

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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In re : Master Docket No. 11 Civ. 0796 (LAK)

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CHINA VALVES TECHNOLOGY SECURITIES : ECF Case

LITIGATION :

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This paper applies to: ALL CASES

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STIPULATION AND AGREEMENT OF SETTLEMENT WITH CHINA VALVES TECHNOLOGY INC. AND ITS OFFICERS AND DIRECTORS

This stipulation and agreement of settlement dated April 28, 2014 (the “Settlement Stipulation”) is submitted pursuant to Federal Rules of Civil Procedure Rule 23. Subject to the approval of the District Court, this Settlement Stipulation is entered into by Lead Plaintiff Bristol Investment Fund, Ltd. (“Bristol”) and named plaintiff Joseph Gibbons (“Gibbons”) (collectively, “Plaintiffs”), individually and on behalf of the proposed Settlement Class, and by Defendants China Valves Technology, Inc. (“China Valves” or the “Company”), Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li (collectively, the “Defendants”), all in the above-captioned actions (the “Litigation”) by and through their respective counsel. Capitalized terms used herein shall have the meanings as set forth and defined where they first appear or in the section below, “Certain Definitions.”

This Settlement Stipulation is intended by the Settling Parties to compromise, resolve, discharge, and settle, fully and finally, the Released Claims, subject to the terms and conditions set forth below, and to Final Approval of the District Court.

WHEREAS:

A. On February 4, 2011, a class action complaint (“First Complaint”) was filed by Plaintiff Donald Foster, individually and on behalf of all others similarly situated, against China

Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, and Ichi Shi [sic], alleging violations of the federal securities laws.

B. On February 17, 2011, a class action complaint (“Second Complaint”) was filed by Plaintiff Greg London, individually and on behalf of all others similarly situated, against China Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, and Ichi Shi [sic], alleging violations of the federal securities laws.

C. On March 8, 2011, a class action complaint (“Third Complaint”) was filed by Plaintiff Elliot Greenberg, individually and on behalf of all others similarly situated, against China Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, and Ichi Shi [sic], alleging violations of the federal securities laws.

D. On April 5, 2011, Bristol moved (i) to have the above actions consolidated, (ii) to have itself appointed as Lead Plaintiff, and (iii) to have the law firms of Federman & Sherwood and The Ball Law Firm LLP appointed as Lead Plaintiff’s counsel (“Lead Counsel”).

E. By order dated June 29, 2011, the Court (i) consolidated the actions, (ii) appointed Bristol as Lead Plaintiff; and (iii) approved Federman & Sherwood and The Ball Law Firm LLP as Lead Counsel.

F. On August 29, 2011, Bristol filed a Consolidated Class Action Complaint (“Consolidated Complaint”) against China Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li, and China Valves’ auditors, Moore Stephens Wurth Frazer and Torbett LLP (“Moore”), alleging violations of the federal securities laws, in particular, violations of Sections 11, 12, and 15 of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10-b promulgated thereunder.

G. On September 12, 2012, the Court issued a Memorandum Opinion (“First Opinion”), dismissing the Consolidated Complaint without prejudice to the filing of an amended consolidated complaint by September 26, 2012.

H. On September 26, 2012, Bristol and new Plaintiff Gibbons filed an Amended Consolidated Class Action Complaint (“Complaint”) against the same Defendants as in the Consolidated Complaint, alleging again the same violations of federal securities laws.

I. On October 21, 2013, the Court issued a Memorandum Opinion (“Opinion”), dismissing some claims and permitting others to proceed.

J. In particular, the Court dismissed: (i) all claims that the Company materially overstated its financial results, (ii) all claims relating to the Hanwei Valve transaction, (iii) all claims relating to the Binjie Fang loan, (iv) all claims based on the Company’s statement that it was negotiating with a Big Four accounting firm to take over as auditor, (v) all Bristol’s Securities Act claims regarding the related-party nature of the Changsha Valve transaction, (vi) all Section 10(b) claims based on the FCPA investigation into Changsha Valve, (vii) all claims against Bin Li, (viii) Gibbons’ Section 20(a) claim against Gang Wei; and (ix) Bristol’s Section 11 claim against Jianbao Wang. The Court further decided that China Valves’ Form 8-K/A, filed on November 18, 2010, constituted, in effect, a corrective disclosure with regard to the supposed related-party nature of the Changsha Valve transaction. The Court also dismissed all claims against Moore.

K. The Court permitted the following claims to proceed: (i) Bristol’s Sections 11, 12, and 15 claims based on the Company’s alleged failure to disclose that Changsha Valve was under investigation for possible FCPA violations; and (ii) Gibbons’ Sections 10(b) and 20(a)

claims based on the Company's alleged failure to disclose the alleged related-party nature of the Changsha Valve transaction.

Settlement Negotiations

O. Counsel for the Settling Parties engaged in an extensive mediation process using a well-known mediator, Jed D. Melnick, Esquire, including an all-day, in-person mediation session on February 4, 2014 (the "Mediation"), and they have conducted discussions and arm's-length negotiations with each other with respect to a compromise and settlement of the Litigation.

Defendants' Denials of Wrongdoing and Liability

P. Defendants have denied, and continue to deny, each and every claim and contention alleged by Plaintiffs in the Litigation. Defendants have expressly denied, and continue to deny, all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Litigation. Defendants believe that the Plaintiffs' allegations of fraud have no merit and that a class could not be certified under Rule 23 of the Federal Rules of Civil Procedure. Defendants also have denied, and continue to deny, *inter alia*, the allegations that Plaintiffs or the Class have suffered damage, that the price of the Company's common stock was artificially inflated by reasons of alleged misrepresentations, non-disclosures, or otherwise, or that Plaintiffs or the Class were harmed by the conduct alleged in the Litigation.

Q. Nonetheless, Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Litigation. Defendants, therefore, have determined that it is desirable and

beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in this Stipulation.

Benefits of the Settlement to the Plaintiffs and to the Class

R. Plaintiffs' Counsel, on behalf of Plaintiffs, recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation through trial and appeal. Plaintiffs' Counsel have considered the uncertain outcome and the risk of any litigation, and are mindful of the inherent problems of proof and possible defenses to the Litigation and to the federal securities law violations asserted against Defendants, and therefore believe that it is desirable that the Released Claims be fully and finally compromised, settled, and resolved as set forth herein. Based upon Plaintiffs' Counsel's evaluation, Plaintiffs' Counsel, on behalf of Plaintiffs, have determined that the Settlement set forth in this Settlement Stipulation is fair, reasonable, and adequate, and in the best interests of the Plaintiffs and the Class.

NOW THEREFORE, without any admission or concession on the part of the Plaintiffs or Plaintiffs' Counsel of any lack of merit of the Litigation, and without any admission or concession of any liability, wrongdoing, or lack of merit in the defenses whatsoever by Defendants, it is hereby STIPULATED AND AGREED, by and among the Settling Parties, through their respective counsel, subject to approval of the District Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, the Private Securities Litigation Reform Act of 1995 ("PSLRA"), and other conditions set forth herein, in consideration of the benefits flowing to the Settling Parties, that the Litigation and all Released Claims against the Released Parties shall be finally and fully compromised, settled, released, and dismissed, on the merits and with prejudice, in the manner and upon and subject to the terms and conditions set forth herein.

Certain Definitions

1. The following capitalized terms used in this Settlement Stipulation shall have the meanings specified below:

(a) “Authorized Claimant” means any Class Member whose claim for recovery has been allowed pursuant to the terms of this Settlement Stipulation.

(b) “Claim” means the submission to be made by Class Members, on the Proof of Claim form attached hereto as Exhibit A-2, or as may be required by the District Court.

(c) “Claimant” means any Class Member who submits a Proof of Claim to the Claims Administrator.

(d) “Claims Administrator” means Heffler Claims Group, the firm which Plaintiffs’ Counsel request be appointed by the District Court to administer the Settlement and disseminate notice to the Class.

(e) “Class” means the class that is certified by the District Court for purposes of settlement of the Litigation. Included in such Class are all those who: (i) purchased or otherwise acquired by January 13, 2011 the common stock of the Company pursuant or traceable to the Company’s prospectuses issued in connection with its offering of stock on January 5, 2011; or (ii) purchased or otherwise acquired the Company’s common stock from January 12, 2010 to November 18, 2010, both dates inclusive. Excluded from the Class are the Defendants, any members of Defendants’ immediate families, any entity in which any Defendant has a controlling interest, directors and officers of China Valves, and the affiliates, legal representatives, heirs, predecessors, successors, and assigns of any such excluded party. Also excluded from the Class are any putative Class Members who exclude themselves by filing a timely, valid request for exclusion.

(f) “Class Members” means Persons who are members of the Class who do not timely and properly exclude themselves therefrom.

(g) “Class Period” means, for Persons who purchased or otherwise acquired the Company’s common stock pursuant or traceable to the Company’s January 5, 2011 offering, from January 5, 2011 to January 13, 2011, both dates inclusive, and, for Persons who purchased or otherwise acquired the Company’s common stock in the secondary market, from January 12, 2010 to November 18, 2010, both dates inclusive.

(h) “Defendants” means China Valves, Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li.

(i) “Defendants’ Counsel” means the law firm of Sidley Austin LLP, 787 Seventh Avenue, New York, NY 10019.

(j) “District Court” means the United States District Court for the Southern District of New York.

(k) “Effective Date” means the first calendar day following the date on which the Settlement contemplated by this Settlement Stipulation shall become effective as set forth in ¶ 29 below.

(l) “Escrow Account” means the interest-bearing account established pursuant to ¶¶ 6-7 herein.

(m) “Escrow Agent” shall mean Huntington Bank. The Escrow Agent shall perform the duties set forth in this Settlement Stipulation.

(n) “Final Approval” means the date of the entry of the Order and Final Judgment by the District Court in the Litigation approving (i) the Settlement and (ii) the release of the Released Claims as to the Released Parties as fair, adequate, and reasonable; and

dismissing the claims of the Plaintiffs and the Class against the Defendants on the merits and with prejudice, and the time for appeal or review, by certiorari or otherwise, of the Order and Final Judgment has expired, or, if any appeal is filed and not dismissed, after the Order and Final Judgment is upheld on appeal in all material respects and is no longer subject to review upon appeal or review, by certiorari or otherwise, and the time for any petition for re-argument, appeal, or review, by certiorari or otherwise, has expired; or, in the event that the District Court enters an order and final judgment in a form other than that provided above (“Alternative Judgment”) and none of the parties hereto elect to terminate this Settlement, the date that such Alternative Judgment becomes final and no longer subject to appeal or review, by certiorari or otherwise, and the time for any petition for re-argument, appeal, or review, by certiorari or otherwise, has expired.

