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BOON KOON GROUP BERHAD

(Company No: 553434-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS
IN RELATION TO THE

- (I) **PROPOSED BONUS ISSUE OF UP TO OF 41,000,000 NEW ORDINARY SHARES OF RM0.50 EACH ON THE BASIS OF ONE (1) NEW ORDINARY SHARE OF RM0.50 EACH FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD; AND**
- (II) **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL FROM RM50,000,000 DIVIDED INTO 100,000,000 ORDINARY SHARES OF RM0.50 EACH TO RM100,000,000 DIVIDED INTO 200,000,000 ORDINARY SHARES OF RM0.50 EACH.**

Advised By

AmMerchant Bank Berhad
(Company No. 23742-V)
A member of



AmInvestment Group

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of an Extraordinary General Meeting to be held at Merbah Room, Hotel Equatorial, Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 19 May 2005 at 11.00 a.m. or immediately following the conclusion or adjournment of the 3rd Annual General Meeting of the Company to be held at the same venue and on the same date at 10.30 a.m., is set out in this Circular. Shareholders are advised to refer to the Notice of the Extraordinary General Meeting and the Form of Proxy which are enclosed.

The Form of Proxy must be lodged at the registered office of the Company not less than forty-eight (48) hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

This Circular is dated 26 April 2005

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

AGM	— Annual General Meeting
AmMerchant Bank	— AmMerchant Bank Berhad (23742-V)
BKG Group or Group	— BKG and its subsidiaries
BKG or Company	— Boon Koon Group Berhad (553434-U)
BKVI	— Boon Koon Vehicles Industries Sdn Bhd (229508-X)
Board	— The Board of Directors of BKG
Bonus Shares	— Up to 41,000,000 new Shares to be credited as fully paid-up pursuant to the Proposed Bonus Issue
Bursa Depository	— Bursa Malaysia Depository Sdn Bhd (165570-W) <i>(formerly known as Malaysian Central Depository Sdn Bhd)</i>
Bursa Securities	— Bursa Malaysia Securities Berhad (635998-W)
CDS	— Central Depository System
EGM	— Extraordinary General Meeting
Entitlement Date	— The date on which shareholders must be registered in the Record of Depositors of BKG in order to be entitled for the Proposed Bonus Issue
ESOS	— Boon Koon Group Berhad Employee Share Option Scheme
Market Days	— Any day between Monday and Friday (both dates inclusive) which is not a public holiday and on which the Bursa Securities is open for the trading of securities
NTA	— Net tangible assets
Placement Price	— Issue price for the Placement Shares based on the weighted average market price of the Company's Shares for the five (5) Market Days prior to the price-fixing date, with a discount to be determined if deemed appropriate
Placement Shares	— 2,000,000 new Shares credited as fully paid-up pursuant to the Proposed Private Placement
Proposals	— The Proposed Private Placement, Proposed Bonus Issue, Proposed Transfer and Proposed Increase in Authorised Share Capital collectively
Proposed Bonus Issue	— The proposed bonus issue of up to 41,000,000 new Shares to be credited as fully paid-up to the existing shareholders of the Company on the basis of one (1) new Share for every two (2) existing Shares held on the Entitlement Date
Proposed Increase in Authorised Share Capital	— The proposed increase in the authorised share capital of BKG from RM50,000,000 divided into 100,000,000 Shares to RM100,000,000 divided into 200,000,000 Shares

DEFINITIONS (Cont'd)

- Proposed Private Placement** — The proposed private placement of 2,000,000 new Shares representing 2.50% of the existing issued and paid-up share capital of BKG as at 5 April 2005
- Proposed Transfer** — The proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of BKG from the Second Board to the Main Board of the Bursa Securities
- RM and sen** — Ringgit Malaysia and sen respectively
- SC** — Securities Commission
- SC Guidelines** — The Policies and Guidelines on Issue/Offer of Securities issued by the SC as amended or expanded from time to time
- Share(s)** — Ordinary share(s) of RM0.50 each in BKG

