

(ii) 2002 Share Option Scheme

The following table shows the movements in share options under the 2002 Share Option Scheme during the six months ended 30 September 2006 and the options outstanding at the beginning and end of the period:

Grantee	Outstanding as at 01/04/2006	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/09/2006	Subscription price per share HK\$ (Note 2)	Date of grant	Exercisable period (Note 1)
Directors								
LI Qin	2,500,000	-	-	-	2,500,000	2.068	24/06/2004	24/06/2005-23/06/2012
GUO Wei	5,000,000	-	-	-	5,000,000	2.750	13/10/2003	13/10/2004-12/10/2011
LIN Yang	2,500,000	-	-	-	2,500,000	2.750	13/10/2003	13/10/2004-12/10/2011
HUA Zhinian	2,000,000	-	-	-	2,000,000	2.750	13/10/2003	13/10/2004-12/10/2011
Other employees	45,998,000	-	-	(2,323,000)	43,675,000	2.750	13/10/2003	13/10/2004-12/10/2011
	57,998,000	-	-	(2,323,000)	55,675,000			

Notes:

1. All options granted are subject to a vesting period of four years with 25% becoming exercisable on the first anniversary, 25% on the second anniversary, 25% on the third anniversary and 25% on the fourth anniversary of the respective date of grant.
2. The subscription price of the options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
3. No options were cancelled under the 2002 Share Option Scheme during the period.

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 contained in Appendix 10 to the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the standard as set out in the Model Code throughout the six months ended 30 September 2006.

Corporate Governance

Subsequent to the publication of the Corporate Governance Report in the 2005/06 annual report, a special resolution was passed at the annual general meeting of the Company held on 23 August 2006 to amend the Company's Bye-Laws to the effect that: (i) any Director or Directors or Chairman of the meeting who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a general meeting may demand a poll; and (ii) the Company in general meeting will have the power by ordinary resolution, instead of special resolution, to remove a Director before the expiration of his period of office.

Furthermore, a remuneration committee was established on 31 August 2006 with specific written terms of reference. The committee was made up of three members, namely Mr. ZENG Maochao (*Chairman*), Mr. WONG Man Chung, Francis and Mr. KWAN Ming Heung, Peter, the majority of whom are independent non-executive directors.

OTHER INFORMATION**Corporate Governance (continued)**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2006, in compliance with the Code on Corporate Governance Practices (the “**Code**”) 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 (including the Chairman and Managing Director) 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.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 September 2006, 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, 28 November 2006

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