

Initiation Report
 Heli Electronics Corp.
 Recent Price:
 Recommendation:
 Price Target:

June 22, 2010
 OTC BB: HELI.OB
 \$0.10
 Strong Buy
 \$0.52

Summary: Heli Electronics Corp. is a leading distributor of audio/visual products throughout China and represents Haier Electronics A/V products. Haier is a \$5 billion global manufacturer of appliances/consumer goods based in China with sales in dozens of countries. HELI is a pure play on the booming domestic consumer market in China. <http://www.helielectronics.com/public/>

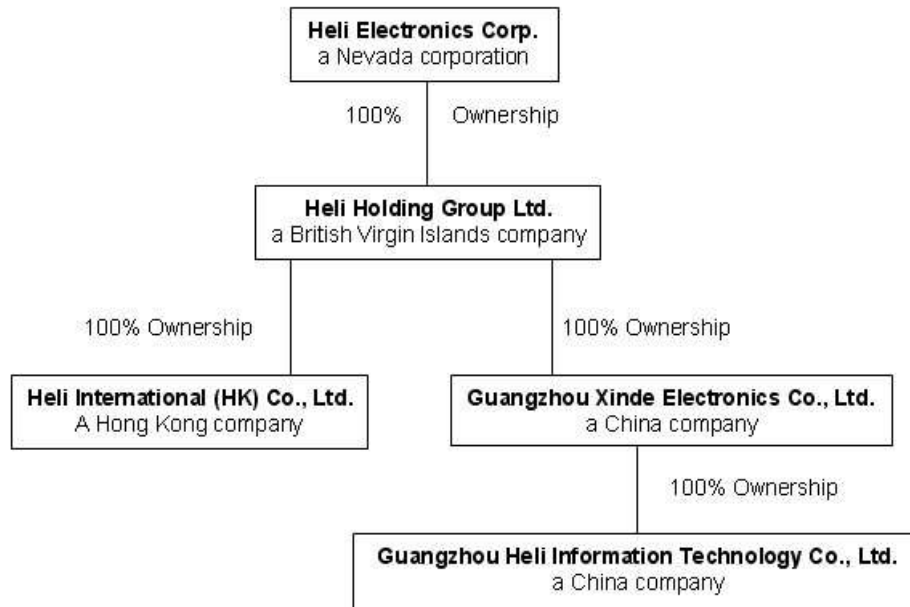
At a Glance			
TICKER	HELI	EST 2010 Sales, US\$	\$94.0 mil
FISCAL	Dec 31	FORWARD PRICE/SALES	0.2
SECTOR	Consumer Goods	PRICE/BOOK VALUE (mrq)	6.8
RECENT PRICE (12/21/09)	\$0.10	SHARES OUTSTANDING (June 16,2010) Fully Diluted	266 mil
TARGET PRICE-12-18 Month	\$0.52	FLOAT	121.7 mil
MARKET CAP \$mil	\$27	DAILY VOLUME(50 DAY)	N/A
PRICE/FWD OP CASH FLOW	4.9	INSIDER SHAREHOLDERS ,mil	144.3 mil
2009 Revenue, US\$	\$29.8 mil	CEO	Xin Qiu

Investment Rationale:

- Major distributor for A/V products of Haier Electronics Group Ltd (Hong Kong: 1169, Shanghai: 600690), a \$5 billion manufacturer of a broad product line of appliances.
- A pure play on growing consumer market in China; not dependent on exports.
- Product line (multimedia stereo speakers, home theatre system and similar) are popular electronic consumer goods with young/middle aged consumers.
- Explosive growth history: last 12 months revenue \$42 million vs. \$815,000 in 2008.
- Peer group (comparable revenue/sector) **averaging 113% annual growth rate over the last two years:** validates projections.
- Positioned to exploit transition from “unorganized-small stand alone merchants” to modern, professional retailing in China.
- Benefit from \$2.2 billion Government subsidy for rural residents to purchase appliances <http://www.businessweek.com/news/2010-05-11/china-subsidy-for-rat-proof-refrigerators-feeds-appliance-boom.html> Appliance sales are up 510% in first four months of 2010.
- Aggressive, professional management team.
- Growth can be sustained without raising capital due to very high inventory turnover, control of working capital and profitability (return on equity 2010 est. 75%)
- Multiple distribution channels: retail stores, large appliance supermarkets (Gome, Huihai, and Suning), TV shopping, internet. Sales in 24 Provinces- 80% of country.

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History. Guangzhou Heli Information Technology Co.,Ltd (Heli IT) was incorporated in China in 2008 to pursue the A/V business. In 2010 Heli IT effected a reverse merger with Heli Electronics Corp,(Heli) a Nevada corporation so that Heli IT became a wholly owned subsidiary of Heli. The corporate structure is shown below:



On June 15, 2010 a share exchange was completed in which 599,000,000 share of Heli were cancelled and 144,280,000 shares were issued to the owners of Heli Holding Group Ltd. The shares were exempt from registration pursuant to Regulation S. The share structure is:

Authorized number common shares	12,000,000,000
Outstanding	266,000,000
Insiders	144,280,000
Free float	121,720,000

Mr. Xin Qiu, President, CEO and Director owns 51.5% of the outstanding shares.

Business Plan

Problem Addressed: Increasing demand for quality consumer goods.

Proposed Solution: Quality products, modern retailing practices.

Products: Multimedia stereo systems, mini-combinations and home theatre systems manufactured by Haier Electronics Corporation.