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TABLE OF CONTENTS

	<i>Page</i>
<i>LETTER FROM THE BOARD TO SHAREHOLDERS CONTAINING:-</i>	
1. INTRODUCTION.....	1
2. THE PROPOSED BONUS ISSUE	2
2.1 <i>Details of the Proposed Bonus Issue</i>	<i>2</i>
2.2 <i>Ranking of the Bonus Shares.....</i>	<i>4</i>
2.3 <i>Rationale for the Proposed Bonus Issue.....</i>	<i>4</i>
3. THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL.....	4
3.1 <i>Details of the Proposed Increase in Authorised Share Capital</i>	<i>4</i>
3.2 <i>Rationale for the Proposed Increase in Authorised Share Capital.....</i>	<i>4</i>
4. THE PROPOSED PRIVATE PLACEMENT	5
4.1 <i>Details of the Proposed Private Placement</i>	<i>5</i>
4.2 <i>Placement Arrangement.....</i>	<i>5</i>
4.3 <i>Basis of Pricing</i>	<i>5</i>
4.4 <i>Ranking of the Placement Shares.....</i>	<i>5</i>
4.5 <i>Rationale for the Proposed Private Placement.....</i>	<i>5</i>
4.6 <i>Utilisation of Proceeds</i>	<i>5</i>
5. THE PROPOSED TRANSFER	6
5.1 <i>Details of the Proposed Transfer.....</i>	<i>6</i>
5.2 <i>Rationale for the Proposed Transfer.....</i>	<i>6</i>
6. FINANCIAL EFFECTS OF THE PROPOSALS	6
6.1 <i>Share Capital.....</i>	<i>6</i>
6.2 <i>NTA.....</i>	<i>7</i>
6.3 <i>Substantial Shareholders' Interests.....</i>	<i>8</i>
6.4 <i>Earnings.....</i>	<i>9</i>
6.5 <i>Dividends.....</i>	<i>9</i>
7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS	9
8. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED	9
9. CONDITIONS TO THE PROPOSALS	10
10. SHARE PRICES	10
11. DIRECTORS' RECOMMENDATION.....	11
12. EGM	11
13. FURTHER INFORMATION.....	11

TABLE OF CONTENTS (Cont'd)

APPENDIX I — FURTHER INFORMATION..... 12

NOTICE OF EGM.....*Enclosed*

FORM OF PROXY*Enclosed*

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BOON KOON GROUP BERHAD

(Company No: 553434-U)
(Incorporated in Malaysia)

Registered Office

51-8-B, Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

26 April 2005

Directors

Shamsudin @ Samad Bin Kassim (*Chairman*)
Goh Boon Koon (*Managing Director*)
Goh Boon Leong (*Executive Director*)
Lee Teoh Kee (*Executive Director*)
Goh Boon Siew (*Executive Director*)
Abd Ghani Bin Ali Kadir (*Executive Director*)
Tan Jin Sun (*Executive Director*)
Ho Kok Loon (*Independent Non-Executive Director*)
Ang Poh Gin (*Independent Non-Executive Director*)
Murelidaran A/L M Navaratnam (*Independent Non-Executive Director*)

To : **The Shareholders of Boon Koon Group Berhad**

Dear Sir/ Madam,

- **PROPOSED BONUS ISSUE OF UP TO 41,000,000 NEW ORDINARY SHARES OF RM0.50 EACH ON THE BASIS OF ONE (1) NEW ORDINARY SHARE OF RM0.50 EACH FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD; AND**
- **PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL FROM RM50,000,000 DIVIDED INTO 100,000,000 ORDINARY SHARES OF RM0.50 EACH TO RM100,000,000 DIVIDED INTO 200,000,000 ORDINARY SHARES OF RM0.50 EACH.**

1. INTRODUCTION

On 1 March 2005, on behalf of the Board, AmMerchant Bank had announced that the Company is proposing to undertake the following:-

- (a) The proposed private placement of 2,000,000 new Shares representing 2.50% of the existing issued and paid-up share capital of BKG;
- (b) The proposed bonus issue of up to 41,000,000 new Shares in BKG on the basis of one (1) new Share for every two (2) existing Shares held at the entitlement date to be determined at a later date upon obtaining all relevant approvals;
- (c) The proposed transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of BKG from the Second Board to the Main Board of the Bursa Securities; and

- (d) The proposed increase in authorised share capital of BKG from RM50,000,000 divided into 100,000,000 Shares to RM100,000,000 divided into 200,000,000 Shares.

The Proposed Bonus Issue is proposed to be implemented upon the completion of the Proposed Private Placement. The Proposed Transfer will be effected upon the completion of the Proposed Bonus Issue.

The Proposed Bonus Issue is conditional upon the Proposed Private Placement and Proposed Increase in Authorised Share Capital. The Proposed Transfer is conditional upon the Proposed Bonus Issue.

The purpose of this Circular is to provide the shareholders with the relevant information on the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital, to set out your Board's recommendation thereon and to seek your approval for the resolutions pertaining to the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital to be tabled at the forthcoming EGM.

As the Proposed Private Placement and the Proposed Transfer are not subject to the shareholders' approval, details of the Proposed Private Placement and Proposed Transfer are included in this Circular for information only.

An Introductory Circular giving further details of the Proposed Transfer will be despatched to the shareholders of BKG in due course.

2. THE PROPOSED BONUS ISSUE

2.1 *Details of the Proposed Bonus Issue*

The Proposed Bonus Issue shall involve the issuance of up to 41,000,000 new Shares credited as fully paid-up to the existing shareholders of the Company on the basis of one (1) new Share for every two (2) existing Shares held in the Company on an Entitlement Date to be determined later.

BKG implemented an ESOS which was effective on 7 April 2004 pursuant to its listing on the Second Board of the Bursa Securities. However, as at to-date, the Company has yet to grant any ESOS option to the eligible Executive Directors and employees of the Group. BKG intends to grant the ESOS options to the eligible Executive Directors and employees after the completion of the Proposals.