(o) “Lead Counsel” means Federman & Sherwood and The Ball Law Firm LLP, appointed by the District Court to represent the interests of Plaintiffs and the Class.

(p) “Litigation” means the action commenced by Donald Foster on February 4, 2011, Greg London on February 17, 2011, and Elliot Greenberg on March 8, 2011, consolidated with Bristol as Lead Plaintiff on June 29, 2011, and amended with Bristol and Gibbons as Plaintiffs on September 26, 2012.

(q) “Net Settlement Fund” shall have the meaning set forth in ¶ 5 herein.

(r) “Notice and Administration Costs” means the costs, fees and expenses that are incurred by the Claims Administrator in connection with providing notice to the Class and administering the Claims process.

(s) “Order and Final Judgment” means the order(s) and final judgment(s) to be entered in the Litigation pursuant to ¶ 27 of this Settlement Stipulation and substantially in the form of Exhibit B hereto.

(t) “Person” means any individual, corporation, partnership, association, affiliate, joint stock company, estate, trust, unincorporated association, entity, government and any political subdivision thereof, any other type of business or legal entity, or any legal representative, and his spouses, heirs, predecessors, successors, representatives, agents, or assignees.

(u) “Plaintiffs” means Plaintiff Bristol Investment Fund, Ltd., appointed by the District Court as Lead Plaintiff for the Litigation, and Plaintiff Joseph Gibbons.

(v) “Plan of Allocation” means the plan for allocating the Net Settlement Fund (as set forth in the Notice of Pendency and Proposed Settlement of Class Action) to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses and such attorneys’ fees, costs and expenses as may be awarded by the District Court.

(w) “Preliminary Order” means the Proposed Order Preliminarily Approving Settlement and Providing for Notice that Lead Counsel and Defendants will seek from the District Court, substantially in the form attached as Exhibit A and as described in ¶ 26 below.

(x) “Proof of Claim” means the document sent to Class Members, along with the Notice, entitled “Proof of Claim and Release” substantially in the form of Exhibit A-2 attached hereto.

(y) “Publication Notice” means the summary notice of pendency and proposed settlement for publication substantially in the form attached as Exhibit A-3.

(z) “Released Claims” means any and all claims, debts, demands, rights, liabilities, and causes of action, known or Unknown, asserted in the Litigation by any Plaintiff or Class Member against any of the Released Parties or that might have been asserted by any Plaintiff or Class Member against any of the Released Parties in any forum, arising out of, based upon, or related to the purchase of China Valves’ common stock during the Class Period or the allegations, transactions, facts, matters, events, acts, representations, or omissions asserted, set forth, or referred to in the Litigation.

(aa) “Released Parties” means 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 (including but not limited to Chubb Insurance (China) Company Limited), 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.

(bb) “Settlement” means the settlement as set forth in this Settlement Stipulation.

(cc) “Settlement Amount” means \$1,500,000, which the Defendants shall pay or cause their insurer to pay into the Escrow Account.

(dd) “Settlement Fund” means the payment made pursuant to ¶ 4 herein.

(ee) “Settlement Hearing” means the final hearing to be held by the Court to determine whether: (i) the proposed Settlement should be approved as fair, reasonable, and adequate; (ii) all Released Claims should be dismissed on the merits and with prejudice; (iii) an

order approving the Settlement should be entered thereon; and (iv) the allocation of the Settlement Fund should be approved.

(ff) “Settlement Notice” means the Notice of Pendency and Settlement of Class Action which is to be sent to Class Members substantially in the form attached hereto as Exhibit A-1.

(gg) “Settling Parties” means Plaintiffs and Defendants collectively.

(hh) “Taxes” means any taxes due and payable with respect to the income earned by the Settlement Fund, including any interest or penalties thereon.

(ii) “Tax Expenses” means any expenses and costs incurred in connection with the payment of Taxes (including, without limitation, expenses of tax attorneys or accountants and expenses relating to the filing or failure to file all necessary or advisable tax returns).

(jj) “Unknown Claims” means any and all Released Claims that any Plaintiff or Class Member do not know or suspect to exist in his favor at the time of the release of the Released Parties. With respect to any and all Released Claims, the Settling Parties stipulate and agree that upon the Effective Date, Plaintiffs shall expressly, and any Plaintiff or Class Member shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiffs and Defendants acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims was separately bargained for and was a key element of the Settlement.

SCOPE AND EFFECT OF SETTLEMENT

2. The obligations incurred pursuant to this Settlement Stipulation shall be in full and final disposition of the Litigation as against Defendants and any and all Released Claims as against all Released Parties.

3. (a) Upon the Effective Date of this Settlement, any Class Member (including but not limited to any Class Member who is a party to any other action, arbitration, or other proceeding who is asserting claims related to the Released Claims against any of the Defendants or any of the Released Parties that are pending on the day of Final Approval) on behalf of himself, his heirs, joint tenants, tenants in common, beneficiaries, executors and administrators, successors, attorneys, insurers and assigns, and any Person he represents, shall release and shall be deemed to have released, dismissed, and forever discharged the Released Claims against each and all of the Released Parties, on the merits and with prejudice, without costs to any party.

(b) Each Plaintiff or Class Member (whether or not any such Person submits a Proof of Claim or otherwise shares in the Settlement Fund) on behalf of himself and each of his predecessors, successors, assigns, personal representatives, heirs and any other Person who purports to claim through them, will be deemed by this Settlement to release and forever discharge the Released Parties from any and all of the Released Claims. As of the Effective Date, each Plaintiff or Class Member, and anyone claiming through or on behalf of him, is forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal,

administrative forum, or other forum of any kind, asserting against any of the Released Parties, and each of them, any of the Released Claims.

(c) Upon the Effective Date of the Settlement, all claims for contractual contribution, or other contribution or indemnification, or any other form of relief by other alleged joint tortfeasors or their Related Parties, against any of the Released Parties based upon, arising out of, relating to, or in connection with the Released Claims of the Class or any Class Member are thereby barred, extinguished, discharged, satisfied, and otherwise rendered unenforceable to the full extent permitted by law, and the future filing of any such claims enjoined.

(d) Defendants, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any Person or entity acting for or on behalf of, or claiming under any of them, and each of them, will be deemed by this Settlement to release and forever discharge Plaintiffs, Class Members, and all Plaintiffs' Counsel in the Litigation from any and all claims, known or unknown, arising out of or relating to their filing, prosecution, or settlement of the Litigation, except for claims to enforce the Settlement. As of the Effective Date, Defendants are forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting against any such known or unknown Claims arising out of or relating to their filing, prosecution or settlement of the Litigation, except for claims to enforce the Settlement, against Plaintiffs, Class Members, or any Plaintiffs' Counsel.

THE SETTLEMENT CONSIDERATION

4. In full and complete settlement of the Released Claims, Defendants have agreed to pay, or cause their insurer to pay, the Settlement Amount. Defendants shall pay, or cause to be paid, the Settlement Amount on or before twenty (20) calendar days following the date of the entry of the Preliminary Order, into the Escrow Account to be maintained by the Escrow Agent.

5. The Settlement Fund, net of any Taxes and Tax Expenses, shall be deemed and considered to be in *custodial legis* of the District Court, and shall remain subject to the jurisdiction of the Court until such time as such funds shall be used to pay: (i) the Notice and Administration Costs referred to in ¶ 6 hereof, (ii) the attorneys' fee and expense awards referred to in ¶¶ 12-15 hereof, and (iii) the remaining administration expenses referred to in ¶¶ 9, 17 hereof. The balance of the Settlement Fund after the above payments shall be the "Net Settlement Fund," which shall be distributed to the Authorized Claimants as provided in ¶¶ 16-25 hereof. All costs and expenses incurred by or on behalf of the Plaintiffs and the Class associated with the Settlement and approved by the Court shall be paid from the Settlement Fund and in no event shall any of the Released Parties bear any further or additional responsibility for any such costs or expenses beyond payment of the Settlement Amount.

6. As soon as the Preliminary Order is entered by the District Court, the Escrow Agent shall be permitted to pay from the Settlement Fund, without further approval from Defendants or the District Court, all reasonable Notice and Administration Costs incurred. Such costs and expenses shall include all reasonable out-of-pocket costs incurred by the Claims Administrator in connection with providing notice of the Settlement to the Class and for other reasonable out-of-pocket administrative expenses.

7. The Escrow Agent shall not disburse funds from the Notice and Administration Fund except as provided in this Settlement Stipulation, or by an order of the District Court, or

with the written agreement of counsel for all Settling Parties. All funds held by the Escrow Agent shall be deemed to be in the custody of the District Court and such funds shall remain subject to the jurisdiction of the District Court until such time as the funds shall be distributed or returned to the Defendants pursuant to this Stipulation or further order of the District Court. The Escrow Agent shall hold the funds in an interest-bearing bank account insured by the FDIC or United States Agency or Treasury securities or obligations. Defendants and their insurer shall not be liable for the loss of any portion of the Settlement Fund.

8. Upon the payment of the Settlement Fund or any portion thereof, the Settling Parties agree to treat the Settlement Fund as a Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B-1 and the Claims Administrator shall be responsible for timely making such elections as are necessary or advisable to carry out the provisions of this paragraph, including but not limited to the relation-back election (as defined in Treas. Reg. § 1.468B-1) to the earliest permitted date. Such elections shall comply with the procedures and requirements contained in such Regulations. Additionally, it shall be the responsibility of the Claims Administrator to prepare and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing(s) to occur. The Claims Administrator and Plaintiffs' Counsel, as required, shall do all things that are necessary or advisable to carry out the provisions of this paragraph and Defendants shall reasonably cooperate with the Claims Administrator and Plaintiffs' Counsel to carry out the provisions of this paragraph.

