

LONG HUAT GROUP BERHAD
NOTES TO ACCOUNTS

1. There is no change in the significant accounting policies adopted in preparing this quarterly financial statement as compared with the most recent annual financial statement as for the year ended at 31/08/2000.
2. The exceptional items are as follows:

	28-Feb-01	31-Aug-00
	RM'000	RM'000
Provision for doubtful debts	21,578	-
Stocks written off	25,157	-
	<u>46,735</u>	<u>-</u>

The above exceptional items arose from the Group's review of the debtors and stocks position as at 28 February 2001.

3. There is no extraordinary item.
4. Taxation

	28-02-01	31-08-00
	RM	RM
Current year	-	842,041
Deferred tax transferred to P/L	-	(237,652)
Prior year under provision	-	(86,523)
	<u>-</u>	<u>517,866</u>

5. There is no pre-acquisition profit for the current financial year to date.
6. There is no profit on any sale of investments and/or properties for the current financial year to date.
7. There is no purchase or disposal of quoted securities
 - a)

Total Purchases	<u>RM</u>
Total Disposals	NIL
Total Profit/Loss on Disposal	NIL

b) Investment in quoted share as at 28-02-01

	<u>RM</u>
Total investment at cost	25,555
Total investments at carrying value/book value (after provision for diminution in value)	8,299
Total investment at market value at end of reporting period 28 Feb 2001)	5,845

8. There is no change in the composition of the company for the current financial year to date.

9. The company had made various announcements to the Kuala Lumpur Stock Exchange pertaining to the LHGB Scheme which comprise of the following :-

- Proposed acquisition of :
 - a. 74.2% equity interest in Unicorn Timber Industries Berhad;
 - b. 41.0% equity interest in Landwell Resources Pte. Ltd;
 - c. 30.0% equity interest in Coming Dragon Sdn Bhd;
 - d. 100.0% equity interest in General Vinyl Industries Sdn Bhd; and,
 - e. 100 0% equity interest in Chen Yew Plastic Sdn Bhd.
- Proposed rights issue up to a maximum of 74,800,000 new ordinary shares on the basis of 2 new shares for every 1 existing share held at an issue price of RM 2.40 per share.
- Proposed issue of RM 100 million nominal amount of 3% Redeemable Bank Guaranteed Bonds 1998/2003 with up to 37,400,000 detachable warrants on a "bought-deal" basis.

The Board is seeking legal opinion on the Company's position in the event that the Company decides to terminate all the above-mentioned agreements.

10. There is no obvious seasonal or cyclical trend on the group operations.
11. There is no issuance and repayment of debt securities and equity securities for the current financial year to date.

12.

As at 28 Feb 2001 (RM'000)
Outstanding Balance

	RM'000
* Short Term Borrowing	
Short Term Loan	6,176
Revolving Credits	6,200
Bank Overdrafts	22,543
Bill Payable	16,701
	51,620
** Long Term Borrowings	
	2,641
	54,261

***Short Term Borrowing**

The Group's bank credit facilities obtained from local financial institutions are secured by fixed and floating charges over the freehold and leasehold land and buildings and other assets of the Group. The said facilities for the subsidiaries are also guaranteed by the Company.

The bank credit facilities of the Company are secured by way of a corporate guarantee of a subsidiary company and negative pledges of its present and future assets to the lending financial institutions. Those of the subsidiary companies are secured by way of a fixed legal charge over their respective subsidiary company's freehold and leasehold land and buildings, loan agreement, debenture incorporating fixed and floating charges over the present and future assets and the corporate guarantee of the company.

****Long Term Liabilities**

The loans are secured by way of fixed legal charges over the Group's and the Company's freehold and leasehold land and buildings, loan agreements, debentures incorporating fixed and floating charges over both present and future assets of certain subsidiary companies and the corporate guarantee of the Company.

The hire purchase facilities of the Group are all secured by the corporate guarantee of the Company.

The Group had defaulted in interest and principal repayments for most of its bank borrowings for an amount of RM52,151,000.00. The Company is in the process of formulating a corporate and debt restructuring exercise which will be announced in due course.

13. Contingent Liabilities

The company has provided corporate guarantee to the extent of RM64,008,993 (Year 2000: RM64,008,993) to financial institutions for credit facilities and hire purchase facilities granted by the financial institution to certain subsidiaries.