

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Income Statements  
For The 2nd Quarter Ended 30 June 2008  
(The figures have not been audited)

	Note	Current Qtr Ended 30/06/2008 RM'000	Current Qtr Ended 30/06/2007 RM'000	Cumulative YTD 30/06/2008 RM'000	Cumulative YTD 30/06/2007 RM'000
Revenue		31,300	-	57,145	-
Cost of sales		(23,340)	-	(41,901)	-
<b>Gross profits</b>		<b>7,960</b>	<b>-</b>	<b>15,244</b>	<b>-</b>
Other income		633	-	1,306	-
Administrative expenses		(516)	-	(654)	-
Selling and distribution expenses		(1)	-	(2)	-
Research and development expenses		(1,309)	-	(2,630)	-
Finance costs		-	-	-	-
<b>Profit before tax</b>		<b>6,767</b>	<b>-</b>	<b>13,264</b>	<b>-</b>
Income tax expense	20	(170)	-	(314)	-
<b>Profit for the period</b>		<b>6,597</b>	<b>-</b>	<b>12,950</b>	<b>-</b>
Basic earning per share (sen)	28	0.82	-	1.66	-
Diluted earning per share (sen)	28	N/A	N/A	N/A	N/A

**The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes enclosed to the interim financial statements.**

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
 Condensed Consolidated Balance Sheet  
 As at 30 June 2008  
 (The figures have not been audited)

	Unaudited As At 30/06/2008 RM'000	Audited As At 31/12/2007 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	1,252	1,202
Intangible assets	43,962	43,898
Deferred tax assets	10	10
	45,224	45,110
<b>Current assets</b>		
Trade receivables	50,138	21,982
Other receivables	3,911	1,760
Inventories	-	-
Cash and bank balances	92,433	22,843
	146,482	46,585
	191,706	91,695
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	80,500	60,300
Share premium	54,939	-
Retained earnings	29,177	16,227
	164,616	76,527
<b>Total Equity</b>		
<b>Non-current liabilities</b>		
Borrowings	-	-
	-	-
<b>Current liabilities</b>		
Trade payables	26,036	11,382
Other payables	11	303
Amount owing to holding company	36	36
Amount owing to related company	508	3,262
Tax payables	499	185
	27,090	15,168
	27,090	15,168
	191,706	91,695
<b>TOTAL EQUITY AND LIABILITIES</b>		

The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes enclosed to the interim financial statements.

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
 Condensed Consolidated Cash Flow Statements  
 For The 1st Quarter Ended 30 June 2008  
 (The figures have not been audited)

	<b>6 Months Ended 30/06/2008 RM'000</b>	<b>6 Months Ended 30/06/2007 RM'000</b>
Net Cash Flows From Operating Activities	(5,928)	-
Net Cash Flows From Investing Activities	379	-
Net Cash Flows From Financing Activities	75,139	-
	69,590	-
Net Change in Cash & Cash Equivalents		
Cash & Cash Equivalents at Beginning of Financial Period	22,843	-
	92,433	-
Cash & Cash Equivalents at End of Financial Period		
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances	4,854	-
Fixed deposits	87,579	-
	92,433	-

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes enclosed to the interim financial statements.**

**KEY ASIC BHD**  
**(Company No. 707082-M)**

Condensed Consolidated Statements of Changes in Equity  
For The 2nd Quarter Ended 30 June 2008  
(The figures have not been audited)

	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Attributable to Equity Holders of the Parent Non Distributable --->   Distributable Retained Earnings RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
<b>At 1 January 2008</b>	60,300	-	-	16,227	76,527	-	76,527
Foreign currency translation Profit for the period	-	-	-	12,950	12,950	-	12,950
Total recognised income and expense for the period	-	-	-	12,950	12,950	-	12,950
Issuance of shares	20,200	54,939	-	-	75,139	-	75,139
<b>At 30 June 2008</b>	80,500	54,939	-	29,177	164,616	-	164,616
<b>At 1 January 2007</b>	-	-	-	-	-	-	-
Foreign currency translation Profit for the period	-	-	-	-	-	-	-
Total recognised income and expense for the period	-	-	-	-	-	-	-
Issue of preference shares:- Preference Shares	-	-	-	-	-	-	-
<b>At 30 June 2007</b>	-	-	-	-	-	-	-

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes enclosed to the interim financial statements.

