
13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Vital Factor Consulting Sdn. Bhd.
(Company No: 266797-T)

75C & 77C Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel (603) 7728 0248
Fax (603) 7728 7248

11 DECEMBER 2001

The Board of Directors
London Biscuits Berhad
6th Floor, Johor Tower
15 Jalan Gereja
80100 Johor Bahru
Johor Darul Takzim

Dear Sirs

Assessment of the Food Processing Industry

The following is an extract of the Assessment of the Food Processing Industry prepared by Vital Factor Consulting Sdn Bhd (Vital Factor Consulting) for inclusion in the Prospectus of London Biscuits Berhad to be dated 14/12/2001 in relation to its listing on the Second Board of the Kuala Lumpur Stock Exchange.

1. Background

- The objective of the report is to provide an independent assessment of the Food Processing Industry in Malaysia.
- This Industry Assessment forms part of the submission to the Securities Commission for the listing of London Biscuits Berhad (LBB or Company) on the Second Board of the Kuala Lumpur Stock Exchange.

2. Business Activities of London Biscuits Berhad

- LBB operates within the Food Processing Industry and is principally involved in the manufacture and marketing of Extruded Corn Snacks and Cakes.

3. Overview of the Food Processing Industry

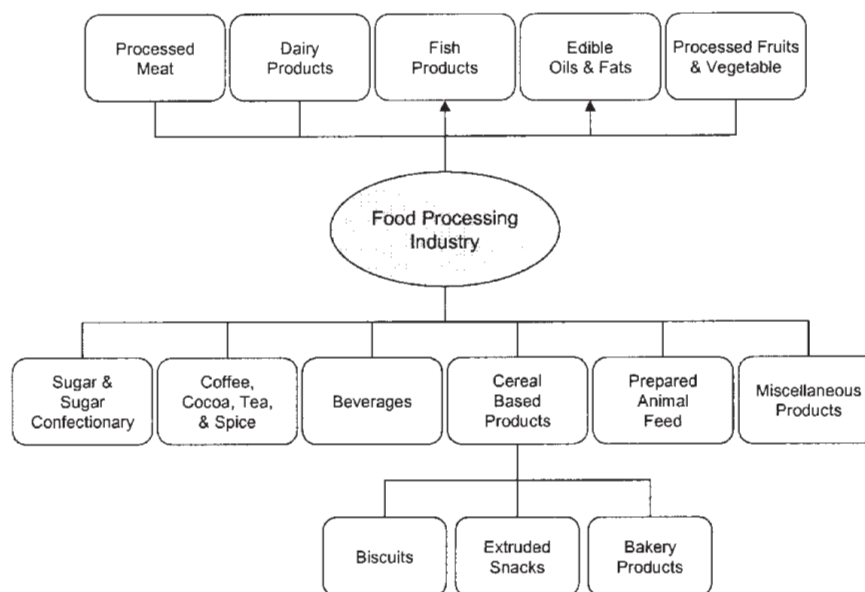
- The Food Processing Industry, which is a sub-sector of the overall Manufacturing Industry, refers to food manufacturing activities, excluding rice milling and manufacture of edible oils and fats, beverages and tobacco.

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

- The Food Processing Industry in Malaysia is broadly classified into 11 major sub-sectors:



Source: Vital Factor Consulting and Investment Opportunities in the Food Processing & Beverages Industry - Industry Brief, May 2000, Malaysian Industrial Development Authority

Figure 1 Structure of the Food Processing Industry

- The Extruded Snacks and Cakes Sectors which are sub-sectors of the Food Processing Industry fall under the total umbrella of Cereal-based Products which include:
 - Bakery Products like Cup Cakes and Layer Cakes;
 - Extruded Snacks;
 - Biscuits.
- Extruded Snacks in this report refers to puffed-up corn snacks and are used interchangeably with Extruded Corn Snacks.
- The term Cakes used here generally refers to small, 'ready-to-eat', single-pack cakes such as Cup Cakes and Layer Cakes and these cakes have a longer shelf life compared to fresh cakes produced by local bakeries.

4. Industry Life-Cycle

The Food Processing Industry in Malaysia is in its **growth phase** of its life-cycle.

