
11. ACCOUNTANTS' REPORT



WONG WENG FOO & CO.
Public Accountants

41, Damai Complex,
Jalan Dato Haji Eusoff,
50400 Kuala Lumpur.
Tel : 03-40424280
Fax : 03-40413141

Your Ref:

Date: 11 DECEMBER 2001

Our Ref:

The Board of Directors
LONDON BISCUITS BERHAD
6th Floor, Johor Tower,
15, Jalan Gereja,
80100 Johor Bahru

Gentlemen,

ACCOUNTANTS' REPORT

1 INTRODUCTION

1.1 This report has been prepared for inclusion in the Prospectus to be dated on 14 DECEMBER 2001 in connection with the Public Issue of 9,698,000 new ordinary shares of RM1.00 each and Placement of 800,000 new ordinary shares of RM1.00 each in London Biscuits Berhad (hereinafter referred to as "LBB" or "the Company") at an issue price of RM1.50 per ordinary share and the listing of and quotation for LBB's entire issued and fully paid-up share capital, comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 BACKGROUND

LBB was incorporated in Malaysia on 23rd June, 1981, as a private limited company under the name of London Biscuits Sdn Bhd with an authorised and issued and paid-up share capital of RM1,000,000 and RM2 respectively, comprising ordinary shares of RM1.00 each. The authorised share capital of LBB was increased to RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each on 5th September, 2001.

On conversion to a public company on 14th November, 2000, the Company changed its name to London Biscuits Berhad.

LBB is principally involved in the business of manufacture and trading in confectionery and other related foodstuffs since it commences its operation in 1983.

11. ACCOUNTANTS' REPORT



2.2 FLOTATION SCHEME

The flotation scheme, whereby the issued and paid-up share capital of LBB was increased to 40,000,000 ordinary shares of RM1.00 each, received the approval of the Foreign Investment Committee ("FIC"), Ministry of International Trade and Industry ("MITI") and Securities Commission ("SC") on 19th February, 2001, 17th May, 2001 and 8th May, 2001 respectively.

The flotation scheme involves the following:-

- a) Revaluation of the landed properties of LBB resulting in a revaluation surplus of RM1,402,000;
- b) Bonus Issue of 19,109,513 new ordinary shares of RM1.00 each capitalizing RM19,109,513 from revenue reserve;
- c) Rights Issue of 392,487 new ordinary shares of RM1.00 each at par for cash, to the existing LBB's shareholders, after the bonus issue but before the restricted issue, public issue and placement;
- d) Restricted Issue of 2,500,000 new LBB ordinary shares of RM1.00 each at par for cash, to certain existing LBB's shareholders, after the bonus issue and rights issue but before the public issue and placement;
- e) Public Issue of 9,698,000 new LBB ordinary shares of RM1.00 each at an issue price of RM1.50 per ordinary share to Bumiputera investors, the Malaysian Public and eligible employees, suppliers and customers of LBB; and
- f) Placement of 800,000 new LBB ordinary shares of RM1.00 each at a placement price of RM1.50 per ordinary share to nominated places by LBB.

The abovementioned transactions set out on paragraph 2.2(a) to 2.2(f) were approved by LBB's shareholders at the Extraordinary General Meetings held on 5th September, 2001.

11. ACCOUNTANTS' REPORT**3. SHARE CAPITAL**

The changes in the issued and paid-up share capital of the Company since its incorporation were as follows:-

<u>Date of allotment</u>	<u>Number of ordinary shares of RM1.00 each</u>	<u>Consideration</u>	<u>Cumulative total issued and paid-up share capital RM</u>
23-6-81	2	Cash (Subscribers' shares)	2
20-6-84	239,998	Cash at par	240,000
3-1-94	85,000	Cash at par	325,000
25-2-94	280,000	Cash at par	605,000
18-4-94	100,000	Cash at par	705,000
15-6-94	295,000	Cash at par	1,000,000
31-12-94	700,000	Cash at par	1,700,000
31-3-95	300,000	Cash at par	2,000,000
30-6-95	450,000	Cash at par	2,450,000
2-5-97	2,095,000	Cash at par	4,545,000
30-6-98	2,205,000	Cash at par	6,750,000
30-6-99	750,000	Cash at par	7,500,000
6-9-01	19,109,513	Bonus issue	26,609,513
15-9-01	392,487	Rights issue for cash at par	27,002,000
17-9-01	2,500,000	Restricted issue for cash at par	29,502,000

4. FINANCIAL STATEMENTS AND AUDITORS

We were appointed as auditors of LBB since the financial year ended 30th June, 2000. The audited financial statements of LBB for the financial years ended 30th June, 2000 and 2001 were reported upon by us without any qualification.