**Part A - Explanatory Notes Pursuant to FRS 134**

**1. Basis of Preparation**

The interim financial statements of the Group are prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and in accordance to the requirements of paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements 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 year ended 31 December 2007.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements except for the adoption of the following Financial Reporting Standards (FRS), amendment to FRS and Interpretations ("IC Interpretations") issued by MASB that are effective for the Group's annual reporting date, 31 December 2008

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of the above FRSs, amendment to FRS and IC Interpretations are not expected to have any significant impact on the financial statements of the Group.

**2. Comparatives**

As this is the first year of reporting, there are no comparison figures for the preceding year's comparative quarter or period.

**3. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

**4. Segmental Information**

<b>Business segments</b>	<b>Current Qtr Ended 30/06/2008 RM'000</b>	<b>Comparative Qtr Ended 31/03/2007 RM'000</b>	<b>Cumulative YTD 30/06/2008 RM'000</b>	<b>Cumulative YTD 31/03/2007 RM'000</b>
<b>Segment Revenue</b>				
Revenue-Recurring Engineering	24,861	-	44,829	-
Revenue-Non-Recurring Engineering	6,439	-	12,316	-
Total revenue including inter-segment sales	31,300	-	57,145	-
Elimination of inter-segment sales	-	-	-	-
Total revenue	31,300	-	57,145	-
<b>Segment PBT</b>				
PBT-Recurring Engineering	1,442	-	2,783	-
PBT-Non-Recurring Engineering	4,692	-	9,175	-
Total PBT including inter-segment PBT	6,134	-	11,958	-
Elimination of inter-segment PBT	-	-	-	-
Total PBT	6,134	-	11,958	-

**5. Unusual Items due to their Nature, Size or Event**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2008.

**6. Changes in Estimates**

The consolidated profit forecast of the Group for the financial year ending 31 December 2008 were disclosed in the Prospectus of the Company dated 11 January 2008 ("Prospectus") issued in conjunction with the initial public offering of Key ASIC ("IPO"). There were no changes in accounting estimates made that would materially affect the accounts of the Group for the quarter ended 30 June 2008.

**7. Seasonal or Cyclical Factors**

The interim operations of the Group were not affected by any significant seasonal or cyclical factors during the quarter under review.

**8. Dividends Paid**

There were no dividends paid during the quarter under review.

**9. Valuation of Property, Plant and Equipment**

Property, plant and equipment of the Group were not revalued during the quarter under review.

**10. Debt And Equity Securities**

Save as disclosed in this report, there were no issuance, cancellation, resale and repayment of debt and equity securities for the current quarter under review.

**11. Changes in Composition of the Company**

There has been no change in the composition of the Group during the interim period under review.

**12. Discontinued Operation**

There were no discontinued operations within the activities of the Group for the quarter under review.

**13. Capital Commitments**

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the current quarter under review.

**14. Changes in Contingent Liabilities and Contingent Assets**

There were no changes in any contingent liabilities or assets of the Group in the quarter under review.

**15. Subsequent Material Events**

Save as disclosed in Note 23 of this report, there were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

**Additional Information As Per MESDAQ Market Listing Requirement**

**16. Review Of Performance**

During the current quarter under review, the Group has recorded a net profit attributable to equity holders of parent of RM6.6 million on the back of revenue of RM31.3 million. The revenue were mainly contributed through higher wafer sales as a result of higher demand of Key ASIC's end-customer products.

