

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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In re :
 : Master Docket No. 11 Civ. 0796 (LAK)
CHINA VALVES TECHNOLOGY SECURITIES :
LITIGATION : ECF Case
 :
This paper applies to: ALL CASES :
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NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

If you (i) purchased or otherwise acquired by January 13, 2011 China Valves Technology Inc.'s ("China Valves" or the "Company") common stock ("Stock") pursuant or traceable to the Company's prospectus issued in connection with its offering of Stock announced on January 5, 2011; or (2) purchased or otherwise acquired the Company's common Stock from January 12, 2010 to November 18, 2010, both dates inclusive, you could get a payment from a class action settlement (the "Settlement").

- If approved by the District Court, the settlement will provide \$1,500,000, plus interest earned thereon (the "Settlement Amount") paid by defendants, to pay claims of investors who purchased or otherwise acquired by January 13, 2011 the Company's Stock pursuant or traceable to the Company's prospectus issued in connection with its offering of Stock announced on January 5, 2011; or (2) purchased or otherwise acquired the Company's Stock from January 12, 2010 to November 18, 2010, both dates inclusive (collectively the "Class Period").
- The Settlement represents an average recovery of \$0.16 per share of China Valves' Stock for the 9.2 million estimated shares that Class Representatives allege were "damaged" and declined in value as a result of Defendants' alleged misconduct during the Class Period. This estimate solely reflects the average recovery per damaged share of the Company's Stock. This is not an estimate of the actual recovery per share you should expect. Your actual recovery will depend on the aggregate losses of all Class Members, the date(s) you purchased and sold the Company's Stock, and the total number of claims filed.
- Attorneys for the Class Representatives ("Class Counsel") intend to ask the District Court to award fees for Class Counsel of no greater than 30% of \$1,500,000, and reimbursement of litigation expenses not to exceed \$65,000. Class Counsel also intends to ask the District Court to grant Lead Plaintiff Bristol Investment Fund, Ltd. an award of \$3,500 and named Plaintiff Joseph Gibbons an award of \$1,500 to reflect their varying contributions to the case. Collectively, the attorneys' fees and litigation expenses and the award to Class Representatives are estimated to average \$0.05 per damaged share of the Company's Stock. If approved by the District Court, these amounts will be paid from the Settlement Fund.
- The approximate recovery, after deduction of attorneys' fees and expenses and awards to Class Representatives approved by the District Court, is an average of \$0.11 per damaged share of the Company's Stock. This estimate is based on the assumptions set forth in the

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

preceding paragraph. Your actual recovery, if any, will vary depending on your purchase price and sales price and the number of Proof of Claim forms filed.

- The Settlement resolves the class action lawsuit as to whether defendants China Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li violated the federal securities laws by allegedly making materially misleading statements or omissions related to the Company's acquisition of Watts Valve (Changsha) Co., Ltd. ("Changsha Valve").
- Your legal rights will be affected whether you act or do not act. If you do not act, you will permanently forfeit your right to recover on this claim. Therefore, you should read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT

SUBMIT A CLAIM FORM NO LATER THAN AUGUST 5, 2014	This is the only way to get a payment.
EXCLUDE YOURSELF NO LATER THAN AUGUST 5, 2014	You will receive no payment. This is the only option that allows you to be part of any other lawsuit against the defendants about the legal claims in this case.
OBJECT NO LATER THAN AUGUST 5, 2014	Write to the District Court about why you do not like the Settlement. You cannot object unless you are a Class Member and do not exclude yourself.
GO TO A HEARING ON SEPTEMBER 4, 2014	Filing a written objection indicating your intent to appear by August 5, 2014 allows you the opportunity to speak in Court about the fairness of the Settlement.
DO NOTHING	You will receive no payment, and give up your rights.

INQUIRIES

Please do not contact the District Court regarding this notice. All inquiries concerning this Notice, the Proof of Claim form, or any other questions by Class members should be directed to:

China Valves Technology Securities Litigation
c/o Heffler Claims Group
PO Box 59057
Philadelphia, PA 19102-9057
Toll-Free: 844-528-0188

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

COMMON QUESTIONS AND ANSWERS CONCERNING THE SETTLEMENT

1. Why did I get this Notice?

You or someone in your family may have purchased or otherwise acquired the Company's Stock during the Class Period.