The audited financial statements of LBB for the financial years ended 30th June, 1997, 1998 and 1999 were audited by another firm of public accountants and their reports did not contain any qualifications.

11. ACCOUNTANTS' REPORT**5. SUMMARISED RESULTS****AUDITED COMPANY**

The summarised audited results of LBB for the five years ended 30th June, 1997, 1998, 1999, 2000 and 2001 are set out below:-

	← Year ended 30 th June →				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	14,841	16,503	22,718	28,890	35,982
Profit before charging Depreciation, Interest, Exceptional items and Extraordinary items	5,315	6,939	8,617	9,188	13,646
Depreciation	(1,144)	(2,118)	(2,458)	(2,135)	(2,973)
Interest	(868)	(1,502)	(1,518)	(1,406)	(2,025)
Exceptional items	-	-	-	1,596	589
Extraordinary items	-	-	-	-	-
Profit before taxation	3,303	3,319	4,641	7,243	9,237
Taxation	57	(81)	21	(220)	(1,590)
Profit attributable to shareholders of LBB	3,360	3,238	4,662	7,023	7,647
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	2,799	4,545	6,750	7,500	7,500
Gross Earnings per Share (RM)	1.18	0.73	0.69	0.97	1.23
Net Earnings per Share (RM)	1.20	0.71	0.69	0.94	1.02

NOTES:

- a) Turnover represents invoiced value of goods delivered less sales tax, returns and discounts.
- b) During the financial year ended 30th June, 2000, the depreciation rate of plant and machinery was revised from 10% to 6 2/3% per annum. This revision reflects a fairer presentation of the estimated useful lives of the respective assets concerned. The effect of this revision resulted in an increase in the profit of the Company for the years ended 30th June, 2001 and 2000 by RM1,123,821 and RM879,602 respectively.

11. ACCOUNTANTS' REPORT

Also with effect from the financial year ended 30th June, 2000, freehold buildings are depreciated to comply with Approved Accounting Standards in Malaysia. The effect, the profit for the year ended 30th June, 2001 and 2000 decreased by RM27,384. The net effect was an increase in profit of RM1,096,437 and RM852,218 respectively for the years ended 30th June, 2001 and 2000.

- c) The Inland Revenue Board had disputed the treatment of certain expenditure and transactions entered into by the Company in previous years to 31st June, 1998 as a result of which gave rise to an underprovision of taxation and penalties amounting to RM1,045,493 and RM731,507 respectively.
- d) We have not restated the respective audited profit before and after taxation for the financial years ended 30th June, 1997, 1998, and 1999 to reflect the effect arising on the revision of the said accounting estimates and the underprovision for taxation and incidental penalties.

Had the restatement been done, the profit before and after taxation will be as follows:-

	← 30 th June →				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Audited profit before taxation, as reported	3,303	3,319	4,641	7,243	9,237
Overprovision of depreciation arising on revision of estimated useful lives of respective assets concerned (net)	247	549	672	-	-
Adjustment for penalties incurred in respect of prior years	(212)	(128)	-	-	731
Profit before taxation, as restated	3,338	3,740	5,313	7,243	9,968
Taxation					
- As reported	57	(81)	21	(220)	(1,590)
- Adjustment for underprovision relating to prior years	(303)	(182)	-	-	1,045
	(246)	(263)	21	(220)	(545)
Profit after taxation, as restated	<u>3,092</u>	<u>3,477</u>	<u>5,334</u>	<u>7,023</u>	<u>9,423</u>

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- e) Exceptional items for the year ended 30th June, 2001 and 2000 comprise:-

	← 30 th June →	
	2001	2000
	RM'000	RM'000
Provision for doubtful debts	-	(184)
Profit on sale of fixed assets	-	112
Provision for diminution in value of quoted investments	-	(32)
Overprovision of depreciation in prior years arising on revision of estimated useful lives of respective assets concerned (net)	-	1,700
Compensations for legal claims	(58)	-
Penalties imposed on underprovision of income tax	(731)	-
Provision for fire insurance claims *		
- machinery and equipment	960	-
- consequential loss	418	-
	589	1,596

* The provision for the fire insurance claims is in relation to a fire that occurred at LBB premises in March 2001. The claim for machinery and equipment is brought under Fire Insurance policy no. F0322515 and the claim for consequential loss is brought under Fire Consequential Loss policy no. F0323563. The insurer has confirmed that the reserved amount for these two (2) claims are RM1,200,000.00 and RM523,000.00 respectively. However, the Company as a matter of prudence, has only provided for RM960,000.00 and RM418,000.00 respectively.

