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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Sino Dragon New Energy Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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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)

PROPOSED GENERAL MANDATES
TO ISSUE NEW SHARES AND TO REPURCHASE SHARES AND
RE-ELECTION OF RETIRING DIRECTORS

A notice convening the Annual General Meeting (“AGM”) of the Company to be held at Suite 2611, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, 27 May 2010 at 3:00 p.m. is set out in the 2009 Annual Report which is sent together with this circular.

Whether or not you intend to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to either (i) the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong; or (ii) the Company’s Canadian branch share registrar, Computershare Investor Services Inc., 100 University Ave., 9th Floor, Toronto, Ontario, M5J 2Y1, Canada, not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

29 April 2010

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

| | |
|-----------------------------|---|
| “AGM” | the annual general meeting of the Company to be convened and held at Suite 2611, Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Thursday, 27 May 2010 at 3:00 p.m., notice of which is included in the Annual Report |
| “Annual Report” | annual report of the Company for the year ended 31 December 2009 |
| “Articles of Association” | the articles of association of the Company as may be amended from time to time |
| “Board” | the board of Directors |
| “Company” | Sino Dragon New Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Main Board of the Stock Exchange |
| “Corporate Governance Code” | the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Issuance Mandate” | the general and unconditional mandate proposed under ordinary resolutions numbered 4(A) and 4(C) in the notice of the AGM included in the Annual Report to grant the Directors the power to (i) allot and issue Shares up to an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution; (ii) to extend the mandate in (i) above by an amount representing the aggregate nominal amount of the Shares repurchased by the Company made pursuant to and in accordance with the Repurchase Mandate |

DEFINITIONS

| | |
|---------------------------|--|
| “Latest Practicable Date” | 23 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Repurchase Mandate” | the general and unconditional mandate proposed under ordinary resolution numbered 4(B) in the notice of the AGM included in the Annual Report to grant the Directors the power to repurchase the Shares up to an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “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) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

LETTER FROM THE BOARD



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)

Executive Directors:

Yang Xin Min (*Chairman*)

Huang Yue Qin

Zhou Quan

Li Fu Ping

Fang Guo Hong

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Independent Non-Executive Directors:

Cheng Faat Ting Gary

Ji Chang Ming

Poon Lai Yin Michael

Principal Place of Business in

Hong Kong

Suite 2611, Shell Tower

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

29 April 2010

To the shareholders of the Company

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES AND RE-ELECTION OF RETIRING DIRECTORS

INTRODUCTION

The purpose of this circular is to provide all the Shareholders of the Company with information regarding the Issuance Mandate and the Repurchase Mandate which are proposed to be granted to the Directors and the re-election of the Directors who are due to retire. These resolutions will be proposed at the AGM.

* *For identification purposes only*

LETTER FROM THE BOARD

SHARE REPURCHASE AND ISSUANCE MANDATES

At an annual general meeting of the Company held on 15 May 2009, resolutions were passed by the Shareholders pursuant to which general unconditional mandates were granted to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the Listing Rules. As at the Latest Practicable Date, the number of issued Shares of the Company is 1,722,139,880 and the maximum number of Shares to be issued pursuant to the 20% Issuance Mandate is 344,427,976 Shares. Such mandates will lapse at the conclusion of the forthcoming AGM. It is therefore proposed to seek the Shareholders' approval of ordinary resolutions to be proposed at the AGM for the purpose of granting the Issuance Mandate and the Repurchase Mandate to the Directors and authorising the extension of the Issuance Mandate. Details of the aforesaid resolutions are set out in ordinary resolutions numbered 4(A) to 4(C) in the notice of the AGM.

An explanatory statement as required by the Listing Rules to provide the Shareholders with all the information reasonably necessary for them to make an informed decision on the proposed resolution for the granting of the Repurchase Mandate is set out in Appendix I to this circular.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that the chairman of the Board shall not, whilst holding such office, be subject to retirement by rotation. A retiring Director shall be eligible for re-election.

