by any increase in selling prices. Consequently, the gross margin dropped sharply to the extent that it became negative for the year. The declining zirconium chemical market had indirectly affect the market of zircon sand, that is the major raw material for zirconium chemicals. Facing the unfavorable market condition for zircon sand and the unstable supplies of mineral concentrate in Indonesia, the management has decided to temporarily suspend the operation of the zircon sand processing plant owned by the Group's Indonesian joint venture in December 2009, to avoid incurring further operating loss in this segment. Following that, the zircon sand processing plant area were sealed off by the local government authority in late December 2009, pending for the investigation of certain mineral supplies being made to the plant by suppliers without proper mining license. As at the date of this report, the Group is not aware of any indication of potential litigation against the joint venture or the Group in respect of this matter. As the Group is uncertain on when the joint venture will resume access to the zircon sand processing plant, the management decided to make a full provision for the impairment losses of the assets of the joint venture as at 31 December 2009.

For the rechargeable batteries business, the Group also reported a decrease in sales in 2009 but there was an improvement in the gross margin from -1% in 2008 to 21% in 2009. The rechargeable batteries segment results also turned from a net loss in prior year to a net profit in 2009. The management expected the batteries segment to have steady improvement in results performance in the coming year.

OUTLOOK

Looking ahead, the Group is optimistic in the market growth potential of zirconium chemicals, in particular for the high-end products for application in motor vehicle tail gas purification and in nuclear power industry. Given the global refocus on promoting nuclear power and the European Union's progressive introduction of increasingly stringent standards on motor vehicles emission, the management believed that the demand for zirconium chemicals in these two applications will report considerable growth in the long run. Capitalising on our solid foundation in production technology, the Group's strategy will focus on further developing and penetrating into the high-end zirconium chemical products market. At the same time, the Group will proactively yet prudently diversify into new energy-related business. We will strive to finalise the potential acquisition project as soon as possible, so as to contribute to the Group's results.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group reported a consolidated turnover of RMB126,108,000, represented a year-to-year decline by 74%. Gross margin dropped from 23% in 2008 to a negative gross margin of 16% in 2009. The decrease in gross margin was mainly attributable to the under-utilization of production capacities which in turns increased the fixed cost per unit, and the decrease in selling prices of the Company's products.

The Group reported a net loss for the Year of RMB302,236,000, primarily resulted from the impairment provision made for certain assets during the year, amounted to RMB342,519,000. Such provision was merely accounting adjustment which did not involve actual cash outflow. The Group continued to maintain a healthy financial position with net cash balance and nil debt.

Turnover analysis

As over half of the Company's sales were exports to the overseas markets including US, Japan and the Netherland (Europe), the economic downturn in these countries has significantly affected the Company's zirconium chemicals business in 2009. In this challenging environment, the Company's sales of zirconium chemicals for the year under review was RMB97,611,000 (2008: RMB434,742,000). Sales of zirconium oxides and zirconium carbonate remains as the two major products which in total contribute almost half of the Group's consolidated turnover.

Comparing to the zirconium chemicals segment, the decline in the sales of new energy materials and rechargeable batteries was relatively smaller. Sales of new energy materials was RMB15,724,000 (2008: RMB27,387,000) and sales of rechargeable batteries was RMB12,773,000 (2008: RMB16,545,000), representing a decrease of 43% and 23% respectively.

Gross Profit and Gross Margin

The Group reported a gross loss of RMB20,577,000 (2008: gross profit of RMB111,995,000) and a negative gross margin of 16% (2008: gross margin of 23%).

Capital Expenditure

The capital expenditures for the year ended 31 December 2009 and 2008 were approximately RMB80,418,000 and RMB124,707,000, respectively. The significant amount of capital expenditure in 2008 was mainly for the construction of the Binhai new plant and the zircon separation facilities in Indonesia. In 2009, the Group did not carry out any large scale construction or capacity expansion. Hence, capital expenditure decreased by 36% as compared to prior year. The significant decrease in the carrying value of the property, plant and equipment as at 31 December 2009 was primarily due to the impairment provision of RMB243,039,000 that was made during the year.