- This is supported by the following observations in local and international trends:
 - GDP growth in the overall Manufacturing Industry increased by 21.0% in 2000 (Source: Bank Negara Malaysia Annual Report 2000);

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- Between 1996 and 2000, the sales value of the production of the Food Processing Industry including both Extruded Snacks and Cakes, grew at an average annual rate of approximately 3.7% (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*);
- The Food Manufacturing Production Index grew at an average rate of 5.7% per annum between 1996 and 2000 (Source: *Monthly Statistical Bulletin, June 2001, Bank Negara Malaysia*);
- As at 30 June 2000, children and teenagers, the main target of manufacturers of snack foods, accounted for nearly 43% of the population in Malaysia (Source: *Yearbook of Statistics Malaysia 2000, Department of Statistics*);
- Growth within the Food Processing Industry will continue to be fuelled by the following factors:
 - increasing automation thus increasing production and reducing long term cost;
 - increasing innovation within the local industry as well as overseas;
 - the ever changing taste of the consumers contributed by increasing affluence and exposure to global cultures and taste will continue to create a more cosmopolitan acceptance in variety and diversity of food.
- The Extruded Snacks and Cakes Sectors are in their **growth phases** and this is reflected in the following observations.
 - The sales value of the Biscuit Factories sector, which includes both Extruded Snacks and Cakes, grew at an average rate of 7.9% per annum between 1996 to 2000 (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*);
 - Between 1996 and 2000, sales value of the production of Snack Products including Extruded Snacks, grew at an average annual rate of 11.4%, whilst sales value of the production of Cakes grew at an average of 18.7% per annum between 1992 to 1996 (Source: *Unpublished Data - Department of Statistics*);
 - The export value of Other Bakers' Wares not elsewhere classified, which includes Extruded Snacks and Cakes, grew at an average annual rate of 15.2% between 1996 and 2000. Export value of Other Bakers' Wares amounted to RM149.5 million for 2000, recording a growth of 27.1% over the previous year (Source: *Unpublished Data - Department of Statistics*).
 - The import value of Other Bakers' Wares not elsewhere classified, which includes Extruded Snacks and Cakes, grew at an average annual rate of 14.5% from 1996 to 2000. The import of Other Bakers' Wares grew by 32.3% to reach RM14.4 million for 2000 (Source: *Unpublished Data - Department of Statistics*);
 - Continuing product innovations resulting from the changes in tastes of consumers will fuel further growth in these sectors;

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- Demand for Extruded Snacks and Cakes will continue to be sustained by the children and teenagers segment accounting for nearly 43% of the total population of Malaysia (Source: *Yearbook of Statistics Malaysia 2000, Department of Statistics*).

5. Government Legislation, Policies and Incentives

- Based on the contribution of the Food Processing Industry towards employment generation, foreign exchange savings, value-added creation and income generation, the Food Processing Industry, under Agro-based and Food Products has been identified as an important sector for strategic industrial development under the Second Industrial Master Plan, 1996 – 2005 (Source: *Second Industrial Master Plan 1996-2005, Ministry of International Trade and Industry*).
- Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on operators' performance and growth within a free enterprise environment.
- All food processing companies are required to observe and comply with the Food Act 1983 and Food Regulations 1985 (Source: *Investment Opportunities in the Food and Beverages Industry, Industry Brief, February 2001, Malaysian Industrial Development Authority*).
- Manufacturers producing 'halal' food products are required to obtain a certificate from the Islamic Affairs Division, Prime Minister's Department (Source: *Investment Opportunities in the Food and Beverages Industry, Industry Brief, February 2001, Malaysian Industrial Development Authority*).
- To facilitate growth in the Food Processing Industry, food manufacturers enjoy some Government protection from imports in the form of a 6% import duty on food items, which includes Extruded Snacks and Cakes (Source: *The 2000 Budget Speech*).
- In the Budget 2001, the Government provided additional tax incentives to companies engaged in food production as part of its continuous effort to encourage food production. Accelerated Capital Allowances for continuous reinvestment for production of promoted products by food producing companies were also provided (Source: *The Budget 2001 Speech*).
- To further accelerate food production activity, the 2002 Budget proposed that the tax incentives announced in 2001 Budget for companies that invest and the companies that undertake food production of approved food products be extended to any companies which reinvest in the production of the same food products. The incentive is given for a period of five years subject to the same conditions as announced in the 2001 Budget (Source: *2002 Budget*).