Up to 41,000,000 Bonus Shares to be issued (being the maximum number of Shares to be issued pursuant to the Proposed Bonus Issue) are arrived at based on the expected issued and paid-up share capital of the Company on the Entitlement Date after taking into consideration the following:-

- (a) the issued and paid-up share capital of the Company as at 5 April 2005 of RM40,000,000 comprising 80,000,000 Shares; and
- (b) the 2,000,000 Placement Shares.

The Proposed Bonus Issue will be effected by capitalising up to RM8,840,208 or any other amount as at the date prior to the allotment of the Bonus Shares from the Share Premium Account and/or up to RM11,659,792 from the Retained Profits Account of the Company based on the audited financial statements of BKG as at 31 December 2004, adjusted for the share premium arising from the Proposed Private Placement and payment of the proposed first and final tax-exempt dividend of 3.75 sen per Share in respect of the financial year ended 31 December 2004 to the shareholders of BKG ("**Dividend Payment**").

The proposed capitalisation for the Bonus Shares will be capitalised firstly from the Share Premium Account and then the Retained Profits Account of the Company. An illustration of the proposed capitalisation for the Proposed Bonus Issue is set out below:-

Company Level	Share Premium Account	Retained Profits Account
	RM	RM
Audited as at 31 December 2004	7,290,208	15,655,979
Dividend Payment	-	^(b) (3,000,000)
Share premium arising from the Proposed Private Placement	^(a) 1,740,000	-
Amount to be capitalised for the Proposed Bonus Issue	(8,840,208)	(11,659,792)
Estimated expenses	(190,000)	-
After Proposed Bonus Issue	-	996,187

Notes:-

^(a) Based on an indicative Placement Price of approximately RM1.37 per Share (based on a 10% discount from the weighted average market price of the Company's Shares for the five (5) Market Days prior to the date of the announcement of the Proposals from 22 February 2005 to 28 February 2005 of RM1.52 per Share).

^(b) Proposed tax-exempt dividend of 3.75 sen per Share amounting to RM3,000,000 in respect of the financial year ended 31 December 2004.

As at 5 April 2005, the issued and paid-up share capital of BKG is RM40,000,000 comprising 80,000,000 Shares. The issued and paid-up share capital of BKG would be increased from RM40,000,000 comprising 80,000,000 Shares to RM41,000,000 comprising 82,000,000 Shares upon completion of the Proposed Private Placement and would be subsequently increased to a maximum of RM61,500,000 comprising 123,000,000 Shares upon completion of the Proposed Bonus Issue.

The Bursa Securities has already prescribed the Shares of the Company, which are listed on the Official List of the Second Board of the Bursa Securities to be deposited with the Bursa Depository. Accordingly, an application will be made to the Bursa Securities for the listing of and quotation for the Bonus Shares.

The Bonus Shares will be credited directly into the CDS accounts of the respective entitled shareholders and within ten (10) Market Days after the Entitlement Date or such other period as may be prescribed by the Bursa Securities, the Company must allot and issue the Bonus Shares, despatch notices of allotment to the entitled shareholders and make an application for the listing of and quotation for the Bonus Shares. No physical share certificate will be issued.

In determining the shareholders' entitlement to the Bonus Shares, fractional entitlement, if any, will be disregarded and shall be dealt with in such manner as the Directors of the Company in their discretion think expedient and in the interest of the Company.

The Entitlement Date for the Bonus Shares will be determined by the Directors of the Company at a later date after the receipt of relevant approvals for the Proposed Bonus Issue.

2.2 *Ranking of the Bonus Shares*

The Bonus Shares to be issued and allotted shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up Shares of the Company except that the Bonus Shares so issued will not be entitled for any dividend, rights, allotment and/or any other distribution declared, made or paid to the shareholders, the entitlement date of which is prior to the allotment date of the Bonus Shares.

2.3 *Rationale for the Proposed Bonus Issue*

The Proposed Bonus Issue is undertaken to facilitate the Proposed Transfer and will increase the capital base of the Company to a level which will better reflect the Company's current scale of operations. The Proposed Bonus Issue will also serve to reward the shareholders of the Company for their continuous support.

3. THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

3.1 *Details of the Proposed Increase in Authorised Share Capital*

The present authorised share capital of the Company is RM50,000,000 comprising 100,000,000 Shares, of which RM40,000,000 comprising 80,000,000 Shares have been issued and fully paid-up as at 5 April 2005. In order to accommodate the new Shares to be issued pursuant to the Proposed Private Placement and Proposed Bonus Issue, the Board proposes to increase the authorised share capital of the Company from RM50,000,000 divided into 100,000,000 Shares to RM100,000,000 divided into 200,000,000 Shares by creation of an additional 100,000,000 new Shares.

