

**DISTRICT COURT
CLARK COUNTY, NEVADA**

*IN RE HARBIN ELECTRIC, INC.
SHAREHOLDER LITIGATION*

LEAD CASE NO.: A 627656

CLASS ACTION

**NOTICE OF PENDENCY AND PROPOSED
SETTLEMENT OF CLASS ACTION**

OFFICIAL COURT NOTICE

TO: ALL RECORD AND BENEFICIAL HOLDERS OF HARBIN ELECTRIC, INC. COMMON STOCK, OR THEIR SUCCESSORS IN INTEREST — EXCLUDING DEFENDANTS, THEIR SUBSIDIARIES, AFFILIATES, ASSIGNS, AND MEMBERS OF THEIR IMMEDIATE FAMILIES — AT ANY TIME DURING THE PERIOD FROM AND INCLUDING OCTOBER 10, 2010 (THE DATE ON WHICH HARBIN ELECTRIC, INC. ANNOUNCED THAT ITS BOARD OF DIRECTORS HAD RECEIVED A LETTER FROM TIANFU YANG PROPOSING TO ACQUIRE ALL OF HARBIN ELECTRIC, INC.’S OUTSTANDING COMMON STOCK HE DID NOT ALREADY OWN FOR \$24 PER SHARE IN CASH), THROUGH THE DATE OF CONSUMMATION OF THE PROPOSED TRANSACTION.

THIS NOTICE MAY AFFECT YOUR RIGHTS. PLEASE READ IT CAREFULLY.

The purpose of this Notice is to inform you of the pendency of and proposed settlement in the above-captioned class action (the “Action”) and the “Settlement Hearing” thereon, which is scheduled to be held on June 14, 2012, at 9:00 am, before the Honorable Elizabeth Goff Gonzalez, District Court, Regional Justice Center, Courtroom 14C, 200 Lewis Avenue, Las Vegas, Nevada 89101 (the “Court”). During the Settlement Hearing, the Court will determine: (1) whether the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Settlement Class; (2) whether a Judgment should be entered dismissing with prejudice all claims that were or could have been asserted against Defendants in the Action; and (3) whether the agreed to attorneys’ fees and expenses should be paid to Plaintiffs’ Counsel. If you are a member of the Class, this Notice will inform you of how you may enter your appearance in the Action, object to the proposed Settlement and have your objection heard at the Settlement Hearing.

The “Settling Parties” are Plaintiff Jack M. Ebner, the Court-designated class representative, for himself and on behalf of the class of shareholders of Harbin Electric Inc. (“Harbin” or the “Company”), described below as previously certified by the Court on July 29, 2011, and Defendants Harbin, Ching Chuen Chan, Boyd Plowman, David Gatton, and Tianfu Yang (collectively, “Defendants”) who are all the named Defendants in the Action. The Settling Parties believe that the terms of the Settlement are fair, reasonable, and adequate. The Settling Parties have concluded that further litigation of the Action could be protracted and expensive, and have taken into account the uncertainty and risks inherent in any litigation, especially in complex shareholder litigation like the Action. The Parties therefore believe it is desirable that the Action be fully and finally settled in the manner described in the Stipulation of Settlement.

BACKGROUND AND HISTORY OF THE ACTION

On October 10, 2010, Harbin announced that Mr. Tianfu Yang, the Company’s Chairman and Chief Executive Officer, had proposed to the Company’s Board of Directors that he and an investment fund affiliated with Baring Private Equity Asia Group Limited (“Baring”) would “acquire all of the outstanding shares of common stock . . . of the Company not currently owned by Mr. Yang and his affiliates in a going private transaction for \$24.00 per share in cash, subject to certain conditions” (the “Proposal”).

On October 11, 2010, Harbin announced the receipt of the Proposal and that its Board of Directors had formed a Special Committee of the Board comprised solely of independent and disinterested directors — Professor Ching Chuen Chan, David Gatton, and Boyd Plowman — to consider the Proposal, among other things.

On October 29, 2010, Harbin issued a press release announcing that the Special Committee had retained Morgan Stanley as its financial advisor and Gibson Dunn as its legal counsel to assist it in its work.

