

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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In line with the new provisions of Practice Note 18/2005 on Perusal of Draft Circulars and Other Documents, Bursa Malaysia Securities Berhad has not perused Part B (Proposed Amendments to Articles of Association of the Company) as this proposal falls under the category of Exempt Circulars as outlined in the aforesaid practice note.



KKB ENGINEERING BERHAD

(Company No. 26495-D)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

in relation to:-

PART A

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

PART B

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

IMPORTANT DATES AND TIMES:-

Last date and time for lodgment of Form of Proxy	:	Tuesday, 8 May 2007 at 10.00 am
Date and time of Annual General Meeting	:	Thursday, 10 May 2007 at 10.00 am
Place of Annual General Meeting	:	Ballroom III, Lobby Floor, Hilton Kuching Jalan Tunku Abdul Rahman 93100 Kuching, Sarawak

This circular is dated 13 April 2007

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DEFINITIONS

In this circular, the following definitions apply throughout unless otherwise stated:-

“AGM”	Annual General Meeting
“Articles”	The Articles of Association of KKB, as amended from time to time.
“Audit Committee”	The Audit Committee of KKB
“Board”	The Board of Directors of KKB
“Companies Act”	The Malaysian Companies Act, 1965, as amended from time to time and any enactment thereof
“Directors”	<p>The directors for the time being of KKB, and shall have the same meaning as in Section 4 of the Companies Act</p> <p>Includes any person who is or was within the preceding 6 months of the date on which the terms of the transactions were agreed upon, a director of KKB or any other company which is its subsidiary or holding company or a chief executive officer of KKB, its subsidiary or holding company.</p>
“EPS”	Earnings per share
“KKB” or “the Company”	KKB Engineering Berhad
“Group” or “KKB Group”	KKB Engineering Berhad and its subsidiaries
“Bursa Securities”	Bursa Malaysia Securities Berhad
“Listing Requirements”	Bursa Malaysia Securities Listing Requirements
“Major Shareholder”	<p>A person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is :</p> <p>(a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the company; or</p> <p>(b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the company where such person is the largest shareholder of the company</p> <p>Includes any person who is or was within the preceding 6 months from the date on which the terms of the transactions were agreed upon, a major shareholder of KKB or any other company which is its subsidiary or holding company</p>
“Net Assets”	The net assets attributable to the ordinary equity holders of the listed issuer
“Persons Connected”	This shall have the same meaning as in Chapter 1, paragraph 1.01 of the Listing Requirements
“PLCs”	Public listed company(ies)
“Proposed Shareholders’ Mandate on RRPT”	Proposed Shareholders’ Mandate for recurrent related party transaction of a revenue or trading nature

“related party (ies)”	A director, major shareholder or person connected with such director or major shareholder. For the purpose of this definition, “director” and “major shareholders” shall have the same meanings as above.
“related party transaction”	A transaction entered into by KKB or its subsidiaries, which involves the interest, direct or indirect, of a related party.
“RM”	Ringgit Malaysia
“Shares”	Ordinary Shares of RM1.00 each in the capital of KKB
“RRPT”	Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations and which has been made or will be made by KKB at least once in three (3) years in the course of its business.
“Shareholders’ Mandate on RRPT”	Shareholders’ mandate pursuant to paragraph 10.09 of the Listing Requirements.
“the Exchange”	Bursa Malaysia Securities Berhad

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Words importing persons include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and used in this circular shall have the meaning assigned to it under the Companies Act.

Any reference to a time of day shall be a reference to Malaysian time.