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TP Series multimedia stereo system



MDV-H9815 Mini Combination



G1 Home Theater System



Pricing: Heli products retail for RMB 50 (US\$ 7.35) to RMB 25,000 (US\$ 3,676). The Company averages 12% gross margins.

Advertising and Promotion. Heli capitalizes on their primary manufacturer (Haier) who has been ranked as the leading supplier in China for the last six years (Source: Heli).

Heli receives products at their Guangzhou warehouse which is 20,000 square meters that are produced locally by Haier.

Domestic Economy and Growth. According to PRC Government statistics, household appliances and AV equipment grew 27% in May vs the prior year, and year to date demand is up almost 30% vs last year. This is validated by the 38% growth in real estate development and the two are inter related as new households are built consumers will acquire appliances and AV products.

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National Bureau of Statistics of China- Main Statistical Data in May

Indicators	May		Jan-May	
	Absolute Magnitude	Increased YoY (%)	Absolute Magnitude	Increased YoY (%)
2. Investment in Fixed Assets in the Whole Country (100 million yuan)	...	...	67,358	25.9
Of which: State-owned and State Holding	...	...	28,064	21.7
Of which: Real Estate Development	...	...	13,917	38.2
3. Total Retail Sales of Consumer Goods (100 million yuan)	12,455	18.7	60,339	18.2
Household Appliances and AV Equipment	394	27.1	1,581	29.8

Source: http://www.stats.gov.cn/english/newsandcomingevents/t20100611_402649308.htm

Consumer Electronics a Growth Industry

- In 2012, the global consumer electronics market is forecast to reach \$261 billion, an increase of 30.6% from 2007⁽¹⁾.
- China's consumer electronics market increased at a CAGR of 11.7 1% during 2002-2006 and is expected to grow at a CAGR of 12% during the forecasted period (2007-2011)⁽²⁾.
- Among the E7 developing countries, China is ranked as the most attractive consumer electronics market from investment point of view (2).

(1) Consumer Electronics: Global Industry Guide by Datamonitor

(2) Research and Markets, 2008

In summary, the strong economic growth in China should continue and per capita income will increase accordingly. As consumers gain income they will be purchasers of consumer goods including the types of products sold by the Company.

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Valuation

A complete set of financial statements have been prepared on a pro forma basis. A Valuation was done in two methods: a Peer Group comparison of selected valuation factors, and a discounted cash flow model.

The Peer Group included four companies in consumer oriented sectors producing goods and services for sale in China. A comparison of the valuation factors for the Peer Group and HELI is shown in Table 1. The factors are Price to Sales (last 12 months), price/earnings, price/tangible book value, enterprise value/EBITDA. Based on an average of the Peer Group values, the current value of HELI should be \$0.17/share.

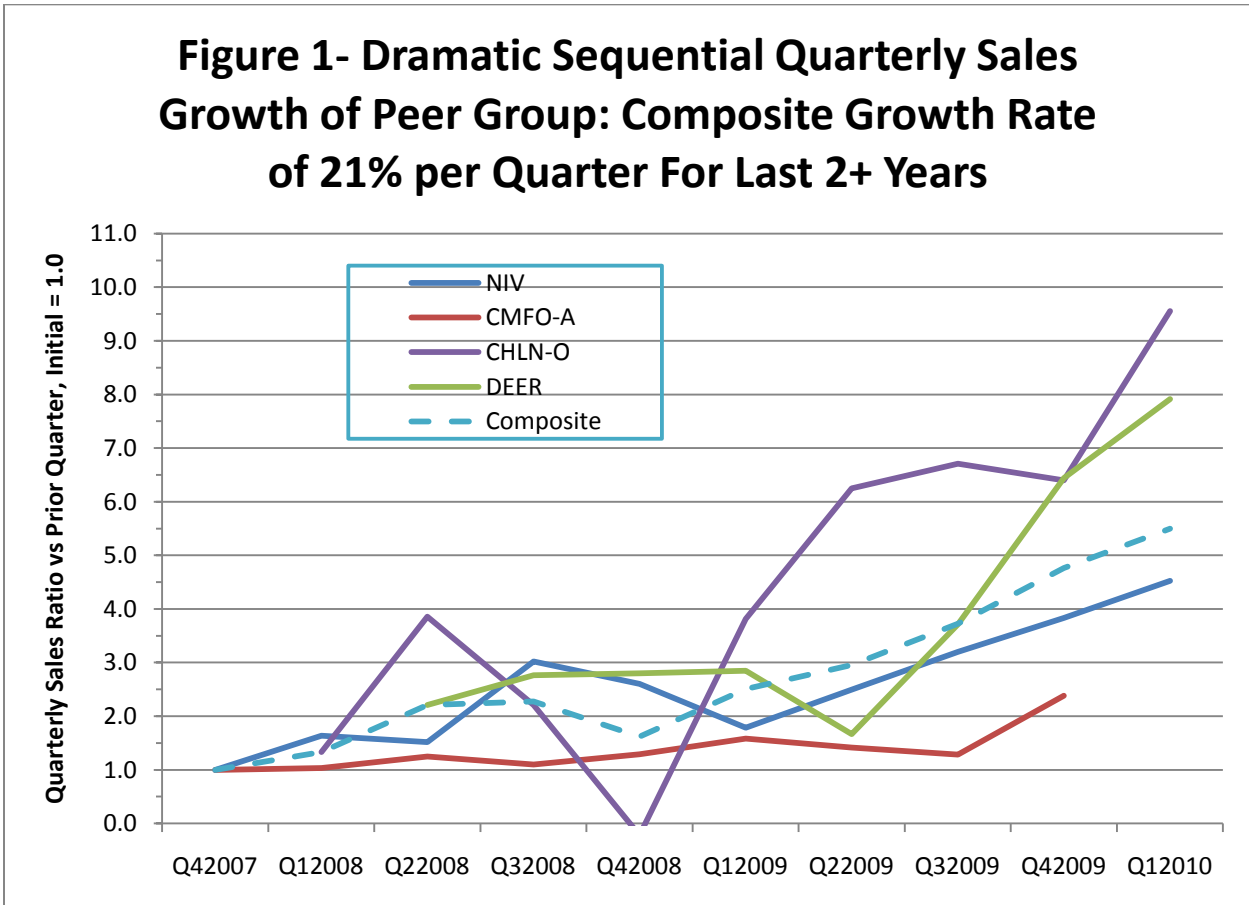
Peer Group Analysis								
Symbol	EPS Last Q	Revenue Growth, Last Q Sequential	Revenue Growth Prior Quarter	Price to sales - LTM	Price to Tangible Book	P/E ex extra items	EntValue /EBITDA	Avg
Peer Group Average	\$0.02	44.1%	141.7%	1.7	2.3	16.7	9.0	
HELI 6/20/2010	0.01	-	194%	0.6	6.8	8.1	6.0	
HELI Valuation Based on Peer Group Average								
Current Value				\$0.27	\$0.03	\$0.21	\$0.15	0.17