2. What is this lawsuit about?

The consolidated class action case is known as *In re China Valves Technology Securities Litigation*, Case No. 11 Civ. 0796 (LAK).

The defendants to the class action lawsuit are China Valves and certain of its current or former officers and directors, who are Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li.

Plaintiffs in the class action allege that the defendants violated the federal securities laws by making materially misleading statements or omissions related to the Company's acquisition of Watts Valve (Changsha) Co., Ltd. ("Changsha Valve"). Defendants in the lawsuit deny that they did anything wrong. The Settlement resolves all of the claims in the lawsuit.

3. Why is *In re China Valves Technology Securities Litigation* a class action?

In a class action, one or more persons or entities, called Class Representatives, sue on behalf of all persons or entities that have similar claims. All of these persons or entities are referred to collectively as a Class, and these individual persons or entities are known as Class Members. One court resolves all of the issues for all Class Members, except for those Class Members who exclude themselves from the Class.

4. Why is there a Settlement?

The defendants do not agree regarding the merits of the allegations by Class Representatives with respect to liability or the average amount of damages per share that would be recoverable if Class Representatives were to prevail at trial on each claim. The issues on which they disagree with Class Representatives include: (1) whether any defendant made, or caused to be made, materially false and misleading statements in connection with the Company's financial statements filed with the Securities and Exchange Commission during the Class Period; (2) whether those alleged materially false and misleading statements were made with fraudulent intent; (3) whether those alleged materially false and misleading statements were the cause of the Class Members' alleged damages; and (4) the amount of damages, if any, suffered by investors.

These matters have not gone to trial, and the District Court has not decided in favor of the plaintiffs or defendants. Instead, Class Representatives and the defendants have agreed to settle the Class Action. The Class Representatives and Class Counsel believe the settlement is best for all Class Members because of the risks associated with continued litigation and the nature of the

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defenses raised by the defendants. Among the reasons that Class Representatives' Counsel believe the Settlement is fair are that there were risks in proving that the defendants' statements made in connection with the Company's acquisition of Changsha Valves were both materially false and misleading and made with fraudulent intent, there were risks in proving damages, it was possible the District Court would not certify the Class, the defendants' financial resources were limited, and collecting from the judgments against the defendants, even with sufficient financial resources, was likely highly difficult as most of them reside in the People's Republic of China. Because of the difficulty in enforcing and being able to collect from the judgments, even if the plaintiffs won at trial, and also prevailed on any on appeal, they might not be able to collect some, or all, of any judgments awarded. Moreover, while litigation of this type is usually expensive, it appears that, even if the plaintiffs' allegations were eventually found to be true, the total amount of damages to which Class members might be entitled could be substantially reduced as the plaintiffs and defendants vastly differ on their view of damages.

5. How do I know if I am part of the Class settlement?

To be a Class Member, you must have purchased or otherwise acquired by January 13, 2011 the Company's Stock pursuant or traceable to the Company's prospectus issued in connection with its offering of Stock announced on January 5, 2011; or (2) purchased or otherwise acquired the Company's common Stock from January 12, 2010 to November 18, 2010, both dates inclusive.

6. Are there exceptions to being included?

Yes. You are not a Class Member if you are a defendant, a member of any defendant's immediate family, an entity in which any defendant has a controlling interest, a director or officer of China Valves, or an affiliate, legal representative, heir, predecessor, successor, or assign of any such excluded party. Also, if you exclude yourself from the Class, as described below, you are not a part of the Class.

7. What does the Settlement provide?

a. What is the Settlement Fund?

The proposed Settlement calls for the defendants to create a Settlement Fund (the "Settlement Fund") in the amount of \$1,500,000. The Settlement will not become effective unless it is approved by the District Court. Subject to the District Court's approval, a portion of the Settlement Fund will be used to pay the plaintiffs' attorneys' fees and reasonable litigation expenses and an award to the Class Representatives. A portion of the Settlement Fund will also be used to pay taxes due on interest earned by the Settlement Fund, if necessary, and any notice and claims administration expenses permitted by the District Court. After these deductions from the Settlement Fund have been made, the amount remaining (the "Net Settlement Fund") will be distributed to Class Members who submit valid claims.

b. What can you expect to receive under the proposed Settlement?

