

Announcement of Wenzhou Hongfeng Electrical Alloy Co., Ltd on Withdrawing Assets Depreciation Reserves

Wenzhou Hongfeng Electrical Alloy Co. Ltd (hereinafter, the Company) and its directors guarantee the information disclosed is true, accurate and complete and free from false representations, misleading statements and material omissions.

Warning

After withdrawing assets depreciation reserves, the net profit attributable to shareholders of the listed company for the first half year of 2013 will be RMB -7,192,681.25 Yuan. The assets depreciation reserves withdrawn were not audited and investors are strongly advised to exercise caution when dealing in the shares of the company.

1. An Overview of the Issue

After testing inventories, accounts receivable, fixed assets, intangible assets, etc for impairment as of the end of June, 2013, the company decided to withdraw a total amount of RMB 17,171,535.93 Yuan of assets depreciation reserves in accordance with the Accounting Standards for Business Enterprises and other relevant laws and regulations, with details as follows:

Unit: RMB Yuan

Items	Beginning Book Balance	Increase during the Current Period	Decrease during the Current Period		Ending Book Balance
			Reversals	Write-off	
Bad Debt Reserves	7,534,581.23	1,900,799.82			9,435,381.05
Inventory depreciation reserves		15,270,736.11		3,642,285.84	11,628,450.27
Total	7,534,581.23	17,171,535.93		3,642,285.84	21,063,831.32

2. Approval Procedures of the Issue

The proposal for withdrawing assets depreciation reserves has been approved by both

of the board of directors and supervisors of the Company at the third meeting of the second session of the board of directors and the third meeting of the second session of the board of supervisors respectively, which were held on 20 August 2013.

3. Impact of the Issue on the Company

The withdrawal will reduce the net profit attributable to shareholders of the listed company for the first half year of 2013 by approximately RMB 11.4680 million and owners' equity attributable to the parent by approximately RMB 11.4680 million.

4. Statement of the Board of Directors on the Issue

The third meeting of the second session of the board of directors was held on 20 August 2013, at which the proposal concerning the assets depreciation reserves withdrawal was approved. An independent opinion of independent directors on the matter was issued. The board of directors deems it in compliance with the Accounting Standards for Business Enterprises and other relevant regulations and a better reflection on the Company's assets. The approval procedures conform to the laws and regulations.

5. Opinions of the Board of Supervisors

The third meeting of the second session of the board of supervisors was held on 20 August 2013, at which the proposal concerning the assets depreciation reserves withdrawal was approved. The board of supervisors issues opinion as follows: As silver price plummeted during the second quarter of 2013, it is reasonable for the Company, based on the principle of prudence, to withdraw assets depreciation reserves according to the Accounting Standard for Business Enterprises. The board of supervisors agrees to withdraw assets depreciation reserves during the first half year of 2013.

6. Documents Available for Inspection

- (1) Resolutions of the third meeting of the second session of the board of directors.
- (2) Resolutions of the third meeting of the second session of the board of supervisors.
- (3) Opinions of independent directors on relevant matters.

Board of Supervisors
Wenzhou Hongfeng Electrical Alloy Co. Ltd
20 August 2013