Projecting these factors for HELI forward to the end of FY 2011 enables one to estimate a value at that time. Multiplying the Peer Group average times the projected HELI value on 12/31/2011 gives a range of values from \$0.17 to \$0.82, and an average of \$0.54.

Peer Group Analysis- Future Value								
Symbol	EPS Last Q	Revenue Growth, Last Q Sequential	Revenue Growth Prior Quarter	Price to sales - LTM	Price to Tangible Book	P/E ex extra items	EntValue/ EBITDA	Avg
Peer Group Average	\$0.02	44.1%	141.7%	1.7	2.3	16.7	9.0	
HELI- Estimated Values 12/31/11	-	-	-	0.2	1.3	2.6	2.0	
HELI Valuation Based on Peer Group Average								
Future Value 12/31/11, \$/sh				\$0.82	\$0.17	\$0.63	\$0.46	\$0.54

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The DCF Analysis is highly dependent on the assumptions and the most critical is the growth rates. HELI is on track to grow over 200% this year. As shown with the Peer Group, this is not unreasonable. In addition, the Peer Group has been averaging 20% sequential quarter to quarter growth which equals 113% per year for the last two plus years.



In addition, Business Week reports appliance sales in rural China are up 510% in the first four months of 2010 due to Government subsidies. HELI should be able to participate in this extraordinary surge in sales.

<http://www.businessweek.com/news/2010-05-11/china-subsidy-for-rat-proof-refrigerators-feeds-appliance-boom.html>

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As shown in Table 3, the net present value of the cash flows is \$0.50/share assuming a discount rate of 10%. The Table below shows the high sensitivity to the key assumptions of growth and discount rate. Case A is 20% lower growth each year, and the NPV is reduced 28% to \$0.36. Doubling the discount rate to 20% reduces the NPV 54% to \$0.23 (Case B). Case C is both lower growth and higher discount rate, and the NPV is reduced further to \$0.18/share.

Sensitivity Analysis				
	Base Case	A	B	C
Growth rate	Base Case	-20%	Base Case	-20%
Discount Rate	10%	10%	20%	20%
NPV,\$/sh	\$0.50	\$0.36	\$0.23	\$0.18

Case A seems reasonable given the base case growth assumptions are somewhat arbitrary and extend for a long period of time. Over the next two quarters, if the growth assumptions are confirmed, the Base Case values may be a viable target price.

Valuation Summary The Peer Group and DCF methods give share price estimates as follows:

Valuation Summary			
	Peer Group	DCF	Average, \$/sh
Current Price, \$/sh	\$0.17	\$0.36	\$0.27
Future Price, 18 mo	\$0.54	\$0.50	\$0.52

The 12-18 month Target Price of \$0.52/share is taken as the average future price of the two methods.

Management Team and Board of Directors

Xin Qiu, President, Chief Executive Officer and Director

Mr. Qiu currently serves as the President, CEO and Chairman of the Board of Guangzhou Heli Information Technology Co., Ltd. located in Guangzhou, Guangdong Province. He graduated from Nanchang University in Nanchang, Jiangxi Province, in July 1995, with a degree in Accounting. From June 2000 until March 2008, he worked for AVTE Electronics Co., Ltd. in Guangzhou, where he served as Vice President, and oversaw sales and marketing of the company. He founded Guangzhou Heli Information Technology Co., Ltd in March 2008. His expertise lies in marketing household electronics, electrical appliances and computer peripherals.

Hong Liu, Chief Financial Officer, Principal Accounting Officer Secretary and Treasurer

Ms. Liu is currently the CFO and Secretary of Guangzhou Heli Information Technology Co., Ltd., in Guangzhou. She graduated from the Jilin University of Finance and Economics (Changchun, Jilin Province, China), with a degree in Finance in June 2007. From December 2006 until April 2007, she served as an Accountant Intern at Shenzhen Shiwei Chuang Electronics Technology Co., Ltd in Shenzhen, Guangdong Province. From May 2007 until November 2009, she served as Financial Manager at Shenzhen Puguang Trading Co., Ltd. (Joint Venture Company) in Shenzhen, overseeing the company's finances. From December 2009 until the present, she has served as the Financial Manager and currently as CFO (as of June 2010) of Guangzhou Heli Information Technology Co., Ltd. Currently, her responsibilities include overseeing the finances of Guangzhou Heli Information Technology Co., Ltd. as well as cost analyzing, budgeting, and developing financial plans. She has also served as Corporate Secretary since June 2010.

