

## Code on Corporate Governance

For the six months ended 30 September 2005, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, except for the following deviations:

### Code Provision A.4.1

This code provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All Directors of the Company (including executive and non-executive Directors) were not appointed for any specific term. However, all Directors (save for Chairman or Managing Director) are subject to retirement by rotation at each annual general meeting in accordance with the Company's Bye-laws and shall be eligible for re-election. The Board of Directors shall ensure all Directors shall be subject to retirement by rotation at least once every three years so as to accomplish the same purpose as a specific term of appointment.

### Code Provision A.4.2

The second part of this code provision stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office provided that notwithstanding anything herein, the Chairman of the Board and the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. In view of good corporate governance practices, the Chairman of the Company voluntarily retires from his office once every three years notwithstanding that he is not required to do so by the Bye-laws.

### Code B.1.1

This code provision stipulates that the Company should establish a remuneration committee with specific written terms of reference and that a majority of the members of the remuneration committee should be independent non-executive directors.

The Company has not yet established a remuneration committee. The Directors shall establish a remuneration committee with specific written terms of reference in accordance with the requirements of this code provision.

## Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the six months ended 30 September 2005.

## Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

**LI Qin**

*Chairman*

Hong Kong, 30 November 2005

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