9. All Taxes (including any estimated taxes, interest, or penalties) arising with respect to the income earned by the Settlement Fund and all Tax Expenses shall be considered to be a cost of administration of the Settlement and shall be paid out of the Settlement Fund. The Released Parties shall not have any liability or responsibility for any such Taxes or Tax

Expenses. The Settlement Fund shall indemnify and hold each of the Released Parties harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Lead Counsel, or Lead Counsel's agents, shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund and the distributions and payments therefrom, including, without limitation, the tax returns described in Treas. Reg. § 1.468B-2(k), and to the extent applicable, Treas. Reg. § 1.468B-2(l). Such returns shall be consistent with the terms hereof and in all events shall reflect that all such Taxes, including any interest or penalties, on the income earned by the Settlement Fund shall be paid out of the Settlement Fund, subject to the limitations set forth in this paragraph. Lead Counsel, or Lead Counsel's agents, shall also timely pay Taxes and Tax Expenses, subject to the limitations set forth in this paragraph, out of the Settlement Fund, and are authorized to withdraw from the Settlement Fund, without prior order of the District Court, amounts necessary to pay Taxes and Tax Expenses. The parties hereto agree to cooperate with the Claims Administrator, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this Stipulation. The Released Parties shall have no responsibility or liability for the acts or omissions of Lead Counsel or their agents, as described herein.

10. This is not a claims-made settlement. As of the Effective Date, Defendants and their insurer shall have no right to the return of the Settlement Fund or any portion thereof irrespective of the number of Claims filed, the collective amount of losses of Authorized Claimants, the percentage of recovery of losses, or the amounts to be paid to Authorized Claimants from the Settlement Fund. Any undistributed money from the Settlement Fund that cannot be distributed cost effectively to a Class Member shall be donated to one or more not-for-profit 501(c)(3) organization(s) designated by Lead Counsel.

11. The finality of the Settlement shall not be conditioned on any ruling by the District Court concerning the Plan of Allocation or the award of attorneys' fees and expenses. Any order or proceeding relating to a request for approval of the Plan of Allocation, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect or delay the Effective Date or the effectiveness or finality of the Order and Final Judgment and the release of the Released Claims. There shall be no distribution of any of the Settlement Fund to any Class Member until the Plan of Allocation is finally approved and such order of approval is affirmed on appeal or is no longer subject to review by appeal or certiorari, and the time for any petition for rehearing, appeal, or review, by certiorari or otherwise, has expired.

ATTORNEYS' FEES AND EXPENSES

12. Lead Counsel will apply to the District Court for an award from the Settlement Fund of attorneys' fees plus reimbursement of actual expenses, plus interest. Lead Counsel will also apply to the District Court for reimbursement awards for Plaintiffs to be paid from the Settlement Fund. Such amounts as are awarded by the District Court shall be payable from the Settlement Fund to Lead Counsel pursuant to ¶¶ 15, 17. Lead Counsel shall allocate the attorneys' fees and expense award amongst other Plaintiffs' counsel in a manner in which Lead Counsel in good faith believe reflects the contributions of each such counsel to the prosecution and settlement of the action.

13. The Released Parties shall have no responsibility or liability for, and shall take no position with respect to, Lead Counsel's application for an award of attorneys' fees or expenses, application for an award to Plaintiffs, or the allocation of any award of fees and expenses that the District Court may make in this action to Lead Counsel or to Plaintiffs. In addition, Defendants shall take no position as to the proposed Plan of Allocation for the Settlement Fund.

14. The procedure for and amounts of any award of attorneys' fees and expenses or award to Plaintiffs, and the allowance or disallowance by the District Court thereof, shall not be a condition of the Settlement. Lead Counsel shall request that Lead Counsel's application for award of attorneys' fees and expenses and any award to Plaintiffs be considered by the District Court separately from the District Court's consideration of the fairness and adequacy of the Settlement. Any order or proceedings relating to such request, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate the Settlement or affect or delay the Effective Date or the effectiveness or finality of the Order and Final Judgment and the release of the Released Claims. The finality of the Settlement shall not be conditioned on any ruling by the District Court concerning Lead Counsel's application for attorneys' fees and expenses.

15. Except as otherwise provided in this paragraph, the attorneys' fees and expenses awarded by the District Court shall be paid to Lead Counsel from the Settlement Fund immediately upon award. In the event that the Effective Date does not occur, or the Order and Final Judgment is reversed or modified in any way that affects the award of attorney fees and expenses, or the Settlement Stipulation is terminated for any other reason, then each counsel receiving fees or expenses under this provision shall, within ten (10) business days from receiving notice from Defendants' Counsel or from a court of appropriate jurisdiction, refund to the Settlement Fund either the full amount of the fees and expenses previously received by it pursuant to these provisions or an amount consistent with any modification of the Order and Final Judgment with respect to the fee and expense award. Lead Counsel and any other Plaintiffs' counsel's law firm that receives fees and expenses, on behalf of itself and each partner or shareholder of it, agree that the law firm and its partners or shareholders are subject to

jurisdiction of the District Court for the purpose of enforcing the provisions of this paragraph, and each shall be liable for repayment of all attorneys' fees and expenses awarded by the District Court. Furthermore, without limitation, Lead Counsel and any other Plaintiffs' counsel's law firm that receives fees and expenses, and each such firm's partners or shareholders, agree that the District Court may, upon application of the Defendants, summarily issue orders, including, without limitation, judgments and attachment orders, and may make appropriate findings of or sanctions for contempt against that firm or any of its partners or shareholders should such law firm fail timely to repay fees and expenses pursuant to this paragraph.

**DISTRIBUTION TO AUTHORIZED CLAIMANTS
AND ADMINISTRATION OF SETTLEMENT**

16. The Claims Administrator, subject to the supervision, direction, and approval of the District Court, shall administer and calculate the Claims submitted by Class Members, oversee distribution of the Settlement Fund, and perform all claims administration procedures necessary or appropriate in connection therewith. The Released Parties shall have no liability, obligation, or responsibility for the Settlement Notice, administration, or processing of claims or disbursement of the Net Settlement Fund, including, without limitation, determinations as to the validity of any Proof of Claim, the amounts of claims, distributions of the Settlement Fund, or any loss incurred by the Escrow Agent or the Claims Administrator, and Defendants shall take no position in regard to such matters. Defendants shall cooperate in the administration of the Settlement only to the extent reasonably necessary to effectuate its terms as requested by Lead Counsel.

17. The Settlement Amount and Fund shall be applied as follows:

(a) To pay all costs and expenses incurred in connection with providing notice to the Class, locating Class Members, soliciting claims, assisting with the filing of claims,

administering and distributing the Settlement Fund to the Class Members, processing proofs of claim, and processing requests for exclusion and costs;

(b) To pay Taxes and Tax Expenses owed by the Settlement Fund;

(c) Subject to the approval and further order(s) of the District Court, for payment of all attorneys' fees and expense reimbursement as may be awarded by the District Court to Lead Counsel, who may make payment therefrom to other Plaintiff's counsel as the former deems appropriate based upon the work done by such other Plaintiff's counsel and such other Plaintiff' counsel's relative contribution to the prosecution and settlement of the Litigation;

(d) Subject to the approval and further order(s) of the District Court, and upon the Effective Date, to distribute the Net Settlement Fund (as defined in ¶ 5) to Authorized Claimants as provided herein and in the manner set forth in the notice attached hereto as Exhibit A-1 (which notice shall include a Plan of Allocation of the Net Settlement Fund), or as otherwise ordered by the District Court in order to participate in such distribution of the Net Settlement Fund.

18. For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an "Authorized Claimant," the following conditions shall apply:

(a) Each Class Member seeking to participate in distributions from the Net Settlement Fund shall be required to submit timely to the Claims Administrator a separate signed Proof of Claim (in the form attached hereto as Exhibit A-2), supported by such documents as are designated therein, including proof of all purchases and sales of the Company's common stock listed during the Class Period, the Claimant's loss, or such other documents or proof as Lead Counsel, in Lead Counsel's discretion, may deem acceptable;

(b) All Proofs of Claim must be submitted by the date specified in the Settlement Notice unless such period is extended by Order of the District Court. Any Class Member who fails to submit a Proof of Claim within such period shall be forever barred from receiving any payment pursuant to this Settlement Stipulation (unless, by Order of the District Court, a later submitted Proof of Claim by such Class Member is approved), but in all other respects shall be subject to and bound by the provisions of this Settlement Stipulation and the Settlement including the terms of the Order and Final Judgment to be entered in the Litigation and the releases of the Released Claims provided for herein, and will be barred from bringing any action or proceeding against any of the Released Parties concerning the Released Claims. Provided that it is received before the motion is made to distribute the Settlement proceeds to the Class, a Proof of Claim shall be deemed to have been submitted when postmarked, if received with a postmark indicated on the envelope and if mailed by First-Class Mail, postage prepaid, and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator;

(c) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, under the supervision of Lead Counsel, who shall determine in accordance with this Settlement Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the District Court; and

(d) The administrative determination of the Claims Administrator's acceptance and rejection of claims shall be presented for approval to the District Court, on notice to Defendants' Counsel.

19. Each Claimant shall be deemed to have submitted to the jurisdiction of the District Court with respect to his claim, and the claim shall be subject to investigation and

discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to the claimant's status as a Class Member and to the validity and amount of the claimant's claim. No discovery shall be allowed on the merits of the Litigation or Settlement in connection with processing of the Proofs of Claim.

20. No Class Member or Authorized Claimant shall have any claim against Lead Counsel, Plaintiffs, any other Plaintiff or Plaintiffs' counsel in the Litigation, any of the Released Parties or their counsel, the Claims Administrator, or any employees or agents of any of the foregoing, based on the distributions made substantially in accordance with this Settlement Stipulation or as otherwise approved or directed by the District Court. Payment pursuant to this Settlement Stipulation shall be deemed final and conclusive against all Class Members and each of them. All Class Members whose claims are not approved by the District Court shall be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be subject to and bound by the provisions of this Settlement Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Litigation and the releases provided for herein, and will be barred from bringing any action against any of the Released Parties concerning the Released Claims.

21. All proceedings with respect to the administration, processing, and determination of claims described by ¶ 18 of this Settlement Stipulation and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the District Court.

22. The Net Settlement Fund shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and after: (i) all timely Proofs of Claim have been processed and all claimants whose claims have been rejected or disallowed, in whole or in

part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all objections with respect to all rejected or disallowed claims have been resolved by the District Court, and all appeals therefrom have been resolved or the time therefor has expired; (iii) all matters with respect to attorneys' fees, costs and disbursements have been resolved by the District Court, all appeals therefrom have been resolved or the time therefor has expired; and (iv) all costs of administration have been paid.