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Guozhong Ao, Chief Operations Officer

Mr. Ao is currently the Chief Operations Officer and a Director of Guangzhou Heli Information Technology Co., Ltd., in Guangzhou. He Graduated from the Hunan University of Science and Technology (Xiangtian, Hunan Province) in June 1999 with a degree in Mechatronics (Mechanics and Electronics Engineering). From August 2004 until January 2006, he served as Project Engineer in Shenzhen ALEPH Electronics Co., Ltd. in Shenzhen, Guangdong Province. He was responsible for designing and testing sensors and other security products. From February 2006 until December 2008, he served as R&D Department Manager at Shenzhen Luckystar Holdings Co., Ltd. in Shenzhen. There he was responsible for overseeing R&D for plastics injections and mold making. From March 2008 until January 2010, he served as R&D Department Manager at Shenzhen Sowell Technology Co., Ltd. in Shenzhen, where he oversaw R&D of digital receivers. From March 2010 until the present, he has served as General Manager of Guangzhou Xinde Electronics in Guangzhou, China. He is now concurrently serving this in addition to his duties at Guangzhou Heli Information Technology Co., Ltd.

Yaoyun Zheng, Executive Vice President of Sales and Marketing

Mr. Zheng is currently the Marketing Director of Guangzhou Heli Information Technology Co., Ltd located in Guangzhou, Guangdong Province, China. In July 1991, he graduated from Zhaoqing University in Zhaoqing, Guangdong Province with a degree in Electronics and Electrical Equipment. He joined Guangzhou Haoyong Industrial Co., Ltd., an electronics company, in October 2001, in Guangzhou. He had assumed the role of Sales Director up until September 2005, when he was promoted to General Manager of its Northwest Branch, in Xi'an, Shaanxi Province. He was responsible of overseeing all day-to-day operations of the branch. He was later promoted to Assistant CEO of the entire company. He left Guangzhou Haoyong in June 2009. In July 2009, he became the Marketing Director at Guangzhou Heli Information Technology Co., Ltd., where he was responsible for designing and implementing the company's marketing plans and strategies. He was recently appointed to Executive Vice President of Sales and Marketing in June 2010.

Risks

Country risk

The operating results of the Company may be adversely affected by changes in the political and social conditions in the PRC and by changes in Chinese government policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Exchange risk

The Company cannot guarantee the Renminbi, and US dollar exchange rate will remain steady, therefore the Company could post the same profit for two comparable periods and post higher or lower profit depending on exchange rate of Renminbi, Hong Kong dollar and US dollar.

Political risk

The PRC currently allows a Chinese corporation to be owned by a United States corporation. If the laws or regulations relating to ownership of a Chinese corporation are changed by the PRC government, the Company's ability to operate the PRC subsidiaries could be affected. Changes in other laws, regulations, incentives or subsidies could have an impact on the Company operations.

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Competition

The Company has numerous competitors that may be better capitalized, have greater resources including supply and distribution agreements, etc and seek to compete with the Company.

Agency Risk

The Company is dependent on a few officers to manage the business. Mr. Qiu, President and CEO, is the sole Director and also owns 51.5% of the outstanding shares so has control of the Company.

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Table 1 Peer Group Analysis

Company Name	Symbol	Sector	Industry	Market Cap, \$	Current Enterprise Value (EV)	Revenue, LTM,\$	EPS,Last 12Mo,\$/ sh
DEER CONSUMER PRODS INC	DEER	Consumer Discretionary	Household Appliances	300,867,051	231,992,400	81,342,680	\$0.32
NIVS INTELLIMEDIA TECH GP IN	NIV-A	Consumer Discretionary	Consumer Electronics	118,485,905	165,002,800	230,049,640	\$0.66
CHINA MARINE FOOD GROUP LTD	CMFO- A	Consumer Staples	Packaged Foods & Meats	133,066,982	116,877,200	69,585,680	\$0.65
CHINA HOUSING & LAND DEV INC	CHLN- O	Financials	Real Estate Development	84,977,046	161,728,600	97,976,330	-\$0.28
Average				159,349,246	168,900,250	119,738,583	\$0.34
HELI 6/20/2010				27,000,000	27,000,000	42,266,370	\$0.01
HELI- Estimated Values 12/31/11						127,007,068	\$0.04

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Table 1 Peer Group Analysis, Continued								
Symbol	EPS Last Q	Revenue Growth, Last Q Sequential	Revenue Growth Prior Quarter	Price to sales - LTM	Price to Tangible Book	P/E ex extra items	EntValue/EBITDA	Average
DEER	\$0.12	22.9%	177.8%	3.1	2.8	17.3	12.0	
NIV-A	\$0.13	18.2%	153.3%	0.5	1.5	4.1	5.0	
CMFO-A	\$0.16	85.9%	85.0%	2.5	3.2	12.9	8.1	
CHLN-O	-\$0.34	49.4%	150.6%	0.8	1.8	32.4	11.0	
Peer Group Average	\$0.02	44.1%	141.7%	1.7	2.3	16.7	9.0	
HELI 6/20/2010	0.01	-	194.1%	0.6	6.8	8.1	6.0	
HELI- Estimated Values 12/31/11	-	-	-	0.2	1.3	2.6	2.0	
HELI Valuation Based on Peer Group Average								
Current Value				\$0.27	\$0.03	\$0.21	\$0.15	0.17
Future Value 12/31/11				\$0.82	\$0.17	\$0.63	\$0.46	0.54

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Table 2 Discounted Cash Flow Model Assumptions

Heli Electronics Corp.