KKB ENGINEERING BERHAD
(Company No. 26495-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:
Lot 865, Section 66
Bintawa Industrial Estate
Jalan Kilang
93450 Kuching
Sarawak

Date: 13 April 2007

Board of Directors:-

Dato Kho Kak Beng	- Chairman and Group Managing Director
Raja Dato' Seri Ashman Shah Ibni Sultan Azlan Shah	- Independent Non-Executive Director
Dato' Anwarudin Bin Ahamad Osman	- Non-Independent Non-Executive Director
Dr Arjunan Subramaniam	- Independent Non-Executive Director
Mr Chai Woon Chew	- Non-Independent Non-Executive Director
Mr Tan Jin Kok	- Independent Non-Executive Director
Mr Tan Heong Ming	- Executive Director
Mr Kho Pok Tong	- Group Executive Director
Ms Kho Poh Lin	- Executive Director

TO: THE SHAREHOLDERS OF KKB ENGINEERING BERHAD

Dear Sir/Madam

PART A

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the Company's Annual General Meeting held on 16 May 2006, the Company obtained from its shareholders the mandate for the recurrent related party transactions of revenue or trading nature which are necessary for the Group's day-to-day operations pursuant to Paragraph 10.09 of the Listing Requirements.

The aforesaid shareholders' mandate shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming AGM scheduled to be held on 10 May 2007, unless by a resolution passed at the forthcoming AGM, the mandate is renewed.

Subsequently, on 26 February 2007, the Company announced that the Board proposes to seek a renewal of shareholders' mandate from the shareholders at its forthcoming AGM, for the existing RRPT as set out in Clause 3.2 of this circular.

The purpose of this circular is to provide shareholders of KKB with details, financial effects and rationale pertaining to this proposal and to seek your approval for the ordinary resolutions under the agenda of Special Business to be tabled at the forthcoming AGM of the Company.

2. BACKGROUND INFORMATION OF PROVISIONS IMPOSED BY THE LISTING REQUIREMENTS

2.1 Paragraph 10.09, Chapter 10 of the Listing Requirements

Paragraph 10.09 of the Listing Requirements states that with regard to related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the PLC may seek a Shareholders' Mandate, subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the Shareholders' Mandate is subject to annual renewal and shall continue to be in force until:-
 - (i) the conclusion of the next AGM of KKB at which the Shareholders' Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 143(1) of the Companies Act, (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of Companies Act); or
 - (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

- (c) pursuant to the Shareholders' Mandate, disclosure shall be made in the annual report of the aggregate value of the recurrent transactions conducted including a breakdown of the aggregate value of the recurrent transactions made during the financial year, where:-
 - i. the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM 1 million; or
 - ii. any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower.

and amongst others, based on the following information:-

- the type of the recurrent transactions made; and
 - the names of the related parties involved in each type of the recurrent transactions made and their relationships with KKB.
- (d) the circular to shareholders for the Shareholders' Mandate shall include information set out in Part B of Appendix 10D and Appendix PN12/2001–A of Practice Note No. 12/2001 of the Listing Requirements. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with Part B of Appendix 10D, and Appendix PN12/2001-A of Practice Note No. 12/2001 of the Listing Requirements; and
 - (e) in the meeting to obtain Shareholders' Mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder, and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution approving the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

3. FEATURES OF THE PROPOSED SHAREHOLDERS' MANDATE ON RRPT

3.1 Principal activities of KKB Group

(i) The principal activities of KKB are as follows:-

- a) Steel Fabrication
- b) Hot-Dip Galvanising
- c) Civil-Construction
- d) LPG Cylinder Manufacturing

(ii) The principal activities of its Subsidiaries and Associated Companies are as follows:-

SUBSIDIARIES/ASSOCIATED COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD
<u>Subsidiaries</u>		
KKB Universal Roofing (Sarawak) Sdn. Bhd.	Manufacturing of uPVC roofing sheets and pipes and other related products	100%
KKB Marketing (S) Sdn. Bhd.	Trading of uPVC roofing sheets, pipes and other related products	100%
KKB Halmac Services Sdn. Bhd.	To carry on the trade or business as contractors for mechanical and electrical engineering works and services	100%
Harum Bidang Sdn. Bhd.	Manufacturing and trading of Steel Water Pipes and other related steel products	90%
HB Pipes Sdn. Bhd.	Dormant	90% *
KKB Industries (Sabah) Sdn. Bhd.	Manufacturing of Steel Water Pipes, Steel Fabrication and Hot-Dip Galvanising	90%
Optima Line Engineering Sdn. Bhd.	Dormant	100%
<u>Associated</u>		
Edisi Optima Sdn. Bhd.	Construction & Building, General Engineering Services and Trading, Requalification of LP-Gas Cylinders and related services	40%
KKB Builders Sdn. Bhd.	Dormant	40%