23. In the interests of achieving substantial justice, Lead Counsel shall have the right, but not the obligation, to advise the Claims Administrator to waive what Lead Counsel deem to be formal or technical defects in any submitted Proofs of Claim.

24. Following distribution of the Net Settlement Fund, the Claims Administrator shall maintain the completed Proofs of Claim on file for three years after the Effective Date.

25. Each Member of the Class certified for purposes of settlement only shall be bound by all determinations and judgments in the Litigation concerning the Settlement unless such Person shall send by First-Class Mail a written request for exclusion from the Class. In order to be valid, a Request for Exclusion must state: (i) the name and address of the Person requesting exclusion; (ii) written evidence of the Person's purchases and sales of the Company's common stock made during the Class Period, including the dates, the number of shares, and prices paid or received per share for each such purchase or sale; and (iii) that the Person wishes to be excluded from the Class. Such Person should also state his telephone number. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph shall have no rights under this Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation of Settlement or the Judgment.

**TERMS OF PRELIMINARY ORDER IN
CONNECTION WITH SETTLEMENT PROCEEDINGS**

26. Promptly after execution of this Settlement Stipulation, Lead Counsel and Defendants' Counsel shall submit the Settlement Stipulation together with its Exhibits to the District Court and shall jointly apply for entry of a Preliminary Order in connection with settlement proceedings substantially in the form annexed hereto as Exhibit A, providing for, among other things, preliminary approval of the Settlement and notice to the Class of the Settlement Hearing. The Preliminary Order (Exhibit A) to be submitted to the Court shall contain exhibits substantially in the form set forth in (i) the Notice of Pendency and Settlement of Class Action (the "Settlement Notice") (Exhibit A-1 to Preliminary Order); (ii) the Proof of Claim and Release (Exhibit A-2 to Preliminary Order); and (iii) the Summary Notice of Proposed Class Action Settlement and Hearing Thereon ("Publication Notice") (Exhibit A-3 to the Preliminary Order). Defendants are not liable or responsible for the method of, or representations made in, the Settlement Notice or Publication Notice.

TERMS OF ORDER AND FINAL JUDGMENT

27. If the Settlement contemplated by this Settlement Stipulation is approved by the District Court, Lead Counsel and Defendants' Counsel shall jointly request that the District Court enter an Order and Final Judgment substantially in the form annexed hereto as Exhibit B. The Settlement is expressly conditioned upon, among other things, the entry of an Order and Final Judgment substantially in the form annexed hereto as Exhibit B.

SUPPLEMENTAL AGREEMENT

28. Simultaneously herewith, Lead Counsel and Defendants are executing a "Supplemental Agreement" setting forth certain conditions under which this Settlement Stipulation may be withdrawn or terminated at the discretion of Defendants if potential Class

Members who purchased in excess of a certain number of damaged shares of China Valves' common stock exclude themselves from the Class. Upon receiving any request(s) for exclusion pursuant to the Settlement Notice, Lead Counsel shall promptly notify Defendants' Counsel of such request(s) for exclusion and shall provide such Counsel with copies of any requests for exclusion. Defendants shall have the option to terminate the Settlement if requests for exclusion from the Settlement have been made by persons in the Classes representing more than a certain number of the total shares outstanding following the Company's January 5, 2011 offering. The Supplemental Agreement shall not be filed with the District Court except that the substantive contents of the Supplemental Agreement may be brought to the attention of the District Court, *in camera*, if so requested by the District Court, or if a dispute arises among the Settling Parties concerning the Supplemental Agreement's interpretation or application. The Settling Parties will keep the terms of the Supplemental Agreement confidential, except if compelled by judicial process to disclose the Supplemental Agreement. In the event the Settlement and this Settlement Stipulation are terminated, the provisions of ¶¶ 6-9 and 31-33 shall survive termination.

EFFECTIVE DATE OF SETTLEMENT, WAIVER OR TERMINATION

29. The Effective Date of Settlement shall be the latest date when all the following shall have occurred:

- (a) entry of the Preliminary Order;
- (b) approval by the District Court of the Settlement and certification of the Class following notice to the Class and a hearing in accordance with Federal Rules of Civil Procedure Rule 23;
- (c) entry by the District Court of an Order and Final Judgment and the expiration of any time for appeal or review of the Order and Final Judgment, or, if any appeal is filed and not dismissed, after the Order and Final Judgment is upheld on appeal in all material

respects and is no longer subject to review upon appeal or review by certiorari or otherwise, and the time for any petition for re-argument, appeal, or review, by certiorari or otherwise, has expired, or, in the event that the District Court enters an order and final judgment in form other than that provided above (“Alternative Judgment”) and none of the parties hereto elects to terminate this Settlement, the date that such Alternative Judgment becomes final and no longer subject to appeal or review by certiorari or otherwise, and the time for any petition for re-argument, appeal, or review, by certiorari or otherwise, has expired; and

(d) Defendants shall have paid, or caused to be paid, \$1,500,000, with interest, of the Settlement Amount, as set forth in ¶ 4 above.

30. Defendants’ Counsel or Lead Counsel shall have the right to terminate the Settlement and this Settlement Stipulation by providing written notice of their election to do so (“Termination Notice”) to the others within thirty (30) days of the date on which: (i) the District Court declines to enter the Preliminary Order; (ii) the District Court refuses to approve this Settlement Stipulation or any material part of it, provided, however, that the allowance or disallowance by the Court of any application for an award of attorneys’ fees and expenses shall not be material; (iii) the District Court declines to enter the Order and Final Judgment; (iv) the Order and Final Judgment is vacated, modified, or reversed in any material respect by the United States Court of Appeals for the Second Circuit or the United States Supreme Court; (v) an Alternative Judgment is vacated, modified, or reversed in any material respect by the United States Court of Appeals for the Second Circuit or the United States Supreme Court; or (vi) the Effective Date of Settlement otherwise does not occur, except that if such Effective Date does not occur as a result of Defendants’ failing to pay the Settlement Amount as required by ¶ 4 above, Defendants may not terminate the Settlement or the Settlement Stipulation based on

Defendants' non-payment. Neither a modification nor a reversal on appeal of any award of fees, costs, and expenses by the District Court to Lead Counsel (or any Plaintiff's counsel) shall be deemed a material modification of the Order and Final Judgment or this Stipulation. Defendants may also terminate the Settlement and this Settlement Stipulation pursuant to ¶ 28, if the conditions set forth therein are met. The foregoing list is not intended to limit or impair the Settling Parties' rights under the law of contracts of the State of New York with respect to any breach of this Settlement Stipulation. In the event the Settlement and this Settlement Stipulation are terminated, the provisions of ¶¶ 6-9 and 31-33 shall survive termination.

31. In the event the Settlement and this Settlement Stipulation are terminated, or if the Effective Date fails to occur for any reason, the Settling Parties shall be deemed to have reverted *nunc pro tunc* to their respective status in the Litigation as of the date and time immediately prior to the execution of this Settlement Stipulation and, except as otherwise expressly provided, shall proceed in all respects as if this Settlement Stipulation and any related orders had not been entered and without any prejudice in any way from the negotiation, fact, or terms of this Settlement.

32. In the event this Settlement Stipulation is terminated, or if the Effective Date fails to occur for any reason, then within ten (10) business days after written notice is sent by Lead Counsel or Defendants' Counsel, the balance of the Settlement Fund, less any expenses for notice or administration of the Settlement Fund paid or incurred but not yet paid, shall be refunded to Defendants, including interest accrued thereon. In such event, the parties to this Settlement Stipulation shall be deemed to have reverted *nunc pro tunc* to their respective status as of the date and time immediately before the execution of this Settlement Stipulation and, except as otherwise expressly provided, shall proceed in all respects as if this Settlement

Stipulation and related orders had not been entered and without prejudice in any way from the negotiation, fact, or terms of this Settlement. In the event that the Settlement and this Settlement Stipulation are terminated, the provisions of ¶¶ 6-9 and 31-33 shall survive termination.

NO ADMISSION OF WRONGDOING

33. This Settlement Stipulation, whether or not consummated, and any proceedings taken pursuant to it:

(a) shall not be offered or received against any Defendant, any other Released Party, Plaintiffs, or the Class as evidence of, nor be deemed to be evidence of, any presumption, concession, or admission by any of the Defendants or any of the other Released Parties or by any of the Plaintiffs or the Class with respect to the truth of any fact alleged by Plaintiffs or the validity, or lack thereof, of any claim that had been or could have been asserted in the Litigation or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Litigation or in any litigation, or of any liability, negligence, fault, or wrongdoing of Defendants or other Released Parties;

(b) shall not be offered or received against any of the Released Parties as evidence of a presumption, concession, or admission of any fault, misrepresentation, or omission with respect to any statement or written document approved or made by any Released Party, or against Plaintiffs or the Class as evidence of any infirmity in the claims of Plaintiffs or the Class;

(c) shall not be offered or received against any of the Released Parties, Plaintiffs, or the Class as evidence of a presumption, concession, or admission with respect to any liability, negligence, fault, or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Settlement Stipulation, in any arbitration proceeding or other civil, criminal, or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Settlement Stipulation; provided, however, that if

this Settlement Stipulation is approved by the District Court, the Released Parties may refer to it to effectuate the liability protection granted them hereunder;

(d) shall not be construed against any of the Released Parties, Plaintiffs, or the Class as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

(e) shall not be construed as or received in evidence as an admission, concession, or presumption against Plaintiffs or the Class, or any of them, that any of their claims are without merit or that damages recoverable by way of the Litigation would not have exceeded the Settlement Amount.

34. This Settlement Stipulation and the Settlement may be pleaded as a full and complete defense to any action, suit, or other proceeding that may be instituted, prosecuted, or attempted with respect to any of the Released Claims. The Released Parties may offer the Settlement Stipulation or Order and Final Judgment from the Litigation in any other action that may be brought against them or other Released Party by any Plaintiff, Class Member, or other Released Party in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any similar defense or counterclaim. The Plaintiffs, Class Members, and Defendants agree that any such proceeding would cause irreparable injury to the Released Party against whom it is brought and that the District Court or any court of competent jurisdiction may enter an injunction restraining the prosecution of such proceeding.