Pursuant to the Articles of Association, Ms. Huang Yue Qin and Mr. Zhou Quan shall retire by rotation and be eligible for re-election at the AGM. In accordance with the Articles of Association, any Director appointed during the year to fill a casual vacancy or as an additional Director shall hold office only until the following annual general meeting and shall be eligible for re-election. Mr. Fang Guo Hong, Prof. Ji Chang Ming and Mr. Poon Lai Yin Michael shall retire and be eligible for re-election at the AGM.

To enable the Shareholders to make an informed decision on the re-election of these retiring Directors, the biographical details of the retiring Directors, as required under Chapter 13 of the Listing Rules, are set out in Appendix II to this circular for the information of the Shareholders.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the AGM will demand a poll for each and every resolution put forward at the AGM pursuant to Article 66 of the Articles of Association. The Company will appoint scrutineers to handle vote-taking procedures at the AGM. The results of the poll will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.chinazirconium.com.hk on the business day following the AGM.

RECOMMENDATION

The Directors believe that the granting of the Issuance Mandate, the Repurchase Mandate and the extension of the Issuance Mandate and the re-election of the retiring Directors are in the best interests of the Company as well as to the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of all relevant resolutions relating to the aforesaid matters at the AGM.

Yours faithfully,
For and on behalf of the Board
Yang Xin Min
Chairman

This serves as an exploratory statement, as required to be sent to all Shareholders under the Listing Rules, to provide the relevant information in connection with the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,722,139,880 Shares.

Subject to the passing of the proposed ordinary resolution as referred to in resolution numbered 4(B) of the notice of the AGM and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 172,213,988 fully paid-up Shares.

2. REASONS FOR REPURCHASE

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from the Shareholders of the Company to enable the Company to repurchase Shares in the market. Such Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and such repurchases will only be made if and when the Directors believe that such repurchases will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASE

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Directors propose that repurchase under the Repurchase Mandate would be financed from the Company's distributable profits.

The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

4. FINANCIAL EFFECT OF REPURCHASES

In the event that the Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period, there might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 December 2009. However, the Directors do not have current intention to exercise the Repurchase Mandate to an extent that might result in, having regard to the relevant circumstances, a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous twelve months were as follows:

| Shares | Highest HK\$ | Lowest HK\$ |
|---------------------------------------|-------------------------|------------------------|
| 2009 | | |
| April* | 0.23 | 0.16 |
| May* | 0.24 | 0.20 |
| June* | 0.26 | 0.20 |
| July* | 0.21 | 0.19 |
| August* | 0.44 | 0.20 |
| September* | 0.62 | 0.41 |
| October* | 0.57 | 0.45 |
| November* | 0.56 | 0.30 |
| December | 0.53 | 0.40 |
| 2010 | | |
| January | 0.58 | 0.41 |
| February | 0.49 | 0.39 |
| March | 0.47 | 0.39 |
| April (up to Latest Practicable Date) | 0.38 | 0.37 |

* *Note:* For comparative purpose, the highest and lowest prices for April 2009 to November 2009 as listed in the table above have been adjusted to take into account the share subdivision on the basis of 1 to 20 which took effect from 9 November 2009.

6. REPURCHASE MADE BY THE COMPANY

No share repurchases have been made by the Company (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

7. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the regulations set out in the memorandum and articles of association of the Company.

None of the Directors nor, to the best of their knowledge after having made all reasonable enquiries, any of their associates, have any present intention to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is approved by the Shareholders of the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell any Shares to the Company or its subsidiaries, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders of the Company.

8. HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could, depending on the level of increase of his or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the following persons had an interest of 10% or more of the issued share capital of the Company:

| Name of shareholder | Number of shares | Percentage of total share capital |
|--------------------------------------|------------------|-----------------------------------|
| Yang Xin Min | 576,141,880 | 33.45% |
| CCB International (Holdings) Limited | 186,000,000 | 10.80% |

Save as disclosed above, no other persons had notified the Company that it had an interest of 10% or more of the issued share capital of the Company.

