A. Notes to the Interim Financial Report

A1. Basis of preparation

The interim financial report has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") applicable to the Group, effective for financial period beginning 1 January 2006 :

FRS 3	Business Combinations
FRS 5	Non current assets held for sale
FRS 8	Segmental reporting
FRS 101	Presentation of Financial Statements
FRS 116	Property, Plant and Equipment
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments

The adoption of the above FRSs do not have significant financial impact on the Group, except as presented below :-

(a) ***FRS 3 : Business Combination : FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets***

The new FRS 3 has resulted in consequential amendments to two other accounting standards, i.e. FRS 136 and FRS 138.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortization. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortized on a straight-line basis over a period of 25 years. This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006.

(b) ***FRS 8 : Operating Segments***

As of 1 January 2010, the Group determines and presents operating segments based on the information that is provided internally to the Board of Directors. This change in accounting policy is due to the adoption of FRS 8.

(c) ***FRS 101 : Presentation of Financial Statements***

The adoption of the revised FRS 101 has affected the presentation of consolidated balance sheet, consolidated income statement as well as the consolidated statement of changes in equity. Among other things, minority interests are now presented within total equity in the consolidated balance sheet and are presented as an allocation of the total profit or loss for the period in the consolidated income statement.

FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The presentation of the current financial period of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the new presentation.

(d) ***FRS 139 – Financial Instruments: Recognition and Measurement***
The adoption of FRS 139 has resulted in changes to the accounting policies relating to recognition and measurement of financial instruments. A financial instrument is recognized in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument. A financial instrument is recognized initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

i) ***Financial assets***
Marketable securities prior to the adoption of FRS 139, investment in equity allowance for diminution in value, which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries and associates are now categorized as available for sales assets.

ii) ***Derivatives***
Prior to the adoption of FRS 139, derivative contracts off balance sheet items and gains and losses were recognized in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now required to be initially recognized at fair value on the date the derivative contract is entered into and subsequently re-measured at fair value at each balance sheet date. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are classified as fair value through profit and loss with any gains or losses arising from changes in fair value of these derivatives being recognized in the income statement.

iii) ***Financial liabilities***
All financial liabilities not classified in another category. Example, non-cumulative redeemable preference shares (NCRPS).

A2. Qualified audit report
The audit report of the Group's annual financial statement for the year ended 31 December 2009 was not subject to any qualification.

A3. Seasonal or cyclical factors
The performance of the Group is not affected by any seasonal or cyclical factors.

A4. Unusual items
There was no unusual item affecting asset, liability, equity, net income or cash flows for the quarter.

A5. Change in Estimate

Not applicable

A6. Debts and equity securities

There were no issuances and repayments of debts and equity securities for the quarter under review.

Details of share buyback during the quarter under review are as follows:-

Month	No. of shares	Lowest Price	Highest Price	Average Price	Total Paid
	('000)	(RM)	(RM)	(RM)	(RM '000)
Bal b/f	**1,376.9**				**1,226.0**
Oct 2010	15.4	1.130	1.150	1.150	17.7
Nov 2010	-	-	-	-	-
Dec 2010	-	-	-	-	-
	1,392.3				**1,243.7**

As at the end of the current quarter, the company has a total of 1,392,300 treasury shares.

A7. Dividends

Please refer to B13.

A8. Segmental Reporting

The Group determines operating segments according to business units/divisions.

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	PRECEDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2010	31/12/2009	30/09/2010	31/12/2010	31/12/2009
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000
Safety Restraints Division	54,956	65,354	66,453	264,424	191,992
Acoustics Division	5,312	6,449	6,641	22,586	17,521
	60,268	71,803	73,094	287,010	209,513
Profit before Tax					
Safety Restraints Division	12,390	7,182	15,250	62,648	35,423
Acoustics Division	972	2,358	2,164	5,230	2,538
Others	3,448	411	1,341	5,583	1,077
	16,810	9,951	18,755	73,461	39,038

A9. Valuation of property, plant and equipment

The valuation of property, plant and equipment net of the impact of deferred tax has been brought forward from the previous annual financial statements.

A10. Subsequent event

There was no material event subsequent to the end of the quarter under review.

A11. Changes in the Composition of the Group

There was no change to the composition of the Group during the quarter under review.

A12. Contingent liabilities

There was no material contingent liability for the quarter under review.

A13. Capital commitments

The amount of capital commitments contracted but not provided for in respect of property, plant and equipment as at 31 December 2010 is RM4.3m.

B. Notes to KLSE's Listing Requirements

B1. Review of Performance

Group turnover for the year 2010 increased 37% compared to 2009. For the same period, motor vehicle sales increased 13% (605k units in 2010 compared to 537k units in 2009). The higher turnover was also due to the higher number of national cars fitted with safety restraint products.

Profit before tax increased 88% (RM73.5m in 2010 compared to RM39.0m in 2009). The higher PBT was mainly due to the higher sales and product mix as well as a much higher contribution from the associate company.

