



Media Release

For Immediate Release

Digital China and Octopus Form Partnership to Jointly Develop Citizen Card Application Solutions and Operational Service in Mainland China

Joint Venture Integrates China and Hong Kong Know-how in Smart Card and IT Solutions to Develop Innovative Services for Ultimate Convenience

(Hong Kong, 20th January 2010) Digital China Software Limited (hereafter “Digital China Software”), a subsidiary of Digital China Holdings Limited (Stock Code: 00861.HK) and Octopus China Investments Limited (hereafter “Octopus China Investments”), a wholly-owned subsidiary of Octopus Holdings Limited today signed a momentous agreement to establish a joint venture Digital China Octopus Information Technology Services Limited (hereafter “Joint Venture”) to develop application solutions and operational services for Citizen Cards in Mainland China.

With a total investment of RMB120 million, the Joint Venture will be headquartered in Beijing and is expected to begin operations within this year. Digital China Software and Octopus China Investments hold 51% and 49% of the capital of the Joint Venture respectively.

According to the joint venture agreement, the Joint Venture will provide application solutions and operational services to Citizen Cards issued in municipal cities of Mainland China. Services will include developing new application systems for Citizen Cards, providing day-to-day operational services and support, and exploring value-added application solutions and services to support the development of “Digital City” in Mainland China. “Digital City” is one of the key development strategies of Chinese municipal governments, which aims to create a robust information technology (IT) platform to enhance the efficiency of municipal management services and to offer convenient, efficient and reliable services to their people.

As China’s largest integrated IT services provider, Digital China has already signed contracts with a number of cities to build Citizen Card systems and some cities have already issued their Citizen Cards.

Digital China Software and Octopus China Investments will utilise their strengths to the fullest in the Joint Venture. Octopus is one of the world’s most widely used smart cards with more than 95% of Hong Kong residents using it on a daily basis. Leveraging Octopus’ rich experience in developing and operating contactless smart

card systems, as well as Digital China's expertise in IT applications and in-depth knowledge of the China market, the Joint Venture will focus on expanding the range of applications of Citizen Cards. In addition, the Joint Venture will also provide operational services in an effort to promote the development of application know-how and services of Citizen Cards in Mainland China.

"We are confident that our co-operation with Octopus will achieve positive results. By combining the experience and expertise of both sides, the Joint Venture is set to enjoy a strong competitive edge, which will effectively support our business development efforts in building a 'Digital City'," says Guo Wei, Chairman and Chief Executive Officer of Digital China Holdings Limited. "As a leading integrated IT service provider in Mainland China, our Citizen Card solutions have been taking the lead in the market. Through the Joint Venture, Digital China can explore more opportunities for operational business of smart cards, so that we can provide more quality services to the government in various areas in realisation of the 'Digital City' plan."

"We are delighted to be able to work with Digital China to provide application and operational services for Citizen Cards in Mainland China. It has always been a core strategy of Octopus to tap into the enormous China market, and the Joint Venture certainly marks a remarkable step forward in the implementation of this long-term growth strategy," Prudence Chan, Chief Executive Officer of Octopus Holdings Limited says. "Over the years, Octopus has been actively promoting around the world the technological know-how and best practices of the Octopus contactless smart card, so as to make everyday life easier for people in other cities and countries. We will share through this Joint Venture our unique experience of developing and operating smart cards in Hong Kong, with the aim to contribute to the development of innovation services related to Citizen Cards in the Mainland."

Citizen Cards are chip cards issued by citizen card companies authorised by municipal governments in Mainland China. Based on the vision of "Comprehensive Profiling, Lifetime Services", the multi-function Citizen Cards are designed to provide an all-in-one solution for identity certification, data storage and payment. Citizen Card holders can enjoy government services such as social security, medical and healthcare, cultural and educational, civil affairs (including preferential and pension services), population and birth planning, and residential property management. Citizen Cards also enable use of public utility and commercial services such as paying public transport fares and water, electricity and gas bills. About 10 cities around China, including Hangzhou and Ningbo of Zhejiang province; Nanjing, Wuxi, Suzhou and Yangzhou of Jiangsu province, as well as Yantai of Shandong province have issued their Citizen Cards. Offering convenient, efficient and reliable services by Citizen Cards has now become a key home affairs project in many Chinese cities.

Editor's Note:

The “Digital City” visionary plan of Digital China comprises an information technology platform and the provision of urban management functions. As the foundation of “Digital City”, the IT platform consists of communication and information infrastructure and a regional information exchange platform serving as the management centre of a “Digital City”. Urban management functions include public services and commercial services. By integrating various functions of urban management, government and commercial services, Citizen Card is an important medium to provide convenient, efficient and reliable services to the public.

About Digital China

Digital China Holdings Limited (“Digital China” or the “Group”; Stock Code: 00861.HK) is the largest IT services provider in China. Digital China has regional centres in 19 major cities nationwide with 9,300 employees. The Group provides customers with comprehensive IT products and services, creating technological innovations for work and life and enhancing the digitalization process in China through four core businesses: IT Services, Enterprise Systems, IT Products Distribution and Supply Chain Services. The Group has maintained its No.1 position in IT product distribution while increasingly focusing on the service sector. Digital China ranks in the top five of IT service providers in various sectors including telecommunication, finance and government by providing self-developed and proprietary products that are customized for specific industry needs. Additional information can be found at www.digitalchina.com.hk.

About Octopus Cards Limited

Launched in 1997, Hong Kong's Octopus is the world's leading and most extensive smart card payment system, with over 2,500 service providers across different businesses including public transport, parking, retail, vending and kiosks, schools and leisure facilities, and access control for residential and commercial buildings, and with over 50,000 Octopus readers deployed in the market. Merchants and Octopus holders embrace Octopus for both its simplicity and its convenience. Today, more than 20 million Octopus cards and products are in circulation, and the system handles over 11 million transactions a day, with transaction value exceeding HK\$100 million. In recent years, Octopus has started to export its unique experience and technology overseas, offering consultancy services for parties from different parts of the world. Additional information can be found at www.octopus.com.hk.

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