At this time, it is not possible to make any determination as to how much a Class member may receive from the Settlement. Your share of the Net Settlement Fund (if any) will depend on the number of claims filed, the dates you purchased and sold the Company's Stock, and the prices of your purchases and sales.

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

PLAN OF ALLOCATION

The compensable loss per share (“Recognized Loss”) of each Authorized Claimant shall be calculated according to the following formula:

Open Market Common Stock Purchases

1. For each share of China Valves, Inc. common Stock (“CV”) purchased between December 1, 2009 and January 11, 2010, inclusive, the Recognized Loss is \$0.00.
2. For each share of CV purchased January 12, 2010 through November 18, 2010, inclusive, and:
 - a) Sold prior to the close of trading on November 18, 2010, the Recognized Loss is \$0.00.
 - b) Sold at a loss between November 19, 2010 and February 17, 2011, inclusive, the Recognized Loss shall be the lesser of: a) \$1.62 per share; or b) the difference between the purchase price per share and the mean trading price from November 19, 2010 through the date of sale. (see table)
 - c) Held as of the close of trading on February 17, 2011, the Recognized Loss shall be the lesser of: a) \$1.62 per share; or b) the difference between the purchase price per share and \$8.82 per share, if greater than zero.¹
3. For each share of CV purchased between November 19, 2010 and January 11, 2011, inclusive, the Recognized Loss is \$0.00.

Common Stock Purchases Pursuant to January 2011 Offering

1. For each share of CV common Stock purchased pursuant to the January 4, 2011 Securities Purchase Agreement and:
 - a) Sold prior to the close of trading on January 12, 2011, the Recognized Loss is \$0.00.
 - b) Sold at a loss between January 13, 2011 and February 4, 2011, inclusive, the Recognized Loss shall be the lesser of: a) \$2.81 per share; or b) the difference between \$10.00 per share and the sale price per share.
 - c) Held as of the close of trading on February 4, 2011, the Recognized Loss shall be the lesser of: a) \$2.81 per share; or b) \$10.00 per share minus the sale price per share for shares sold after February 4, 2011.

¹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” The mean closing price of China Valves common Stock during the 90-day period beginning on November 19, 2010 and ending on February 17, 2011 was \$8.82.

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To the extent a Claimant had a trading gain or “broke even” from his overall transactions in the Company’s Stock during the Class Period, the value of the Recognized Loss will be zero and the claimant will not be entitled to a share of the Net Settlement Fund. To the extent that a Claimant suffered a trading loss on his overall transactions in the Company’s Stock during the Class Period, but that trading loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the Claimant’s actual trading loss. A Recognized Loss that calculates to yield a negative number is treated as a Recognized Loss of zero. For purposes of calculating the trading loss or gain only, shares purchased on the open market and still held as of the close of trading on February 17, 2011, the holding value is \$8.82 per share. For shares purchased pursuant to the January 2011 offering and still held as of the close of trading on February 4, 2011, the holding value is \$7.19 per share. The total purchase amount less the total sales amount, less the total holding value will be deemed a Claimant’s net trading loss or gain.

The Plan of Allocation is a matter separate and apart from the proposed Settlement, and any decision by the District Court concerning the Plan of Allocation shall not affect the validity or finality of the proposed Settlement. The Plan of Allocation may be modified in connection with, among other things, a ruling by the District Court on an objection filed by a Class Member, without further notice to the Class.

The Claims Administrator, Heffler Claims Group, shall determine each Authorized Claimant’s *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant’s Recognized Loss. The Recognized Loss formula is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date. Therefore, you need to list all your purchases and sales of the Company’s Stock during the Class Period as of the “contract” or “trade” date. Each Claimant is deemed to have submitted to the jurisdiction of the District Court with respect to the Claimant’s claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that Claimant’s status as a Class Member and the validity and amount of that Claimant’s claim. No discovery shall be allowed on the merits of the action.

Payments will be final and conclusive against all Class Members. All Class Members whose claims are not approved by the District Court will be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the action and will be barred from bringing any Released Claim against any Released Parties, including Unknown Claims (as those terms are defined in the Proof of Claim enclosed with this Notice and in the Stipulation and Agreement of Settlement, which is available on the Internet at www.ChinaValvesSettlement.com, or through the mail upon request to the Claims Administrator, Heffler Claims Group).

