

China Electronics Holdings, Inc.



Stock Symbol-	CEHD.OB
Market Cap-	\$ 71.1 million
Recent Price-	\$5.20
Intermediate Target Price	\$7.75
52 week trading range:	\$2.90- 5.33
Shares Outstanding:	16,783,113

CORPORATE INFORMATION

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CHINA ELECTRONICS HOLDINGS, INC.

China Electronics Holdings, Inc has been based in Lu’an City, Anhui Province, central China since its founding in 2001 and sells household appliances and consumer electronics of major manufacturers through a network of more than 1,000 retail stores in rural areas of the PRC’s fourth-and- fifth tier markets. The company maintains a web site at: <http://www.chinaelectronics Holdings.com>.

News Flash: On September 27, 2010, the Company announced that it opened 8 new stores in its core rural markets and is operating outlets in neighboring Hubei Province. “These franchise stores in Macheng and Gushi have expanded China Electronics further beyond our home markets of Anhui Province,” said China Electronics Chairman and Founder Hailong Lui. “We are committed to meeting our objective to expand geographically and add 100 new direct stores as a U.S. public Company,” Chairman Lui reiterated.

We have learned that approximately 56% of China’s population still resides in rural areas of the PRC, making rural residents the largest consumer group in the country. After many years of economic reforms, the average income of people living in China’s rural areas has gradually increased. We also learned that the rural market is largely untapped and has enormous potential for growth. This rural consumer group may have tremendous purchasing power and is increasing as the Chinese government encourages rural communities to modernize.

We feel that the Chinese government’s reforms have and will play a huge role in the success of CEHD.

The PRC central government has decided to expand internal demand by increasing the income of the rural population. If improvements continue in the rural power network, rural transportation, and rural communication, the rural market will be extremely favorable for home appliances and electronics. All good news for CEHD.

Now add in that the Chinese government has initiated a rural home appliance and electronics rebate program, called “Rural Consumer Electronics” plan, which provides that the maximum sales price of electronics is fixed at a price which is usually equal to or less than the market price in urban areas for the same product. Meanwhile, rural consumers can get a 13% government rebate on their purchases of electronics. More good news for CEHD.

WHY YOU SHOULD CONSIDER CEHD

China Electronics through its PRC subsidiary Lu’an Guoying Electronic Sales Company, Ltd. (the Company) operates a network of 600 franchise stores, 412 direct stores, and 3 company-owned locations in primarily rural areas of central China’s Anhui Provinces under the brand of Guoying. Revenues for the end of the 1st quarter 2010 showed \$26,598,134 compared to 2009 1st Quarter revenues of \$7,183,590, an increase of 270.4%. Profits for the 1st quarter 2010 were \$4,279,764 compared to 2009 1st quarter profits of \$1,056,042, an increase of 305%. Using an estimate of 17 million shares, the 1st quarter 2010 EPS was \$.25 compared to EPS for 1st quarter 2009 of \$.062, an increase of 303%.

China Electronics also produces Guoying brand refrigerators under its own trademark, selling a total of 30,000 refrigerators in 2007, 46,000 in 2008, and 62,000 in 2009. The company expects to see sales of over 77,000 in 2010 and forecasts sales to be 100,000 in 2011 in PRC Provinces Anhui, Henan and Hebei.

China Electronics’ Guoying subsidiary is the exclusive wholesaler in the Lu’an area for products under the brand names Sony, LG, Samsung, Shanghai Shangling, Chigo, Huayang and Huangming. Guoying is the general sales agency of Sino-Japan Sanyo electronic products, such as Sanyo TVs, air conditioners, washing machines and microwave ovens. Guoying has teamed up with Huangming, the two largest manufacturers of solar thermal products in China, to be their exclusive retail outlet in Anhui.

Many years of economic reforms have allowed the average income of people living in China to gradually increase. We have learned that the rural residents hold more than \$120 billion US in savings and \$106 billion US in cash. A survey done by the China Electronic Product Association showed that 14 to 33% of rural families are willing to spend their money on televisions, DVDs, washers and dryers, and telephones in the next few years.

It is clear that CEHD could stand to benefit from all these government programs geared to rural residents and that CEHD appears to be positioned to assist in providing people in these areas the electronic goods they need to purchase for the years to come. If revenues and profits continue to increase the rest of the year, and so far the first nine months have produced \$15.1 million in net income or \$0.95 per share earnings, and they follow their business plan, we feel our intermediate term target price of \$7.75 is obtainable.