Forecasting Variables:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue growth factor	215%	35%	30%	20%	15%	12%	10%	8%	7%	6%
Expected gross profit margin	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
S, G, & A expense % of revenue	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Depr. & Amort. % of revenue	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Capital expenditure growth factor	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Net working capital to sales ratio	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Income tax rate	25%									
Terminal Value, Multiple Operating Cash Flow	5									
Discount rate	10%									

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Valuation Model Outputs:										
Gross profit margin	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Net operating profit margin	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Free cash flow (\$ mil)	(\$7.4)	\$2.7	\$4.6	\$8.6	\$11.8	\$14.6	\$17.1	\$19.7	\$21.8	\$23.8
Terminal value (\$ mil)										\$189.1
PV of Company Operations (\$ mil)	\$56.9									
Market Value of Company Assets (\$ mil)	\$132.1									

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Table 3- Discounted Free Cash Flow Model : Heli Electronics Corp

Years Ending December 31

	Actual	----- Forecast -----									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total revenue	\$29,831,658	\$94,079,310	\$127,007,068	\$165,109,188	\$198,131,026	\$227,850,680	\$255,192,761	\$280,712,037	\$303,169,000	\$324,390,830	\$343,854,280
Operating Costs	26,136,492	82,789,792	111,766,220	145,296,086	174,355,303	200,508,598	224,569,630	247,026,593	266,788,720	285,463,931	302,591,767
Gross profit	3,695,166	11,289,517	15,240,848	19,813,103	23,775,723	27,342,082	30,623,131	33,685,444	36,380,280	38,926,900	41,262,514
Selling, general and administrative expenses	723,702	940,793	1,270,071	1,651,092	1,981,310	2,278,507	2,551,928	2,807,120	3,031,690	3,243,908	3,438,543
Earnings before interest, taxes, depr. & amort. (EBITDA)	2,971,464	10,348,724	13,970,777	18,162,011	21,794,413	25,063,575	28,071,203	30,878,324	33,348,590	35,682,992	37,823,971
Depreciation and amortization	2,768	8,729	11,785	15,320	18,384	21,142	23,679	26,047	28,130	30,099	31,905
Earnings before Interest and taxes (EBIT)	2,968,696	10,339,995	13,958,992	18,146,691	21,776,029	25,042,433	28,047,524	30,852,277	33,320,460	35,652,893	37,792,066
Available tax-loss carryforwards	0	0	0	0	0	0	0	0	0	0	0
Net taxable earnings	2,968,696	10,339,995	13,958,992	18,146,691	21,776,029	25,042,433	28,047,524	30,852,277	33,320,460	35,652,893	37,792,066
Federal and State Income Taxes	744,737	2,584,999	3,489,748	4,536,673	5,444,007	6,260,608	7,011,881	7,713,069	8,330,115	8,913,223	9,448,016
Net Operating Profit After-Tax (NOPAT)	2,223,959	7,754,996	10,469,244	13,610,018	16,332,022	18,781,824	21,035,643	23,139,208	24,990,345	26,739,669	28,344,049
Add back depreciation and amortization	2,768	8,729	11,785	15,320	18,384	21,142	23,679	26,047	28,130	30,099	31,905
Subtract Capital Expenditures	(12,015)	(12,375)	(12,747)	(13,129)	(13,523)	(13,929)	(14,347)	(14,777)	(15,220)	(15,677)	(16,147)
Subtract New Net Working Capital	(2,335,430)	(15,120,265)	(7,749,333)	(8,967,085)	(7,771,474)	(6,994,326)	(6,434,780)	(6,005,795)	(5,285,099)	(4,994,419)	(4,580,596)
Free Cash Flow	(\$120,718)	(\$7,368,915)	\$2,718,950	\$4,645,124	\$8,565,409	\$11,794,712	\$14,610,196	\$17,144,683	\$19,718,155	\$21,759,673	\$23,779,211
Terminal value, 2019											\$189,119,853
Present Value of Free Cash Flows @ rate%		(6,699,013)	2,247,066	3,489,950	5,850,290	7,323,588	8,247,075	8,797,933	9,198,665	9,228,225	9,167,915
Total Present Value of Company Operations	\$56,851,694										
Plus Current Assets	2,335,430										
Plus Present Value of Terminal Value	\$72,913,890										
Total Market Value of Assets	\$132,101,014										
# Shares Outstanding	266,000,000										
NPV/share	\$0.50										

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Heli Holding Group Ltd. and Subsidiaries

Consolidated Balance Sheets

	<u>March 31, 2010</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
	(Unaudited)		
Assets			
Current Assets			
Cash	\$ 316,839	\$ 270,775	\$ 60,753
Trade receivable, net	9,256,332	3,335,423	19,118
Inventories, net	1,689,235	1,084,061	671,448
VAT assets	-	-	95,140
Advance to suppliers	-	183,661	-
Total current assets	<u>11,262,406</u>	<u>4,873,920</u>	<u>846,459</u>
Property and equipment, net	18,185	15,338	6,099
Total Assets	<u>\$ 11,280,591</u>	<u>\$ 4,889,258</u>	<u>\$ 852,558</u>
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	\$ 7,387,961	\$ 1,782,663	\$ 640,263
Accrued liabilities	54,518	62,868	5,150
Other payable	-	-	125,223
Income tax payable	-	742,959	-
Total current liabilities	<u>7,442,479</u>	<u>2,588,490</u>	<u>770,636</u>
Total Liabilities	<u>7,442,479</u>	<u>2,588,490</u>	<u>770,636</u>
Shareholders' Equity			
Common Stock \$1 par value, 50,000 shares authorized, issued and outstanding	50,000	50,000	50,000
Additional paid-in capital	22,075	22,075	22,075
Statutory reserve fund	223,421	223,421	-
Retained earnings (unrestricted)	3,535,176	2,009,401	8,863
Accumulated other comprehensive income (loss)	7,440	(4,129)	984
Total shareholders' equity	<u>3,838,112</u>	<u>2,300,768</u>	<u>81,922</u>
Total Liabilities and Shareholders' Equity	<u>\$ 11,280,591</u>	<u>\$ 4,889,258</u>	<u>\$ 852,558</u>