* 100% owned by Harum Bidang Sdn Bhd

3.2 Recurrent Related Party Transactions of a Revenue or Trading Nature.

The nature of the RRPT contemplated under the Proposed Shareholders' Mandate for RRPT shall include such transactions, but are not limited to those described below:-

- i) Sale of fabricated/galvanized steel products
- ii) Provision of project management services
- iii) Provision of Engineering, Procurement, Construction and Commissioning (EPCC) of engineering projects
- iv) Rental of premises
- v) Sale/purchase of assets/equipment
- vi) Provision of miscellaneous services such as machineries/equipment and labour

These recurrent transactions are all incurred in KKB's normal course of business and/or are likely to occur, and which are necessary for KKB Group's day-to-day operations.

3.3 Classes of Related Party

(i) Transactions with the Group

The name of the party transacted with, details of the transactions and their values which are anticipated to occur are outlined below:-

NATURE OF TRANSACTIONS	PARTY TRANSACTED WITH	ESTIMATED ANNUAL AGGREGATE VALUE FROM FORTHCOMING AGM TO NEXT AGM	
		Income RM	Expenditure RM
<u>Sales by KKB:</u>			
<ul style="list-style-type: none">Provision of Project Management Services, EPCC (Engineering, Procurement, Construction and Commissioning) of Engineering Projects and Sale of Fabricated/ Galvanised Steel Products	Edisi Optima Sdn Bhd	1,204,000	-
<ul style="list-style-type: none">Rental of Premises, Sale/ Purchase of assets/ equipment, provision of miscellaneous services such as machineries/ equipment and labour	Edisi Optima Sdn Bhd	200,000	-
<u>Purchase by KKB:</u>			
<ul style="list-style-type: none">Cost of miscellaneous services such as machineries/equipment and labour	Edisi Optima Sdn Bhd	-	50,000

(ii) Related Parties

The above recurrent transactions are considered related party transactions as Dato' Anwarrudin Bin Ahamad Osman who is a director of KKB, is also a Major Shareholder and Director of Edisi Optima Sdn Bhd. The other directors of Edisi Optima Sdn Bhd comprise of Dato Kho Kak Beng and Mr Kho Pok Tong, who are also Directors and Major Shareholders of KKB Engineering Bhd. They are not the shareholders of Edisi Optima Sdn Bhd.

3.4 Review Procedures in relation to RRPT

To ensure that the RRPT are conducted at arm's length and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment of minority shareholders, the following procedures will apply to the review and approval of RRPT:-

- (a) The Group will maintain a record of RRPT carried out and the Company's external auditors shall review such recurrent transactions on a quarterly basis during the year. Comparison will be made, where applicable, with prices quoted from third parties and/or other factors such as reliability of supply, delivery, services and quality of materials or goods.
- (b) The duties and responsibilities of the Audit Committee include the review of internal audit plan and such RRPT shall be tabled to the Audit Committee for their review before they are entered into and/or for ratification if such transactions have been entered into. The Audit Committee may, as it deems fit, request for additional quotations from third party for the purpose of performing an independent and balanced assessment, evaluation and comparison of the prices, terms and conditions.
- (c) The transaction prices, terms and conditions are based on prevailing market forces under the same commercial terms for transactions that are offered to third parties or determined in accordance with the Group's usual business practices and transactions made by the Group with unrelated third parties.
- (d) All members of the Board and Audit Committee who are directly or indirectly interested in any RRPT shall declare their interest in transactions and abstain from voting in respect of the recurrent related party transactions.
- (e) The Directors/Major Shareholders and/or Person Connected, who has/have any direct or indirect interest, in the Proposed Shareholders' Mandate for RRPT will abstain from voting in respect of his/ their direct or indirect shareholdings. Where the Person Connected has any direct or indirect interest in the Proposed Shareholders' Mandate for RRPT, the directors or major shareholders concerned will abstain from voting in respect of his direct and/or indirect interests.
- (f) The Audit Committee will also review any conflict of interest situation that may arise within KKB Group including any transactions or course of conduct that raises question of management integrity.
- (g) The Audit Committee will consider from time to time whether the recurrent related party transactions have become inappropriate or are unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interests of minority shareholders generally.
- (h) The Company will disclose in its annual report a breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year where:
 - i. the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM 1 million; or
 - ii. any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower.

and in the annual report for subsequent financial years that the Shareholders' Mandate continues to be in force.

