

Despite Capital Market Volatility, the Chinese Telecom Market Opportunity Remains while CHVC Also Makes Progress in Building the US Segments

Overview: China Voice Holding Corp. ("CHVC") is a U.S. publicly-traded holding company headquartered in South Florida with a portfolio of next-generation communications products and services doing business in the People's Republic of China and the U.S. Through its subsidiaries, the Company provides Voice over Internet Protocol ("VoIP") telephone services, office automation, wireless broadband, unified messaging, video conferencing, mobility services and other advanced voice and data services in China, where the Company has obtained full legal status as a licensed telecommunications company providing advanced hosted voice and data services. The Chinese telecommunications market is the largest and fastest growing in the world. CHVC's focus is on providing its innovative and patented voice and data solutions to government agencies and large enterprises in China.

Outlook: The CHVC results through 9/30/08 are dominated by the US subsidiaries as the progress in generating significant increases in Candidsoft revenues appears to be one to two quarters off the projected pace. However, the long-term growth opportunity for CHVC still is driven by the Chinese operating segments. CHVC's Candidsoft subsidiary¹ has been awarded five contracts with three Chinese governmental agencies, with the potential to lead to thirteen additional agencies and up to one million users. Additionally, the recently completed merger of China Unicom and China Netcom, CHVC's strategic partner, created the 4th largest global telecom in terms of number of subscribers², resulting in significant additional opportunity for CHVC. As of 10/31/08, the merged company, China Unicom (NYSE: CHU), reports 131 million GSM subscribers, 107 million local access subscribers and 25 million broadband subscribers.

Conclusion: The Chinese telecom market opportunity and the strategic partnership with China Unicom should enable CHVC's Chinese operating segments to drive significant revenue and earnings growth while the Company simultaneously builds up the US operations. Murphy Analytics initiated coverage on CHVC on 7/31/08 with an "Outperform" rating, and we are affirming the "Outperform" rating on CHVC based on the progress to date and the significant opportunity before the Company.

CHVC Recent Price	\$0.25
CHVC - Approximate Market Cap	\$40.3 million
52-Week Low	\$0.20
52-Week High	\$1.21
Murphy Analytics Rating on CHVC	Outperform

Please review the risk factors outlined later in this report and the important disclosures and disclaimers at the end of this report.

¹ 65% of Candidsoft is owned by CHVC; 35% is owned by Chun Lin Xing, President of CHVC China Operations

² <http://www.chinaunicom.com.hk/files/doc/presentation/2008interim-en.pdf>

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CHVC Recent Developments

CHVC Completes 2008 Audit and Updates Shareholders on Form 10 Registration Statement: On 10/28/08, CHVC resubmitted its Form 10 Registration Statement to the SEC and included fiscal 2008 audited financial statements and addressed comments made by the SEC in response to the initial submission on 8/6/08. CHVC reiterated its objective of becoming a fully reporting coming and moving to a more recognized trading platform by the end of calendar year 2008 or early 2009.

CHVC Announces New Audit Firm and Form 10 Registration Statement Progress Report: On 9/26/08, CHVC announced the retainer of Cheung & Co. CPA, a Kreston International Member Firm, with offices in South Florida and Hong Kong, reflecting CHVC's expectation of significant revenue growth in China. Cheung & Co. completed the 2007 and 2008 audits submitted by CHVC with the responses to the SEC's initial round of Form 10 comments.

CHVC's Phone House, Inc. Subsidiary Assigned Master Distribution Rights in Southern California for Touch-Tel Brand Calling Cards: On 9/4/08, CHVC announced that Phone House was assigned Master Distribution rights for eleven Touch-Tel USA prepaid calling cards brands, expected by CHVC to generate \$15 million in annual revenue. Phone House prepaid cellular products and calling cards are sold through over 90 distributors supporting over 5,000 retail outlets.

China Unicom and China Netcom Merger: The CHVC strategic partnership with China Netcom has become significantly more valuable as a result of the PRC mandated merger with China Netcom, discussed in more detail later in this report.