The accompanying notes are an integral part of these consolidated financial statements

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Heli Holding Group Ltd. and Subsidiaries Consolidated Statements of Operations and Comprehensive Income

	Three Months ended		For the Year Ended		Last 12 Months
	March 31,		December 31,		
	2010 (Unaudited)	2009 (Unaudited)	2009	2008	
Revenue	\$ 18,840,826	\$ 6,406,114	\$ 29,831,658	\$ 815,992	42,266,370
Cost of Goods Sold	(16,503,516)	(5,628,029)	(26,092,420)	(690,928)	(37,012,024)
Gross Profit	<u>2,367,310</u>	<u>778,085</u>	<u>3,739,238</u>	<u>125,064</u>	5,254,346
Selling Expenses	184,576	70,515	316,441	25,134	430,502
General and administrative					
General and administrative	145,803	108,116	451,333	90,485	414,903
EBITDA	2,036,931	- 599,454	- 2,971,464	- 9,445	4,408,941
Depreciation	910	357	2,768	582	3,321
Total operating expenses	<u>331,289</u>	<u>- 178,988</u>	<u>- 770,542</u>	<u>- 116,201</u>	<u>848,726</u>
Income before income taxes	2,036,021	599,097	2,968,696	8,863	4,405,620
Income taxes	<u>(510,246)</u>	<u>(152,027)</u>	<u>(744,737)</u>	<u>-</u>	<u>(1,102,956)</u>
Net income	\$ <u>1,525,775</u>	\$ <u>447,070</u>	\$ <u>2,223,959</u>	\$ <u>8,863</u>	3,302,664
EPS	\$0.01	\$0.00	\$0.01	\$0.00	\$0.01
Other Comprehensive Income					
Foreign currency translation adjustment	11,569	342	(5,113)	984	6,114
Comprehensive Income	<u>\$ 1,537,344</u>	<u>\$ 447,412</u>	<u>\$ 2,218,846</u>	<u>\$ 9,847</u>	<u>3,308,778</u>

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Heli Holding Group Ltd. and Subsidiaries Consolidated Statement of Cash Flows

	Three Months ended		For the Year Ended	
	March 31,		December 31,	
	2010	2009	2009	2008
	(Unaudited)	(Unaudited)		
Cash Flows From Operating Activities				
Net Income	\$ 1,525,775	\$ 447,070	\$ 2,223,959	\$ 8,863
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	910	357	2,768	582
Changes in operating assets and liabilities:				
Accounts receivable, net	(5,910,623)	(3,409,350)	(3,316,258)	(19,118)
Inventories, net	(601,831)	(78,369)	(410,956)	(671,448)
Deferred VAT assets	-	95,538	95,375	(95,140)
Due from related parties	-	-	-	-
Advance to suppliers	184,227	(752,624)	(183,661)	-
Accounts payable and accrued liabilities	5,591,257	3,630,204	1,198,525	645,413
Customer deposit	-	(125,747)	(125,532)	125,223
Corporate tax payable	(745,250)	152,027	742,959	-
Net cash provided by operating activities	<u>44,465</u>	<u>711,730</u>	<u>227,179</u>	<u>(5,625)</u>
Cash Flows From Investing Activities				
Purchase of property and equipment	(3,701)	(2,066)	(12,015)	(6,607)
Net cash used in investing activities	<u>(3,701)</u>	<u>(2,066)</u>	<u>(12,015)</u>	<u>(6,607)</u>
Cash Flows From Financing Activities				
Paid-in capital	-	-	-	72,075
Net cash provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,075</u>
Effect of exchange rate changes on cash	<u>5,300</u>	<u>255</u>	<u>(5,142)</u>	<u>910</u>
Net increase in cash and cash equivalents	<u>46,064</u>	<u>709,919</u>	<u>210,022</u>	<u>60,753</u>
Cash and cash equivalents, beginning of period	<u>270,775</u>	<u>60,753</u>	<u>60,753</u>	<u>-</u>
Cash and cash equivalents, end of period	<u><u>316,839</u></u>	<u><u>\$ 770,672</u></u>	<u><u>\$ 270,775</u></u>	<u><u>\$ 60,753</u></u>
Supplemental disclosure information:				
Income taxes paid	<u>1,253,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements

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Key Assumptions	
Growth vs Prior Quarter, 2010	15%
Growth 2011 and 2012	35%
Gross Margin,%	12%
Selling Expense, %	1.0%
G&A, CAGR,%	10.0%
Depreciation, CAGR,%	10.0%
Property & Equipment,life,yrs	5.00
Corporate Tax Rate	-25.0%