Implication

- As Malaysia continues to be a net importer of food products, the potential to replace imports is tremendous. In addition, Malaysia has high potential to be a leading food producer and exporter in Asia as it has a strong agricultural foundation.

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

6. Supply of Extruded Snacks and Cakes

- The supply of Extruded Snacks and Cakes comes from local production as well as imports.

Local Production

- Between 1996 and 2000, the sales value of the production of the Food Processing Industry including both Extruded Snacks and Cakes, grew at an average annual rate of 3.7% (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- Despite the economic crisis in 1997/1998, sales value of production of the Food Processing Industry grew by 10.5% in 1998. However in 2000, sales value of the production of the Food Processing Industry registered a decline of 0.3% (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- For the first six months of 2001, the sales value of production of the Food Processing Industry grew by 0.8% compared to the same period last year (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- The sales value of the production of the Biscuit Factories Sector, which includes both Extruded Snacks and Cakes, grew at an average annual rate of 7.9% between 1996 and 2000 (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- In 2000, the sales value of production of the Biscuit Factories Sector contracted by 2.2% (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- The sales value of production of the Biscuit Factories Sector grew by 2.7% for the first six months of 2001, compared with the same period last year (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).
- The sales value of the production of Snack Products, which includes Extruded Snacks, grew at an average annual rate of 11.4% from 1996 to 2000 (Source: *Unpublished Data, Department of Statistics*).
- For the first 4 months of 2001, sales value of the production of Snack Products grew by 11.8% compared to the same period last year (Source: *Unpublished Data, Department of Statistics*).
- The sales value of the production of Cakes grew at an average annual rate of 18.7% between 1992 and 1996 (Source: *Unpublished Data, Department of Statistics*).

Imports

- Sales value of imports in this category increased from RM8.4 million in 1996 to RM14.4 million 2000 representing an average annual growth rate of 14.5% over five years (Source: *Unpublished Data – Department of Statistics*).
- In 2000, sales value of imports of Other Bakers' Wares not elsewhere classified increased by 32.3% (Source: *Unpublished Data – Department of Statistics*).

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

7. Dependencies on Raw Materials

- The main supply dependencies of raw materials for the production of Extruded Snacks and Cakes are:
 - Flour;
 - Eggs;
 - Refined, Bleached and Deodorized (RBD) Palm Oil;
 - Corn Grits;
 - Refined Sugar.
- Except for corn grits used in the production of corn-based Extruded Snacks, all of the basic raw materials required for the production of Extruded Snacks and Cakes are currently available locally.
- Details of supply of raw materials are as follows:
 - In 1999, there were eight local flour mills in operation (*Source: Investment Opportunities in the Food Processing and Beverages Industry, Industry Brief, February 2001, Malaysian Industrial Development Authority*);
 - In 2000, there were 9 layer breeding companies in operation in Peninsular Malaysia (*Source: The Layer Chicken Industry in Peninsular Malaysia, Status of the Industry in 2000 and Prospects for 2001, Department of Veterinary Services, Ministry of Agriculture*);
 - Malaysia is the world's largest producer of palm oil, accounting for about 50% of the world's palm oil output. In 2000, production of crude palm oil was 10.8 million metric tonnes (*Source: A Brief on the Palm Oil Industry in Malaysia, Industry Brief, February 2001, Malaysian Industrial Development Authority and Bank Negara Malaysia Annual Report 2000*);
 - Imports of corn grits have been growing at an average annual rate of 1.7% from 17,254 tonnes in 1996 to 18,488 tonnes in 2000. Sources of corn include the United States, France, China, Thailand, the Italy and Korea (*Source: Unpublished Data – Department of Statistics*);
 - As at February 2001, there were four local sugar refineries in operations with the output of approximately 1 million tonnes for the first ten months of 2000 (*Source: Investment Opportunities in the Food Processing and Beverages Industry, Industry Brief February 2001, Malaysian Industrial Development Authority*).