Accordingly, Clause 5 of the Memorandum of Association and Article 3 of the Articles of Association of the Company will be amended pursuant to the Proposed Increase in Authorised Share Capital.

3.2 *Rationale for the Proposed Increase in Authorised Share Capital*

The Proposed Increase in Authorised Share Capital is to accommodate the increase in the issued and paid-up share capital of the Company pursuant to the Proposed Private Placement and Proposed Bonus Issue as well as any future corporate exercises.

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4. THE PROPOSED PRIVATE PLACEMENT

4.1 *Details of the Proposed Private Placement*

The Proposed Private Placement shall involve the issuance of 2,000,000 new Shares representing 2.50% of the existing issued and paid-up share capital of BKG as at 5 April 2005 of RM40,000,000 comprising 80,000,000 Shares.

4.2 *Placement Arrangement*

The Company intends to place the Placement Shares to third party investors to be identified. BKG has appointed AmMerchant Bank as the Sole Placement Agent to procure prospective placees for the Placement Shares at a Placement Price to be determined in accordance with the SC Guidelines. At this juncture, the placees have yet to be identified.

The Proposed Private Placement is expected to be completed prior to the implementation of the Proposed Bonus Issue.

4.3 *Basis of Pricing*

The pricing for the Placement Shares to third party investors will be based on the weighted average market price of the Company's Shares for the five (5) Market Days prior to the price-fixing date, with a discount to be determined if deemed appropriate. The Placement Price shall not be lower than RM0.50, being the par value of BKG's Shares.

The price-fixing date will be determined after obtaining all relevant regulatory approvals for the Proposed Private Placement. For illustration purposes only, the weighted average market price of the Company's Shares for the five (5) Market Days prior to the date of announcement of the Proposals from 22 February 2005 to 28 February 2005 was RM1.52. Assuming a discount of approximately 10%, the indicative Placement Price will be approximately RM1.37 per Share.

4.4 *Ranking of the Placement Shares*

The Placement Shares to be issued and allotted shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up Shares of the Company except that the Placement Shares so issued will not be entitled for any dividend, rights, allotment and/or any other distribution declared, made or paid to the shareholders, the entitlement date of which is prior to the allotment date of the Placement Shares.

4.5 *Rationale for the Proposed Private Placement*

The Proposed Private Placement is to facilitate the Proposed Transfer and the Board is of the view that raising funds by way of Proposed Private Placement will enable the Group to raise low cost equity funds to finance its working capital requirements in an expeditious manner.

4.6 *Utilisation of Proceeds*

The proceeds from the Proposed Private Placement will be utilised for the working capital requirements of the BKG Group and to defray expenses in relation to the Proposals. Any variation in the actual expenses from the estimated amount will be adjusted in the working capital. For illustration purposes, based on an indicative Placement Price of approximately RM1.37 (based on a 10% discount from the weighted average market price of the Company's Shares for the five (5) Market Days prior to the date of announcement of the Proposals from 22 February 2005 to 28 February 2005 of RM1.52 per Share), the Proposed Private Placement is expected to raise gross proceeds of approximately RM2,740,000.

5. THE PROPOSED TRANSFER

5.1 *Details of the Proposed Transfer*

The Company was listed on the Second Board of the Bursa Securities on 8 April 2004. Upon completion of the Proposed Bonus Issue, the Company would have met the conditions for the transfer of its listing from the Second Board to the Main Board of the Bursa Securities pursuant to the SC Guidelines.

The Company has achieved a consolidated profit after taxation and minority interest ("PAT and MI") of approximately RM15.67 million for the financial year ended 31 December 2004 and an aggregate consolidated PAT and MI of approximately RM37.69 million for the past five (5) financial years ended 31 December 2000 to 31 December 2004. The issued and paid-up share capital of the Company will be increased to RM61,500,000 comprising 123,000,000 Shares upon the completion of the Proposed Private Placement and the Proposed Bonus Issue.

As at 5 April 2005, BKG has approximately 26.04% of its issued and paid-up share capital in the hands of 1,002 public shareholders holding not less than 100 Shares each.

5.2 *Rationale for the Proposed Transfer*

The Proposed Transfer is expected to enhance the Group's standing and attractiveness amongst investors. In addition, the Proposed Transfer is also expected to enhance the confidence of the Group's customers, suppliers and employees as well as further strengthen the Group's profile among its bankers.

Further details of the Proposed Transfer will be included in an Introductory Circular to be despatched to the shareholders of BKG in due course.

6. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposed Increase in Authorised Share Capital and Proposed Transfer will not have any financial effect on the share capital, NTA, substantial shareholders' interests, earnings and dividends of BKG and the BKG Group, where applicable.