- f) No provision has been made for Malaysian income tax in respect of business income earned in 1999 in accordance with the waiver granted under the Income Tax (Amendment) Act, 1999. The taxation charged was principally due to a prior year's overprovision.

The taxation charge for the year ended 30th June, 2001 comprise:-

	RM'000
Current taxation based on result for the year ended 30 th June, 2001	550
Underprovision of taxation in prior years (net)	1,040
	1,590

11. ACCOUNTANTS' REPORT

The taxation charge for the year ended 30th June, 1997, 1998, 2000 and 2001 is lower than the statutory income tax rate due principally to claims being made for Reinvestment Allowances under Schedule 7A of Income Tax Act, 1967.

- g) There were no extraordinary item in respect all the financial year ends under review.
- h) Gross and net earnings per share is calculated by dividing the profit before and after taxation, attributable to the LBB's shareholders, by the weighted average number of LBB's ordinary shares in issue as at the respective financial year end.
- i) No dividends were paid by LBB in respect of the above financial years under review.

6. SUMMARISED BALANCE SHEETS**AUDITED COMPANY**

The summarised audited balance sheets of LBB as at 30th June, 1997, 1998, 1999, 2000 and 2001 are set out below:-

	← As at 30 th June →				
	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>ASSETS EMPLOYED</u>					
FIXED ASSETS	12,815	20,552	21,358	40,325	49,543
INVESTMENTS	47	47	47	15	15
CURRENT ASSETS	10,815	11,972	16,967	16,776	27,294
CURRENT LIABILITIES	(12,630)	(14,725)	(14,596)	(21,925)	(31,290)
NET CURRENT (LIABILITIES)/ASSETS	(1,815)	(2,753)	2,371	(5,149)	(3,996)
	<u>11,047</u>	<u>17,846</u>	<u>23,776</u>	<u>35,191</u>	<u>45,562</u>
<u>REPRESENTED BY</u>					
SHARE CAPITAL	4,545	6,750	7,500	7,500	7,500
REVENUE RESERVES	4,577	7,815	12,477	19,500	27,147
SHAREHOLDERS' FUNDS	9,122	14,565	19,977	27,000	34,647
LONG TERM LIABILITIES	1,527	3,007	3,516	7,908	10,632
DEFERRED TAXATION	398	274	283	283	283
	<u>11,047</u>	<u>17,846</u>	<u>23,776</u>	<u>35,191</u>	<u>45,562</u>
Net Tangible Assets per share (RM)	2.01	2.16	2.66	3.60	4.62

11. ACCOUNTANTS' REPORT



7. PROFORMA STATEMENTS OF ASSETS AND LIABILITIES

7.1 The following statements of assets and liabilities of LBB has been prepared based on the audited financial statements of the Company as at 30th June, 2001 after making such adjustments which we considered necessary and also to reflect the flotation schemes and Public Issue and Placement referred to in paragraph 2.2 (a), (b), (c), (d), (e) and (f) respectively, on the assumption that these transactions had been effected on 30th June, 2001.

	Note	Proforma company RM'000	Audited company RM'000
ASSETS EMPLOYED			
FIXED ASSETS	8.2	50,945	49,543
INVESTMENTS	8.3	15	15
CURRENT ASSETS			
Stocks	8.4	4,868	4,868
Trade debtors	8.5	13,450	13,450
Other debtors, deposits & prepayments		7,915	7,915
Fixed deposits with a licensed bank		1,057	1,057
Cash & bank balances		17,443	4
		<u>44,733</u>	<u>27,294</u>
LESS: CURRENT LIABILITIES			
Trade creditors		4,902	4,902
Bankers' acceptances & trust receipts	8.6	16,238	16,238
Other creditors & accruals		1,824	1,824
Hire-purchase creditors	8.7	2,383	2,383
Term loans - current portion	8.6	572	572
Bank overdrafts	8.6	3,090	3,090
Taxation		2,281	2,281
		<u>31,290</u>	<u>31,290</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>13,443</u>	<u>(3,996)</u>
		<u>64,403</u>	<u>45,562</u>
REPRESENTED BY			
SHARE CAPITAL	8.8	40,000	7,500
REVALUATION RESERVES	8.9	1,402	-
SHARE PREMIUM	8.10	4,049	-
REVENUE RESERVES	8.11	8,037	27,147
SHAREHOLDERS' FUNDS		<u>53,488</u>	<u>34,647</u>
LONG TERM LIABILITIES			
Hire-purchase creditors	8.7	4,779	4,779
Term loans	8.6	5,853	5,853
DEFERRED TAXATION	8.12	283	283
		<u>64,403</u>	<u>45,562</u>
Net Tangible assets per share of RM1.00 each		<u>1.34</u>	<u>4.62</u>