CHVC Updated Fully Diluted Common Share Count Estimate

<u>Estimate of Outstanding and Fully Diluted Common Share Count</u>	
Common shares outstanding as of 9/30/08	161,098,956
Warrants	563,200
Contingent shares potentially issuable for acquisitions	950,000
Common stock options	48,513
Fully diluted common share estimate	162,660,669

CHVC Financial Results for the Quarter Ended 9/30/08

Following are comments regarding CHVC operating results for the quarter ended 9/30/08 - Q1 for CHVC's fiscal 2009:

- Current assets fell to \$3.9 million from \$4.5 million on 6/30/08, due primarily to a reduction in cash and cash equivalents to \$976k as of 9/30/08. Accounts receivable increased to \$2.26 million from \$1.75 million. Current liabilities increased to \$3.5 million from \$3.1 million on 6/30/08, due primarily to an increase in accounts payable and accrued expenses.
- Long-term assets decreased the \$22 million from \$24 million due primarily to a \$1.5 million note receivable. Long term liabilities decreased to \$50k from \$1.55k due to the reduction in long-term liability.
- Shareholder's equity fell from \$19.4 million on 6/30/08 to \$18.6 million as of 9/30/08.
- Revenue for the quarter was \$15.96 million, an increase of 160% from Q1 07 driven by a \$9.7 million increase in the calling card distribution segment, but not yet on pace for CHVC's target for fiscal 2009 revenue.
- Gross profit margin was 1.2%, reflecting the dominance of the calling card segment in overall revenues.
- Selling / general / administrative expenses at \$1.3 million for the quarter includes a significant portion of non-recurring legal and accounting costs related to CHVC's effort to move to a new trading platform.
- The net loss from operations was \$1.1 million for the quarter. CHVC also reported \$243k in non-recurring, non-operating income driven primarily by a \$384k refund of federal excise tax, producing a net loss of \$870k. CHVC also paid a preferred dividend of \$149k.

CHVC Competitive Advantages

Following are the most important competitive advantages CHVC cites for its operations in China:

- **Fully Licensed, Chartered Telco in China:** CHVC has obtained full legal status as a licensed telecommunications company able to offer advanced hosting and data services throughout China. CHVC has operational licenses permitting co-location, fully legal interconnections among CHVC technical systems and China's public telephone system.
- **CHVC Provides New Service Models in China with Little Competition:** CHVC's advanced hosting application services have little competition and are very attractive to corporate and governmental prospects. The technology was developed in China to meet the needs of the Chinese government and larger enterprise companies, and the software was written in Chinese by Chinese nationals. The technology is patented and licensed in China and although VoIP / Internet Telephony may not be sold as a stand-alone service legally in China, it is legal when integrated into CHVC's SkyOA application, which also includes a full suite of voice and data communications, document management and workflow and related solutions.
- **China's First Patented Groupware:** CHVC's service model and application features make CHVC an attractive partner for the other Chinese telcos that may benefit from expanding their product offering for their sales and agent channels.
- **Low Cost Technology:** CHVC's exclusive license for wireless broadband service utilizes WRIO's patent-pending technology to provide high-speed Internet access at a cost the Company estimates to be 20% to 70% less expensive than some competitive offerings. Additionally, CHVC's product flexibility accommodates a wide range of video, audio, secure, custom and high-data rate applications.
- **Relationships in China:** CHVC's President of China operations worked for many years for the Chinese government in senior level information technology positions, and CHVC maintains close relationships with high ranking governmental officials

CHVC Strategic Partnership with China Unicom

Overview: CHVC has signed Agreements with China Netcom (CNC), now merged with China Unicom, to provide CHVC with preferential rates and cooperation. The Agreements call for CNC to provide connectivity, network expansion, installation, billing, collection and on-going support of CHVC's government contracts. The initial phase of the agreement is for the GuangXi Autonomous Region where CHVC has contracts for the installation of its SKY O/A integrated Office Automation and VoIP solution to approximately 55,000 seats, or over half of its current contracts which consist of 103,000 seats. In addition, CNC is private labeling SKY O/A to sell to the Private Sector in China under the ICT Business brand. CNC plans to market ICT following the installation of CHVC's government contracts in the GuangXi Region.

China Unicom³: As a result of China's governmentally mandated telecom restructuring, China Unicom merged with China Netcom on 10/15/08. The merged Company, China Unicom Hong Kong Limited (NYSE: CHU) is engaged in GSM cellular business in 31 provinces, municipalities and autonomous regions in China, the provision of international and domestic long distance calls, data and mobile Internet services, and other related telecommunication value-added businesses. The Company is also a leading broadband and fixed-line telecommunications operator in the PRC and provides services in Beijing Municipality, Tianjin Municipality, Hebei Province, Henan Province, Shandong Province, Liaoning Province, Heilongjiang Province, Jilin Province, Neimenggu Autonomous Region and Shanxi Province.