Between October 13, 2010 and November 1, 2010, seven actions were filed in Nevada state and federal courts challenging the Proposal.¹

Between October 15, 2010 and October 25, 2010, three actions were filed in the Supreme Court for the State of New York, Suffolk County, also challenging the October 10, 2010 proposal (the “New York Action”).²

On May 3, 2011, the Court appointed Faruqi & Faruqi, LLP, Rigrodsky & Long, P.A., and Cooksey, Toolen, Gage, Duffy & Woog as Co-Lead Counsel for Plaintiffs and the putative class (“Plaintiffs’ Counsel”).

On May 19, 2011 the Court consolidated the *Necuze Action*, the *Elliott Action*, the *Hurewitz Action*, the *Fisher Action* and the *Rosen Action* under the caption *In re Harbin Electric, Inc. Shareholder Litigation* No. A-10-627425-C.

On June 10, 2011, Plaintiff Necuze voluntarily dismissed his action because he no longer had standing to pursue claims on his behalf or on behalf of the Class.

On June 20, 2011, Harbin announced that the Company had entered into a definitive merger agreement (the “Merger Agreement”) with (1) Tech Full Electric Company Limited, a Cayman Islands company wholly owned indirectly by Mr. Tianfu Yang, the Company’s Chairman and Chief Executive Officer, and (2) Tech Full Electric Acquisition, Inc. Tech Full Electric Company Limited and Tech Full Electric Acquisition, Inc. are collectively referred to as “Tech Full.” Subject to the terms and conditions of the Merger Agreement, each of the Company’s shares of common stock issued and outstanding immediately prior to the effective time of the merger (“Shares”) will be converted into the right to receive \$24.00 in cash without interest, except for Shares owned by Tech Full and certain of the Company’s employees and officers (the “Proposed Transaction”).

On June 27, 2011, *Ebner v. Harbin Electric, Inc.* was filed in Clark County on behalf of Plaintiff Jack M. Ebner and a putative class of shareholders of Harbin challenging the Proposed Transaction, and on July 14, 2011, the Court consolidated that action with *In re Harbin Electric, Inc. Shareholder Litigation*, Lead Case No. A-10-627656-C.

On July 13, 2011, Harbin filed with the U.S. Securities and Exchange Commission (the “SEC”) on Schedule 14A a Preliminary Proxy Statement and Notice of Special Meeting of Stockholders (the “Preliminary Proxy Statement”). Also on July 13, 2011, Harbin, Tech Full, and others filed with SEC on Schedule 13E-3 their Rule 13E-3 Transaction Statement.

On July 20, 2011, Plaintiff filed an Amended Consolidated Complaint (the “Complaint”) in the consolidated action and served a first request for production of documents to all defendants.

On July 26, 2011, after extensive negotiation, the parties filed a Stipulation and Proposed Order For Case Management to establish a schedule for discovery to be undertaken in the Action, and for briefing of the Plaintiff’s anticipated motion for preliminary injunction. The Court entered that Order on July 28, 2011.

On or about July 27, 2011, Plaintiff served subpoenas on Morgan Stanley & Co. LLC (“Morgan Stanley”) and Lazard Freres & Co. (“Lazard”), respectively. Morgan Stanley and Lazard served as financial advisors to the Special Committee of the Board of Directors of Harbin (the “Special Committee”).

On July 29, 2011, upon Stipulation of the Parties, the Court certified this Action as a class action under Nevada Rule of Civil Procedure 23(a), 23(b)(1) and 23(b)(2) without opt-out rights on behalf of all record and beneficial holders of Harbin Electric, Inc. common stock, or their successors in interest, excluding defendants, their subsidiaries, affiliates, assigns and members of their immediate families, at any time during the period from and including October 10, 2010 through the date of consummation of the Proposed Transaction (the “Class”).