3.5 Statement by Audit Committee

The Audit Committee of KKB has seen and reviewed the procedures, and is satisfied that the review procedures for RRPT are sufficient to ensure that such transactions will be carried out on normal commercial terms which are not prejudicial to the interests of minority shareholders and that the terms of the RRPT are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

4. FINANCIAL EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE FOR RRPT

The Proposed Shareholders' Mandate for RRPT is not expected to have any financial effect on the issued and paid-up share capital, Net Assets and EPS of the Group.

5. RATIONALE AND BENEFIT OF THE PROPOSED SHAREHOLDERS' MANDATE FOR RRPT

The rationale for KKB Group to enter into RRPT is to take advantage of efficiencies in business dealings, competitive prices, reliability of goods, materials and services and shorter delivery time.

Edisi Optima Sdn Bhd has long-standing business relationships with KKB Group and the quality of the products have proven to meet the stringent requirements of the Group. All these will ultimately benefit KKB Group and shareholders by enhancing profitability and maximizing returns on shareholders fund.

6. CONDITIONS OF THE PROPOSED SHAREHOLDERS' MANDATE FOR RRPT

The Proposed Shareholders' Mandate for RRPT is conditional upon obtaining approval from shareholders at the forthcoming AGM and is subject to annual review, and a breakdown of the aggregate values of the RRPT conducted pursuant to the Shareholders' Mandate during the financial year where:-

- i. the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM 1 million; or
- ii. any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,

whichever is the lower,

shall be disclosed in KKB's annual report

7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The direct and indirect shareholdings of the interested Directors, interested Major Shareholders and Persons Connected with them in the issued and paid-up capital of the Company as at 30 March 2007 are as follows:-

INTERESTED DIRECTORS, INTERESTED MAJOR SHAREHOLDERS AND PERSONS CONNECTED WITH THEM	DIRECT HOLDINGS		INDIRECT HOLDINGS	
	NO.	%	NO.	%
<u>INTERESTED DIRECTORS</u>				
Dato Kho Kak Beng ^①	724,300	1.50	25,062,100	51.86
Kho Pok Tong ^①	52,000	0.11	25,062,100	51.86
Kho Poh Lin (f) ^①	44,000	0.09	25,062,100	51.86
Dato' Anwarudin Bin Ahamad Osman ^②	5,000	0.01	-	-
<u>INTERESTED MAJOR SHAREHOLDERS</u>				
Kho Kak Beng Holding Company Sdn Bhd	25,062,100	51.86	-	-
Dato Kho Kak Beng ^①	724,300	1.50	25,062,100	51.86
Kho Pok Tong ^①	52,000	0.11	25,062,100	51.86
Kho Poh Lin (f) ^①	44,000	0.09	25,062,100	51.86
<u>PERSONS CONNECTED WITH INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDERS</u>				
Datin Liew Moi Fah (f) ^③	66,000	0.14	25,062,100	51.86
Kho Poh Joo (f) ^④	31,000	0.06	25,062,100	51.86
Teh Kiang Meng ^⑤	600	0.00	-	-

NOTES:-

- ① *Deemed interested by virtue of his/her substantial interest in Kho Kak Beng Holding Company Sdn Bhd*
- ② *Director of KKB, major shareholder and director of its associated company, Edisi Optima Sdn Bhd*
- ③ *Wife to Dato Kho Kak Beng and mother to Kho Pok Tong, Kho Poh Lin (f) and Kho Poh Joo (f)*
- ④ *Daughter to Dato Kho Kak Beng and Datin Liew Moi Fah and sister to Kho Pok Tong and Kho Poh Lin (f)*
- ⑤ *Husband to Kho Poh Joo (f)*