In the event that the Directors should exercise the Repurchase Mandate in full, the above shareholders' interest in the issued share capital of the Company would be as follows:

| Name of shareholder | Number of shares | Percentage of share capital | |
|--------------------------------------|------------------|---|--|
| | | Before the exercise of Repurchase Mandate | After the exercise of Repurchase Mandate |
| Yang Xin Min | 576,141,880 | 33.45% | 37.17% |
| CCB International (Holdings) Limited | 186,000,000 | 10.80% | 12.00% |

The Directors consider that such increase would give rise to Mr. Yang Xin Min an obligation to make a mandatory offer under Rule 26 of the Takeovers Code and the Directors do not have the intention to repurchase the Shares to such extent at present. The Directors are not aware of any other consequence which would arise under the Takeovers Code as a result of any purchases by the Company of its Shares.

The following are the details (as required by the Listing Rules) of the Directors who will retire and, being eligible, will offer themselves for re-election at the AGM.

1. **Ms. Huang Yue Qin**, aged 41, senior economist, is the Deputy General Manager and Head of the Sales, Purchasing and Marketing Departments of the Group's zirconium business. Ms. Huang joined the Group in 1991 and has over 10 years of import and export experience in the zirconium chemicals industry. Ms. Huang has frequently visited clients in the USA, Japan and Europe, and maintained very good relationship with the Group's overseas customers. Ms. Huang is not connected with any Directors or senior management or substantial or controlling shareholder of the Company. She has not held any directorship in other listed companies during the past three years.

As at the Latest Practicable Date, Ms. Huang had an interest in 600,000 Shares (0.03%) within the meaning of Part XV of the SFO. She has entered into a service contract with the Company with an initial term of three years. The service contract will continue thereafter unless terminated by either party thereto giving to the other at least three months' notice in writing. In accordance with the Articles of Association, Ms. Huang is subject to retirement by rotation and will offer herself for re-election at the AGM. The director's emoluments of Ms. Huang for the year ended 31 December 2009 was approximately RMB440,000 which was determined with reference to her duties and responsibilities within the Group.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Ms. Huang which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

2. **Mr. Zhou Quan**, aged 51, joined the Group in 1993. Mr. Zhou is the Deputy General Manager of Better Batteries, assisting the Chairman in the overall management of the Group and supervising the battery business. Mr. Zhou has extensive experience in business administration. Mr. Zhou is a brother-in-law of Mr. Yang Xin Min, Chairman of the Company. Save as disclosed above, Mr. Zhou is not connected with any Directors or senior management of the Company. He has not held any directorship in other listed companies during the past three years.

As at the Latest Practicable Date, Mr. Zhou had an interest in 600,000 Shares (0.03%) within the meaning of Part XV of the SFO. He has entered into a service contract with the Company with an initial term of three years. The service contract will continue thereafter unless terminated by either party thereto giving to the other at least three months' notice in writing. In accordance with the Articles of Association, Mr. Zhou is subject to retirement by rotation and will offer himself for re-election at the AGM. The director's emoluments of Mr. Zhou for the year ended 31 December 2009 was approximately RMB243,000 which was determined with reference to his duties and responsibilities within the Group.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Zhou which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

3. **Mr. Fang Guo Hong**, aged 43, was appointed as an executive director of the Company in November 2009. Mr. Fang has nearly 20 years of experience in different companies engaging in manufacturing of various products, including insulation materials and fire-proof, wear-resistant materials mainly for use in power generating systems. He was also actively involved in the development of power industry wearable technology and has established a good network with the participants in the power industry in China. Mr. Fang is not connected with any Directors or senior management or substantial or controlling shareholder of the Company. Mr. Fang was an executive director of Pan Asia Environmental Protection Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, during the period from March 2007 to March 2009. Save as disclosed, Mr. Fang has not held any directorship in other listed companies during the past three years.

