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 2010. 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 2010.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010 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 2011, 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 2010 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	**2,352.7**				**2,893.7**
Apr 2011	803.2	1.82	2.00	1.87	1,504.3
May 2011	401.2	1.94	2.00	1.97	790.2
Jun 2011	2,816.8	1.93	2.03	1.99	5,608.3
	6,373.9				**10,796.5**

As at the end of the current quarter, the company has a total of 6,373,960 treasury shares.

A7. Dividends

No dividends were announced during the quarter under review.

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
	30/06/2011	30/06/2010	31/03/2011	30/06/2011	30/06/2010
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000
Safety Restraints Division	70,001	71,147	61,102	131,103	143,015
Acoustics Division	5,172	5,598	5,325	10,497	10,633
	75,173	76,745	66,427	141,600	153,648
Profit before Tax					
Safety Restraints Division	15,503	17,106	17,494	32,997	35,008
Acoustics Division	1,070	1,156	1,169	2,239	2,094
Others	488	475	472	960	794
	17,061	18,737	19,135	36,196	37,896

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 30 June 2011 is RM5.0m.

B. Notes to KLSE's Listing Requirements

B1. Review of Performance

Year to-date turnover is RM141.6m compared to the RM153.6m for the same period in the previous year, a drop of 6%. This is in line with the total production of vehicles which is 7% lower for the same period (217k units compared to 234k units). Pretax profit is correspondingly lower by 4%.

B2. Review of Performance (Q2/11 vs Q1/11)

	Q2/11	**Q1/11**
	RM (' 000)	**RM (' 000)**
Turnover	75,173	66,427
Profit before tax	17,061	19,135
Profit after tax (before MI)	14,425	15,169

Production of motor vehicles in the 2nd quarter was affected by the earthquake and tsunami in Japan, as well as the uncertainties created by the new Hire Purchase Act. The production output was 13% lower than the 1st quarter (101k units compared to 116k units). However, Group turnover rose 14% in HHB mainly due to the product sales mix (mainly inaugural supply to the new Myvi model) for the quarter. Profit was affected by higher cost and a lower contribution from the associate company.

B3. Current Year Prospects

The problems caused by the earthquake and tsunami in Japan in March have largely been resolved. Affected car manufacturers are now increasing output in order to make up for the shortfall in the earlier part of the year.

The authorities have recently announced that all new cars manufactured locally have to be fitted with dual airbags from the beginning of next year. As the only airbag manufacturing plant locally, our SRS division is in a good position to benefit from this ruling.

Given the above scenario, the Group is expected to perform well in the near future barring any unforeseen circumstances.

B4. Profit Forecast

Not applicable.

B5. Taxation

	Current Quarter 30/06/2011	Year-To-Date 30/06/2011
	(RM '000)	(RM ' 000)
Income tax expenses		
- current year provision	2,442	6,261
- under/(over) provision in prior years	-	-
Deferred taxation		
- transferred from deferred taxation	-	-
- RPGT	-	-
Tax expense on share of profit of an associate	194	341
Total	2,636	6,602

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 :-

	30 Jun 2011	31 Mar 2011
	RM '000	RM '000
At cost	15,791	15,791
At market value	11,269	13,018

B8. Status of Corporate Proposals

The various proposals involving a share split, a bonus issue and amendments to the Memorandum & Articles of Association of the Company were approved by the relevant parties and completed in July 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

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.

B12. Earnings Per Share

	Current Quarter		Cumulative Quarter	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
Weighted average number of ordinary shares in issue (‘000)	175,661	169,223	175,661	169,223
Basic earnings per share (sen)	4.6	5.1	9.4	10.3
Diluted earnings per share (sen)	4.6	5.1	9.4	10.3

B13. Realized and unrealized retained earnings

	Current Quarter Ended 30 June 2011 RM’000	Preceding Quarter Ended 31 March 2011 RM’000
Total retained earnings of HHB and its subsidiaries:-		
- realized	129,353	134,377
- unrealized	1,294	2,176
Total share of retained earnings from associated company:-		
- realized	47,434	46,653
- unrealized	1,371	1,421
	179,452	184,627
Less : consolidation adjustments	(59,405)	(72,605)
Total group retained earnings as per consolidated accounts	120,047	112,022