The financial effects of the Proposed Private Placement and Proposed Bonus Issue are as follows:-

6.1 *Share Capital*

The effects of the Proposed Private Placement and Proposed Bonus Issue on the issued and paid-up share capital of BKG are as follows:-

Share Capital	No. of Shares	%
As at 5 April 2005	80,000,000	65.04
To be issued pursuant to the Proposed Private Placement	2,000,000	1.63
	82,000,000	66.67
To be issued pursuant to the Proposed Bonus Issue	41,000,000	33.33
Enlarged issued and paid-up share capital	123,000,000	100.00

6.2 NTA

The proforma effects of the Proposed Private Placement and Proposed Bonus Issue on the NTA of the BKG Group based on the audited consolidated balance sheet of BKG as at 31 December 2004 are as follows:-

		Proforma I	Proforma II	Proforma III
	Audited as at 31 December 2004	After Dividend Payment	After Proforma I and Proposed Private Placement	After Proforma II and Proposed Bonus Issue
	RM	RM	RM	RM
Group level				
Share Capital	40,000,000	40,000,000	41,000,000	61,500,000
Share Premium	7,290,208	7,290,208	^{(b)(c)} 8,840,208	-
Retained Profits	15,662,493	^(a) 12,662,493	12,662,493	1,002,701
NTA	62,952,701	59,952,701	62,502,701	62,502,701
No. of Shares	80,000,000	80,000,000	82,000,000	123,000,000
NTA per Share (RM)	0.79	0.75	0.76	0.51

Notes:-

- ^(a) Adjusted for the proposed tax-exempt dividend of 3.75 sen per Share amounting to RM3,000,000 in respect of the financial year ended 31 December 2004.
- ^(b) Based on an indicative Placement Price of approximately RM1.37 per Share (based on a 10% discount from the weighted average market price of the Company's Shares for the five (5) Market Days prior to the date of the announcement of the Proposals from 22 February 2005 to 28 February 2005 of RM1.52 per Share).
- ^(c) After netting estimated expenses of RM190,000 pursuant to the Proposals.

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6.3 Substantial Shareholders' Interests

The shareholdings of the substantial shareholders of the Company will be diluted following the Proposed Private Placement. However, the Proposed Bonus Issue will not have any effect on the substantial shareholders' percentage of shareholdings in the Company as the Bonus Shares are pro-rated to all the shareholders of the Company. Accordingly, the number of Shares held by each shareholder will be increased proportionately pursuant to the Proposed Bonus Issue. The effects of the Proposed Private Placement and Proposed Bonus Issue on the shareholdings of the substantial shareholders of BKG are illustrated as follows:-

Substantial Shareholders	Existing as at 5 April 2005 ^(a)				Proforma I After Proposed Private Placement ^{(b)(c)}				Proforma II After Proforma I and Proposed Bonus Issue ^(d)			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Goh Boon Koon	15,539,184	19.42	-	-	15,539,184	18.95	-	-	23,308,776	18.95	-	-
Goh Boon Leong	14,880,604	18.60	-	-	14,880,604	18.15	-	-	22,320,906	18.15	-	-
Lee Teoh Kee	11,387,944	14.23	-	-	11,387,944	13.89	-	-	17,081,916	13.89	-	-
HSBC Holdings PLC	8,790,000	10.99	-	-	8,790,000	10.72	-	-	13,185,000	10.72	-	-

Notes:-

- (a) Based on existing issued and paid-up share capital of 80,000,000 Shares as at 5 April 2005.
- (b) The Company intends to place the Placement Shares to third party investors to be identified.
- (c) Based on the enlarged issued and paid-up share capital of 82,000,000 Shares after the Proposed Private Placement.
- (d) Based on the enlarged issued and paid-up share capital of 123,000,000 Shares after the Proposed Private Placement and Proposed Bonus Issue.

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6.4 Earnings

Save for the dilution in the earnings per Share of the BKG Group arising from the increase in the number of issued and paid-up share capital of the Company pursuant to the Proposed Private Placement and Proposed Bonus Issue, the Proposed Private Placement and Proposed Bonus Issue are not expected to have any material effect on the earnings of the BKG Group for the financial year ending 31 December 2005. However, the proceeds from the Proposed Private Placement are expected to contribute positively to the future earnings of the BKG Group.

6.5 Dividends

Subject to the approval of the shareholders of the Company, the Board has recommended a first and final tax-exempt dividend of 3.75 sen per Share in respect of the financial year ended 31 December 2004.

The level of dividends to be declared for future financial years would be determined by the Board after taking into consideration the performance of the Company and the prevailing economic conditions.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders and/or persons connected to the Directors and/or substantial shareholders of BKG have any interest, either direct or indirect, in the Proposals beyond their respective entitlements under the Proposed Bonus Issue for which all existing shareholders of BKG are also entitled to.