11. ACCOUNTANTS' REPORT

The notes set out in Paragraph 8 form an integral part of and should be read in conjunction with the above proforma statements of assets and liabilities.

8. NOTES TO PROFORMA STATEMENTS OF ASSETS AND LIABILITIES**8.1 SIGNIFICANT ACCOUNTING POLICIES****a) Basis of Accounting**

The financial statements of the Company have been prepared under the historical cost convention modified to include the valuation of freehold land and buildings, comply with the provision of the Companies Act, 1965 and in accordance with Approved Accounting Standards in Malaysia in all material aspects.

b) Depreciation

No depreciation is provided on freehold land.

All other fixed assets are depreciated on a straight-line basis to write off the cost of fixed assets over the expected useful lives of the assets concerned. The principal annual rates used are as follows:-

Freehold buildings	1%
Plant & machinery	6 2/3%
Motor vehicles	20%
Furniture, fittings, office & laboratory equipment & renovations	10%

c) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. For finished goods and semi-processed goods, cost consists of materials, direct labour and an appropriate proportion of production overheads.

d) Investments

Investments in quoted shares are stated at cost less provision for permanent diminution in value, if any.

11. ACCOUNTANTS' REPORT



e) Deferred Taxation

Provision is made by the liability method for taxation deferred in respect of all timing difference except where it can be reasonably demonstrated that the timing differences of such deferrals will continue in the foreseeable future. Deferred assets are not recognised unless there is a reasonable expectation of their crystallisation.

f) Foreign Currencies

Foreign currency transactions are converted into Ringgit Malaysia at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date. All exchange gains and losses are taken up in the income statement.

g) Hire-Purchase

Fixed assets acquired under hire-purchase are capitalised and are depreciated over their useful lives as stated in Note 8.1(b) and the corresponding obligations relating to the remaining capital payments are treated as liabilities. Finance charges are charged to the income statement over the period of the plan and accounted for on a straight line method.

h) Leased Assets

Leased payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances and deposits with banks net of bank overdrafts.

j) Revenue recognition

Revenue from sale of goods is recognized when the goods are delivered.

11. ACCOUNTANTS' REPORT**8.2 FIXED ASSETS**

Proforma	At valuation/ cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Freehold land & buildings *	<u>11,191</u>	<u>-</u>	<u>11,191</u>
<u>At cost</u>			
Plant & machinery	44,610	7,543	37,067
Motor vehicles	1,468	454	1,014
Furniture, fittings, office & laboratory equipment & renovations	2,949	1,276	1,673
	<u>49,027</u>	<u>9,273</u>	<u>39,754</u>
Total	<u>60,218</u>	<u>9,273</u>	<u>50,945</u>
Company			
	At cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Freehold land & buildings	10,062	273	9,789
Plant & machinery	44,610	7,543	37,067
Motor vehicles	1,468	454	1,014
Furniture, fittings, office & laboratory equipment & renovations	2,949	1,276	1,673
	<u>59,089</u>	<u>9,546</u>	<u>49,543</u>

Included herein are plant and machinery and motor vehicles at cost of RM14,949,363 acquired under hire-purchase instalment plans.

*Costs have been adjusted to include the revaluation surplus amounting to RM1,402,000, as approved by SC in its letter dated 8th May, 2001.

8.3 INVESTMENTS

Proforma and Company	RM'000
Shares quoted in Malaysia, at cost	47
Provision for diminution in value of quoted investments	(32)
	<u>15</u>
Market value	<u>12</u>

11. ACCOUNTANTS' REPORT**8.4 STOCKS**

Proforma and Company	RM'000
Raw materials	3,908
Finished goods	960
	<u>4,868</u>

8.5 TRADE DEBTORS

Proforma and Company	RM'000
Trade debtors	13,634
Provision for doubtful debts	(184)
	<u>13,450</u>

8.6 BANKERS' ACCEPTANCES AND TRUST RECEIPTS, TERM LOANS, BANK OVERDRAFTS AND OTHER CREDIT FACILITIES

Proforma and Company	RM'000
TERM LOANS	
Repayment terms:	
Within twelve months	572
Between one and two years	625
Between two and five years	2,038
After five years	3,190
	<u>6,425</u>

The bankers' acceptance and trust receipts, term loans, bank overdrafts and other credit facilities are secured as follows:-

- (i) Legal charges over the properties and all the fixed and floating assets of the Company;
- (ii) Legal charges over the properties of certain Directors of the Company; and
- (iii) Guaranteed jointly and severally by certain Directors of the Company.