The interested Directors/interested Major Shareholders and/or Person Connected with them who has/have any direct or indirect interest, in the Proposed Shareholders' Mandate for RRPT will abstain from voting in respect of his/their direct or indirect shareholdings at the AGM on the resolution approving the Proposed Shareholders' Mandate for RRPT. Where the Person Connected with a Director or Major Shareholder has any direct or indirect interest in the Proposed Shareholders' Mandate for RRPT, the Director or Major Shareholder concerned will abstain from voting in respect of his direct and/or indirect interests.

The interested Directors and interested Major Shareholders have undertaken to ensure that the Persons Connected with them will continue to abstain from voting on the resolution approving the Proposed Shareholders' Mandate for RRPT at the AGM.

Save as disclosed above, none of the other Directors and/or Major Shareholders of KKB Group and Persons Connected with them are interested in the Proposed Shareholders' Mandate for RRPT.

8. RECOMMENDATIONS BY DIRECTORS

The interested Directors, namely Dato' Anwarudin Bin Ahamad Osman, Dato Kho Kak Beng, Kho Pok Tong and Kho Poh Lin have abstained from giving any opinion in respect of this Proposed Shareholders' Mandate for RRPT. These interested Directors have also abstained and will continue to abstain from deliberation and voting at board meetings pertaining to the Proposed Shareholders' Mandate for RRPT. The Board, except for the interested Directors, namely Dato' Anwarudin Bin Ahamad Osman, Dato Kho Kak Beng, Kho Pok Tong and Kho Poh Lin having considered all aspects of the Proposed Shareholders' Mandate for RRPT, is of the opinion that they are in the best interest of the Company.

All your Directors, except for Dato' Anwarudin Bin Ahamad Osman, Dato Kho Kak Beng, Kho Pok Tong and Kho Poh Lin who are interested in the Proposed Shareholders' Mandate for RRPT as disclosed in this circular, recommend that shareholders vote in favour of this ordinary resolution at the AGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of KKB at Lot 865, Section 66, Bintawa Industrial Estate, Jalan Kilang, 93450 Kuching, Sarawak not later than 10.00 am on Tuesday, 8 May 2007. The completion and return of the Form of Proxy by a shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

10. ANNUAL GENERAL MEETING

The AGM will be held at Ballroom III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Thursday, 10 May 2007 at 10.00 am and any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolution set out in the Notice of AGM as attached in the Annual Report 2006.

11. FURTHER INFORMATION

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

Yours faithfully

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

DR ARJUNAN SUBRAMANIAM

SENIOR INDEPENDENT DIRECTOR

PART B

**PROPOSED AMENDMENTS TO THE ARTICLES
OF ASSOCIATION OF THE COMPANY**

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PART B

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

1. INTRODUCTION

The Company had on, 27 February 2007 made an announcement to Bursa Securities that the Company proposes to seek approval from shareholders of KKB on the amendments to the Articles of Association of KKB.

The purpose of this Circular is to provide you with the relevant details of the Proposed Amendments to the Articles of Association of KKB and to seek your approval for the special resolution to be tabled at the forthcoming AGM of KKB.

2. DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES

The details of the Proposed Amendments to the Articles are as follows:-

i. Article 2 – Definitions

THAT the existing definitions in Article 2 be amended as follows:-

Words	Meanings
“Approved Market Place”	a stock exchange which is specified to be an approved market place pursuant to an exemption order made under Section 62A of the Securities Industry (Central Depositories) Act 1991.
“Depository”	Bursa Malaysia Depository Sdn. Bhd. or by whatever name from time to time called.
“Exchange”	Bursa Malaysia Securities Berhad or by whatever name from time to time called and includes, if appropriate, any stock exchange to the official list whereof the Company is admitted and on which the shares of the Company are quoted.
“Member”	any person/ persons for the time being holding shares in the Company and whose names appear in the Register of Members (except the Bursa Malaysia Depository Nominees Sdn. Bhd.) including depositors whose names appear on the Record of Depositors.
“Record of Depositors”	a record provided by the Depository to the Company under Chapter 24.0 of the Rules.
“Prescribed Securities”	Securities prescribed by the Exchange to be deposited with the Depository under and in accordance with the Central Depositories Act.