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**17. Material Change In the Profit Before Taxation Compared To The Immediate Preceding Quarter**

	<b>Current Qtr Ended 30/06/2008 RM'000</b>	<b>Comparative Qtr Ended 31/03/2008 RM'000</b>	<b>% Changes</b>
Turnover	31,300	25,845	21.1%
Profit Before Taxation ("PBT")	6,767	6,497	4.2%

The Group recorded a revenue of RM31.3 million and PBT of RM6.8 million in the current quarter as compared to a revenue of RM25.85 million and PBT of RM6.5 million in the immediate preceding quarter. This represents an increase of approximately 21.1% and 4.2% respectively as compared to preceding quarter mainly due to higher recurring engineering revenue from wafer sales recorded in the current quarter. The increase in PBT is not rising in tandem with the increase in revenue is mainly due to higher component of wafer sales is recorded whereby the profit margin is lower.

**18. Commentary Of Prospects**

Moving ahead, Key ASIC will continue its focus on research and development ("R&D") to strengthen its domain specific design service and Intellectual Property building blocks ("IPs") development in consumer electronics and communication segments. Key ASIC will also continue to focus on its overseas sales and marketing effort. Barring unforeseen circumstances, the Board of Directors of Key ASIC is optimistic about the Group's ability in achieving satisfactory performance for the remaining period to the end of the financial year ending 31 December 2008.

**19. Profit Forecast and Profit Guarantee**

With the profit after taxation of RM6.6 million achieved in the current quarter, the Board is of the opinion that the Group is on track and will be able to achieve the profit forecast for the financial year ending 31 December 2008 as published in the Prospectus.

The Company did not announce any profit guarantee to date.

**20. Taxation**

The company has been awarded MSC Status and was granted pioneer status, which exempts 100% of the statutory business income from taxation for a period of 5 years commencing from its effective date. The taxation provided in the financial statements were for the interest income derived from the placement of fixed deposits with licenced financial institutions.

The tax expense for the current quarter ended 30 June 2008 is derived based on management's best estimate of the tax rate for the financial period. The effective tax rate of the Group for the financial period was lower than the statutory rate of 27% mainly due to certain income that were exempted from taxation.

**21. Unquoted Investments / Properties**

There were no purchase or sales of unquoted investments or properties during the current interim period under review and financial year to date.

**22. Purchase or Disposal of Quoted Securities**

There were no purchase or disposal of quoted securities during the current interim period under review and financial year to date.

**23. Corporate Proposal**

(i) *There were no corporate proposals announced but not completed as at the date of this report. The Company completed its IPO on 30 January 2008.*

(ii) *Status of Utilisation of Proceeds as at 30 June 2008*

<b>Description</b>	<b>Timeframe for utilisation</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance RM'000</b>
<b>IPO Proceeds</b>				
R&D-Capital expenditure	Within 24 months of Listing	36,000	(923)	35,077
R&D-Operating expenditure	Within 24 months of Listing	8,200	(1,288)	6,912

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Working capital	Within 12 months of Listing	33,300	(33,300)	-
Estimated listing expenses	Within 6 months of Listing	3,300	(3,300)	-
		<u>80,800</u>	<u>(38,811)</u>	<u>41,989</u>

The unutilised proceeds raised from the IPO were placed in interest-bearing accounts with licenced financial institutions in Malaysia until it is fully utilised.

**24. Group Borrowings and Debt Securities**

The Group does not have any borrowing or issued any debt securities as at 30 June 2008.

**25. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

**26. Material Litigation**

There was no pending material litigation from 1 January 2008 up to the date of this quarterly announcement.

**27. Dividends Payable**

The Board of Directors does not recommend any interim dividends for the current quarter ended 30 June 2008.

**28. Earnings Per Share**

The earnings per share for the quarter and cumulative year to date are computed as follow:

	<b>Individual Quarter Ended</b>		<b>Cumulative YTD</b>	
	<b>30-June-08</b>	<b>30-June-07</b>	<b>30-June-08</b>	<b>30-June-07</b>
Profit After Taxation & Minority Interest (RM'000)	6,597	-	12,950	-
Weighted average number of ordinary shares in issue ('000)	805,000	-	778,363	-
Basic Earnings Per Share (Sen)	0.82	-	1.66	-
Diluted Earnings Per Share (Sen) *	N/A	N/A	N/A	N/A

Note :

\* Not applicable as the Company does not have any convertible securities for the current financial quarter and financial year to date.

**29. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 August 2008.