Based on the Register of Directors' Shareholdings and Register of Substantial Shareholders, the shareholdings of the Directors and substantial shareholders of BKG as at 5 April 2005 are as follows:-

Name	No. of Shares Held			
	Direct	%	Indirect	%
<u>Directors and Substantial Shareholders</u>				
Goh Boon Koon	15,539,184	19.42	-	-
Goh Boon Leong	14,880,604	18.60	-	-
Lee Teoh Kee	11,387,944	14.23	-	-
<u>Directors</u>				
Shamsudin @ Samad Bin Kassim	1,350,000	1.69	-	-
Goh Boon Siew	3,679,854	4.60	-	-
Abd Ghani Bin Ali Kadir	533,100	0.67	-	-
Tan Jin Sun	1,940,400	2.43	-	-
Ho Kok Loon	20,000	0.03	-	-
Ang Poh Gin	20,000	0.03	-	-
Murelidaran A/L M Navaratnam	13,000	0.02	-	-
<u>Substantial Shareholder</u>				
HSBC Holdings PLC	8,790,000	10.99	-	-

8. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposals, there are no other outstanding corporate proposals which have been announced to the Bursa Securities but not yet completed prior to the despatch of this Circular.

9. CONDITIONS TO THE PROPOSALS

The Proposals are subject to the approvals of the following parties:-

- (a) the SC for the Proposed Private Placement and Proposed Transfer;
- (b) the Unit Pematuhan Ekuiti, Jabatan Pengambilan dan Percantuman of the SC for the Proposed Private Placement under the Foreign Investment Committee requirements;
- (c) the Ministry of International Trade and Industry for the Proposed Private Placement;
- (d) the Bursa Securities for:-
 - (i) the listing of and quotation for the Placement Shares and Bonus Shares; and
 - (ii) the transfer of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company to the Main Board of the Bursa Securities;
- (e) the shareholders of BKG at an EGM to be convened for the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital; and
- (f) any other relevant authorities (where applicable).

Approval has been obtained from the shareholders of BKG at the AGM of the Company convened on 5 April 2004, authorising the Directors of the Company to allot and issue new Shares not exceeding 10% of the issued and paid-up share capital of the Company pursuant to Section 132D of the Companies Act, 1965 ("**S132D Approval**"). The said approval of the shareholders is valid until the next AGM of the Company. BKG intends to seek the approval of its shareholders for the renewal of the Section 132D Approval in the forthcoming AGM of the Company to be convened at Merbah Room, Hotel Equatorial, Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 19 May 2005 at 10.30 a.m. The resolution pertaining to the renewal of the Section 132D Approval is set out in Resolution 10 of the Notice of the 3rd AGM of BKG despatched together with this Circular.

The Proposed Bonus Issue is conditional upon the Proposed Private Placement and Proposed Increase in Authorised Share Capital. The Proposed Transfer is conditional upon the Proposed Bonus Issue.

10. SHARE PRICES

The following table sets out the monthly highest and lowest market prices of BKG's Shares traded on the Bursa Securities for the past twelve (12) months ended March 2005:-

	<u>Highest (RM)</u>	<u>Lowest (RM)</u>
Year 2004:-		
April*	1.61	1.00
May	1.60	1.33
June	1.63	1.45
July	1.58	1.49
August	1.58	1.46
September	1.54	1.44
October	1.50	1.39
November	1.49	1.39
December	1.46	1.41
Year 2005:-		
January	1.48	1.40
February	1.59	1.38
March	1.84	1.51

Source : Bloomberg

Note:-

* *The monthly highest and lowest share prices of BKG are only available from 8 April 2004 onwards as BKG was listed on the Second Board of the Bursa Securities on the said date.*

Last transacted market price on 28 February 2005 (being the latest practicable date prior to the announcement of the Proposals) was RM1.54.

Last transacted market price on 20 April 2005 (being the latest practicable prior to the despatch of this Circular) was RM1.63.

11. DIRECTORS' RECOMMENDATION

Having considered the rationale for the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital, the Board is of the opinion that the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital are in the best interest of the Company and its shareholders.

Accordingly, your Board after taking into consideration the rationale for the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital, recommends that you vote in favour of the resolutions pertaining to the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital to be tabled at the forthcoming EGM.

12. EGM

An EGM, the Notice of which is enclosed with this Circular, to be held at Merbah Room, Hotel Equatorial, Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 19 May 2005 at 11.00 a.m. or immediately following the conclusion or adjournment of the 3rd AGM of the Company to be held at the same venue and on the same date at 10.30 a.m. for the purposes of considering the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital contained herein and if thought fit, passing the resolutions so as to give effect to the Proposed Bonus Issue and Proposed Increase in Authorised Share Capital.

If you are unable to attend and vote in person at the EGM, you may complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company not less than forty-eight (48) hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

13. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix I for further information.

Yours faithfully
For and on behalf of the Board of Directors of
BOON KOON GROUP BERHAD

GOH BOON KOON
Managing Director

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

2. CONSENT

The written consent of AmMerchant Bank for the inclusion in this Circular of its name and all references to it in the form and context in which it appears has been given and has not been subsequently withdrawn before the issuance of this Circular.

3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

BKG and/or its subsidiaries are not engaged in any material litigation, claims and arbitration, either as plaintiff or defendant, which has a material effect on the business or financial position of BKG and/or its subsidiaries and the Board has no knowledge of any proceeding pending or threatened against the BKG and/or its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the business or financial position of the BKG and/or its subsidiaries.

4. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by BKG and/or its subsidiaries within the past two (2) years preceding the date of this Circular.

- (a) Share Sale Agreement made on 24 June 2003 between Goh Boon Koon, Goh Ho Seng, Goh Boon Siew, Goh Boon Leong, Lee Teoh Kee, Shamsudin @ Samad Bin Kassim, Abd Ghani Bin Ali Kadir and Noorsa Merican Bin Ghouse as Vendors and BKG as Purchaser for the acquisition of the entire issued and paid-up share capital of BKVI comprising of 11,673,640 ordinary shares of RM1.00 each for a consideration of RM32,402,971.00 satisfied wholly by the issuance of 30,568,841 new ordinary shares of RM1.00 each in BKG at an issue price of approximately RM1.06 per share;
- (b) Memorandum of Intent for the acquisition made on 24 June 2003 between BKVI as Vendor and BKG as Purchaser for the acquisition of the entire issued and paid-up capital of First Peninsula Credit Sdn Bhd ("**FPC**") comprising 299,200 ordinary shares of RM1.00 each for a cash consideration of RM683,443.00 and the acquisition of 65% interest in Boon Koon Marketing (East Malaysia) Sdn Bhd ("**BKM**") comprising 65,000 ordinary shares of RM1.00 each for a cash consideration of RM212,085.00;
- (c) Agreement dated 1 October 2003 between BKVI as Employer and S H Butterworth Engineering Sdn Bhd as the Contractor for the additional civil and structural construction for the factory on Lot 1808, 1809, 1810 and 5025, Mukim 9, Daerah Seberang Perai Selatan bearing the address 1177, Jalan Dato Keramat, Nibong Tebal, 14300 Penang for a cash consideration of RM2,736,000.00. As at 5 April 2005, the amount authorised/certified by the engineer for payment is RM2,667,600.00 after deducting the retention sum of RM68,400.00 in accordance with the said agreement;

- (d) BKVI had on 10 December 2003 purchased one unit of new Mercedes Benz registration No. PBK 77 by way of Hire-Purchase facilities from EON Finance Berhad, Taman Usahaniaga, Bukit Mertajam Branch for the sum of RM556,565.42;
- (e) Share Sale Agreement made on 8 January 2004 between BKVI as Vendor and BKG as Purchaser for the for the acquisition of the entire issued and paid-up capital of FPC comprising 299,200 ordinary shares of RM1.00 each for a cash consideration of RM683,443.00 and the acquisition of 65% interest in BKM comprising 65,000 ordinary shares of RM1.00 each for a cash consideration of RM212,085.00;
- (f) Underwriting Agreement dated 13 February 2004 between BKG, Goh Boon Koon, Goon Boon Leong, Lee Teoh Kee, Goh Boon Siew, AmMerchant Bank as the Managing Underwriter and Underwriter, and AmSecurities Sdn Bhd as the Underwriter for the underwriting of 10,000,000 public issue/offer for sale Shares for an underwriting commission of 2.25% of the public issue/offer for sale price of RM1.00 per Share;
- (g) Share Sale Agreement made on 1 June 2004 between Tan Poo Chuan and Tan Giek Ee as Vendors and BKG as Purchaser for the acquisition of 35,000 ordinary shares of RM1.00 each in the capital of BKM for the purchase consideration of RM990,500.00;
- (h) Variation Orders No. 044 and 045 dated 10 September 2004 and 25 November 2004 respectively, issued by S.H. Butterworth Engineering Sdn Bhd to BKVI for additional civil and structural construction for the factories on Lot No. 1808, 1809, 1810 and 5025, Mukim 9, Daerah Seberang Perai Selatan bearing the address 1177, Jalan Dato Keramat, Nibong Tebal, 14300 Penang for a consideration of RM501,228.00;
- (i) Sale and Purchase Agreement dated 14 October 2004 entered into between L.G.B. Engineering Sdn Bhd as Vendor and BKVI as Purchaser for the purchase of all the piece of leasehold land held under document of title No. P.M. 432 known as Lot No. 2819, Tempat Bt.18, Jalan K. Selangor, Mukim Sungai Buluh, Daerah Petaling, Selangor for a consideration of RM840,000.00; and
- (j) Shareholders Agreement made on 7 March 2005 entered into between BKG and Truck Zone Sdn Bhd to regulate the relationship between the parties in the operation and management of BK Continental Vehicles Sdn Bhd.

5. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal office hours on Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (a) The Memorandum and Articles of Association of BKG;
- (b) The audited financial statements of the BKG Group for the past two (2) financial years ended 31 December 2003 and 31 December 2004;
- (c) The letter of consent as referred to in Section 2 above; and
- (d) The material contracts referred to in Section 4 above.

