

chairman's statement

On behalf of the Board of Directors of LONDON BISCUITS BERHAD, it is my pleasure to present to you the Annual Reports and Financial Statements of the Company and its subsidiaries for the financial year ended 30th June 2005.

REVIEW OF PERFORMANCE

It is indeed a challenging year for the industry in general and our group in particular, having to face growing competition as well as rising costs.

London Biscuits Berhad ("LONDON") weathered these constraints well, to set another year of remarkable and continuous growth. The Company's revenue for the year ended 30th June, 2005, recorded a 21% increase to RM79,097,606 as compared to that of the previous year of RM65,510,514, generating a profit before and after taxation for the year under review of RM13,676,379 and RM10,720,077, respectively. This is also translated into a mark increase in profitability of approximately 13% over the year ended 30th June, 2004.

Away from the norm, I shall now report on the performance of the Group, so as not to mislead the interpretation of the financial result of the Company in its proper perspective.

We have successfully completed the acquisition of Kinoss Food Industries (M) Sdn Bhd and its subsidiaries ("KINOS") with effect from 1st May, 2005 and accordingly the preparation of Group's financial statements is for the first time in respect of the year under review and therefore comparatives are not available.

Group's revenue for the year ended 30th June, 2005 was RM81,957,606 which included a contribution of RM2,860,000 since 1st May, 2005 from the acquisition of KINOS. Profit before taxation and minority interest was RM14,538,149 and profit after taxation of the Group was RM11,502,654. The attributable share of the profit after taxation arising from KINOS acquisition was RM782,577.

Net earnings per share for the year was 16.9 sen, an increase of 14% from the previous year of 14.7 sen. As at 30th June, 2005, the Group's net tangible assets grew to RM1.44 per share from RM1.36 per share.

HIGHLIGHTS

The past year has been one of significant achievements, underscoring LONDON's reputation as a credible market leader in the manufacturing of Food Cakes and Rolls. We have made excellent progress in the implementation of our planned and formulated strategies.

We were among only six Malaysian Companies to join three of our Malaysian Government Agencies as guests of the 5th World Ethnic and Speciality Food Show, 2005 in France. Although our presence is already felt in 60 countries worldwide, this event was our first participation in food trade show in France. It provided us a platform for the introduction of our products, which are HALAL, a further inroads to the large markets in Europe.

Our products notched up yet another string of awards at the 44th World Selection, 2005 of Chocolates, Confectionery and Biscuits in the Monde Selection by Belgium International Institute In Quality Selections. These awards recognising for our consistent and strict quality standards are:-

■ INTERNATIONAL HIGH QUALITY TROPHY

1) Swiss Roll, Strawberry Flavour 2) Swiss Roll, Blueberry Flavour

■ GOLD MEDALS

1) Swiss Roll, Strawberry Flavour 2) Swiss Roll, Blueberry Flavour

Among our many achievements, perhaps the cream of it all was the award of the 2005 Malaysia-Product Excellence Award by the Ministry of International Trade and Industry, Malaysia. London had to "fend off" 220 worthy competitors to win this prestigious award for Product Excellence for its range of Swiss Rolls.

DIVIDENDS

LONDON ended the year 2005 on a high note.



chairman's statement



In my preceding years' Statement, I had mentioned on the need to balance the Group's financial resources and reserves as between dividend expectations, growth opportunities and business objectives to satisfy all parties concerned.

The Board has deliberated the subject matters well. I am extremely pleased to announce hereon the Board's proposal of a first and final gross dividend of 15% less income tax 28% amounting to RM7,366,572 to be paid, in respect of the financial year ended 30th June, 2005. This dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

The Board has taken a bold step, deciding to reward our shareholders, investors and all those who have kept their faith and confidence with us over the years. God willing, we shall endeavour to sustain a good dividend payout in the years to come.

GOING FORWARD

We are of the opinion, the year 2006 will be another year of growth and prosperity for LONDON. The Board has expressed full support and confidence in our Managing Director / Chief Executive Officer, Dato' Liew Yew Chung for a job well done in 2005 and

his plans for 2006 should take us to further heights.

Our production capacity and facilities have been expanded and improved with an additional two new cake lines commissioned in the year 2005 in time for the launch of the new mango flavour Swiss Roll. These lines with robotic arm technology double our production capacity to ease the sharp demands for our products at the same time, allow us to accommodate new sales orders in line.

LONDON has established its name and its market overseas. The successful acquisition of KINOS (one of the leading manufacturers in snack food) after months of discreet negotiations and careful thoughts, against all odds was timely. The acquisition consideration of RM12,725,686 for a 77.98% equity stake of KINOS as against its fair value assets of RM9,325,768, is indeed a good buy. It represented a low entry price to pay for an immediate availability of "ready made, cost saving facilities" for LONDON to utilise to meet its backlog orders in hand and opened up a network of markets for both LONDON's and KINOS's products, locally and overseas. KINOS is expected to contribute positively to the Group in coming years.

To embark aggressively on campaigns to promote LONDON's Brand Name and its product and to penetrate markets, on a local front, we have managed to "pool" Cik Erra Fazira, Malaysia's own dynamic and accomplished songstress as our ambassadress. The versatile and professional Erra was selected as she epitomised the wholesome goodness of LONDON's products, which she will now proudly endorse, to spearhead our brand building exercise.

Tested, tried and it worked, we have extended our licensee, for two more years with Walt Disney to continue to use their much loved characters such as Mickey Mouse, Minnie Mouse, Donald Duck and Winnie The Pooh on our confectionery packaging locally and now also to Hong Kong, which is already one of our main export destinations. This arrangement has proven rewarding in the past. With the renewed enthusiasm generated from the Opening of Hong Kong Disneyland, it augurs well for our products.

With the hustle and bustle of modern lifestyles and people being too busy to cook, the trend in the food industry is now moving towards that of convenience. London's products are all individually wrapped and ready to eat and we are ideally positioned to take advantage of this and so everybody can continue to enjoy the taste of great tasting cakes and snacks.

Together with the renewed enthusiasm generated from the opening of Hong Kong Disneyland, I am confident that all these augurs well for our products.

The Board has given its mandate to the Managing Director and his management team to further explore on the possibility of widening the marketing of LONDON's products via Disney packaging to as many countries as possible setting Taiwan and South Korea as its next main target.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the LONDON management team and staffs for their loyal dedication and hardwork. To our customers, business partners and shareholders, I would like to convey our sincere appreciations for their continued support and confidence. LONDON, today cannot be without all of You and I say, THANK YOU, once again.