CHU provides fixed-line voice and value-added services, broadband and other Internet-related services, information and communications technology services, business and data communications services as well as advertising media services. As of 10/31/08, CHU reports the following operational statistics⁴, and CHU's full service platform is illustrated in the graphic below from the 2008 Interim Results⁵:

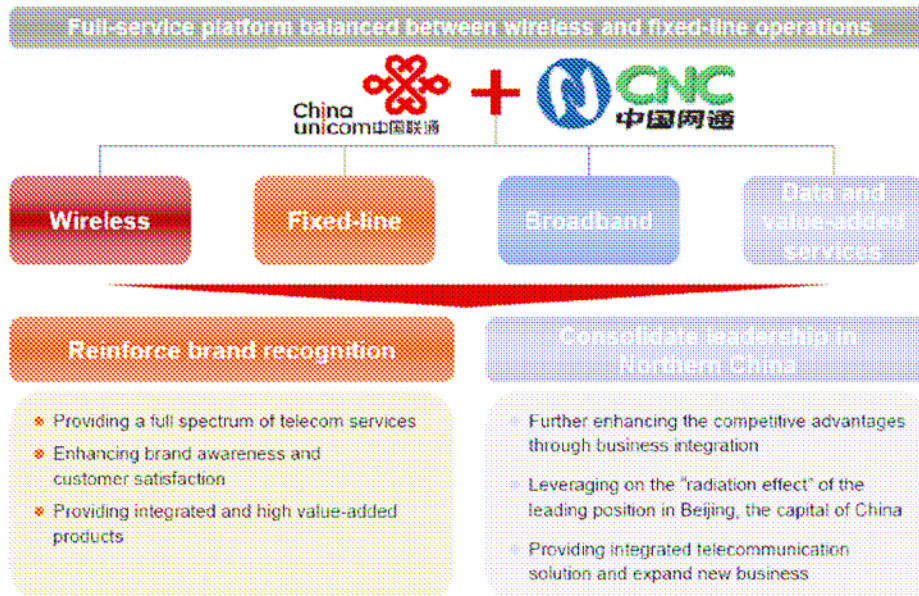
China Unicom Operational Data of October 2008			
Unit: in millions			
	Description	October	Monthly Net Additions
A) GSM Subscribers			
	Aggregated GSM Subscribers	131.945	1.219
B) Local Access Subscribers			
	Aggregated Local Access Subscribers	106.537	-0.792
C) Broadband Subscribers			
	Aggregated Broadband Subscribers	25.204	0.345

³ http://www.chinaunicom.com.hk/en/aboutus/about_profile.html

⁴ http://www.chinaunicom.com.hk/en/investor/ir_data.html

⁵ <http://www.chinaunicom.com.hk/files/doc/presentation/2008interim-en.pdf>

Full-service Platform



Overview of the Chinese Telecom Market

As noted by CHVC⁶, the long-term opportunity before the Company in China is enormous:

- **Internet Users:** China is ranked number one in the world in the number of internet users, exceeding the US, at 221 million in 2008. *Source: DCCI*
- **Established VoIP:** China has the largest number of VoIP users in the world. *Source: Research and Markets*
- **VoIP Growth:** Paid VoIP users in China will exceed 70 Million by 2011. *Source: ATLANTIC- ACM Study*
- **Largest Global Markets:** China has the world's largest mobile subscriber base and the world's largest fixed line subscriber base. At the end of June 2008, total mobile phone subscribers in China stood at 601 Million, up by 10% from end 2007, while the total fixed-line subscribers in China was 356.3 Million, an decrease of 2.5% from end 2007. *Source: MIIT June 08 Report*

⁶ <http://www.chvc.com/index.php/About-CHVC/market-overview.html>

- **Broadband:** China already has the highest number of broadband subscribers in the world, standing at 71.6 million households by June 2008. *Source: CNet News China*
- **Mobile:** The country's largest mobile operator, China Mobile, is the world's largest in terms of subscribers; having passed 414.6 million in June 2008. *Source: China Mobile Ltd.*
- **DSL:** China already has the highest number of DSL subscribers in the world, and is expected to reach 45 million households by end of 2008. *Source: In-Stat*
- **Cable:** China has the largest cable TV network in the world. *Source: Research and Markets*
- **Infrastructure:** In 2007, China became the second largest telecom infrastructure market worldwide behind the US but ahead of Japan. *Source: Idate, World Telecom Equipment Market, August, 2007*
- **Market Penetration:** China's terrestrial TV services reach approximately 95% of its 380 million households. *Source: Research and Markets*
- **Digital TV:** In its push for digital TV, the Chinese Government intends to end analogue TV broadcasts by 2010. *Source: Research and Markets*
- **Equipment:** The Asia/Pacific telecommunication equipment market is booming. Collectively, equipment vendors realized US\$43,007.2 million from sales of telecom equipment in 2005. *Source: In-Stat*