¹ *Hurewitz v. Harbin Electric, Inc.* (the “*Hurewitz Action*”) was filed on October 13, 2010 in the First Judicial District Court of the State of Nevada in and for Carson City; *Necuze v. Harbin Electric, Inc.* (the “*Necuze Action*”) was filed on October 15, 2010 in Clark County; *Elliott v. Harbin Electric, Inc.* (the “*Elliott Action*”) was filed on October 19, 2010 also in Clark County; *Fisher v. Harbin Electric, Inc.* (the “*Fisher Action*”) was filed on October 22, 2010 in the First Judicial District Court of the State of Nevada in and for Carson City; and *Rosen v. Yang* (the “*Rosen Action*”) was filed on October 28, 2010 in the Second Judicial District Court of the State of Nevada in and for the County of Washoe. *Sellier v. Harbin Electric, Inc.* was filed on October 13, 2010, and *Sweeney v. Harbin Electric, Inc.* was filed on November 1, 2010 (the “*Sweeney Action*”), both in the United States District Court for the District of Nevada. On November 22, 2010, and December 3, 2010, respectively, Harbin moved to dismiss or, alternatively, to stay the *Sweeney* and *Sellier* Actions in favor of the Nevada state court actions. On March 11, 2011, Plaintiff Sellier voluntarily dismissed his action. On July 27, 2011, the United States District Court dismissed the *Sweeney* action.

² *Norfolk County Retirement System v. Yang* (the “*Norfolk Action*”) was filed on October 15, 2010, *Yun v. Harbin Electric, Inc.* (the “*Yun Action*”) was filed on October 22, 2010, and *Gould v. Yang* (the “*Gould Action*”) was filed on October 25, 2010. On January 18, 2011, pursuant to a stipulation among the parties, the New York Supreme Court consolidated the *Norfolk*, *Yun* and *Gould* Actions (“*New York Action*”). On April 5, 2011, Harbin and Mr. Yang, the only defendants in the *New York Action*, moved to dismiss the Amended Consolidated Class Action Complaint, or in the alternative, stay the *New York Action*. By Order dated August 19, 2011, the Honorable Elizabeth Hazlitt Emerson dismissed the *New York Action*.

Between August 3 and August 11, 2011, Defendants and third parties Morgan Stanley and Lazard, produced thousands of documents including but not limited to emails, presentations, and electronic documents relating to the Merger, which Plaintiffs' Counsel reviewed and analyzed.

On August 12 and August 15, 2011 respectively, Plaintiff deposed (a) a representative of Morgan Stanley; and (b) Defendant Boyd Plowman, Chair of the Special Committee.

The Parties thereafter participated in arm's length negotiations that resulted in a settlement of the Action (the "Settlement"). As part of the Settlement Harbin agreed to provide additional disclosures (the "Supplemental Disclosures") concerning the Proposed Transaction to Harbin's public shareholders in amendments to the Preliminary Proxy Statement as well as in the definitive proxy statement (the "Definitive Proxy") which was to be sent to Harbin's shareholders prior to voting on the Proposed Transaction. Among other things, Plaintiffs' Counsel negotiated what it contends are several substantive additions to the Company's disclosures concerning the Proposed Transaction and the process by which the Company's Board negotiated the Proposed Transaction and ascertained the fairness of the per share price offered. In particular, Plaintiffs' Counsel secured additional disclosures concerning the Proposed Transaction and the process by which the Company's Board negotiated the Proposed Transaction and ascertained the fairness of the per share price offered. In particular, Plaintiffs' Counsel secured what it contends are important additional disclosures concerning defendant Yang's involvement in the process and his relationship with other potential bidders for the Company, conflicts of interest among Abax, defendant Plowman and Morgan Stanley and the circumstances surrounding the hiring of a second financial advisor in connection with the Proposed Transaction, consideration of alternative plans for the Company including delisting and relisting on another exchange, key inputs and assumptions regarding the financial advisors' analyses. In addition, Plaintiffs' Counsel contends that its efforts caused the Company to provide an in-depth discussion of the source and soundness of the projections the Special Committee and its financial advisors used to prepare a range of valuations for the Company. Plaintiffs' Counsel contends that these disclosures made investors better aware of the Special Committee's consideration of strategic alternatives and provided a more understandable summary of the per share values projected if the Company rejected the Proposed Transaction in favor of any such strategic alternative.

On September 29, 2011, Harbin filed the Definitive Proxy with the SEC regarding the Proposed Transaction, which Definitive Proxy included the Supplemental Disclosures negotiated between the Settling Parties.

The above-described discussions and negotiations culminated in a memorandum of Understanding dated October 5, 2011, by and among Plaintiff and Defendants that provided the terms for settling the Action.

