

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 ('000) | Lowest Price (RM) | Highest Price (RM) | Average Price (RM) | Total Paid (RM '000) |
|----------------------------|----------------------|-------------------|--------------------|--------------------|----------------------|
| Bal b/f | 6,373.9 | | | | 10,796.5 |
| Share split as at 6/7/2011 | 6,729.3 | - | - | - | - |
| Jul 2011 | 5,621.6 | 0.740 | 0.810 | 0.850 | 4,794.4 |
| Aug 2011 | 2,864.0 | 0.720 | 0.860 | 0.786 | 2,252.1 |
| Sep 2011 | 1,186.6 | 0.710 | 0.815 | 0.703 | 834.7 |
| | 22,775.4 | | | | 18,677.7 |

As at the end of the current quarter, the company has a total of 22,775,420 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.

| | <u>INDIVIDUAL QUARTER</u> | | | <u>CUMULATIVE QUARTER</u> | |
|----------------------------|---|---|--|---|--|
| | <u>CURRENT YEAR QUARTER</u> 30/09/2011 RM'000 | <u>PRECEDING YEAR CORRESPONDING QUARTER</u> 30/09/2010 RM'000 | <u>PRECEDING QUARTER</u> 30/06/2011 RM'000 | <u>CURRENT YEAR TO DATE</u> 30/09/2011 RM'000 | <u>PRECEDING YEAR CORRESPONDING PERIOD</u> 30/09/2010 RM'000 |
| Revenue | | | | | |
| Safety Restraints Division | 64,055 | 66,453 | 70,001 | 195,158 | 209,468 |
| Acoustics Division | 5,033 | 6,641 | 5,172 | 15,530 | 17,274 |
| | <u>69,088</u> | <u>73,094</u> | <u>75,173</u> | <u>210,688</u> | <u>226,742</u> |
| Profit before Tax | | | | | |
| Safety Restraints Division | 12,374 | 15,250 | 15,503 | 45,371 | 50,258 |
| Acoustics Division | 703 | 2,164 | 1,070 | 2,943 | 4,258 |
| Others | 821 | 1,341 | 488 | 1,780 | 2,135 |
| | <u>13,898</u> | <u>18,755</u> | <u>17,061</u> | <u>50,094</u> | <u>56,651</u> |

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 September 2011 is RM0.5m.

B. Notes to KLSE's Listing Requirements

B1. Review of Performance

Year to-date turnover is RM210.7m compared to the turnover of RM226.7m for the same period in the previous year, a drop of 7%. This is in line with the decrease of 5% (source: MAA) in motor vehicles production for the same period. Pretax profit is lower by 12% mainly attributable to product mix and unfavorable foreign exchange rates.

B2. Review of Performance (Q3/11 vs Q2/11)

| | Q3/11 | Q2/11 |
|------------------------------|-------------------|-------------------|
| | RM (' 000) | RM (' 000) |
| Turnover | 69,088 | 75,173 |
| Profit before tax | 13,898 | 17,061 |
| Profit after tax (before MI) | 12,168 | 14,425 |

Turnover for the current quarter reduced by 8% compared to the previous quarter for the same period. Profit before tax was also lower by 19%. The lower turnover and profits were due to the unfavorable product mix for the said period.

B3. Current Year Prospects

The Malaysian Automotive Association (MAA) recently revised its forecast motor vehicle sales for 2011 to 608,000 from the earlier forecast of 618,000. The reduction is mainly due to the disruption caused by the earthquake and tsunami in Japan as well as the uncertainties created by the new Hire Purchase Act.

However the forecast production of motor vehicles for the year is expected to be lower than 2010 given that the year to-date production figure is 5% lower (source: MAA) than the corresponding period in the previous year.

Given the above scenario, the Group is cautiously optimistic of its performance for the rest of the year, barring any unforeseen circumstances.

B4. Profit Forecast

Not applicable.

B5. Taxation

| | Current Quarter | Year-To-Date |
|--|-----------------|--------------|
| | 30/09/2011 | 30/09/2011 |
| | (RM '000) | (RM '000) |
| Income tax expenses | | |
| - current year provision | 1,532 | 7,793 |
| - under/(over) provision in prior years | - | - |
| Deferred taxation | | |
| - transferred from deferred taxation | - | - |
| - RPGT | - | - |
| Tax expense on share of profit of an associate | 198 | 539 |
| Total | 1,730 | 8,332 |

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 Sep 2011 | 30 Jun 2011 |
|-----------------|-------------|-------------|
| | RM '000 | RM '000 |
| At cost | 15,791 | 15,791 |
| At market value | 6,216 | 11,269 |

B8. Status of Corporate Proposals

On 27 October 2011, the Board of Directors of Hirota Holdings Berhad ("HHB") ("Board") received a notice of conditional take-over offer ("Notice") from AmInvestment Bank Berhad ("AmInvestment Bank") on behalf of MBM Resources Berhad ("MBMR" or the "Offeror") to acquire the following:-

- all the voting shares of RM0.25 each in HHB (excluding treasury shares) ("HHB Share(s)")
- all the new HHB Shares that may be issued prior to the closing of the Offer arising from the exercise of outstanding warrants 2011/2016 ("Warrants"); and
- all outstanding Warrants ("Offer Warrant(s)")

for a cash consideration of RM0.97 per HHB Share and RM0.05 per Offer Warrant.

Notice for the above offer has been sent to all shareholders and warrant holders. The Board has appointed Inter-Pacific Securities Sdn Bhd as the Independent Adviser for this exercise.

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 | |
|--|-----------------|------------|--------------------|------------|
| | 30/09/2011 | 30/09/2010 | 30/09/2011 | 30/09/2010 |
| Weighted average number of ordinary shares in issue ('000) | 434,495 | 429,655 | 434,495 | 429,655 |
| Basic earnings per share (sen) | 1.6 | 2.3 | 5.4 | 6.4 |
| Diluted earnings per share (sen) | 1.6 | 2.3 | 5.4 | 6.4 |

B13. Realized and unrealized retained earnings

| | Current Quarter Ended 30 Sep 2011 RM'000 | Preceding Quarter Ended 30 Jun 2011 RM'000 |
|--|--|--|
| Total retained earnings of HHB and its subsidiaries:- | | |
| - realized | 118,402 | 129,353 |
| - unrealized | 1,747 | 1,294 |
| Total share of retained earnings from associated company:- | | |
| - realized | 47,538 | 47,434 |
| - unrealized | 1,512 | 1,371 |
| | 169,199 | 179,452 |
| Less : consolidation adjustments | (64,718) | (59,405) |
| Total group retained earnings as per consolidated accounts | 104,481 | 120,047 |