The bankers' acceptances, overdrafts and term loans bear interest between 3% to 11% per annum.

11. ACCOUNTANTS' REPORT**8.7 HIRE-PURCHASE CREDITORS**

Proforma and Company	RM'000
Balance at 30 th June, 2001	8,914
Less: Unexpired interest	(1,752)
Principal portion	<u>7,162</u>
Repayment terms:	
Within the next twelve months	2,383
Between one and two years	1,881
Between two and five years	2,732
After five years	166
	<u>7,162</u>

8.8 SHARE CAPITAL

Proforma and Company	RM'000
Ordinary shares of RM1 each:-	
Authorised :	<u>50,000</u>
Issued and Fully Paid :	
a) As at 30 th June, 2001 (Company)	7,500
b) Bonus issue	19,110
c) Rights issue	392
d) Restricted issue	2,500
e) Public issue	9,698
f) Placement	800
	<u>40,000</u>

8.9 REVALUATION RESERVES

Proforma	RM'000
Revaluation surplus of landed properties of LBB	<u>1,402</u>

11. ACCOUNTANTS' REPORT**8.10 SHARE PREMIUM**

Proforma	RM'000
Arising on the proposed public issue to Malaysian public	5,249
Less : Listing expenses written off	(1,200)
	<u>4,049</u>

8.11 REVENUE RESERVES

Proforma and Company	RM'000
Retained profit :	
As at 30 th June, 2001 (Company)	27,147
Less : Utilized for bonus issue	(19,110)
	<u>8,037</u>

Subject to agreement by the Inland Revenue Board, the Company has sufficient tax credit under Section 108 and tax exempt account under Schedule 7A of the Income Tax Act 1967 and tax exempt account under Section 12 of the Income Tax (Amendment) Act, 1999 to frank the payment of net dividends out of all its retained profit as at 30th June, 2001 without incurring any additional tax liability.

8.12 DEFERRED TAXATION

Proforma and Company	RM'000
Balance at 30 th June, 2001	<u>283</u>
Timing differences between depreciation and corresponding taxation allowances	14,800
Timing differences on reinvestment allowance	(6,500)
Net amount of timing differences	<u>8,300</u>
Timing differences on which deferred taxation has been provided	(1,010)
Timing differences which are expected to continue in the foreseeable future	<u>7,290</u>

11. ACCOUNTANTS' REPORT**8.13 CAPITAL COMMITMENTS**

Proforma and Company	RM'000
Capital expenditure contracted for but not provided in the financial statements: - in respect of purchase of fixed assets	<u>4,200</u>

8.14 CASH AND CASH EQUIVALENTS

Proforma	RM'000
Cash and cash balances	17,443
Fixed deposits with licensed banks	1,057
Bank overdrafts	(3,090)
	<u>15,410</u>
Company	RM'000
Cash and cash balances	4
Fixed deposits with licensed banks	1,057
Bank overdrafts	(3,090)
	<u>(2,029)</u>

8.15 CONTINGENT LIABILITY

As at 30th June, 2001, the Company is involved in a legal dispute in respect of goods sold and delivered to the Company. The Company is contesting against this legal suit on the ground that the abovementioned goods were never delivered to the Company. In the event the Company fail on its defence, the maximum liability is estimated to be not more than RM67,000.