On October 7, 2011, Harbin filed with the SEC an Amendment to Merger Agreement. Pursuant to the Amendment, the parties to the Merger Agreement agreed that the amount of the termination fee potentially payable by the Company pursuant to the Merger Agreement shall be reduced from \$22,500,000 to \$19,750,000.

On October 29, 2011, shareholders representing approximately 90.6% of the outstanding shares of Harbin Electric common stock voted to approve the Proposed Transaction. Approximately 84.2% of total unaffiliated shares of Harbin Electric, satisfying the majority of unaffiliated stockholders voting requirement set forth in the Merger Agreement voted to approve the Proposed Transaction.

THE SETTLEMENT

The Definitive Proxy was filed with the SEC and disseminated to shareholders on or about September 29, 2011. Class Members may access this document on the SEC's website at www.sec.gov. Harbin made the Supplemental Disclosures in its Definitive Proxy, in part, to address certain of the disclosure claims raised in the Action. In addition, the parties to the Merger Agreement executed an amendment to the Merger Agreement reducing the amount of the termination fee payable by the Company under certain circumstances (the "Reduced Company Termination Fee"). The Settling Parties agree that the Supplemental Disclosures and the Reduced Company Termination Fee constitute a benefit to all Class Members and allowed them to make a more fully informed decision with respect to the Proposed Transaction. Defendants further acknowledge that the Supplemental Disclosures were based, in part, on consultation and negotiation with Plaintiffs' Counsel.

Plaintiff has agreed to dismiss the Action with prejudice, which dismissal will be incorporated into a Final Judgment and Order. All Class Members will be bound by any final judgment entered by the Court. The claims of the Class that were asserted in the Action will be released as provided in the Stipulation, and members of the Class will be barred from seeking other further relief on such claims.

ATTORNEYS' FEES AND EXPENSES

Plaintiffs' Counsel will seek approval of a fee of \$625,000, plus reimbursement of costs and expenses in an amount up to \$25,000 (the "Fee and Expense Award") at the Settlement Hearing, which amount will be paid by Harbin or its successor(s) in interest. The Fee and Expense Award is not opposed by Defendants.

INCENTIVE PAYMENT

Plaintiff reserves the right to seek a modest incentive payment, related to his service as class representative. In seeking that award, Plaintiff will ask for no additional amount from the Defendants. Rather, Plaintiff will seek any such incentive payment as a reduction to whatever fee the Court ultimately awards to his counsel. Defendants intend to oppose any application for an incentive payment.

RELEASES

(a) Upon the Effective Date of the Settlement (i.e., the 31st day after the entry of the Final Judgment or when it is no longer subject to judicial review by appeal or otherwise), Plaintiff and each Class member for themselves and for their spouses and former spouses, present, former, and future heirs, executors, administrators, representatives, agents, attorneys, partners, successors, predecessors-in-interest, and assigns, will be deemed to have released and forever discharged (i) Harbin, Tech Full, Tianfu Yang, Lanxiang Gao, Ching Chuen Chan, Boyd Plowman, David Gatton, Yunyue Ye, Abax Global Capital (Hong Kong) Limited, Abax Global Capital, Baring Private Asia Group Limited, Morgan Stanley, Lazard, and Ernst & Young, (ii) any person or entity which is, was or will be related to or affiliated with any or all of them or in which any or all of them has, had or will have a controlling interest, and (iii) the respective past, present or future family members, spouses, heirs, trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, shareholders, principals, officers, directors, managers, members, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, advisors, consultants, bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, attorneys, representatives, accountants, insurers and reinsurers, and associates, of each and all of the foregoing (the "Released Parties") from any and all claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, actions, potential actions, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims, that any plaintiff or any or all members of the Class ever had, now have, or may have, or otherwise could, can or might assert, whether direct, derivative, individual, class, representative, legal, equitable (including, without limitation, for any breach of fiduciary duties) or of any other type, or in any other capacity, against any of the Released Parties, whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule (including but not limited to any claims under federal securities laws or state disclosure law or any claims that could be asserted derivatively on behalf of Harbin), which, now or hereafter, are based upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the actions, transactions, occurrences, statements, representations, misrepresentations, omissions, allegations, facts, practices, events, claims or any other matters, things or causes whatsoever, or any series thereof, that were, could have been, or in the future can or might be alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, directly or indirectly, any of the Actions or the subject matter of any of the Actions in any court, tribunal, forum or proceeding, including, without limitation, any and all claims which are based upon, arise out of, relate in any way to, or involve, directly or indirectly, (i) the Proposal and the Proposed Transaction, (ii) any deliberations or negotiations in connection with the Proposed Transaction, including the process of deliberation or negotiation by each of Harbin, Tech Full and any of their respective officers, directors or advisors, (iii) the consideration to be received by Class members in connection with the Proposed Transaction, (iv) the Preliminary Proxy Statement, Amended Preliminary Proxy Statements and Definitive Proxy or any other disclosures, SEC filings, public filings, periodic reports, press releases, proxy statements or other statements issued, made available or filed relating, directly or indirectly, to the Proposed Transaction, including without limitation claims under any and all federal securities laws (including claims within the exclusive jurisdiction of the federal courts), (v) the fiduciary obligations of the Released Parties in connection with the Proposed Transaction, (vi) the fees, expenses or costs incurred in prosecuting, defending, or settling the Action, or (vii) any of the allegations in any complaint or amendment(s) thereto filed in any of the actions (the "Released Claims"); provided, however, that the Released Claims shall not include the right to enforce the Stipulation or the Settlement.