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8. How can I get a payment?

To qualify for a payment, you must send in a form entitled “Proof of Claim and Release.” This claim form accompanies this Notice. You may also obtain a claim form on the Internet at www.ChinaValvesSettlement.com. Read the instructions carefully, fill out the form, sign it in the location indicated, and mail the claim form together with all documentation requested in the form, postmarked no later than August 5, 2014, to:

China Valves Technology Securities Litigation
c/o Heffler Claims Group
PO Box 59057
Philadelphia, PA 19102-9057

Heffler Claims Group will process your claim and determine whether you are an “Authorized Claimant.”

9. How can I get more information?

You can get more information by contacting Heffler Claims Group at 1-844-528-0188. A copy of the Stipulation and Agreement of Settlement that has been filed with the District Court and related documents can be found on Heffler Claims Group’s website at www.ChinaValvesSettlement.com. Copies of Plaintiffs’ motions for final approval of the Settlement and for an award of attorneys’ fees and expenses will be posted on the Claim Administrator’s website promptly after they have been filed with the District Court.

10. What am I giving up to get a payment or stay in the Class?

Unless you exclude yourself, you will remain in the Class. That means that if the Settlement is approved, you and all Class Members will release (agreeing never to sue, continue to sue, or be part of any other lawsuit) all claims against the defendants and members of their immediate families, and any of their current, former, or future parents, subsidiaries, affiliates, partners, joint venturers, officers, directors, principals, shareholders, members, employees, attorneys, accountants, advisors, insurers, reinsurers, agents (acting in their capacity as agents), associates, and any other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the defendants or their current, former, and future legal representatives, heirs, successors in interest, or assigns (“Released Parties”) in connection with your acquisition of the Company’s Stock during the Class Period, except that you do not release the Released Parties from any claim or action to enforce the Settlement. It also means that all of the District Court’s orders will apply to you and legally bind you. If you sign the claim form, you are agreeing to the “Release of Claims” provided for in the Settlement, which will bar you from ever filing a lawsuit against any Released Party to recover losses from the acquisition or sale of the Company’s Stock during the Class Period, except to enforce the Settlement. That means you will accept a share in the Net Settlement Fund as sole compensation for any losses you have suffered in the acquisition and sale of the Company’s Stock during the Class Period. **If you do not exclude yourself from the Settlement you will be considered to have agreed to the Release of Claims unless you exclude yourself from the Settlement by following the instructions in the answer to the following question.**

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

11. How do I get out of the Settlement?

If you do not want to receive a payment from this Settlement, and you want to keep the right to sue or continue to sue the defendants on your own based on the legal claims raised in this Class Action, then you must take steps to get out of the Settlement. This is called excluding yourself from -- or “opting out” of -- the Settlement. To exclude yourself from the Settlement, you must mail a letter stating you want to be excluded as a Class Member from *In re China Valves Technology Securities Litigation*, Case No. 11 Civ. 0796 (LAK). Be sure to include your name, address, telephone number, and your signature, along with an accurate list of all of your purchases and sales of the Company’s Stock. You must mail your exclusion request, so that it is **postmarked** no later than August 5, 2014, to:

China Valves Technology Securities Litigation
c/o Heffler Claims Group
PO Box 59057
Philadelphia, PA 19102-9057

You cannot exclude yourself by telephone or by e-mail. If you properly exclude yourself, you will not receive a settlement payment, you cannot object to the Settlement, and you will not be legally bound by anything that happens in this Class Action.

12. If I do not exclude myself, can I sue the defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue the defendants for the claims that this Settlement resolves. If you have a pending lawsuit arising from your purchase or acquisition of China Valves’ Stock during the Class Period, speak to your lawyer in that case immediately, since you may have to exclude yourself from this Class to continue your own lawsuit.

13. Do I have a lawyer in this case?

The District Court appointed Federman & Sherwood and The Ball Law Firm LLP to represent you and the other Class Members. These lawyers are called Class Representatives’ Counsel or Class Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense. Contact information for Class Counsel is provided in the response to question 16, below.