HELI Income Statements

Income Statement	2008 ACT	2009 ACVT	Q12010 ACT	Q22010 EST	Q32010 EST	Q42010 EST	2010FY EST	2011 EST	2012 EST
Revenue	815,992	29,831,658	18,840,826	21,666,950	24,916,992	28,654,541	94,079,310	127,007,068	171,459,542
Cost of Goods Sold	-690,928	-26,136,492	-16,503,561	-19,066,916	-21,926,953	-25,215,996	-82,713,427	-111,766,220	-150,884,397
Gross Profit	125,064	3,695,166	2,337,265	2,600,034	2,990,039	3,438,545	11,365,883	15,240,848	20,575,145
GM,%	15.3%	12.4%	12.4%	12.0%	12.0%	12.0%	12.1%	12.0%	12.0%
Selling Expenses	25,134	316,441	184,576	216,669	249,170	286,545	936,961	1,270,071	1,714,595
%	3.1%	1.1%	1.0%	1.0%	1.0%	1.0%	0	1.0%	1.0%
General and administrative							0		
General and administrative	90,485	407,261	115,758	118,652	121,618	124,659	480,687	492,704	505,022
Depreciation	582	2,768	910	1,110	1,310	1,510	4,840	5,740	6,740
Total operating expenses	116,201	726,470	301,244	336,431	372,098	412,714	1,422,488	1,768,515	2,226,357
	0						0		
Income before income taxes	8,863	2,968,696	2,036,021	2,263,603	2,617,941	3,025,831	9,943,395	13,472,333	18,348,788
Income taxes	0	-744,737	-510,246	-565,901	-654,485	-756,458	-2,487,090	-3,368,083	-4,587,197
Net income	8,863	2,223,959	1,525,775	1,697,702	1,963,456	2,269,373	7,456,306	10,104,250	13,761,591
Wtd Avg Shares Outstanding	266,000,000	266,000,000	266,000,000	266,000,000	266,000,000	266,000,000	266,000,000	266,000,000	266,000,000
EPS	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.028	\$0.04	\$0.05

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Cash Flows From Operating Activities	2008 ACT	2009 ACT	Q12010 ACT	Q22010 EST	Q32010 EST	Q42010 EST	2010FY EST	2011 EST	2012 EST
Net Income	8,863	2,223,959	1,525,775	1,697,702	1,963,456	2,269,373	7,456,306	10,104,250	13,761,591
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation	582	2,768	910	1,110	1,310	1,510	4,840	5,740	6,740
Changes in operating assets and liabilities:									
Accounts receivable, net	-19,118	-3,316,258	-5,910,623	-1,458,094	-1,607,164	-1,848,238	-10,824,119	-1,488,578	-5,480,442
Inventories, net	-671,448	-410,956	-601,831	200,651	-677,324	129,150	-949,354	-583,410	-1,046,515
Deferred VAT assets	-95,140	95,375	0						
Due from related parties			8,245						
Advance to suppliers	0	-183,661	184,227						
Accounts payable and accrued liabilities	645,413	1,165,507	5,597,736	88,527	1,119,872	1,287,853	8,093,988	1,037,241	3,818,773
Customer deposit	125,223	-125,532	0						
Various taxes payable	0	31,781	-14,721						
Corporate tax payable	0	742,959	-745,250						
Net cash provided by operating activities	-5,625	225,942	44,468	529,896	800,150	1,839,647	3,214,162	9,075,244	11,060,147
Cash Flows From Investing Activities									
Purchase of property and equipment	-6,607	-12,015	-3,701						
Net cash used in investing activities	-6,607	-12,015	-3,701	-4,000	-4,000	-4,000	-15,701	-18,000	-20,000

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Cash Flows From Financing Activities	2008 ACT	2009 ACT	Q12010 ACT	Q22010 EST	Q32010 EST	Q42010 EST	2010FY EST	2011 EST	2012 EST
Increase (decrease) in loans payable		0							
Increase (decrease) in notes payable		0							
Paid-in capital	72,075	0	0	0	0	0	0	0	0
Owner's capital contribution									
receivable	0								
Contributed Surplus - Donated Items	0								
Net proceeds of share issuance									
Restricted cash	0								
Cash proceeds from related party									
loans	0	0							
Due from shareholders	0	1,237	0	0	0	0	0	0	0
Due to affiliated companies	0	0							
Net cash provided by (used in)									
financing activities	72,075	1,237	0	0	0	0	0	0	0
Effect of exchange rate changes on									
cash	910	-5,142	5,297	0	0	0	5,297		
Net increase in cash and cash									
equivalents	60,753	210,022	46,064	525,896	796,150	1,835,647	3,203,758	9,057,244	11,040,147
Cash and cash equivalents, beginning									
of period	0	60,753	270,775	316,839	842,735	1,638,885	270,775	3,474,533	12,531,777
Cash and cash equivalents, end of									
period	60,753	270,775	316,839	842,735	1,638,885	3,474,533	3,474,533	12,531,777	23,571,924