As at the Latest Practicable Date, Mr. Fang did not have any interest in the Shares within the meaning of Part XV of the SFO. He has entered into a service contract with the Company with an initial term of two years. The service contract will continue thereafter unless terminated by either party thereto giving to the other at least 30 days' notice in writing. In accordance with the Articles of Association, Mr. Fang is subject to retirement and will offer himself for re-election at the AGM. The director's emoluments of Mr. Fang for the year ended 31 December 2009 was approximately RMB33,000 which was determined with reference to his duties and responsibilities within the Group.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Fang required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

4. **Professor (“Prof.”) Ji Chang Ming**, aged 54, was appointed as an independent non-executive director of the Company in December 2009. Prof. Ji has over 30 years of experience in research and development of “Hydrology and Water Resources” specialty. Prof. Ji was graduated in 1978 at Wuhan University of Hydraulic and Electrical Engineering (“WUHEE”, now known as Wuhan University), major in hydropower station dynamic system specialty. He continued his study in WUHEE and obtained his master degree and doctor's degree in hydrology and water resources in 1983 and 1988, respectively. Prof. Ji completed his postdoctoral research in the Department of Land, Air and Water Resources at University of California, Davis in 1990. Upon his return to China in 1990, Prof. Ji started to teach in WUHEE as associate professor. During the period from 1993 to 2004, Prof. Ji held various posts in WUHEE and Wuhan University including professor, PhD supervisor and a number of faculty management positions. Prof. Ji is currently a professor and PhD supervisor in the Renewable Energy School of North China Electric Power University. He is also a supervisor of the PhD program (part-time basis) in Wuhan University. In addition, Prof. Ji is also acting as the executive or vice chairman or committee member for 4 academic societies (including the China Society of Natural Resources), the editorial committee member of 3 major journals (including Journal of Hydroelectric Engineering), and the judging panel expert of The State Science and Technology Awards, etc. Prof. Ji is not connected with any Directors or senior management or substantial or controlling shareholder of the Company. He has not held any directorship in other listed companies during the past three years.

As at the Latest Practicable Date, Prof. Ji did not have any interest in the Shares within the meaning of Part XV of the SFO. He has entered into a service contract with the Company with an initial term of two years. The service contract will continue thereafter unless terminated by either party thereto giving to the other at least 30 days' notice in writing. In accordance with the Articles of Association, Prof. Ji is subject to retirement and will offer himself for re-election at the AGM. The director's emoluments of Prof. Ji for the year ended 31 December 2009 was approximately RMB2,150 which was determined with reference to his duties and responsibilities within the Group.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Prof. Ji which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

5. **Mr. Poon Lai Yin, Michael**, aged 38, was appointed as an independent non-executive director of the Company in January 2010. Mr. Poon had acted as the Chief Financial Officer in two companies listed on the Growth Enterprise Market of the Stock Exchange since 2002, and was mainly responsible for the overall financial management, internal control function and accounting function. Mr. Poon has over 14 years of experience in financial reporting, business advisory, auditing, taxation, accounting, merger and acquisition. Mr. Poon is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He holds a bachelor degree in administrative studies with York University in Canada and a master degree in practicing accounting with Monash University in Australia. Mr. Poon had been working for an international accounting firm and was responsible for providing business advisory and assurance services for some listed clients. Mr. Poon is not connected with any Directors or senior management or substantial or controlling shareholder of the Company. Mr. Poon is the independent non-executive director of China Uptown Group Company Limited (Stock code: 2330) and Sun International Group Limited (Stock Code: 8029) since November 2006 and September 2008, respectively. Save as disclosed, Mr. Poon has not held any directorship in other listed companies during the past three years.

As at the Latest Practicable Date, Mr. Poon did not have any interest in the Shares within the meaning of Part XV of the SFO. He has entered into a service contract with the Company with an initial term of two years. The service contract will continue thereafter unless terminated by either party thereto giving to the other at least 30 days' notice in writing. In accordance with the Articles of Association, Mr. Poon is subject to retirement and will offer himself for re-election at the AGM. Mr. Poon did not receive any director's emoluments for the year ended 31 December 2009 as he was appointed after 31 December 2009.

Save as disclosed above, the Company is not aware of any other matters that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Poon which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.