

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

With the introduction of the Code on Corporate Governance Practices by the Stock Exchange of Hong Kong Limited, it provides a comprehensive guide for Kenford Group Holdings Limited (“**Company**”) to evaluate and improve our corporate governance practices.

Being a newly listed company, the Company is dedicated to review and improve its corporate governance practices in the coming years.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) as its code of conduct regarding securities transactions by directors of the Company (“**Directors**”).

The Company has made specific enquiry to all Directors and has received a written confirmation from each of the Directors confirming that they have complied with the Model Code if they carried out any securities transactions of the Company.

BOARD OF DIRECTORS

The board of Directors (“**Board**”) of the Company comprising six Directors, of which three are executive Directors, namely, Mr. Lam Wai Ming (“**Mr. Lam WM**”, chairman of the Board), Mr. Tam Chi Sang (“**Mr. Tam CS**”), Mr. Chan Kwok Tung, Donny; and three are independent non-executive Directors, namely, Mr. Chiu Fan Wa (“**Mr. Chiu FW**”), Mr. Li Chi Chung (“**Mr. Li CC**”) and Mr. Li Tat Wah (“**Mr. Li TW**”).

The Board has held four meetings during the year ended 31 March 2005.

The Board oversees the strategic development, determines objectives, strategy, policy and business plan of the Company. It monitors and controls the operation and financial performance and sets appropriate policies pursuant to the Company’s objectives.

The Board delegates to the committees or senior management of the Company on issues which require discussion, expertise knowledge and experience to make the decision.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lam WM and Mr. Tam CS are the chairman and the managing director of the Company respectively. Mr. Lam WM is responsible for supervision and management of the sales and marketing affairs of the Group whereas Mr. Tam CS is responsible for supervision and management of the production, quality control, engineering and design affairs of the Group.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executives Directors has entered into a letter of appointment with the Company commencing on 16 June 2005 for a term of one year and shall continue until terminated by not less than one month's prior notice in writing served by either party on the other.

REMUNERATION COMMITTEE

The remuneration committee comprising the three independent non-executive Directors namely, Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established to formulate remuneration policy for approval by the Board. Mr. Li TW was appointed as the chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee comprising the three independent non-executive Directors namely, Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. Mr. Chiu FW was appointed as the chairman of the nomination committee.

AUDITORS' REMUNERATION

The auditors are employed to provide audit services and would be pre-approved by the audit committee. The amount paid to the auditors for the year ended 31 March 2005 in respect of the audit services provided by the auditors is set out in Note 6 to the Financial Statements.

AUDIT COMMITTEE

The audit committee comprising three independent non-executive Directors namely Mr. Chiu FW, Mr. Li CC and Mr. Li TW was established on 29 April 2005 with written terms of reference in compliance with the Listing Rules. Mr. Chiu FW was appointed as the chairman of the audit committee who is a qualified accountant with appropriate professional qualification and experience in financial matters. None of the audit committee members are members of the former or existing auditors of the Company.

The primary duties of the audit committee are, inter alia, to review and supervise the financial reporting process and internal control system of the Group, to review the financial statements focusing particularly on (i) any changes in accounting policies and practices of the Group; (ii) the compliance with accounting standards and (iii) the compliance with the legal requirements, as well as to review the Company's annual reports and interim reports.

The audit committee has reviewed with the auditors the audited financial statements of the Company for the year ended 31 March 2005.