MISCELLANEOUS PROVISIONS

35. All of the Exhibits attached hereto are hereby incorporated by reference as though fully set forth herein. Notwithstanding the foregoing, in the event that there exists a conflict or

inconsistency between the terms of this Settlement Stipulation and the terms of any exhibit hereto, the terms of this Settlement Stipulation shall prevail.

36. This Settlement Stipulation may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Settling Parties or their successors-in-interest.

37. Neither the Settlement Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Settlement Stipulation or the Settlement: (i) is or may be deemed to be or may be used as an admission or evidence of the validity of any Released Claim or of any wrongdoing or liability of any of the Released Parties; or (ii) is or may be deemed to be or may be used as an admission or evidence of any fault or omission of any of the Released Parties in any civil, criminal, or administrative proceeding in any court, any arbitration proceeding or any administrative agency or other tribunal, other than in such proceedings as may be necessary to consummate or enforce the Settlement Stipulation, the Settlement or the Order and Final Judgment.

38. The parties to this Settlement Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by any Class Member or Plaintiff against any of the Released Parties with respect to the Released Claims, and they intend the Settlement to be a final and complete release of any and all claims and rights. Accordingly, Plaintiffs and Defendants agree not to assert any claim under Rule 11 of the Federal Rules of Civil Procedure, or any similar law, rule, or regulation, that the Litigation was brought or defended in bad faith or without a reasonable basis, and further agree not to make any public statements that contradict such position. Plaintiffs and Defendants agree that the Settlement Amount and the other terms of the Settlement were negotiated at arm's-length in good faith by

the parties, and reflect a settlement that was reached voluntarily based upon adequate information and after consultation with experienced legal counsel.

39. The waiver by one Settling Party of any breach of this Settlement Stipulation by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Settlement Stipulation.

40. This Settlement Stipulation, its exhibits, and the Supplemental Agreement constitute the entire agreement among these parties, and no representations, warranties, or inducements have been made to any party concerning this Settlement Stipulation, its exhibits, or the Supplemental Agreement, other than the representations, warranties, and covenants contained and memorialized in such documents.

41. This Settlement Stipulation may be executed in one or more counterparts, including by transmitting the signature page by facsimile, or by transmitting a .pdf or .tif image of the signature page transmitted by e-mail. All executed counterparts and each of them shall be deemed to be one and the same instrument.

42. The Settling Parties and their respective counsel of record agree that they will use their best efforts to obtain all necessary approvals of the District Court required by this Settlement Stipulation.

43. Each counsel signing this Settlement Stipulation represents that such counsel has authority to sign this Settlement Stipulation on behalf of each of counsel's respective clients.

44. This Settlement Stipulation shall be binding upon and shall inure to the benefit of the successors and assigns of the Settling Parties, including any and all Released Parties and any corporation, partnership, or other entity into or with which any Settling Party hereto may merge,

consolidate, or reorganize. No assignment shall relieve any Settling Party hereto of obligations hereunder.

45. Notices required by this Settlement Stipulation shall be submitted in person or by any form of overnight mail to:

William B. Federman
FEDERMAN & SHERWOOD
10205 N. Pennsylvania Ave.
Oklahoma City, OK 73120

Lead Counsel for Plaintiffs

Joel M. Mitnick
SIDLEY AUSTIN LLP
787 Seventh Avenue
New York, NY 10019
Tel.: (212) 839-5300

Counsel for Defendants

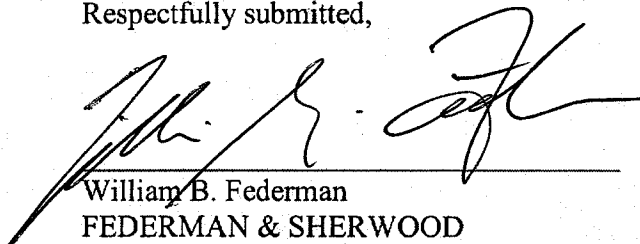
Notice shall be deemed effective upon receipt.

46. The administration, consummation and enforcement of the Settlement as embodied in this Settlement Stipulation shall be under the authority of the District Court, and the Settling Parties intend that the District Court retain jurisdiction for the purpose of entering orders, providing for awards of attorneys' fees and expenses to Lead Counsel, and enforcing the terms of this Settlement Stipulation and the Settlement.

47. The construction, interpretation, operation, effect, and validity of this Settlement Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of New York without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

48. This Settlement Stipulation shall not be construed more strictly against one Settling Party than another Settling Party merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the Settling Parties, it being recognized that it is the result of arm's-length negotiations between the Settling Parties and that all Settling Parties have contributed substantially and materially to the preparation of this Settlement Stipulation.

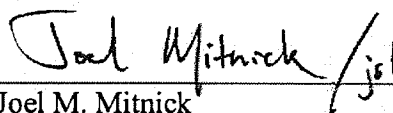
Respectfully submitted,



William B. Federman
FEDERMAN & SHERWOOD
10205 N. Pennsylvania Ave.
Oklahoma City, OK 73120
Tel.: (405) 235-1560

Byron T. Ball
THE BALL LAW FIRM LLP
664 South Figueroa St.
Los Angeles, CA 90017
Tel.: (310) 446-6148

Lead Counsel for Plaintiffs



Joel M. Mitnick
SIDLEY AUSTIN LLP
787 Seventh Avenue
New York, NY 10019
Tel.: (212) 839-5300

Counsel for Defendants

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x

In re	:	Master Docket No. 11 Civ. 0796 (LAK)
	:	
CHINA VALVES TECHNOLOGY SECURITIES LITIGATION	:	ECF Case
	:	EXHIBIT A
This paper applies to: ALL CASES	:	
	:	

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**[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT AND
PROVIDING FOR NOTICE**

WHEREAS, effective April 28, 2014, Lead Counsel on behalf of Plaintiffs Bristol Investment Fund, Ltd. and Joseph Gibbons, and the Class, and Defendants China Valves Technology, Inc. (“China Valves” or the “Company”), Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li (collectively, the “Defendants”), have entered into a settlement of the claims asserted in the Litigation, the terms of which are set forth in a Stipulation and Agreement of Settlement, dated as of April 28, 2014 (the “Settlement Stipulation”) which is subject to review under Rule 23 of the Federal Rules of Civil Procedure, and which, together with the exhibits thereto, sets forth the terms and conditions for the proposed settlement of the claims alleged in the Complaint filed in the Litigation on the merits and with prejudice, upon the terms and conditions set forth in the Settlement Stipulation; and the District Court having read and considered the Settlement Stipulation, the proposed Notice of Pendency and Proposed Settlement of Class Action, the proposed Summary Notice of Proposed Class Action Settlement and Hearing Thereon, the proposed Plan of Allocation of Net Settlement Fund Among Class Members, the proposed form of the Proof of Claim and Release, the proposed form of Order and Final Judgment relating to

the Settlement and submissions made relating thereto, and finding that substantial and sufficient grounds exist for entering this Order; and capitalized terms used herein having the meanings defined in the Settlement Stipulation;

NOW, THEREFORE, IT IS HEREBY ORDERED, this ____ day of _____, 2014, that:

1. Pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and for the purposes of the Settlement only, the Litigation is hereby preliminarily certified as a class action on behalf of all those who: (i) purchased or otherwise acquired by January 13, 2011 the common stock of the Company pursuant or traceable to the Company's prospectuses issued in connection with its offering of stock on January 5, 2011; or (ii) purchased or otherwise acquired the Company's common stock from January 12, 2010 to November 18, 2010, both dates inclusive. Excluded from the Class are the Defendants, any members of Defendants' immediate families, any entity in which any Defendant has a controlling interest, directors and officers of China Valves, and the affiliates, legal representatives, heirs, predecessors, successors, and assigns of any such excluded party. Also excluded from the Class are any putative Class Members who exclude themselves by filing a timely, valid request for exclusion.

2. The District Court finds, preliminarily and for purposes of Settlement only, that the prerequisites for a class action under Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been satisfied in that: (i) the number of Class Members is so numerous that joinder of all members of the Class is impracticable; (ii) there are questions of law and fact common to each of the Class; (iii) the claims of the Plaintiffs are typical of the claims of the Class they seek to represent; (iv) the Plaintiffs will fairly and adequately represent the interests of the Class; (v) the questions of law and fact common to the members of the Class predominate

over any questions affecting only individual members of the Class; and (vi) a class action is superior to other available methods for the fair and efficient adjudication of the controversy.

3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, preliminarily and for the purposes of Settlement only, Plaintiffs are certified as the class representatives on behalf of the Class, and the Lead Counsel previously selected by Plaintiffs and appointed by the District Court is hereby appointed as Lead Counsel for the Class.

4. A hearing (the "Settlement Hearing") pursuant to Federal Rule of Civil Procedure 23(e) is hereby scheduled to be held before the District Court on _____ at _____ .m. for the following purposes:

- (a) to determine finally whether the Litigation satisfies the applicable prerequisites for class action treatment under Federal Rules of Civil Procedure 23(a) and (b);
- (b) to determine whether the Settlement is fair, reasonable, and adequate, and should be approved by the District Court;
- (c) to determine whether the Order and Final Judgment as provided under the Settlement Stipulation should be entered, dismissing the claims in the Complaint as to Defendants, on the merits and with prejudice, and to determine whether the release by the Class of the Released Parties, as set forth in the Settlement Stipulation, should be ordered;
- (d) to determine whether the proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable and should be approved by the District Court;
- (e) to consider the application of Lead Counsel for an award of attorneys' fees and expenses and for awards to Plaintiffs; and
- (f) to rule upon such other matters as the District Court may deem appropriate.

5. The District Court reserves the right to approve the Settlement with or without modification and with or without further notice of any kind.

6. The District Court approves the form, substance, and requirements of (i) the Notice of Pendency and Proposed Settlement of Class Action (the “Notice”), (ii) the Proof of Claim and Release form (the “Proof of Claim”), and (iii) the Summary Notice of Proposed Class Action Settlement and Hearing Thereon (the “Summary Notice”), all of which are annexed hereto as Exhibits 1, 2, and 3, respectively.

7. Lead Counsel has the authority to enter into the Settlement Stipulation on behalf of the Class and is authorized to act on behalf of the members of the Class with respect to all acts or consents that are required by or may be given pursuant to the Settlement Stipulation or such other acts that are reasonably necessary to consummate the Settlement.