11. ACCOUNTANTS' REPORT**9. CASH FLOWS STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2001****RM'000**

Cash Flows From Operating Activities	
Profit before taxation	9,237
Adjustments for:-	
Provision for fire insurance claims	(1,378)
Depreciation	2,973
Interest expense	2,025
Interest income	(34)
Operating profit before working capital changes	12,823
Decrease in stocks	41
Increase in debtors	(8,162)
Increase in creditors	1,947
Cash generated from operations	6,649
Interest paid	(1,940)
Tax paid	(190)
Interest received	34
Net cash provided by operating activities	4,553
Cash Flows From Investing Activities	
Purchase of fixed assets	(12,191)
Net cash used in investing activities	(12,191)
Cash Flows From Financing Activities	
Net increase in bankers' acceptances & trust receipts	6,574
Term loans	1,000
Repayment of term loans	(493)
Financing from hire-purchase creditors	4,486
Hire-purchase instalments paid	(1,285)
Net cash provided by financing activities	10,282
Net changes in cash & cash equivalents	2,644
Cash & cash equivalents brought forward	(4,673)
Cash & cash equivalents carried forward (Note 8.14)	(2,029)

11. ACCOUNTANTS' REPORT



10. PROFORMA NET TANGIBLE ASSETS COVER

The proforma net tangible assets cover of LBB is based on the proforma statement of assets and liabilities as set out in paragraph 7 herein and calculated as follows:-

	RM'000
Proforma net tangible assets as at 30 th June, 2001	<u>53,488</u>
Total number of issued and paid-up ordinary shares of RM1.00 each	<u>40,000</u>
Net tangible assets cover per share	<u>1.34</u>


11. FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30th June, 2001.

Yours Faithfully

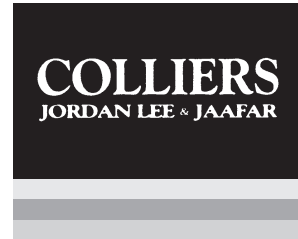


WONG WENG FOO & CO
PUBLIC ACCOUNTANTS
AF: 0829



WONG WENG FOO
1218/03/02 (J/PH)

12. VALUATION CERTIFICATE



**COLLIERS JORDAN LEE
& JAAFAR (JH) SDN. BHD.**
(136779-K)

Suite 326, 3rd Floor,
PanGlobal Plaza,
Jalan Wong Ah Fook,
80000 Johor Bahru,
Johor Darul Takzim,
MALAYSIA.

Tel No. 607 - 223 2299

Fax No. 607 - 224 5899

E-mail : johor@colliers.com.my

Website : www.colliers.com.my

11 DECEMBER 2001

The Board of Directors

LONDON BISCUITS BERHAD

6th Floor, Johor Tower,

15, Jalan Gereja,

80100 Johor Bahru,

Johor Darul Ta'zim.

Dear Sirs,

RE : VALUATION OF PROPERTIES BELONGING TO MESSRS LONDON BISCUITS BERHAD.

This letter has been prepared for inclusion in the prospectus of London Biscuits Berhad to be dated 14 DECEMBER 2001

The basis of valuation is in accordance with the valuation standard contained in the manual issued by the Board of Valuer, Appraisers and Estate Agents, Malaysia and also in accordance with the Securities Commission Guidelines on Assets Valuation.

We are pleased to certify that we have valued the freehold properties (hereinafter referred to as the 'Property') on 1 November 2000 bearing our reference nos V00/JH/SC/L42001547/MS, V00/JH/SC/L43001548/ARN, V00/JH/SC/L44001549/ZL, V00/JH/SC/L45001550/MKK and KL000927. The Property was inspected on 1 November 2000. We have valued the legal interest in the Property, free from all encumbrances and with vacant possession.

The basis of valuation is the Market Value. 'Market Value' is the estimated amount for which an asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The properties have been valued individually and no allowances have been made for taxation and for expenses, which may arise on acquisition or realisation.

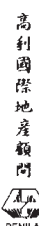
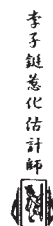
*International Property Consultants • Chartered Valuation Surveyors • Registered Valuers & Real Estate Agents •
Project & Property Managers • Plant & Machinery Valuers • Auctioneers*

Managing Director **JORDAN LEE**, KMN, Fism, Frics, Apeps, Irvv, Mslsv, Scv. Chairman **JAAFAR ISMAIL**, Fism, Frics. Directors **CHIN KIM CHOY**, Mism, Dip. Est. Mgmt (U. K)

THOO SING CHOON, Fsva, Irvv, Aci.Arb, Fpcs. Areat. **P. TANGGA PERAGASAM**, Mism, Frics. **CHIN LAI SITT**, Fis (M), Frics, Irvv, LLB. (Hons). **TH'NG KIM KOK**, Mism, Frics.