Implications

- With the availability of ready sources of imported corn grits and abundant local supplies of the other raw materials, manufacturers of Extruded Snacks and Cakes are not likely to be threatened by any shortages of raw materials.
- Although Malaysia is dependent on imports of unmilled wheat for flour milling and raw sugar for refining, availability of ready sources overseas reduces the threat of shortages of these raw materials. Unmilled wheat is mainly imported from Australia, Canada and the United States whilst raw sugar is mainly imported from Australia and Thailand (*Source: Primary Market Research undertaken by Vital Factor Consulting*).

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

8. Demand for Extruded Snacks and Cakes

- Demand for Extruded Snacks and Cakes will come from overseas markets through direct exports and local market through wholesalers, distributors and retailers.
- Between 1996 and 2000, the export value of Other Bakers' Wares not elsewhere classified, including Extruded Snacks and Cakes, grew at an average annual rate of 15.2% (*Source: Unpublished Data –Department of Statistics*).
- In 2000, export value of Other Bakers' Wares not elsewhere classified, grew by 27.1% to reach RM149.5 million (*Source: Unpublished Data –Department of Statistics*).
- Major export countries of Other Bakers' Wares not elsewhere classified, include Singapore, Hong Kong, Brunei, Australia, Indonesia, Mauritius and Taiwan (*Source: Unpublished Data – Department of Statistics*).

9. Demand Dependencies

- Extruded Snack and Cake manufacturers are dependent on consumers in the general population.
- As such, there is no real threat of dependency in terms of the final consumers as this is diversified across the whole population of Malaysia and in export markets around the world.
- The diversity of the consumers of Extruded Snacks and Cakes will provide a wide customer base to ensure the continuing demand for these products.

10. Competitive Nature of the Industry and Key Players

Extruded Snacks and Cakes

- All manufacturers of Extruded Snacks and Cakes operate under **normal** competitive conditions.
- Competition comes in two forms:
 - Local production;
 - Imports.
- Local production has a slight advantage over imported Extruded Snacks and Cakes, which are subjected to an import duty of 6% (*Source: The Malaysian Trade Classification and Customs Duties Order 2001*).
- There is no undue monopolistic pressure either from the sourcing of raw materials or in the sales of products.
- As with most free enterprise environments, competition is based on a number of factors, including:
 - Cost;
 - Quality;
 - Service;
 - Reliability.

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

Extruded Snacks

- Competition amongst the manufacturers of Extruded Snacks in Malaysia is **intense** based on the following observations:
 - Some of the major manufacturers of extruded snacks in Malaysia are as follows:
 - . Oriental Food Industries Holdings Berhad
 - . Mamee-Double Decker Malaysia Berhad
 - . London Biscuits Berhad
 - . LB Food Sdn Bhd
 - . Kinos Food Industries (M) Sdn Bhd
 - . Sedap Food Industries Sdn Bhd
 - . Central Vista (M) Sdn Bhd
 - . Useful Snack & Confectionery Sdn Bhd (formerly known as Mally Jaya Sdn Bhd)
 - . URC Snack Food Sdn Bhd (formerly known as Pacific World Sdn Bhd)
 - . Evercrisp Manufacturing Malaysia Sdn Bhd (formerly known as Keebler Company (Malaysia) Sdn Bhd)

(Source: Primary Market Research undertaken by Vital Factor Consulting)

- The availability of a diverse range of Extruded Snacks other than corn including other bases like rice, potato, wheat, soy, tapioca, yam and seafood;
- There is a highly diverse range of snack foods in the market including:
 - . Non extruded snacks like potato chips and corn chips;
 - . Asian-type snacks like “muruku”, dried fish, cuttlefish, and preserved Asian fruits;
 - . Western-type snacks like biscuits, cookies, wafers and cakes;
- There are numerous non-branded, branded and premium snacks;
- In addition to pricing, competition also takes into consideration brand loyalty and product differentiations;
- The sector also faces competition from imported snacks, despite their higher pricing;
- There is also competition from other product categories such as chocolates, nuts and candy confectionery;
- Barriers to entry for Extruded Snacks manufacturers are **low to medium**, for example, capital and set-up costs for a small-sized company can be minimal. Thus, proliferation of cottage industries at the lower end of the market also exerts higher competitive pressure.