8. Lead Counsel is authorized to retain Heffler Claims Group as the Claims Administrator to supervise and administer the Notice procedure as well as the processing of claims and distribution of the Net Settlement Fund. All reasonable fees, costs, and expenses incurred in identifying and notifying Members of the Class shall be paid as set forth in the Settlement Stipulation.

9. Within fourteen (14) calendar days of the entry of this Order, the firm that served as transfer agent for China Valves or its representative shall provide to the Claims Administrator, in a useable electronic format, China Valves’ transfer records for the Class Period.

10. Within twenty-one (21) calendar days of the entry of this Order (the “Notice Date”), Lead Counsel shall cause the Notice and the Proof of Claim, substantially in the forms annexed hereto, to be mailed, by First-Class Mail to all Class Members who can be identified with reasonable effort by Lead Counsel.

11. Lead Counsel shall cause the Summary Notice substantially in the form annexed as Exhibit 3 to be published in *Investor's Business Daily* within fourteen (14) calendar days of the mailing of the Notice. The Claims Administrator shall post the Stipulation, Notice and Proof of Claim Form on its website at www.ChinaValvesSettlement.com.

12. Lead Counsel or Lead Counsel's designated agent shall also make reasonable efforts to give notice to nominee owners such as brokerage firms and other Persons or entities who purchased the Company's common stock during the Class Period. Such nominee purchasers are directed to forward copies of the Notice and Proof of Claim to their beneficial owners or to provide the Claims Administrator with lists of the names and addresses of the beneficial owners, and the Claims Administrator is ordered to send the Notice and Proof of Claim promptly to such beneficial owners. Additional copies of the Notice shall be made available to any record holder requesting the same for the purpose of distribution to beneficial owners, and such record holder shall be reimbursed from the Settlement Fund, upon receipt by the Claims Administrator of proper documentation, for the reasonable expense of sending the Notices and Proof of Claim to beneficial owners.

13. Lead Counsel shall, at or before the Settlement Hearing, serve upon Defendants' Counsel, and file with the District Court, proof of mailing and publication of the Notice and Proof of Claim.

14. The form and method set forth herein of notifying the Class of the Settlement and its terms and conditions meet the requirements of due process and Rule 23 of the Federal Rules of Civil Procedure, Section 21D(a)(7) of the Exchange Act, 15 U.S.C. 78u-4(a)(7), as amended by the Private Securities Litigation Reform Act of 1995, constitute the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all Persons and entities

entitled thereto. Under no circumstances shall any Class Member be relieved from the terms of the Settlement, including the releases provided for therein, based upon the contention or proof that such Class Member failed to receive actual or adequate notice.

15. In order to be entitled to participate in the Net Settlement Fund, as defined in the Settlement Stipulation, in the event the Settlement is effected in accordance with all of the terms and conditions thereof, each Class Member shall take the following action and be subject to the following conditions:

(a) A properly executed Proof of Claim (the "Proof of Claim"), substantially in the form attached hereto as Exhibit 2, must be submitted to the Claims Administrator, at the Post Office Box indicated in the Notice, postmarked not later than one hundred and twenty (120) calendar days from the Notice Date. Such deadline may be further extended by Order of the District Court. Each Proof of Claim shall be deemed to have been submitted when postmarked (if properly addressed and mailed by First-Class Mail) provided such Proof of Claim is actually received before the filing of a motion for an Order of the District Court approving distribution of the Net Settlement Fund. Any Proof of Claim submitted in any other manner shall be deemed to have been submitted when it was actually received at the address designated in the Notice.

(b) The Proof of Claim submitted by each Class Member must satisfy the following conditions: (i) it must be properly filled out, signed, and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transaction reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Lead Counsel; (iii) if the Person executing the Proof of

Claim is acting in a representative capacity, a certification of his current authority to act on behalf of the Class Member must be included in the Proof of Claim; and (iv) the Proof of Claim must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

(c) Once the Claims Administrator has considered a timely submitted Proof of Claim, Lead Counsel, through the Claims Administrator, shall determine, based upon the Plan of Allocation of Net Settlement Fund, whether such claim is valid, deficient, or rejected.

(d) As part of the Proof of Claim, each Class Member shall submit to the jurisdiction of the District Court with respect to the claim submitted.

16. Class Members shall be bound by all determinations and judgments in the Litigation, whether favorable or unfavorable, unless such Persons request exclusion from the Class in a timely and proper manner, as hereinafter provided. Any Class Member wishing to make such request shall mail the request in written form, by First-Class Mail, postage prepaid, and postmarked no later than twenty-one (21) calendar days prior to the Settlement Hearing to the Post Office Box address listed in the Notice. Such request for exclusion shall clearly indicate the name and address of the Person seeking exclusion, that the sender specifically requests to be excluded from the Class (as defined in the Settlement Stipulation), and that it must be signed by such Person. Such Persons requesting exclusion are also required to specify all purchases of the relevant China Valves' common stock during the Class Period, including the number and price of the shares purchased, the number and price of shares sold during the Class Period, and the date of each such purchase or sale. It is also requested that such Persons provide their telephone number or other contact information. The request for exclusion shall not be effective unless the request for exclusion provides the required information and is made within the time stated above,

or the exclusion is otherwise accepted by the District Court.

17. Class Members requesting exclusion from the Class shall not be entitled to receive any payment out of the Net Settlement Fund as described in the Settlement Stipulation and Notice.

18. The District Court will consider comments or objections to the Settlement, the Plan of Allocation, or the award of attorneys' fees and reimbursement of expenses only if (i) such comments or objections and any supporting papers are served at least twenty-one (21) calendar days prior to the Settlement Hearing upon each of the following:

William B. Federman
FEDERMAN & SHERWOOD
600 Third Avenue
New York, NY 10016
Tel.: (212) 661-1100

Lead Counsel for Plaintiffs

Joel M. Mitnick
SIDLEY AUSTIN LLP
787 Seventh Avenue
New York, NY 10019
Tel.: (212) 839-5300

Counsel for Defendants

(ii) the objector provides, in its submission, documents sufficient to prove the number of shares of China Valves common stock the objector purchased and sold during the Class Period, as well as the dates and prices of each such purchase and/or sale; and (iii) the objector has filed said objections, papers, and briefs, showing due proof of service upon counsel identified above, with the Clerk of the Court, U.S. District Court, Southern District of New York, Daniel Patrick Moynihan U.S. Courthouse, 500 Pearl Street, New York, NY 10007. Attendance at the Settlement Hearing is not necessary. Persons who wish to be heard orally at the Settlement

Hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for attorneys' fees, or Lead Counsel's request for awards to Plaintiffs, 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 Lead Counsel's application for award of attorneys' fees and expenses or awards to Plaintiffs, and 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. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

18. Any Class Member who does not object in the manner prescribed above shall be deemed to have waived all such objections and shall forever be foreclosed from making any objection to the fairness, adequacy, or reasonableness of the Settlement, the Order and Final Judgment to be entered approving the Settlement, the Plan of Allocation, or Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses or awards to Plaintiffs.

19. The District Court reserves the right to adjourn the Settlement Hearing or any adjournment thereof without any further notice other than an announcement at the Settlement Hearing or any adjournment thereof, and to approve the Settlement without further notice to the Class.

20. All papers in support of the Settlement, the Plan of Allocation, and any application for attorneys' fees or expenses shall be filed and served thirty (30) calendar days before the Settlement Hearing and any reply papers shall be filed and served seven (7) calendar days prior to the Settlement Hearing.

21. Pending final determination of whether the Settlement should be approved, all Class Members, and each of them, and anyone who acts or purports to act on their behalf shall not institute, commence, or prosecute any action which asserts Released Claims against any of the Released Parties.

22. In the event that the Settlement shall not be consummated pursuant to its terms, the Settlement Stipulation, except as otherwise provided therein, including any amendment(s) thereto, and this Order Preliminarily Approving Settlement and Providing for Notice, shall be null and void, of no further force or effect, and without prejudice to any party, and may not be introduced as evidence or referred to in any action or proceedings by any Person or entity, and each party shall be restored to his respective position as he existed before the execution of the Settlement Stipulation.

23. The District Court retains exclusive jurisdiction over the action to consider all further matters arising out of, or connected with, the Settlement.

Dated: _____, 2014

Hon. Lewis A. Kaplan
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
 In re :
 : Master Docket No. 11 Civ. 0796 (LAK)
 CHINA VALVES TECHNOLOGY SECURITIES :
 LITIGATION : ECF Case
 :
 This paper applies to: ALL CASES : **EXHIBIT A-1**
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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 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 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 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 _____, 2014	This is the only way to get a payment.
EXCLUDE YOURSELF NO LATER THAN _____, 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 _____, 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 _____, 2014	Filing a written objection indicating your intent to appear by _____, 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

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. The defendants to the derivative lawsuit are certain of the same defendants: Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and, nominally, China Valves.

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 or Derivative Plaintiff 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

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, 2013 the Company's Stock pursuant or traceable to the Company's prospectus issued in connection with its offerings of stock 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.

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.

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.

- c) Held as of the close of trading on February 4, 2011, the Recognized Loss is \$2.81 per share.

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.

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 purchases 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).

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 _____, 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.**

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 _____, 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.

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 _____, 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.

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

The District Court will hold a Settlement Hearing on _____, 2014, at __:__ .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: _____, 2014.

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

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

PROOF OF CLAIM AND RELEASE

Deadline for Submission: _____

IF YOU PURCHASED OR OTHERWISE ACQUIRED BY JANUARY 13, 2011 THE COMMON STOCK OF CHINA VALVES TECHNOLOGY, INC. (“CHINA VALVES”) PURSUANT OR TRACEABLE TO CHINA VALVES’ PROSPECTUS ISSUED IN CONNECTION WITH CHINA VALVES’ PUBLIC OFFERING OF STOCK ON JANUARY 5, 2011 (THE “OFFERING”); OR PURCHASED OR OTHERWISE ACQUIRED CHINA VALVES’ COMMON STOCK FROM JANUARY 12, 2010 TO NOVEMBER 18, 2010, INCLUSIVE (COLLECTIVELY THE “CLASS PERIOD”), YOU ARE A “CLASS MEMBER” AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS.