Headquarters : Kuala Lumpur : Level 6, Block G North, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. Tel : 03-2555811 (12 lines) Fax No : 03-2555843

Other Offices : **Selangor** : 31, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan. Tel : 03-33420860 (3 lines) Fax : 03-33417888
N. Sembilan : 9A, Kompleks Negeri, Jalan Dr. Krishnan, 70000 Seremban, Negeri Sembilan Darul Khusus, Malaysia. Tel : 06-7638890 & 7638990 Fax : 06-7637936
Perak : Room 3, 2nd Floor, Labrooy House, Jalan Dato Sagor, 30000 Ipoh, Perak Darul Ridzuan. Tel : 05-2414826 (3 lines) Fax No : 05-2556363
Pahang : 17, Jalan Gambut 2, 25000 Kuantan, Pahang Darul Makmur. Tel : 09-5555588 Fax No : 09-5142146
Melaka : 668 & 669A, Taman Melaka Raya, 75000 Melaka. Tel : 06-2835522 (3 lines) Fax No : 06-2837635
Penang : Lot 2.01, 2nd Floor, Southern Bank Building, Lebuhr Pantai, 10300 Pulau Pinang. Tel : 04-2637749 & 2637750 Fax No : 04-2637644
Kuching : Lot 216 (2/F), Jalan Haji Taha, 93400 Kuching, Sarawak. Tel : 082-419200 & 419222 Fax No : 082-429315



Other Colliers Offices : Australia, China, Hong Kong, India, Indonesia, Japan, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Portugal, Republic of Ireland, Russia, Scotland, Slovenia, South Africa, Spain, Turkey, United Kingdom, The Americas Argentina, Canada, Mexico, Venezuela and United States Of America.

12. VALUATION CERTIFICATE

VALUATION OF PROPERTIES BELONGING TO
MESSRS LONDON BISCUITS BERHAD,
ALL LOCATED WITHIN THE STATE OF JOHOR DARUL TA'ZIM
AND WILAYAH PERSEKUTUAN

COLLIERS
JORDAN LEE * JAAFAR

We have applied several methods of Valuation to determine the Market Value of the Property. The methods of valuation are as follows :-

a) Comparison Method

Under the Comparative Approach, an estimate of value of the property is derived from comparing the values of other similar properties that were sold recently and those that are currently offered for sale in the vicinity.

A study of the respective characteristics, merits and demerits of each comparable property is made. This entails analysing the available sales data and diligent adjustments thereof are then made to reflect the differences to arrive at an acceptable degree of comparability and the value of the Property.

b) Cost Method

In this Method, the value of land is added to the replacement cost of the building and other site improvements.

The depreciated replacement cost of the building is derived from estimation of reproduction cost of the building of same kind and design as when new based on current market prices for materials, labour and present construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.

c) Income Method

In the Income Approach, the annual rental income presently received or expected to command over period of time relating to the lease of the Property is estimated and deducting there from the expenses or outgoing incidental to ownership of the Property to obtain the Net Annual Rental Value.

This Net Annual Income is then capitalised by an appropriate Capitalisation Rate or Years Purchase figure to adjust the income into the present capital value of the Property. The relevant Capitalisation Rate is chosen based on the Investment Rate of Return to be expected from the type of Property concerned taking into consideration such factors as risk, capital appreciation, security of income, ease of sale and management of Property.

Summary of the Property's Market Value based on property classification :-

NO	PROPERTY'S CLASSIFICATION	MARKET VALUE (RM)
1	Properties Held For Owner Occupation	12,200,000.00
2	Properties Held As Investment	600,000.00
TOTAL		12,800,000.00

Company No: (72057-H)

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COLLIERS
JORDAN LEE & JAAFAR

A summary of the Property under valuation as per our Report and Valuation is attached herewith as **Schedule I**.

Yours faithfully,

COLLIERS,
JORDAN LEE & JAAFAR (JH) SDN BHD (136779-K)



