

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code provisions in Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2005 except for the deviations as mentioned below:

Code provision A.1.7.

It stipulates that there should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the issuer's expenses.

On 26 August 2005, the Board approved the procedures to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

Code provision A.2.1.

It stipulates that the role of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

In July 2005, the responsibilities of the chairman and CEO were duly set out in writing and were approved by the Board.

Code provision A.4.1

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

On 26 August 2005, the Board approved the issuance of the letters to the Company's non-executive directors specifying their terms of service which shall continue until the conclusion of the Company's annual general meeting to be held in year 2007 and they shall be subject to retirement by rotation and re-election.

Code provision A.4.2

It stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the annual general meeting held on 26 August 2005, the shareholders of the Company passed a resolution amending the Company's Bye-laws in order to comply with this provision except that since the Company is subject to a private act called "Hong Kong Toy Centre International Limited Act 1990", the Chairman and managing director of the Company are not subject to retirement by rotation but shall be subject to re-election once every three years.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES (Continued)

Code Provision A.5.4.

It stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code as set out in Appendix 10 of the Listing Rules for the relevant employees, who are likely to be in possession of unpublished price sensitive information in relation to the issue of its securities, in respect of their dealings in the securities of the issuer.

On 26 August 2005, the Board approved the adoption of the Company's own code of conduct regarding the securities transactions by certain employees of the Company and its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company of its securities, in respect of their dealings in the securities of the Company. The code represents written guidelines on no less exacting terms than the Mode Code.

Code provision B.1.1.

It stipulates that issuers should set up a remuneration committee with specific terms of reference as set out in code provision B.1.3.

On 26 August 2005, the Company established a remuneration committee with specific written terms of reference as set out in accordance with code provision B.1.3.

Code Provision D.1.2.

It stipulates that an issuer should formalize the functions reserved to the board and those delegated to the management and should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.

On 26 August 2005, the Company established an executive committee with specific written terms of reference. The executive committee comprises four executive directors representing the management of the Company. On 26 August 2005, the Board approved the delegation of certain functions to the executive committee and the formalized functions reserved to the Board and those delegated to the management.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 26 August 2005 with specific minimum terms of reference as stipulated by code provision B.1.3. of the CG Code. The remuneration committee comprises all the independent non-executive directors, the chief executive officer and the executive vice president. The remuneration committee has recommended to the Board the remuneration policy for all remuneration of directors and senior management and has consulted the chairman before determining the remuneration of the newly appointed executive directors. The Committee will review the remuneration of the other executive directors and senior management in due course.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

On 26 August 2005, the Company adopted its own code of conduct regarding securities transactions by the Directors of the Company and its subsidiaries in the securities of the Company and its associated companies.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Company's own code of conduct throughout the period from 1 April 2005 to 30 September 2005.