14. How will the lawyers be paid?

Class Counsel, and counsel working under Class Counsel’s direction have expended considerable time litigating this action on a contingent fee basis, and have paid for the expenses of the litigation themselves with the expectation that if they are successful in recovering money for the Class, they will receive attorneys’ fees and be reimbursed for their litigation expenses from the Settlement Fund, as is customary in this type of litigation. Class Counsel will not receive attorneys’ fees nor be reimbursed for their litigation expenses except from the Settlement Fund. Therefore, Class Counsel will file a motion asking the District Court at the Settlement Hearing to make an award of fees of no greater than 30% of the Settlement Fund, and reimbursement of litigation expenses not to exceed \$65,000. The District Court may award less than these amounts. Any amounts awarded by the District Court will come out of the Settlement Fund.

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

15. What is the proposed reimbursement award for Class Representatives?

Lead Plaintiff Bristol Investment Fund, Ltd. and named Plaintiff Joseph Gibbons have overseen the litigation on behalf of the Class Members and have not received any payment for their services on behalf of the Class. Before final approval of the Settlement, Lead Counsel will apply to the Court for awards in the amount of \$3,500 to be paid to Lead Plaintiff Bristol Investment Fund, Ltd. and \$1,500 to be paid to named Plaintiff Joseph Gibbons to compensate Plaintiffs for the reasonable costs and expenses they incurred related to their representation of the Class. Any amounts awarded will be paid from the Settlement Fund.

16. How do I tell the District Court that I do not like the Settlement or any part of it?

You can tell the District Court you do not agree with the Settlement, or any part of it, by mailing a letter stating that you object to the Settlement in *In re China Valves Technology Securities Litigation*, Case No. 11 Civ. 0796 (LAK). Be sure to include your name, address, telephone number, your signature, a list of your purchases and sales of the Company's Stock in order to show you are a Class Member, and all of the reasons for which you object to the Settlement. Be sure to mail the objections to the three different places listed below, so that it is **received** no later than August 5, 2014, so the District Court will consider your views:

DISTRICT COURT	PLAINTIFFS' COUNSEL	DEFENSE COUNSEL
Clerk of the Court United States District Court Southern District New York 500 Pearl Street New York, NY 10007	William B. Federman FEDERMAN & SHERWOOD 10205 N. Pennsylvania Ave. Oklahoma City, OK 73120	Joel M. Mitnick SIDLEY AUSTIN LLP 787 Seventh Avenue New York, NY 10019

Attendance at the Settlement Hearing is not necessary. Persons wishing to be heard orally at the Settlement Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Class Counsel's request for attorneys' fees, or Class Counsel's potential request for awards to Class Representatives, are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the Settlement, the Plan of Allocation, or Class Counsel's application for award of attorneys' fees and expenses or awards to Class Representatives, and who desire to present evidence at the Settlement Hearing, must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing.

17. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the District Court you do not like something about the Settlement. You can object only if you are a Class Member. Requesting exclusion is telling the District Court you do not want to be part of the Class and Settlement. If you exclude yourself, you cannot object to the Settlement because it no longer concerns you.

QUESTIONS? Call 1-844-528-0188 toll free, or visit www.ChinaValvesSettlement.com

18. When and where will the District Court decide whether to approve the Settlement?

The District Court will hold a Settlement Hearing on September 4, 2014, at 9:30 a.m., at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007.

At this hearing, the District Court will consider whether the Settlement is fair, reasonable, and adequate, and whether to approve the Settlement. If there are objections, the District Court will consider them, and the District Court will listen to people who have asked to speak at the hearing. The District Court may also decide how much money to award Class Counsel for attorneys' fees and expenses and how much money to award Class Representatives. The District Court may adjourn or postpone the date of the hearing without further notice to the Class.

19. Do I have to come to the hearing?

No. Class Counsel will answer any questions the District Court may have. However, you are welcome to attend at your own expense. If you send an objection, you do not have to come to District Court to talk about it. As long as you mail your written objection on time, the District Court will consider it. If, however, you, or an attorney you hire, intend to appear at the Settlement Hearing, you must indicate that you will do so in the letter containing your objections or in a separate letter which must be sent to the same persons by the same deadline.

20. What happens if I do nothing at all?

If you do nothing, you will not receive a payment from the Settlement. However, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the defendants, about the claims made in this case ever again if the Settlement is approved.

DATED: May 1, 2014.

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF NEW YORK

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