BOON KOON GROUP BERHAD

(Company No: 553434-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Merbah Room, Hotel Equatorial, Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 19 May 2005 at 11.00 a.m. or immediately following the conclusion or adjournment of the 3rd Annual General Meeting of the Company to be held at the same venue and on the same date at 10.30 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:-

SPECIAL RESOLUTION

PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL FROM RM50,000,000 DIVIDED INTO 100,000,000 ORDINARY SHARES OF RM0.50 EACH TO RM100,000,000 DIVIDED INTO 200,000,000 ORDINARY SHARES OF RM0.50 EACH

“**THAT**, the authorised share capital of the Company be increased from RM50,000,000 divided into 100,000,000 ordinary shares of RM0.50 each (“**Shares**”) to RM100,000,000 divided into 200,000,000 Shares by creation of an additional 100,000,000 new Shares, **AND THAT** such new Shares shall rank pari passu in all respects with the existing Shares of the Company and that in consequence thereof, Clause 5 of the Memorandum of Association and Article 3 of the Articles of Association of the Company will be amended accordingly.”

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF UP TO 41,000,000 NEW ORDINARY SHARES OF RM0.50 EACH ON THE BASIS OF ONE (1) NEW ORDINARY SHARE OF RM0.50 EACH FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD

“**THAT**, subject to the passing of the Special Resolution above, the approval of the Bursa Malaysia Securities Berhad including the approval-in-principle for the listing of and quotation for all the new ordinary shares of RM0.50 each (“**Shares**”) to be issued hereunder, approval be and is hereby given to the Company to increase the issued and paid-up share capital of the Company by way of a bonus issue of up to 41,000,000 new Shares (“**Bonus Shares**”) in the issued and paid-up share capital of the Company (“**Proposed Bonus Issue**”) by capitalising up to RM8,840,208 or any other amount as at the date prior to the allotment of the Bonus Shares from the Share Premium Account and/or up to RM11,659,792 from the Retained Profits Account of the Company and that the same be applied for the said Proposed Bonus Issue of up to 41,000,000 new Shares in the capital of the Company to be distributed as fully paid-up to the shareholders of the Company whose names appear in the Record of Depositors on a date to be determined by the Directors of the Company in the proportion of one (1) new Share for every two (2) existing Shares held. The new Shares to be issued and allotted shall, upon allotment and issuance, rank pari passu in all respects with the existing issued and paid-up Shares of the Company except that the Bonus Shares so issued will not be entitled for any dividend, rights, allotment and/or any other distribution declared, made or paid to the shareholders, the entitlement date of which is prior to the allotment date of the Bonus Shares, and fractional entitlement will be disregarded and dealt with in such manner as the Directors of the Company in their discretion think expedient and in the interest of the Company, **AND THAT** the Directors of the Company be and are hereby authorised to sign and execute all documents, and do all acts and things as may be required for or in connection with and to give effect to and implement the Proposed Bonus Issue with full power to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities.”

By Order of the Board

TAN CHOONG KHIANG

Company Secretary
(MAICSA 7018448)

Penang
26 April 2005

Notes:-

- 1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- 2. To be valid, this form duly completed must be deposited at the registered office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time for holding the meeting.*
- 3. A member shall be entitled to appoint one (1) or more proxies (subject to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.*
- 4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- 5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

BOON KOON GROUP BERHAD

(Company No: 553434-U)
(Incorporated in Malaysia)

PROXY FORM

* I / We.....

(Full Name in Block Letters)

of

(Address)

being a * member / members of the abovenamed Company, hereby appoint

.....

(Full Name in Block Letters)

of

(Address)

or failing him,

(Full Name in Block Letters)

of

(Address)

as * my / our proxy to vote for * me / us on * my / our behalf at the Extraordinary General Meeting of the Company to be held at Merbah Room, Hotel Equatorial, Penang, 1 Jalan Bukit Jambul, Bayan Lepas, 11900 Penang on Thursday, 19 May 2005 at 11.00 a.m. or immediately following the conclusion or adjournment of the 3rd Annual General Meeting of the Company to be held at the same venue and on the same date at 10.30 a.m. and any adjournment thereof.

	FOR	AGAINST
SPECIAL RESOLUTION PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL FROM RM50,000,000 DIVIDED INTO 100,000,000 ORDINARY SHARES OF RM0.50 EACH TO RM100,000,000 DIVIDED INTO 200,000,000 ORDINARY SHARES OF RM0.50 EACH		
ORDINARY RESOLUTION PROPOSED BONUS ISSUE OF UP TO 41,000,000 NEW ORDINARY SHARES OF RM0.50 EACH ON THE BASIS OF ONE (1) NEW ORDINARY SHARE OF RM0.50 EACH FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM0.50 EACH HELD		

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction for voting is given, the proxy may vote as he thinks fit.

No. of shares held

Signed this day of, 2005.

.....
Signature of Member (s)

Notes:-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, this form duly completed must be deposited at the registered office of the Company, 51-8-B Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint one (1) or more proxies (subject to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.