AND THAT all references to “Central Depository” and “Kuala Lumpur Stock Exchange” throughout the Company’s whole Articles of Association be changed to “Depository” and “Exchange” respectively.

ii. Article 6A – Issue of Shares

THAT the existing Article 6A be deleted in its entirety and be replaced with the following new article:-

“The Company must ensure that all new issues of shares for which listing is sought are made by way of crediting the securities accounts of the allottees with such shares save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event it shall so similarly be exempted from compliance with the Listing Requirements. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the securities accounts of such allottees.”

iii. Article 10(B) – Issue of Preference Shares

THAT the following existing Article 10(B) be deleted in its entirety:

The total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time.

AND THAT the existing Articles 10(C) to 10(E) be renumbered accordingly.

iv. Article 10(E) – Rights of Preference Shareholders

THAT the existing Article 10(E) be deleted in its entirety and be replaced with the following new Article 10(D):-

“Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notice, reports and audited accounts and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or on a proposal to wind up the Company or during the winding up of the Company or sanctioning a sale of the undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.”

v. Article 11 – Allotment and despatch of certificate for an issue

THAT the existing Article 11 be deleted in its entirety and be replaced with the following new article:-

“Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue securities/shares, despatch notices of allotment to the successful applicants/allottees and make an application for the quotation of such securities/shares :-

- (a) within fifteen (15) market days of the final applications date for an issue of securities or such other period as may be prescribed by the Exchange for issues of securities to the public;
- (b) within eight (8) market days after the final applications closing date for a rights issue or such other period as may be prescribed or allowed by the Exchange;
- (c) within eight (8) market days after the date of receipt of a notice of the exercise of an employee share option together with the requisite payment or such other period as may be prescribed or allowed by the Exchange;
- (d) within eight (8) market days after the date of receipt of a subscription form together with the requisite payment in respect of warrant or other convertible securities, or such other period as may be prescribed or allowed by the Exchange;
- (e) within four (4) market days of the books closing date for the proposed subdivision, which is not on a stand-alone basis or not conditional upon a concurrent bonus issue, or such other period as may be prescribed by the Exchange.”stand-alone basis” shall have the same meaning as defined in the Listing Requirements.”

vi. Article 28 – Transfer in Writing

THAT the existing Article 28 be deleted in its entirety and be replaced with the following new article:-

“Subject to these Articles, the Rules, the Central Depositories Act, Listing Requirements, any member may transfer all or any of his shares by instrument in writing in the form prescribed and approved by the Exchange, the Act, and/or the Central Depositories Act as the case may be.”

vii. Article 29 – Fixing of Book Closing Date

THAT the existing Article 29 be deleted in its entirety and be replaced with the following new article:-

“The transfer books and the Record of Depositors and debentures holders may be closed for such periods as the Directors think fit provided that ten (10) clear market days notice of intention shall be published in local daily newspaper circulating in Malaysia and any intention to fix a books closing date and the reasons therefor, stating the books closing date shall be at least ten (10) clear market days after the date of the announcement to the Exchange and not exceeding in the whole thirty (30) days in each year. The transfer books and Record of Depositors may be closed for the purpose of determining persons entitled to dividends, interest, or new securities, or rights to a priority of application for issue of securities. The Company shall request the Depository in accordance with the Rules to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the occurrence of the related event.”

viii. Article 53 – Notice of Meeting

THAT the existing Article 53(a) to (c) be deleted in its entirety and be replaced with the following new article:-

“The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days’ notice, or twenty-one (21) days’ notice where any special resolution is proposed or where it is an annual general meeting, of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange upon which the Company is listed.”

ix. Article 56A – The Record of Depositors

THAT the existing Article 56A(2) be deleted in its entirety and be replaced with the following new article:-

- (2) The Company shall also request the Depository in accordance with the Rules, to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”).