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Balance Sheet	2008 ACT	2009 ACT	Q12010 ACT	Q22010 EST	Q32010 EST	Q42010 EST	2010FY EST	2011 EST	2012 EST
Assets									
Current Assets									
Cash	60,753	270,775	316,839	842,735	1,638,885	3,474,533		12,531,777	23,571,924
Trade receivable, net	19,118	3,335,423	9,256,332	10,714,426	12,321,590	14,169,828		15,658,406	21,138,848
Inventories, net	671,448	1,084,061	1,689,235	1,488,584	2,165,908	2,036,758		2,620,168	3,666,682
Due from shareholders	0	48,763	40,518	40,518	40,518	40,518		40,518	40,518
VAT assets	95,140	0	0						
Advance to suppliers	0	183,661	0						
Total current assets	846,459	4,922,683	11,302,924	13,086,263	16,166,901	19,721,637		30,850,868	48,417,972
Property and equipment, net	6,099	15,338	18,185	21,075	23,765	26,255		38,515	51,775
Total Assets	852,558	4,938,021	11,321,109	13,107,338	16,190,666	19,747,892		30,889,383	48,469,747
Liabilities and Shareholders' Equity									
Current Liabilities									
Accounts payable	640,263	1,781,426	7,377,286	7,465,813	8,585,685	9,873,538		10,910,779	14,729,552
Accrued liabilities	5,150	31,087	38,553	38,553	38,553	38,553		38,553	38,553
Other payable	125,223	0	0						
Due to related parties		0	0						
Various taxes payable	0	31,781	17,158	17,158	17,158	17,158		17,158	17,158
Income tax payable	0	742,959	0						
Total current liabilities	770,636	2,587,253	7,432,997	7,521,524	8,641,396	9,929,249		10,966,490	14,785,263
Total Liabilities	770,636	2,587,253	7,432,997	7,521,524	8,641,396	9,929,249		10,966,490	14,785,263
Shareholders' Equity									
Common Stock \$1 par value, 50,000 shares authorized,									
issued and outstanding	50,000	50,000	50,000	50,000	50,000	50,000		50,000	50,000
Additional paid-in capital	22,075	72,075	72,075	72,075	72,075	72,075		72,075	72,075
Statutory reserve fund	0	223,421	223,421	223,421	223,421	223,421		223,421	223,421
Retained earnings (unrestricted)	8,863	2,009,401	3,535,176	5,232,878	7,196,334	9,465,707		19,569,957	33,331,548
Accumulated other comprehensive income (loss)	984	-4,129	7,440	7,440	7,440	7,440		7,440	7,440
Total shareholders' equity	81,922	2,350,768	3,888,112	5,585,814	7,549,270	9,818,643		19,922,893	33,684,484
Total Liabilities and Shareholders' Equity	852,558	4,938,021	11,321,109	13,107,338	16,190,666	19,747,892		30,889,383	48,469,747
				0	0	0		0	0
Current Ratio	1.1	1.9	1.5	1.7	1.9	2.0		2.8	3.3
Acid Test	0.1	0.1	0.0	0.1	0.2	0.3		1.1	1.6

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Working Capital	75,823	2,335,430	3,869,927	5,564,739	7,525,505	9,792,388		19,884,378	33,632,709
Working Capital/Sales,%	9.3%	7.8%	20.5%	25.7%	30.2%	34.2%		15.7%	19.6%
Return on Equity	10.8%	94.6%	39.2%	30.4%	26.0%	23.1%	75.9%	50.7%	40.9%

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Rating System

***STRONG BUY** The current price reflects a substantial discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. Future growth potential is undervalued relative to the company's stock price. The analyst believes the stock at current levels represents a compelling opportunity for capital gains over the time period to its target price.*

***BUY** The current price reflects a discount from the market and from its peers, and the company does not possess significant financial risk within its risk category. The analyst believes the stock at current levels will provide an opportunity for capital gains over the period of its target price. Several factors can indicate an undervaluation of the company's shares.*

***SPECULATIVE BUY** The current price appears to offer potential gains though risk is considerably higher.. There may be insufficient historical data or clear-cut prospects to warrant a "Buy," but the analyst believes that the long run prospects of the Company are positive. The analyst believes its risk/reward ratio advocates purchase of the stock. In the short term, the stock may be subject to high volatility and continue to trade at a discount to its market.*

***HOLD** The analyst is unable to assign a buy rating due to a number of specified factors noted in the report. These include the stock being fairly valued relative to its peers and the market, or the company may have risks that make it potentially unsuitable for investment within its risk category. Similarly there are no currently known compelling factors that would warrant selling. The analyst will remain neutral pending developments.*

***SELL** The analyst believes that the Company is overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward given its risk category. An investment in the company may produce below market returns and/or deficits.*

Rating Universe		
Rating	# Companies	% of Universe
Strong Buy	3	25%
Buy	1	8.3%
Speculative Buy	4	33%
Hold	2	16.7%
Sell	2	16.7%

2nd Opinion Research!

About

2nd Opinion Research located at 907 Decatur Street Unit F, New Orleans, LA 70116 (504) 525-2161 is an independent research and consulting firm. We offer equity research services on selected smaller capitalization companies that we believe have exceptional growth potential but typically lack conventional broker/dealer research coverage. Research services are provided on a subscription basis on selected peer group baskets of stocks for institutional investors, broker/dealers, registered advisors and other investors. The Company is not a broker/dealer and does not expect investment banking compensation.

Mr. Mahaffey began his career with Exxon in engineering and later moved into board room level international business development for a major petrochemical company. He conducted merger and acquisition services for The Sterling Group in Houston, TX and led an LBO program for a Boston based investment firm. He worked with an SEC Registered Investment Advisor and has held Series 7 and 65 licenses. He has covered oil and gas, energy and other stocks as an independent equity analyst with Redchip and other research providers. He is a private investor in oil and gas prospects. He received a "Five Star" rating from Yahoo Finance for stock performance results. He has co-founded ventures in the gaming, international distribution and oil service industries. He has been quoted in numerous local and international publications including Bloomberg News. Mr. Mahaffey holds a BS in Chemical Engineering from Louisiana State University and an MBA from The Wharton School, University of Pennsylvania. He holds the Chartered Financial Analyst (CFA) charter and is a member of the New York Society of Securities Analysts.