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DIGITAL CHINA HOLDINGS LIMITED
(神州數碼控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00861)

JOINT VENTURE WITH OCTOPUS CHINA INVESTMENTS LIMITED

The Board announces that on 20 January 2010, 神州數碼軟件有限公司 (Digital China Software Limited*), a subsidiary of the Company, entered into a joint venture agreement with Octopus China Investments Limited, in relation to the formation of a joint venture company to carry out research and development of service systems for bank or other card issuers and provide technical support, contracting and other ancillary services in the PRC.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of Digital China Holdings Limited (the “**Company**”) announces that on 20 January 2010, 神州數碼軟件有限公司 (Digital China Software Limited*), a subsidiary of the Company (“**DC Software**”), entered into a joint venture agreement (the “**JV Agreement**”) with Octopus China Investments Limited (“**Octopus China**”), a subsidiary of Octopus Holdings Limited (collectively, the “**Parties**”) in relation to the formation of a joint venture company to carry out research and development of service systems for bank or other card issuers and provide technical support, contracting and other ancillary services in the People’s Republic of China (the “**PRC**”). To the best knowledge, information and belief of the Board, both Octopus China and its ultimate holding company are third parties independent of the Company.

Pursuant to the JV Agreement, the joint venture company will be held as to 51% by DC Software and 49% by Octopus China. The registered capital of the joint venture company will be RMB50 million and will be contributed by the Parties in proportion to their respective equity interest in the joint venture company. In addition to the registered capital, should the joint venture company require further financing, such capital requirement may be made by way of bank loans and/or shareholders’ loan of up to RMB70 million on a pro-rata basis to support its operations. The first instalment to the registered capital of RMB35 million will be paid in cash within one month after the issue of the business licence of the joint venture company and the remaining RMB15 million will be paid in cash within 2 years after the formation of the joint venture company. It is intended that the joint venture company will principally engage in the research and development of service systems for bank or other card issuers and provide technical support, contracting and other ancillary services in the PRC. The board of the joint venture company will comprise five directors of which three will be nominated by DC Software and two will be nominated by Octopus China while the chairman of the board will be nominated by DC Software.

The Company and its subsidiaries (including DC Software) (the “**Group**”) is principally engaged in the sale and distribution of general information technology (“**IT**”) products and systems products, the provision of related value-added services, the provision of one-stop supply chain consultancy and execution services to IT and other high-value density products manufacturers and major accounts as well as providing modular or tailor-made services, and the provisions of systems integration, applications software development, consultancy and training, etc. Octopus card was launched in Hong Kong in 1997 and is a global leading smart card payment system with applications in public transport, parking, retail, self-service, schools, leisure facilities, security control of commercial and residential buildings, etc.

The Board believes that, through the joint venture company, the Group can leverage on Octopus China’s store valued smart card technology to explore new business opportunities in the PRC.

By Order of the Board
Digital China Holdings Limited
(神州數碼控股有限公司*)
GUO Wei
Chairman and Chief Executive Officer

Hong Kong, 20 January 2010

As at the date of this announcement, the Board comprises ten directors namely:

Executive Directors: Mr. GUO Wei (Chairman and Chief Executive Officer) and Mr. LIN Yang (President)

Non-executive Directors: Mr. Andrew Y. YAN, Mr. TANG Xudong, Mr. SHENG Gang and Mr. QIU Zhongwei

Independent Non-executive Directors: Mr. HU Zhaoguang, Professor WU Jinglian, Mr. WONG Man Chung, Francis and Mr. KWAN Ming Heung, Peter

Website: www.digitalchina.com.hk

** For identification purposes only*