CHIN KIM CHOY
Registered Valuer (V-288)
Executive Director

12. VALUATION CERTIFICATE

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SCHEDULE I

PROPERTIES HELD FOR OWNER OCCUPATION

REF. NO, LOT NO, MUKIM, DISTRICT	ADDRESS	DESCRIPTION (TENURE)	METHOD OF VALUATION	MARKET VALUE (RM)
V00/JH/SC/L42001547/ MS Lot Nos PTD 115209 - PTD 115212 (Inc.) Mkm of Plentong Dist. of Johor Bahru Johor Darul Ta'zim	a) No 9, b) No 7, c) No 5 & d) No 3 Jalan Istimewa 2, Trmn Perindustrian Desa Cemerlang, Ulu Tiram, Johor Darul Ta'zim	Four (4) adjoining units of Single Storey Semi-Detached Factory incorporating a mezzanine floor with total provisional land area of 5,351.21 sqm (57,600.00 sq ft). Total Gross Floor Area are as follows :- 1) Nos 5, 7 & 9, Jalan Istimewa 2 - approximately 2,624.10 sqm (28,260.00 sq ft) 2) No 3, Jalan Istimewa 2 - approximately 1,265.30 sqm (13,620.00 sq ft) The age of buildings is approximately 2 years. (Grant in perpetuity)	i) Comparison Method ii) Income Approach (Check Method)	a) 1,500,000-00 b) 1,500,000-00 c) 1,500,000-00 d) 2,100,000-00 Total : 6,600,000-00
V00/JH/SC/L44001549/ ZL Lot Nos PTD 91908 & PTD 91909 Mukim of Pelentung Dist. of Johor Bahru Johor Darul Ta'zim	a) No 91 & b) No 93 Jalan Cemerlang, Trmn Perindustrian Desa Cemerlang, Ulu Tiram, Johor.	Two (2) adjoining units of Single Storey Semi-Detached Factory incorporating a Mezzanine Floor with total provisional land area of 2,378.32 sqm (25,600.00 sq ft). Total Gross Floor Area of the buildings is approximately 2,264.90 sqm (24,380.00 sq ft). The age of buildings is approximately 6 years (Grant in perpetuity)	i) Comparison Method ii) Income Approach (Check Method)	a) 1,600,000-00 b) 1,600,000-00 Total : 3,200,000-00
V00/JH/SC/L45001550/ MKK Lot Nos PTD 89457 & PTD 89458 Mukim of Pelentung Dist. of Johor Bahru Johor Darul Ta'zim	a) No 31 (Intern.) b) No 33 (Corner) Jalan Canggih 9, Trmn Perindustrian Desa Cemerlang, Ulu Tiram, Johor.	Two adjoining units of One and A-Half Storey Terrace Factory with total provisional land area of 1,401.26 sqm (15,083.00 sq ft). Total Gross Floor Area are as follows :- 1) No 31, Jalan Canggih 9 - approximately 373.20 sqm (4,017.00 sq ft) 2) No 33, Jalan Canggih 9 - approximately 1,494.80 sqm (16,089.90 sq ft) The age of buildings is approximately 6 years (Grant in perpetuity)	i) Comparison Method ii) Income Approach (Check Method)	a) 490,000-00 b) 1,310,000-00 Total : 1,800,000-00

12. VALUATION CERTIFICATE

VALUATION OF PROPERTIES BELONGING TO
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AND WILAYAH PERSEKUTUAN

SCHEDULE I**PROPERTIES HELD FOR OWNER OCCUPATION (Cont'd)**

REF. NO, LOT NO, MUKIM, DISTRICT	ADDRESS	DESCRIPTION (TENURE)	METHOD OF VALUATION	MARKET VALUE (RM)
V00/JH/SC/L43001548/ ARN Lot No MLO 2485, Mukim of Plentong, Dist. of Johor Bahru, Johor Darul Ta'zim.	No 116, Jalan Sultanah Aminah, Taman Iskandar, 80050 Johor Bahru, Johor	Double-storey Semi-Detached House with provisional land area of 371.61 sqm (4,000.00 sq ft). Total Gross Floor Area of the building is approximately 369.10 sqm (3,974.00 sq ft). The age of buildings is approximately 13 years. (Grant in perpetuity)	i) Comparison Method ii) Cost Method (Check Method)	600,000-00

PROPERTY HELD AS INVESTMENT

REF. NO, LOT NO, MUKIM, DISTRICT & LOCALITY	DESCRIPTION (TENURE)	PARTICULARS OF TENANCY AND NET ANNUAL RENTS	METHOD OF VALUATION	MARKET VALUE (RM)
KL000927 Unit No B-06-09, 9 th Floor (Parent Lot No 88, Seksyen 44), Bandar Kuala Lumpur, Wilayah Persekutuan. Located at Unit No B-06- 10, Block B, Megan Phileo Avenue, No 12, Jalan Yap Kwan Seng, Kuala Lumpur.	Office lot with floor area of about 222.32 sqm (2,393 sq ft). The age of building is approximately 5 years. (Freehold)	Tenanted by Discovery Overland Holidays Sdn Bhd. Commencement date of tenancy – 15 August 2000. Expiry date of tenancy – 14 August 2003. Net annual rental received RM37,330.80.	i) Comparison Method ii) Income Approach (Check Method)	600,000-00