

INVESTMENT PROFILE

CHINA DIGITAL COMMUNICATION GROUP



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CHINA DIGITAL COMMUNICATION GROUP REPORTS FIRST QUARTER REVENUE UP 9.5%. COMPANY TO ACQUIRE SONO DIGITAL AND ZHUO TONG POWER SUPPLY CO.

COMPANY DESCRIPTION

China Digital Communication Group manufactures components for batteries used in mobile phones and other digital devices. The company's wholly owned subsidiary, Shenzhen E'Jenie Science and Technology Development Co. Ltd. has been the company's sole operating unit since November, 2004. Shenzhen E'Jenie is a leading Chinese manufacturer of steel and aluminum battery shells for lithium-ion batteries. Customers for components made by Shenzhen E'Jenie include makers of batteries and electronic products.

MARKET OVERVIEW

CHID is profiting from China's growing telecommunications manufacturing industry. Demand for mobile digital products and power sources in China is strong due to rising demand for cell phones, portable electronics and upgrades to 3G technology.

Global demand for lithium-ion batteries for mobile phones is currently between 2.16 billion and 2.52 billion units. Of these, the demand from China in 2005 was 570 million units, roughly one-quarter of the global market, and growing rapidly from the 450 million units sold in 2004.

In 2005, lithium-ion battery sales in China were \$2.1 billion, up \$264 million (14%) from 2004.

E'JENIE TECHNOLOGY DEVELOPMENT CO. LTD.

Shenzhen E'Jenie produces and distributes various types of

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Closing Price (05/12/06)	\$0.99	FY '05 Revenue	\$12.7 mil.
52-Week Range	\$0.36 - \$1.87	FY '05 Net Income	\$2.6 mil.
Market Cap.	\$72.2 mil.	FY '05 EPS	\$0.05
Basic Shares	63.7 mil.	Total Assets (03/31/06)	\$10.9 mil.
Diluted Shares	63.7 mil.	Total Liabilities (03/31/06)	\$1.3 mil.
Average Daily Trading	1,384,380	Insider Ownership	65%
Est. Public Float	19.1 mil.	Fiscal Year End	Dec. 31

mobile phone components. It is the second largest manufacturer of battery shells and caps in China. The company specializes in manufacturing explosion-free battery caps and is capable of producing all types of square battery shells and assembling and installing all types of lithium and hydrogen battery shells and batteries and high precision metal battery components. Shenzhen E'Jenie also makes batteries for small electronic devices such as digital cameras, MP3 players, camcorders and PDAs. The outstanding quality of the company's products is widely recognized among its customers. Its battery products fit electronic devices under the brands Apple, Samsung, Sony, JVC, Cannon, NEC, GVC and Nokia.

The company has a 65,000 sq. ft. manufacturing facility in the Xinglian industrial zone in Shenzhen, which employs 590 full-time employees and houses more than 100 pieces of manufacturing and test equipment. The company produced 65 million steel and aluminum battery shells in 2005, accounting for 11.3% of the domestic market and 2.6% of the global market.

China Digital Communication Group has a large foothold in the industry and expects to gain additional market share by the end of 2006. In addition to benefiting from its strong reputation for manufacturing quality battery components and having the capacity to fulfill orders on time, CHID is the only company that provides a guarantee and is currently the only American publicly traded company among its peers.



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OTCBB: CHID

RECENT KEY DEVELOPMENTS

- 05/15/06 First quarter FY '06 revenues \$3.2 mil. from \$2.9 mil. in FY '05. FY '06 net income \$736,783, or \$0.01 per diluted share, vs. \$725,799, or \$0.01 per diluted share in 2005.
- 04/27/06 China Digital Communication Group president's interview with Wall Street Reporter available at wallstreetreporter.com.
- 04/18/06 CHID revises projections upward for fiscal year 2006.
- 04/04/06 Company president to purchase up to 1 million shares in open market.
- 04/04/06 CHID CEO Chang Chun Zheng steps down.
- 03/30/06 Company announces year-end results. FY '05 revenues \$12.7 mil. from \$5.2 mil. in FY '04. FY '05 net income \$2.6 mil. or \$0.05 per diluted share vs. \$453,041 or \$0.01 per diluted share in 2004.
- 03/15/06 Company executes agreement to acquire Galaxy View International.
- 03/13/06 CHID obtains U.S. \$6 million secured credit facility.

WEBSITE INFORMATION

Current press releases, price quotes, stock charts and other valuable information for investors may be found at:

China Digital Comm. Group:

www.chinadigitalgroup.com

Hawk Associates: www.hawkassociates.com
www.americanmicrocaps.com

MANAGEMENT TEAM

- **Yu Xi Sun**, Director, Interim CEO & President
- **Hong Liang**, Director & COO
- **Miao Yao**, CFO
- **Roy Teng**, VP Corporate Development
- **Alfred Simon**, Independent Director
- **Dr. Yong Yang**, Independent Director

- Integration of future acquisitions
- Limited operating history
- Potential need for additional capital

RISK FACTORS

THE OUTLOOK

The company has quickly grown to be known as the strongest and fastest growing battery component maker in China. The business is expected to continue to generate solid revenue, profit growth and cash flow. The company said it expects its market share in a splintered market to continue to grow to a significant double-digit share by the end of 2006.

China Digital Communication Group is at an important pivot point in its history. Recognizing the worldwide technological shift in the wireless communications industry to 3G technologies, China Digital Communication Group is seeking to make a strategic transformation to become a leading manufacturer of high-tech products and technologies to 3G communication systems wireless providers. 3G communications refers to third generation communications devices representing the next technological evolution in mobile telephone and consumer electronics technology.

The company has announced agreements to acquire two Chinese telecommunications equipment and technology companies that could propel China Digital Communication Group profitably into the 3G telecommunications space in Asia. The company said it plans to acquire Galaxy View International, which owns Sono Digital, a leading supplier of 3G communications technology and equipment. It reported approximately \$6 million in revenue and \$2 million in net earnings (unaudited) in 2005.

The company also said it has an agreement to acquire UPE (Far East) Limited, which operates through its wholly owned subsidiary company, Shenzhen Zhuo Tong Power Supply Industry Co. Zhuo Tong is one of the leading power suppliers to the Chinese domestic market and is a pioneer of 3G power supply technologies and equipment. Zhuo Tong said it produced \$5.4 million in 2005 revenue and \$1.85 million in net income (unaudited).

The successful closing of these two acquisitions would position China Digital Communication Group for strong and profitable growth and open further opportunities in the exploding Chinese telecommunications market. The closing of both agreements is pending subject to completion of customary audits, financial due diligence and receipt of normal consents, approvals and opinions.

For fiscal year 2006, China Digital Communication Group has projected total revenues of \$30.4 million and net income of \$10.5 million, or \$0.13 per fully diluted share assuming the acquisitions of Zhou Tong and Galaxy View International are successful. If 3G systems are readily adopted by China, the company said its initial projections for 2006 could be significantly higher due to increased demand for 3G components to power various telecommunications equipment and lithium-ion mobile phone batteries. The company said it will continue to pursue business opportunities with a focus on achieving profitability through additional mergers and acquisitions within the telecommunication equipment and new energy.



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