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

Cakes

- Competition amongst the manufacturers of Cakes in Malaysia is **medium** based on the following observations:
 - Major manufacturers of cakes in Malaysia are as follows:
 - Apollo Food Holdings Berhad
 - London Biscuits Berhad
 - Gardenia Bakeries (KL) Sdn Bhd
 - Standard Confectionery Sdn Bhd
 - Superb Food Industries Sdn Bhd
 - CAF Food Products Sdn Bhd
 - Michigan Pastries Sdn Bhd

(Source: Primary Market Research undertaken by Vital Factor Consulting)
 - High capital outlay involved in setting up a fully automated medium-sized operation is a major barrier to entry;
 - The sector faces some competition from local bakeries and cottage industries producing fresh cakes as well as some imports of cup cakes and frozen cakes.

Foreign Manufacturers

- There is very little competition from imported Extruded Snacks at present whilst competition for Cakes are from major foreign manufacturers including:
 - Tong Yang Confectionery Corporation, Korea
 - Lotte Trading Co Ltd, South Korea
 - Sara Lee Bakery (Australia) Pty Ltd, Australia

11. Threat of Substitute Products

- The range of Extruded Snacks and Cakes in the market is very wide. Extruded Snacks and Cakes face competition from other types of snack foods as well as other product categories.
- The seemingly infinite variety of snack foods include non-extruded snacks like potato chips and corn chips, Western-type snacks like biscuits, chips, cookies and wafers, and Asian-type snacks like “muruku”, dried fish, cuttlefish and preserved Asian fruits. Other product categories include chocolates, nuts and candy confectionery.
- Consumers may change their preferences any time from one type of snack food to another especially if it is an impulse purchase.
- Faced with such competition, manufacturers producing quality products and are price competitive will have a competitive edge over others in the market.
- LBB’s wide range of quality Extruded Snacks and Cakes which are competitively priced and its future plans to launch new products will help mitigate some of the competition from other product categories and at the same time, offer greater choice of variety to its consumers.

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- LBB can, with minor modifications to existing machinery, use alternative raw materials for its extruded snacks or venture into the manufacturing of other bakery products, when there is a business case to justify it. As such, this perspective of substitute product does not pose as a major threat to LBB's business.
- Additionally, one of the strongest counter measures to any 'substitute products' is LBB's own trade name, 'London Biscuits'. With its own brand, the Company is able to create brand equity and loyalty to sustain against competition.

12. Industry Outlook and Growth Forecast

- The outlook of the Food Processing Industry, particularly the Extruded Snacks and Cakes Sectors is **favourable**.
- The Industry is forecasted to grow at approximately **8%** per annum for the next five years.
- This forecast also takes into consideration the current economic slowdown in Malaysia as well as in many other parts of the world. However, it is envisaged that overall 2002 is likely to see signs of a turnaround, especially from the third quarter onwards.
- Once conditions are back to normal, it is expected that the extruded snacks and cakes sector of the food processing industry would experience positive growth rate similar to those experienced between 1996 and 2000.
- The following factors and observations provide support for the growth forecast:

Strong Production Growth Trends

- Sales value of the production of snack products, which includes extruded snacks, grew at an average annual rate of 11.4% from 1996 to 2000. In 2000, sales value of the production of snack products reflected an increase of 10.2% (*Source: Unpublished Data, Department of Statistics*);
- Production volume of snack products, which includes extruded snacks, grew at an average annual rate of 11.0% from 1996 to 2000 (*Source: Unpublished Data, Department of Statistics*);
- Sales value of the production of cakes grew at an average annual rate of nearly 18.7% from 1992 to 1996 whilst production volume grew at an average annual rate of 10.7% over the same period (*Source: Unpublished Data – Department of Statistics*);
- Sales value of the production of the food processing industry, which includes both Extruded Snacks and Cakes, grew at average annual rate of 3.7% between 1996 and 2000 (*Source: Monthly Manufacturing Statistics, June 2001, Department of Statistics*);
- Sales value of production of the food processing industry grew by 0.8% for the first six months of 2001 compared with the same period last year (*Source: Monthly Manufacturing Statistics, June 2001, Department of Statistics*).

13. INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

- The sales value of the production of the Biscuit Factories Sector including both Extruded Snacks and Cakes, grew at an average annual rate of 7.9% between 1996 and 2000 (Source: *Monthly Manufacturing Statistics, June 2001, Department of Statistics*).

Strong Import Value Growth Trends

- Sales value of imports of Other Bakers' Wares grew from RM8.4 million in 1996 to RM14.4 million in 2000 representing an average annual growth rate of 14.5% over five years (Source: *Unpublished Data – Department of Statistics*);
- In 2000, the sales value of imports of Other Bakers' Wares not elsewhere specified, which includes Extruded Snacks and Cakes, increased by 32.3% (Source: *Unpublished Data – Department of Statistics*).

Strong Export Value Growth Trends

- Malaysia's export of Food grew at an average annual rate of 8.2% between 1996 and 2000 (Source: *Monthly External Trade Statistics, December 1997 and 2000, Department of Statistics*);
- Export value of Other Bakers' Wares not elsewhere specified, which includes Extruded Snacks and Cakes, grew at an average annual rate of 15.2% between 1996 to 2000 (Source: *Unpublished Data – Department of Statistics*);
- In 2000, export value of Other Bakers' Wares not elsewhere specified, grew by 27.1% to reach RM149.5 million (Source: *Unpublished Data – Department of Statistics*).

Growth in Private Consumption

- In 2001, private consumption grew by 4.1% and 1.6% for the first and second quarters respectively (Source: *Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2001, dated 23 August 2001, Bank Negara Malaysia*).
- For the year 2001, private consumption is forecasted to increase by 7% (Source: *Bank Negara Malaysia Annual Report 2000*).

13. Market Size based on Production

Snack Products

- In 2000, the market size in Malaysia for Snack Products, which included Extruded Snacks, was estimated at **RM275 million**.
- Snack Products under this category included all types of extruded snacks and other snack products such as Twisties, flips, etc.

Cakes

- In 2000, the market size of Cakes in Malaysia was estimated at **RM200 million**.

13. **INDEPENDENT BUSINESS AND INDUSTRY CONSULTANT REPORT**



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

14. **LBB's Market Share based on Production**

Snack Products

- LBB's market share in Malaysia for its Extruded Corn Snacks was approximately **6%** of the total Snack Product Market in 2000.
- LBB's market share is based on its sales value of Extruded Corn Snacks of RM15.8 million for year ended 30 June 2001 within a market size for Snack Products of RM275 million.

Cakes

- LBB's market share in Malaysia for its Cakes, was approximately **10%** of the total Cake Market in 2000.
- LBB's market share is based on the Company's sales turnover of Cakes at RM19.6 million for year ended 30 June 2000 within a market size of RM200 million.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of the reader(s) of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company or companies.

Yours sincerely

Wooi Tan
Managing Director
Vital Factor Consulting Sdn Bhd



Co. No.072057-H

London Biscuits Berhad

Formerly known as London Biscuits Sdn. Bhd.

倫敦食品製造廠有限公司

Registered Office:

6th Floor, Johor Tower
15 Jalan Gereja
80100 Johor Bahru

11 DECEMBER 2001

The Shareholders

LONDON BISCUITS BERHAD (72057-H)

Dear Sirs/ Madam,

On behalf of the Directors of London Biscuits Berhad ("LBB"), I report after due inquiry that during the period from 30 June 2001 (being the date to which the latest audited accounts of LBB has been made up) to 11 DECEMBER 2001(being a date not earlier than fourteen days (14) before the issue of this Prospectus) :

- (a) the business of LBB has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of LBB which have adversely affected the trading or the value of the assets of LBB;
- (c) the current assets of LBB appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there is no contingent liabilities by reason of any guarantees given by LBB; and
- (e) save as disclosed in the Accountant's Report and the Proforma Consolidated Balance Sheet in the Prospectus, there have been no changes in published reserves nor any unusual factors affecting the profit of LBB since the last audited accounts of LBB.

Yours faithfully

For and on behalf of London Biscuits Berhad

Liew Yew Chung
Managing Director

Lonbisco-c-Letter LBB-act5



3, 5, 7, 9, Jalan Istimewa 2, Tmn. Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia.
Tel: 607-861 5288 (6 lines) ■ Fax: 607-861 5186

