

HARBIN ELECTRIC 8/2011

SECOND ANSWER UP TO 52:16 MINUTES APPROX.

OKAY LET ME ELABORATE BEHIND THE RATIONAL BEHIND THAT CONSULTING AGREEMENT. FIRST OFF STARTING LAST YEAR MANAGEMENT AS WE CONTINUE TO COMMUNICATE AND CONTINUE TO EXPECT THE COMPANY WILL CONTINUE TO GROW RAPIDLY IN THE NEXT THREE YEARS OR GROW ORGANICALLY OR THROUGH ACQUISITIONS. ALSO YOU CAN PROBABLY SEE FROM THE PAST FEW YEARS WE NEEDED THE CAPITAL AND OUR GROWTH SOME FROM ORGANIC GROWTH BUT LARGELY ALSO FROM ACQUISITIONS. SO ACQUISITIONS ARE VERY IMPORTANT TO FEEL THE COMPANY'S CONTINUED GROWTH PARTICULARLY IN THE CHINESE MARKET WHERE CONSOLIDATION CONTINUES AND YOU KNOW THE CAPITAL MARKET IN THE US. UM CAPITALISM. SO THAT'S WHY THE EXPECTATIONS FOR THE COMPANY TO GROW ORGANICALLY OR THROUGH ACQUISITIONS. TO SUPPORT THE PLAN GROWTH MANAGEMENT BELIEVES IT IS CRITICAL TO MAINTAIN ADEQUATE ACCESS TO CAPITALS AND HAVE FLEXIBILITY TO DEPLOY FUNDS IN A TIMELY FASHION UP TO OPPORTUNITY RISES. SO WE HAVE IDENTIFIED MANY DOMESTIC BUSINESS OPPORTUNITIES GIVEN RAPID ECONOMIC GROWTH IN CHINA AND BELIEVE THAT ADEQUATE ACCESS TO CAPITAL WILL ALLOW US TO CAPTURE THESE BUSINESS OPPORTUNITIES. HOWEVER IN THE PAST WE ALL UNDERSTAND THE COMPANY RELIES TO A LARGE EXTENT ON THE US CAPITAL MARKETS TO PROVIDE FUNDS FOR LARGE CAPITAL INJECTION PROJECTS AND ACQUISITIONS AND FOR THE REPAYMENT OF CERTAIN DEBTS. YOU MIGHT REMEMBER LAST YEAR IN APRIL THE COMPANY FILED A HUNDRED MILLION SHELF REGISTRATION STATEMENTS THAT'S PUBLIC INFORMATION. AND TO GIVE THE MANAGEMENT THE ABILITY TO FURTHER ACCESS THE US CAPITALIZATION MARKETS AND PROVIDE MANAGEMENT WITH SOME COMFORT AND FLEXIBILITY WITH RESPECT TO FUTURE FINANCING WHILE MAKING GROWTH PLANS WITH RESPECT TO BUSINESS DECISIONS. HOWEVER AS EVERYBODY KNOWS STARTING IN THE MIDDLE OF 2010 WE PERCEIVED THAT THE US CAPITAL MARKETS HAD BECOME HOSTILE OR VERY DIFFICULT TO US LISTED CHINESE COMPANIES PARTICULARLY THOSE COMPANIES THAT BECAME PUBLIC IN THE US THROUGH A REVERSE MERGE PROCESS. SO FUNDING OPPORTUNITIES WE BELIEVE FOR ALL CHINESE COMPANIES TO WORK RAPIDLY AFTER SHORT SELLER ATTACKS OUR MANAGEMENT BELIEVES THAT IN THE NEAR TERM WOULD BE ALMOST IMPOSSIBLE TO CAPITAL MARKETS ON A FAVORABLE RETURN OR POSSIBLY AT ALL. WE BELIEVE WE NEEDED TO TAKE QUICK ACTION BEFORE OPPORTUNITIES TO OBTAIN FINANCING DETERIORATED. ALSO IN OCT THE CO HAD RECEIVED A PROPOSAL SUBMITTED BY THE CHAIRMAN MR. YOUNG SO GIVEN THAT THE MANAGEMENT EXPECTS SHOULD IT GO PRIVATE THE COMPANY WOULD COMPLETELY LOSE ACCESS TO THE US CAPITAL MARKETS SO MANAGEMENT NEEDED TO THINK ABOUT CAPITAL NEEDS IN THE NEXT FEW YEARS IF WE WANTED TO CONTINUE TO GROW THE COMPANY OBVIOUSLY BY MR YOUNG'S

ESTIMATION TECHNOLOGY AND CAPITAL ARE A CRITICAL PART OF THE COMPANY'S FUTURE AND THE MANAGEMENT HAS AMBITIONS TO BUILD THE COMPANY INTO A WORLD CLASS AND COMPETING WITH GLOBAL COMPANIES. WE WILL NEED TO SEEK ALTERNATIVE SOURCES OF FINANCING IN THE NEXT FEW YEARS IN ORDER TO EXECUTE THE BUSINESS PLAN ESPECIALLY IF THE CO IS TAKEN PRIVATE. SINCE THE COMPANY HAS MOST OF ITS OPERATIONS IN CHINA AND FUNDING SUPPLY IN CHINA HAS BEEN GROWING RAPIDLY. THE PRIVATE EQUITY FUND , THE GOVT FUND IT HAS REALLY GROWN RAPIDLY IN CHINA SO IT IS NATURAL THAT THE COMPANY WOULD TARGET INSTITUTIONS IN CHINA. SO WE WORKED OUT AGREEMENTS WITH THE THIRD PARTY AND COMMITTED TO PROVIDE ASSISTANCE AND TO ACT IN AN ADVISORY ROLE TO HELP THE COMPANY IN THE NEXT FEW YEARS.