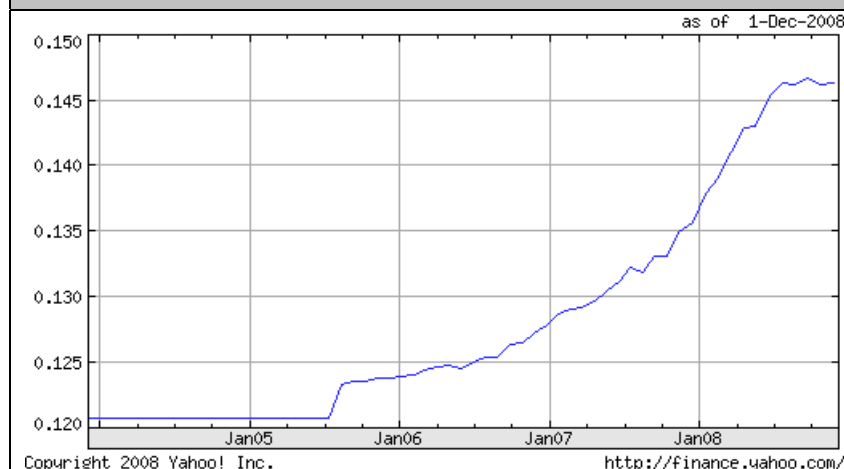
Risks

An investment in CHVC is subject to a number of significant risks, some of which are noted in the section at the end of this report entitled “Information from the SEC Regarding Securities Listed on the Pink Sheets” and in the Form 10 filed by CHVC with the SEC on 8/6/08.

Potential Currency Exposure as a Source of Uncertainty

CHVC generates revenue in Chinese Yuan Renminbi while reporting revenue in United States dollars. Although China’s currency is no longer pegged at a fixed rate to the U.S. Dollar, China allows for only a narrow band of fluctuation of the currency, and many believe that the value of the Chinese currency is held artificially low by the Chinese government. The table below illustrates the long-term appreciation in the value of the Yuan over the US dollar.

United States Dollar versus Chinese Yuan Renminbi (CNY)*



**Chart Shows How Many USD required to purchase one CNY*

Current exchange rates as of 11/14/08 are approximately:

1 CNY = \$0.1453
\$1 = 6.8823 CNY

Of course, for U.S. investors, CHVC’s generation of revenue in a currency that may have the potential to increase in relative value is a good thing. However, with a currency whose value is set in large part by governmental policy rather than freely functioning currency markets, currency exposure is a source of uncertainty with limited visibility for investors in CHVC or any other company with operations in China.

CHVC Historical Price Chart

The following chart provides by www.bigcharts.com depicts the share price and trading volume of CHVC common shares over the last 12 months.



Ratings Methodology

Murphy Analytics subscription research service classifies stocks as “Underperform”, “Outperform” or “Market Perform”. A “Market Perform” rating implies performance expected to be generally consistent with the performance of the NASDAQ Composite Index. An “Underperform” rating implies expected underperformance versus this index and an “Outperform” rating implies expected outperformance relative to the index. In addition to the rating on CHVC, Murphy Analytics has three other “Outperform” ratings outstanding.

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Information from the SEC Regarding Securities Listed on the Pink Sheets

The "Pink Sheets" is an electronic quotation system that displays quotes from broker dealers for many over-the-counter (OTC) securities. "Market makers" and other brokers who buy and sell OTC securities, can use the Pink Sheets to publish their bid and ask quotation prices. The name "Pink Sheets" comes from the color of paper they were historically printed on. They are published today by Pink Sheets LLC, a privately owned company. Pink Sheets LLC is not registered with the SEC in any way and it is not an NASD Broker-Dealer. The Pink Sheets does not require companies whose securities are quoted upon its systems to meet any listing requirements. With the exception of a few foreign issuers, the companies quoted in the Pink Sheets tend to be closely held, extremely small and/or thinly traded. Most do not meet the minimum listing requirements for trading on a national securities exchange, such as the New York Stock Exchange or the Nasdaq Stock Market. Many of these companies do not file periodic reports or audited financial statements with the SEC, making it very difficult for investors to find reliable, unbiased information about those companies. For all of these reasons, companies quoted in the Pink Sheets can be among the most risky investments. That's why you should take extra care to thoroughly research any company quoted exclusively in the Pink Sheets. Be aware that some broker-dealers are required by Rule 15c2-11 under the 1934 Act to have some information about the issuer. Ask your broker-dealer whether it has any Rule 15c2-11 information before you invest.

For additional information, see <http://www.sec.gov/answers/pink.htm> and "Microcap Stock: A Guide for Investors" at <http://www.sec.gov/investor/pubs/microcapstock.htm>