B2. Review of Performance (Q4 vs Q3)

	Q4/10	Q3/10
	RM (' 000)	RM (' 000)
Turnover	60,268	73,094
Profit before tax	16,810	18,755
Profit after tax (before MI)	13,805	16,590

Turnover for the current quarter decreased 18% compared to the preceeding quarter while motor vehicle sales remained largely unchanged (151k units in Q4 compared to 152K units in Q3). The larger drop in Group turnover was mainly due to the sales mix of motor vehicles sold in the current quarter. In line with the lower sales, PBT dropped 10%.

B3. Current Year Prospects

The Malaysian Automotive Association has forecast a TIV (total industry volume) of 618k units for 2011, an increase of 2% over 2010.

Given such a scenario and the expected high fitment rate of safety restraint products, the prospect of the Group for 2011 is expected to be good.

B4. Profit Forecast

Not applicable.

B5. Taxation

	Current Quarter 31/12/2010 (RM '000)	Year-To-Date 31/12/2010 (RM ' 000)
Income tax expenses		
- current year provision	5,777	13,635
- under/(over) provision in prior years	(720)	(720)
Deferred taxation		
- transferred from deferred taxation	(2,068)	(2,068)
- RPGT	-	-
Tax expense on share of profit of an associate	16	474
Total	3,005	11,321

B6. Unquoted Investments & Properties

There was no sale of unquoted investments during the current quarter and financial year to-date.

B7. Quoted Investments

Other than the treasury shares under Note A6, as at the end of the current quarter, investments in quoted shares by the Group is as follows :-

	31 Dec 2010	30 Sept 2010
	RM '000	RM '000
At cost	15,791	15,791
At market value	14,948	15,686

B8. Status of Corporate Proposals

On 15 December 2010, Hirotako Holdings Bhd (HHB) announced a bonus issue of up to 44,570,587 free warrants in HHB on the basis of one (1) free warrant for every four (4) existing ordinary shares of RM0.50 each in HHB.

The entitlement date for the above mentioned warrant has been fixed on 18 February 2011.

B9. Group Borrowings

The Group does not have any borrowings during the quarter under review.

B10. Financial Instrument

There was no foreign exchange contract during the quarter under review.

B11. Material Litigation

Save as disclosed below, as at LPD, neither Hirotako nor any of its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against Hirotako and/or its subsidiaries, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of Hirotako and/or its subsidiaries:

The Company received a notice on 7 September 1999 from the State of Selangor for the acquisition of the land owned by the Company held under CT 18105, Lot No. 7394, Mukim of Klang, District of Ulu Langat, Selangor (the "Land"). A hearing for the award of compensation was held on 7 December 1999. On 22 March 2000, the State of Selangor offered the Company RM3,885,000 as an award of compensation for the Land.

The Company disagreed with the award and on 29 May 2000, the Company (through its solicitors) filed an appeal against the compensation award to Pejabat Tanah Dan Galian Selangor and this appeal was referred to the High Court of Shah Alam under No. MT3-15-159-2003. The matter was fixed for numerous mention dates for the parties to reach a settlement. On 19 July 2004, Kamar Penasihat Undang-Undang Negeri Selangor forwarded a settlement proposal whereby the State of Selangor proposed to increase the compensation award by 10% on top of the RM3,885,000 i.e. RM388,500 whereas the Company counter proposed a settlement sum of RM2,175,500 on top of the RM3,885,000. On 7 January 2004, Kamar Penasihat Undang-Undang Negeri Selangor informed the Company that the counter proposal was too high and not acceptable. The parties met on 7 April 2005 but were unsuccessful in reaching a settlement. The matter was fixed for Clarification/Decision on 27 December 2010.

On 27 December 2010, the High Court of Shah Alam has held that the award of the Land Administrator is to be maintained and the claim for severance of land is not allowed. In addition, the cost of RM250 per assessor for both of the assessors appointed by the court is to be borne by the Company and made payable within two (2) weeks from the date of the decision made. Furthermore, the deposit is to be refunded to the Company.

B12. Earnings Per Share

	Current Quarter		**Cumulative Quarter**	
	31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
Weighted average number of ordinary shares in issue (‘000)	173,123	163,932	173,123	163,932
Basic earnings per share (sen)	5.1	3.7	21.0	11.5
Diluted earnings per share (sen)	5.1	3.7	21.0	11.5

B13. Dividends

On 9 March 2010, the Group completed the distribution of a share dividend on the basis of one (2) HHB treasury shares for every twenty-five (25) ordinary shares of RM0.50 each held in HHB. A total of 12,932,179 treasury shares were distributed.

On 13 May 2010, the Group completed the distribution of a share dividend on the basis of one (1) HHB treasury share for every thirty-five (35) ordinary shares of RM0.50 each held in HHB. A total of 4,928,467 treasury shares were distributed.

A first interim dividend of 12% or 6 sen per share less income tax of 25% for the financial year ended 31 December 2010 was declared on 24 August 2010. An amount of RM7,966,150 was paid on 28 September 2010.

B14. Realized and unrealized retained earnings

	Current Quarter Ended 31 December 2010 RM'000	Preceding Quarter Ended 30 September 2010 RM'000
Total retained earnings of HHB and its subsidiaries:-		
- realized	62,945	56,805
- unrealized	(44)	(462)
Total share of retained earnings from associated company:-		
- realized	46,274	44,190
- unrealized	(1,411)	(1,445)
Total group retained earnings as per consolidated accounts	107,764	99,088