x. Article 68 – Voting rights of Members

THAT the existing Article 68 be deleted in its entirety and be replaced with the following new article:-

“Subject to these Articles and to any special rights or restrictions as to voting attached to any class of shares hereinafter issued, on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present or present by proxy or attorney or in the case of a corporation by a representative, and entitled to vote shall be entitled to one (1) vote. In case of a poll, every such member so present shall have one (1) vote for every share held by him.”

xi. Article 78 – Appointment of more than one proxy

To amend the title to read as “**Appointment of at least one proxy**”.

xii. Article 92(b) – Vacation of Office of Directors

THAT the existing Article 92(b) be deleted in its entirety and be replaced with the following new article:-

- (b) If he becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office; or

xiii. Article 92(d) – Vacation of Office of Directors

THAT the existing Article 92(d) be deleted in its entirety and be replaced with the following new article:-

- (d) If he becomes of unsound mind during his term of office; or

xiv. Article 92(f) – Disqualification of Directors

THAT the following existing Article 92(f) be deleted in its entirety:-

- (f) is absent for more than half of the total board of directors' meeting held during a financial year; or

3. RATIONALE FOR THE PROPOSED AMENDMENTS TO THE ARTICLES

The Proposed Amendments to the Articles are to be in line with the amendments made to the Listing Requirements governing the listed companies.

4. EFFECT OF THE PROPOSED AMENDMENTS TO THE ARTICLES

The Proposed Amendments to the Articles will not have any effect on the issued and paid-up share capital, shareholdings of the Directors and the Major Shareholders, Net Asset and EPS of KKB.

5. APPROVALS REQUIRED

The Proposed Amendments to the Articles are subject to the approval being obtained from the shareholders of KKB at the forthcoming AGM.

6. RECOMMENDATION BY DIRECTORS

Your Directors, having considered all aspects, are of the opinion that the Proposed Amendments to the Articles are in the best interest of the Company and its Shareholders. Accordingly, the Directors recommend that you vote in favour of the resolution pertaining to the Proposed Amendments to the Articles to be tabled at the forthcoming AGM of the Company.

7. ANNUAL GENERAL MEETING

The AGM will be held at Ballroom III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Thursday, 10 May 2007 at 10.00 am and any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions as set out in the Notice of AGM as attached in the Annual Report 2006.

If a shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of KKB at Lot 865, Section 66, Bintawa Industrial Estate, Jalan Kilang, 93450 Kuching, Sarawak not later than 10.00 am on Tuesday, 8 May 2007. The completion and return of the Form of Proxy by a shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

8. FURTHER INFORMATION

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

Yours faithfully

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

DR ARJUNAN SUBRAMANIAM
SENIOR INDEPENDENT DIRECTOR

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular has been seen and approved by the Directors of KKB who collectively and individually accept full responsibility for the accuracy of the information given in this circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

2. 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 KKB Group within the past two (2) years immediately preceding the date of this circular.

- (i) The Company had on 20 February 2006 entered into a Memorandum of Understanding (“**MOU**”) with Sarawak Enterprise Corporation Berhad (“**SECB**”) to acquire the entire issued and paid-up capital of Sarwaja Timur Sdn Bhd., a wholly owned subsidiary of the SECB group of companies. The Company announced on 31 January 2007 that both parties have, on even date, mutually agreed to terminate the MOU.

3. MATERIAL LITIGATION

KKB Group have not engaged in any litigation, claims or arbitration, either as plaintiff or defendant which has a material effect on the financial position of KKB Group, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KKB Group.

4. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company, at Lot 865, Section 66, Bintawa Industrial Estate, Jalan Kilang, 93450 Kuching, Sarawak, following the publication of this circular from Mondays to Fridays (except Saturdays, Sundays and public holidays) during business hours up to and including the date of the forthcoming AGM:-

- (i) the Memorandum and Articles of Association of KKB;
- (ii) the audited financial statements of KKB and Group for the past two (2) financial years ended 31 December 2005 and 2006; and
- (iii) material contract mentioned in Point 2 (i) above.