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND RELEASE (“PROOF OF CLAIM”) AND MAIL IT BY FIRST-CLASS MAIL, POSTMARKED NO LATER THAN _____ TO HEFFLER CLAIMS GROUP, THE CLAIMS ADMINISTRATOR, AT THE FOLLOWING ADDRESS:

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

YOUR FAILURE TO SUBMIT YOUR CLAIM BY _____, 2014 WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS ACTION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

CLAIMANT’S STATEMENT

1. I (we) purchased common stock in China Valves and was (were) damaged thereby. (Do not submit this Proof of Claim if you did not purchase China Valves’ common stock during the designated Class Period).
2. By submitting this Proof of Claim, I (we) state that I (we) believe in good faith that I am (we are) a Class Member(s) as defined above and in the Notice of Pendency and Proposed Settlement of Class Action (the “Notice”), or am (are) acting for such person(s); that I am (we are) not a Defendant in the Actions or anyone excluded from the Class; that I (we) have read and understand the Notice; that I (we) believe that I am (we

are) entitled to receive a share of the Net Settlement Fund, as defined in the Notice; that I (we) elect to participate in the proposed Settlement described in the Notice; and that I (we) have not filed a request for exclusion. (If you are acting in a representative capacity on behalf of a Class Member [e.g., as an executor, administrator, trustee, or other representative], you must submit evidence of your current authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.)

3. I (we) consent to the jurisdiction of the Court with respect to all questions concerning the validity of this Proof of Claim. I (we) understand and agree that my (our) claim may be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to my (our) status as a Class Member(s) and the validity and amount of my (our) claim. No discovery shall be allowed on the merits of the Litigation or Settlement in connection with processing of the Proof of Claim.
4. I (we) have set forth where requested below all relevant information with respect to each purchase of China Valves' common stock during the Class Period, and each sale, if any, of such securities. I (we) agree to furnish additional information to the Claims Administrator to support this claim if requested to do so.
5. I (we) have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, or other documents evidencing each purchase, sale, or retention of China Valves' common stock listed below in support of my (our) claim. (IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.)
6. I (we) understand that the information contained in this Proof of Claim is subject to such verification as the Claims Administrator may request or as the Court may direct, and I (we) agree to cooperate in any such verification. (The information requested herein is designed to provide the minimum amount of information necessary to process most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your recognized claim. In some cases, the Claims Administrator may condition acceptance of the claim based upon the production of additional information, including, where applicable, information concerning transactions in any derivatives securities such as options.)
7. Upon the occurrence of the Court's approval of the Settlement, as detailed in the Notice, I (we) agree and acknowledge that my (our) signature(s) hereto shall effect and constitute a full and complete release, remise, and discharge by me (us) and my (our) heirs, joint tenants, tenants in common, beneficiaries, executors, administrators, predecessors, successors, attorneys, insurers, and assigns (or, if I am (we are) submitting this Proof of Claim on behalf of a corporation, a partnership, estate, or one or more other persons, by him and by his heirs, executors, administrators, predecessors, successors, and assigns) of each of the "Released Parties" of all "Released Claims," as defined in the Stipulation.

Important - This form should be completed **IN CAPITAL LETTERS** using **BLACK** or **DARK BLUE** ballpoint/fountain pen. Characters and marks used should be similar in the style to the following:

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z 1 2 3 4 5 6 7 0

PART II: SCHEDULE OF TRANSACTIONS IN CHINA VALVES' COMMON STOCK

Beginning Holdings:

A. State the total number of shares of China Valves' common stock you held as of the close of trading on January 11, 2010 (*must be documented*). _____

Purchases:

B. Separately list each and every purchase or acquisition of China Valves' common stock during the period from January 12, 2010 to November 18, 2010, both dates inclusive. Provide the following information (*must be documented*):

	Trade Date (List Chronologically) <u>Month/Day/Year</u>	Number of <u>Shares Purchased</u>	Purchase Price <u>Per Share</u>	Total Cost (excluding commissions, <u>taxes and fees</u>)
1.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
2.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
3.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
4.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
5.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□

Total Shares Purchased between January 12, 2010 and November 18, 2010: □□□□□□□□

Sales:

C. Separately list each and every sale of China Valves' common stock during the period from January 12, 2010 to February 16, 2011, both dates inclusive. Provide the following information (*must be documented*):

	Trade Date (List Chronologically) <u>Month/Day/Year</u>	Number of <u>Shares Sold</u>	Sale Price <u>Per Share</u>	Amount Received (Excluding commissions, <u>taxes and fees</u>)
1.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
2.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
3.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
4.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
5.)	□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□

Total Shares Sold between January 12, 2010 and February 16, 2011: □□□□□□□□

Purchases:

D. Separately list each and every purchase or acquisition of China Valves' common stock from January 5, 2011 through January 13, 2011 pursuant or traceable to China Valves' Prospectus issued in connection with China Valves' public offering of stock on January 5, 2011. Provide the following information (*must be documented*):

	Trade Date (List Chronologically) <u>Month/Day/Year</u>	Number of <u>Shares Purchased</u>	Purchase Price <u>Per Share</u>	Total Cost (excluding commissions, <u>taxes and fees</u>)
1.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
2.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
3.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
4.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
5.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□

Total Shares Purchased/Acquired in connection with the Offering on January 5, 2011: □□□□□□□□

Sales:

E. Separately list each and every sale of China Valves' common stock purchased or acquired from January 5, 2011 through January 13, 2011 pursuant or traceable to China Valves' Prospectus issued in connection with China Valves' public offering of stock on January 5, 2011. Provide the following information (*must be documented*):

	Trade Date (List Chronologically) <u>Month/Day/Year</u>	Number of <u>Shares Sold</u>	Sale Price <u>Per Share</u>	Amount Received (Excluding commissions, <u>taxes and fees</u>)
1.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
2.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
3.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
4.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□
5.)	□□/□□/□□	□□□□□□□□	\$□□□□.□□□□	\$□□□□□□□.□□

Total Shares Sold from purchases or acquisitions in connection with the January 5, 2011 Offering:
□□□□□□□□

Ending Holdings:

F. State the total number of shares of China Valves' common stock, whether long or short, owned at the close of trading on November 18, 2010, if you purchased in the secondary market, or on January 13, 2011, if you purchased pursuant to the public offering on January 5, 2011 (*must be documented*). _____

If you require additional space, attach extra schedules in the same format as above. Sign and print your name on each additional page and check this box _____

III. SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security Number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your claim may be rejected.

□□□□ - □□ - □□□□□□

Social Security Number (for individuals)

OR

□□ - □□□□□□□□

Employer Identification Number (for estates, trusts, corps, etc)

IV. CERTIFICATION

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

UNDER THE PENALTIES OF PERJURY UNDER THE LAWS OF THE UNITED STATES, I (WE) CERTIFY THAT ALL OF THE INFORMATION I (WE) PROVIDED ON THIS PROOF OF CLAIM AND RELEASE FORM IS TRUE, CORRECT, AND COMPLETE.

Signature of Claimant (If this claim is being made on behalf of joint Claimants, then each must sign):

(Signature)

(Signature)

(Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)
____ Check here if proof of authority to file is enclosed.
(See Item 2 under Claimant's Statement)

Date: _____

**THIS PROOF OF CLAIM MUST BE SUBMITTED NO LATER THAN _____, 2014
AND MUST BE MAILED TO:**

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

A Proof of Claim received by the Claims Administrator shall be deemed to have been submitted when posted, if mailed by _____, 2014 and if a postmark is indicated on the envelope and it is mailed first class and addressed in accordance with the above instructions. In all other cases, a Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator.

You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please notify the Claims Administrator of any change of address.

REMINDER CHECKLIST

- Please be sure to sign this Proof of Claim on page _____. If this Proof of Claim is submitted on behalf of joint Claimants, then both claimants must sign.
- Please remember to attach supporting documents. Do NOT send any stock certificates. Keep copies of everything you submit.
- Do NOT use highlighter on the Proof of Claim or any supporting documents.
- If you move after submitting this Proof of Claim, please notify the Claims Administrator of the change in your address.

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 : ECF Case

LITIGATION :

:

This paper applies to: ALL CASES

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**SUMMARY NOTICE OF PROPOSED
CLASS ACTION SETTLEMENT AND HEARING THEREON**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED BY JANUARY 13, 2011 CHINA VALVES TECHNOLOGY, INC.’S COMMON STOCK PURSUANT OR TRACEABLE TO CHINA VALVES’ PROSPECTUSES ISSUED IN CONNECTION WITH ITS OFFERING OF STOCK ON JANUARY 5, 2011; OR (2) PURCHASED OR OTHERWISE ACQUIRED CHINA VALVES’ COMMON STOCK FROM JANUARY 12, 2010 TO NOVEMBER 18, 2010, BOTH DATES INCLUSIVE.

YOU ARE HEREBY NOTIFIED, pursuant to an Order of the United States District Court for the Southern District of New York in the above-captioned action (the “Litigation”), that a hearing will be held on _____ at _____.m. in courtroom 21B before the Honorable Lewis A. Kaplan, United States District Judge of the Southern District of New York, 500 Pearl Street, New York, New York 10007 (the “Settlement Hearing”) for the purpose of determining: (1) whether the proposed Settlement between Plaintiffs and Defendants China Valves Technology, Inc. (“China Valves” or the “Company”), Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li (collectively with China Valves, the “Defendants”), consisting of the sum of \$1,500,000, should be approved by the Court as fair, reasonable, and adequate; (2) whether the proposed plan to distribute the settlement proceeds is fair, reasonable, and adequate; (3) whether the application of Lead Plaintiffs’ Counsel for the payment of attorneys’ fees and expenses, including expenses of the Class Representatives should be approved; and (4) whether the Litigation against Defendants should be dismissed with prejudice and on the merits.

If you (i) purchased or otherwise acquired by January 13, 2011 the common stock of the Company pursuant or traceable to the Company’s prospectus issued in connection with its offerings of stock on January 5, 2011; or (ii) purchased or otherwise acquired the Company’s common stock from January 12, 2010 to November 18, 2010, both dates inclusive, your rights may be affected by the Settlement of this action. If you have not received a detailed Notice of Pendency and Proposed Settlement of Class Action (the “Notice”) and a copy of the Proof of Claim and Release, you may obtain copies by writing to China Valves Technology Securities Litigation, c/o Heffler Claims Group at toll-free 1-844-528-0188, or going to the website,

www.ChinaValvesSettlement.com. If you are a member of the Class, in order to share in the distribution of the Net Settlement Fund, you must submit a Proof of Claim and Release postmarked no later than _____, 2014, establishing that you are entitled to recovery. Unless you submit a written exclusion request, you will be bound by any judgment rendered in the Litigation whether or not you make a claim. To exclude yourself from the Class, you must submit a Request for Exclusion to Heffler Claims Group in the manner detailed in the Notice, and postmarked no later than _____, 2014.