Liquidity and Financial Resources

As at 31 December 2009, the Group's bank and cash balances were approximately RMB230,136,000 (2008: RMB278,403,000). The Group continued to maintain a strong and healthy financial structure with no debt.

The Group's trade receivables turnover days increased from 43 days in 2008 to approximately 85 days in 2009. Although the trade receivables turnover days increased significantly in current year, the Group has not experienced significant bad debt problems and continued to maintain a healthy record of trade receivables turnover.

The inventory balance as at 31 December 2009 decreased by approximately 37% to RMB30,301,000 (2008: RMB48,263,000), which mainly represented by the reduced level of finished goods that was kept by the Company. Inventory turnover days increased from 56 days to 96 days, mainly resulted from the significant drop in sales activities during the year. Management will continue to closely monitor the inventory level.

Share Capital Structure

In the Extraordinary General Meeting held by the Company on 6 November 2009, the Company's shareholders passed a resolution which approved the 1 to 20 share subdivision of the Company and it took effect from 9 November 2009.

As at 31 December 2009, the total issued share capital of the Company was HK\$81,096,994 (approximately equivalent to RMB82,598,000) divided into 1,621,939,880 ordinary shares with a par value of HK\$0.05 each.

Exposure to Foreign Exchange Risk

The Group is exposed to foreign currency risk primarily through currency exposures in sales and purchases that are denominated in United State Dollars ("USD") with respect of RMB which is the Group's functional currency. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. It is the Group's policy that it will not engage in any speculative activities. During the year, the Group has not engaged in any hedging transactions.

Contingent Liabilities

As at 31 December 2009, the Group had no contingent liabilities.

Pledge of Assets

As at 31 December 2009, the Group did not pledge any assets (2008: Nil) as securities for the banking facilities granted by its bankers.

Human Resources

As at 31 December 2009, the Group had a total of approximately 618 employees (2008: 735 employees). Total staff costs (including directors' emoluments) for the year was approximately RMB20,568,000 (2008: RMB23,383,000), representing 16% of the Group's turnover (2008: 5%). The number of employees decreased mainly because of the scale down of production during the year. Employees were remunerated based on their performance, experience and prevailing industry practice. Bonuses and rewards might also be awarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis. The Remuneration Committee of the Company's Board of Directors is responsible for overseeing and reviewing the remuneration packages of the Directors and senior management.

CORPORATE GOVERNANCE PRACTICE

The Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained.

Throughout the year, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code on CGP") as set out in Appendix 14 to the Listing Rules on the Stock Exchange, except for the deviation in respect of the appointment of the same person as the Chairman and the Chief Executive Officer ("CEO") of the Company. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results for the year ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

NON-ADJUSTING SUBSEQUENT EVENTS

- (a) On 20 January 2010, the Company entered into a placing agreement and subscription agreement with a placing agent and Mr Yang Xin Min, a major shareholder and a director of the Company, to subscribe and place 100,000,000 new ordinary shares at the placing price and subscription price of HK\$0.495 per share.
- (b) On 9 March 2010, CDIL entered into a non-binding letter of intent (the “Letter of Intent”) with Danyang Century New Energy Resources Co., Limited (“Danyang Century New Energy”). Pursuant to the Letter of Intent, CDIL intends to invest in Danyang Century New Energy and become the holder of not less than 51% equity interest in Danyang Century New Energy.

By order of the Board
Sino Dragon New Energy Holdings Limited
Yang Xin Min
Chairman

Hong Kong, 22 April 2010

As at the date of this announcement, the executive 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 , and the independent non-executive directors are Mr. Cheng Faat Ting Gary, Prof. Ji Chang Ming and Mr. Poon Lai Yin Michael.