(b) All counsel and the Released Parties are also conclusively deemed to have released all members of the Class and Plaintiffs' Counsel from all claims and causes of action which were or could have been brought in connection with or relating in any way to the Action and/or its institution, prosecution, or resolution. All Class Members are, upon the Effective Date, conclusively deemed to have released Plaintiff and Plaintiffs' Counsel from all claims and causes of action that are based upon or arise out of the institution, prosecution, or resolution of the Action or the Released Claims.

RIGHT TO OBJECT

Any Class Member may file a written objection to the Settlement and/or the Fee and Expense Award with the Court. Any such objection must be mailed to the Clerk of the Court, and to Plaintiffs' Counsel and Defendants' Counsel, at the following respective addresses by May 31, 2012. Any objection to the Settlement and/or the Fee and Expense Award must identify: (1) the objector's name, address, and telephone number; and (2) the number of shares of Harbin's common stock the objector owned on and after October 10, 2010, and the date(s) of purchase and date(s) of disposition of such shares.

THE COURT

Clerk of the Court
District Court Clark County
Regional Justice Center
200 Lewis Avenue,
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Unless you follow the procedures outlined above, you will be barred from objecting to the Settlement or the Fee and Expense Award. If you do not oppose the proposed Settlement or the Fee and Expense Award, you need not appear at the Settlement Hearing.

THE SETTLEMENT HEARING

The proposed Settlement and Fee and Expense Award are subject to approval by the Court. On June 14, 2012, at 9:00 a.m. in the District Court, Clark County, Nevada, Regional Justice Center, 200 Lewis Avenue, Las Vegas, Nevada, 89101, the Settlement Hearing will be held to determine: (1) whether the proposed Settlement is fair, reasonable, and adequate and in the best interests of the Class and should therefore be approved; (2) whether a Judgment should be entered dismissing with prejudice all claims that were or could have been asserted against the Defendants in the Action; and (3) whether the agreed to Fee and Expense Award should be paid to Plaintiffs' Counsel.

If you file a timely written objection to the Settlement or the Fee Expense Award, you may appear at the hearing in person or through an attorney retained at your own expense. If you wish to appear at the Settlement Hearing, you must notify the Court and counsel IN WRITING of your intention to do so, with your written objection filed as described in this Notice. Do not call or personally contact the Court about matters set forth in this Notice.

EXAMINATION OF PAPERS

You may inspect the complete Stipulation, the Complaint, and other papers filed in the Action at the office of the Clerk of the District Court, Clark County, Nevada, Regional Justice Center, 200 Lewis Avenue, Las Vegas, Nevada, 89101, during its regular hours of operation.

ADDITIONAL INFORMATION

DO NOT CONTACT THE COURT CONCERNING THIS NOTICE OR THE ACTION. If you have questions, contact your own attorney, or, if you would like more information about this Notice of the Action, you may contact:

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By Order of the District Court

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In re Harbin Electric, Inc. Shareholder Litigation
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