Any objection to the Settlement, Plan of Allocation, or Lead Plaintiffs' Counsel's request for an award of attorneys' fees and reimbursement of expenses and awards to Class Representatives must be received by the addresses indicated in the Notice by no later than _____, 2014, in accordance with the instructions set forth in the Notice.

If you have any questions about the Settlement, you may call or write to Lead Plaintiffs' Counsel:

William B. Federman
Federman & Sherwood
10205 N. Pennsylvania Ave.
Oklahoma City, OK 73120
Tel: (405) 235-1560
Fax: (405) 239-2112

PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.

DATED: _____, 2014

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

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 : ECF Case

LITIGATION :

: **EXHIBIT B**

This paper applies to: ALL CASES :

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[PROPOSED] ORDER AND FINAL JUDGMENT

On the ____ day of _____, 2014, a hearing having been held before this Court to determine: (i) whether the terms and conditions of the Stipulation and Agreement of Settlement dated April 28, 2014 (the “Settlement Stipulation”) are fair, reasonable, and adequate for the settlement of all claims asserted by the Class against Defendants China Valves Technology, Inc. (“China Valves” or the “Company”), Siping Fang, Jianbao Wang, Gang Wei, Renrui Tang, Ichi Shih, Binjie Fang, Zengbiao Yu, Peter Li, William Haus, and Bin Li (collectively with China Valves, the “Defendants”); (ii) whether judgment should be entered dismissing the claims in the Litigation as to Defendants, on the merits and with prejudice; (iii) whether to approve the proposed Plan of Allocation (described in the Notice of Pendency and Proposed Settlement of Class Action) as a fair and reasonable method to allocate the settlement proceeds among members of the Class; and (iv) whether and in what amount to award fees and reimbursement of expenses to Lead Counsel and awards to Plaintiffs;

The District Court having considered all matters submitted to it at the hearing and otherwise; and

It appearing that a notice of the Settlement Hearing substantially in the form approved by the District Court in the Preliminary Order was mailed to all Persons and entities reasonably

identifiable who purchased China Valves' common stock that is the subject of the Litigation, during the Class Period, except those Persons and entities excluded from the definition of the Class; and

It appearing that the Summary Notice of the hearing substantially in the form approved by the District Court in the Preliminary Order was published in accordance with the Preliminary Order and the specifications of the Court;

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The District Court has jurisdiction over the subject matter of the Litigation, Plaintiffs, all Class Members, and the Defendants.
2. All capitalized terms used herein shall have the same meanings as set forth and defined in the Settlement Stipulation.
3. The District Court finds that the prerequisites for a class action under Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure have been satisfied, for settlement purposes only, in that: (i) the number of Class Members is so numerous that joinder of all members thereof is impracticable; (ii) there are questions of law and fact common to the Class; (iii) the claims of the Plaintiffs are typical of the claims of the Class they seek to represent; (iv) Plaintiffs fairly and adequately represent the interests of the Class; (v) the questions of law and fact common to the members of the Class predominate over any questions affecting only individual members of the Class; and (vi) a class action is superior to other available methods for the fair and efficient adjudication of the controversy.
4. Pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure and for purposes of the Settlement only, the District Court hereby certifies the Class Action as a class

action on behalf of all those who: (i) purchased or otherwise acquired by January 13, 2011 the common stock of the Company pursuant or traceable to the Company's prospectuses issued in connection with its offering of stock on January 5, 2011; or (ii) purchased or otherwise acquired the Company's common stock from January 12, 2010 to November 18, 2010, both dates inclusive. Excluded from the Class are the Defendants, any members of Defendants' immediate families, any entity in which any Defendant has a controlling interest, directors and officers of China Valves, and the affiliates, legal representatives, heirs, predecessors, successors, and assigns of any such excluded party. Also excluded from the Class are any putative Class Members who exclude themselves by filing a timely, valid request for exclusion.

5. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for purposes of the Settlement only, Plaintiffs are certified as class representatives, and the Lead Counsel previously appointed by the District Court is hereby appointed as Lead Counsel for the Class.

6. The Settlement Stipulation, which is incorporated and made a part of this Order and Final Judgment, is approved as fair, reasonable, and adequate, and in the best interests of the Class. Plaintiffs and the Defendants are directed to consummate the Settlement in accordance with the terms and provisions of the Settlement Stipulation.

7. The claims made in the Litigation as to Defendants are hereby dismissed with prejudice. The Parties shall bear their own costs and expenses, except as otherwise expressly provided in the Settlement Stipulation.

8. Each Plaintiff, Class Member (including but not limited to any Class Member who is a party to any other action, arbitration, or other proceeding who is asserting claims related to the Released Claims against any of the Defendants or any of the Released Parties that are pending on the day of Final Approval), on behalf of themselves, their heirs, joint tenants, tenants

in common, beneficiaries, executors and administrators, successors, attorneys, insurers and assigns, and any Person they represent, hereby release and forever discharge, and shall be deemed to have released, dismissed, and forever discharged, the Released Claims against each and all of the Released Parties, with prejudice and on the merits, without costs to any party. Each Plaintiff, Class Member (whether or not any such Person submits a Proof of Claim, or otherwise shares in the Settlement Fund), on behalf of themselves and each of their predecessors, successors, assigns, personal representatives, heirs, and any other Person who purports to claim through them, is hereby deemed by this Settlement to have released and forever discharged the Released Parties from any and all of the Released Claims. Each Plaintiff, Class Member, and anyone claiming through or on behalf of any of them, is forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting against any of the Released Parties, and each of them, any of the Released Claims.

9. Defendants, including any and all of their respective successors in interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any Person or entity acting for or on behalf of, or claiming under any of them, and each of them, are hereby deemed by this Settlement to have released and forever discharged by each Plaintiff, Class Member, and Plaintiffs' Counsel in the Litigation from any and all claims, known or unknown, arising out of or relating to his filing, prosecution, or settlement of the Litigation, except for claims to enforce the Settlement. Defendants are forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or other proceeding in any court of law or equity, arbitration tribunal, administrative

forum, or other forum of any kind, asserting any and all claims, known or unknown, arising out of or relating to their filing, prosecution, or settlement of the Litigation, except for claims to enforce the Settlement against any Plaintiff, Class Member, and Plaintiffs' Counsel.

10. Each Plaintiff and Class Member, is hereby permanently barred and enjoined from prosecuting the Released Claims against the Released Parties.

11. In accordance with Section 21D-4(f)(7)(A) of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. 78U-4(f)(7)(A), the Released Persons are discharged or released from all claims for contractual contribution or other contribution or indemnification that have been or may be brought by or on behalf of any Persons relating to the Settlement of the Released Claims or based upon, arising out of, relating to, or in connection with the Released Claims of the Class, any Class Member. As of the Effective Date, any and all Persons are forever barred and enjoined from commencing, instituting, prosecuting, or continuing to prosecute any action or proceeding asserting such claim for contribution or indemnification.

12. The District Court finds that all parties and their counsel have complied with each requirement of Rule 11 of the Federal Rules of Civil Procedure as to all proceedings herein.

13. Neither this Order and Final Judgment, the Settlement Stipulation, nor any of the negotiations, documents, or proceedings connected with them shall be:

- (a) referred or used against the Released Parties or against the Class or any shareholder or unit holder purporting to represent any entity of China Valves, as evidence of wrongdoing by anyone;
- (b) construed against the Released Parties or the Class or any shareholder or unit holder purporting to represent any entity of China Valves, as an admission or

concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; or

- (c) construed as, or received in evidence as, an admission, concession, or presumption against the Class or any of them, or any shareholder or unit holder purporting to represent any entity of China Valves, that any of their claims are without merit, or that damages recoverable under the Complaint would not have exceeded the Settlement Fund.

14. Exclusive jurisdiction is hereby retained over each of the Parties, Released Parties, Class Members, and shareholder or unit holder purporting to represent any entity of China Valves, for all matters relating to the Litigation, including the administration, interpretation, effectuation, or enforcement of the Settlement Stipulation and this Order and Final Judgment, and including any application for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the Class Members.

15. Without further order of the District Court, the Parties may agree to reasonable extensions of time to carry out any of the provisions of the Settlement Stipulation.

16. There is no just reason for delay in the entry of this Order and Final Judgment, and immediate entry by the Clerk of the District Court is directed pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

17. Lead Counsel are hereby awarded \$_____ in attorneys' fees, plus interest, which the Court finds to be fair and reasonable and \$_____ in reimbursement of costs and other expenses, plus interest. The fee and expense awards shall be paid to Lead Counsel pursuant to the terms of the Settlement Stipulation. Lead Plaintiff Bristol Investment Fund, Ltd. is hereby awarded the sum of \$_____ and Plaintiff Joseph Gibbons is hereby

awarded the sum of \$ _____ as reimbursement awards for their involvement and oversight of the Litigation on behalf of the Class. The reimbursement awards shall be paid to Plaintiffs pursuant to the terms of the Settlement Stipulation.

18. The District Court hereby finds that the proposed Plan of Allocation is a fair and reasonable method to allocate the settlement proceeds among members of the Class.

19. The District Court hereby finds that the notice provided to the Class provided the best notice practicable under the circumstances. Said notice provided due and adequate notice of these proceedings and the matters set forth herein, including the Settlement and Plan of Allocation, to all Persons entitled to such notice, and said notice fully satisfied the requirements of Rule 23 of the Federal Rules of Civil Procedure and the requirements of due process. A full opportunity has been offered to the Class Members to object to the proposed Settlement and to participate in the hearing thereon. Thus, it is hereby determined that all members of the Class are bound by this Order and Final Judgment except those Persons set forth in Exhibit A.

20. In the event that the Settlement does not become final and effective in accordance with the terms and conditions set forth in the Settlement Stipulation, then this Order and Final Judgment shall be rendered null and void and be vacated, the Settlement and all orders entered in connection therewith shall be rendered null and void (except as provided in ¶¶ 6-9 and 31-33 in the Settlement Stipulation), and the parties shall be returned to their respective positions immediately before the execution of the Settlement Stipulation.

Dated: _____, 2014

Hon. Lewis A. Kaplan
UNITED STATES DISTRICT JUDGE