

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 2nd Quarter Ended 30 June 2010
(The figures have not been audited)

	Note	Current Qtr Ended 30/06/2010 RM'000	Comparative Qtr Ended 30/06/2009 RM'000	Cumulative YTD 30/06/2010 RM'000	Cumulative YTD 30/06/2009 RM'000
Revenue		6,090	23,394	13,362	32,839
Cost of sales		(3,301)	(13,406)	(9,126)	(17,507)
Gross profits		<u>2,789</u>	<u>9,988</u>	<u>4,236</u>	<u>15,332</u>
Other income		229	587	450	1,595
Administrative expenses		(1,608)	(549)	(2,380)	(1,127)
Selling and distribution expenses		(377)	(23)	(745)	(45)
Research and development expenses		(6,405)	(4,994)	(10,865)	(8,446)
Profit / (Loss) before tax		<u>(5,372)</u>	<u>5,009</u>	<u>(9,304)</u>	<u>7,309</u>
Income tax expense	19	(44)	(62)	(87)	(246)
Profit / (Loss) for the period		<u>(5,416)</u>	<u>4,947</u>	<u>(9,391)</u>	<u>7,063</u>
Foreign currency translation		(81)	-	(267)	-
Total Comprehensive Income		<u>(5,497)</u>	<u>4,947</u>	<u>(9,658)</u>	<u>7,063</u>
Profit / (Loss) attributable to:					
Equity holders of the Company		<u>(5,416)</u>	<u>4,947</u>	<u>(9,391)</u>	<u>7,063</u>
Total comprehensive income attributable to:					
Equity holders of the Company		<u>(5,497)</u>	<u>4,947</u>	<u>(9,658)</u>	<u>7,063</u>
Basic earning per share (sen)	27	(0.67)	0.61	(1.17)	0.88
Diluted earning per share (sen)	27	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

KEY ASIC BHD
(Company No. 707082-M)
 Condensed Consolidated Statement Of Financial Position
 As at 30 June 2010
 (The figures have not been audited)

	Unaudited As At 30/06/2010 RM'000	Audited As At 31/12/2009 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	3,150	3,793
Intangible assets	77,394	75,310
Deferred tax assets	87	87
	<hr/> 80,631	<hr/> 79,190
Current assets		
Trade receivables	44,843	50,025
Other receivables	3,666	4,589
Inventories	62	67
Cash and cash equivalents	54,816	70,145
	<hr/> 103,387	<hr/> 124,826
	<hr/> TOTAL ASSETS	<hr/> 204,016
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,500	80,500
Share premium	54,887	54,887
Retained earnings	36,475	45,780
Other reserve	(353)	-
	<hr/> 171,509	<hr/> 181,167
Total Equity		
Current liabilities		
Trade payables	8,612	19,600
Other payables	3,190	3,209
Amount owing to related company	512	-
Tax payables	195	40
	<hr/> 12,509	<hr/> 22,849
	<hr/> Total liabilities	<hr/> 22,849
	<hr/> TOTAL EQUITY AND LIABILITIES	<hr/> 204,016
Net Assets Per Share Attributable to Equity of Parent (RM)	0.2131	0.2251

The Condensed Consolidated of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 2nd Quarter Ended 30 June 2010
 (The figures have not been audited)

	6 Months Ended 30/06/2010 RM'000	6 Months Ended 30/06/2009 RM'000
Net Cash Flows From Operating Activities	(15,682)	(7,065)
Net Cash Flows From Investing Activities	353	(678)
Net Cash Flows From Financing Activities	-	-
	(15,329)	(7,743)
Net Change in Cash & Cash Equivalents		
Cash & Cash Equivalents at Beginning of Financial Period	70,145	91,461
	54,816	83,718
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	7,908	3,268
Fixed deposits	46,908	80,450
	54,816	83,718

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 2010
 (The figures have not been audited)

	Attributable to Equity Holders of the Parent				Total	Minority	Total
Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Distributable Retained Earnings RM'000	Total RM'000	RM'000	RM'000	Equity RM'000
At 1 January 2010	80,500	54,887	(86)	45,866	181,167	-	181,167
Total Comprehensive Income	-	(267)	(9,391)	(9,658)	-	-	(9,658)
At 30 June 2010	80,500	54,887	(353)	36,475	171,509	-	171,509
At 1 January 2009	80,500	54,887	-	35,941	171,328	-	171,328
Total Comprehensive Income	-	-	7,063	7,063	-	-	7,063
At 30 June 2009	80,500	54,887	-	43,004	178,391	-	178,391

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes enclosed to the interim financial statements.

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The 2nd quarterly financial report ended 30 June 2010 is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Main Market.

The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009. The explanatory notes attached to the quarterly financial report provide an explanation on 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 accounting policies and methods of computation adopted by the Group in the quarterly financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2009, except for in the current period ended 30 June 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements:

FRS 1 and FRS 127	Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
FRS 2	Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
FRS 4	Insurance Contracts
FRS 5	Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures Amendments to FRS 7, Financial Instruments: Disclosures
FRS 8	Amendments to FRS 8, Operating Segments
FRS 101	Presentation of Financial Statements (revised 2009)
FRS 107	Amendments to FRS 107, Cash Flow Statements
FRS 108	Amendments to FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Amendments to FRS 110, Events after the Reporting Period
FRS 116	Amendments to FRS 116, Property, Plant and Equipment
FRS 117	Amendments to FRS 117, Leases
FRS 118	Amendments to FRS 118, Revenue
FRS 119	Amendments to FRS 119, Employee Benefits
FRS 120	Amendments to FRS 120, Accounting for Government Grants and Disclosure of Government Assistance
FRS 123	Amendments to FRS 123, Borrowing Costs
FRS 128	Amendments to FRS 128, Investment in Associates
FRS 129	Amendments to FRS 129, Financial Reporting in Hyperinflationary Economies
FRS 131	Amendments to FRS 131, Interests in Joint Ventures
FRS 132	Amendments to FRS 132, Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation.
FRS 134	Amendments to FRS 134, Interim Financial Reporting
FRS 136	Amendments to FRS 136, Impairment of Assets
FRS 138	Amendments to FRS 138, Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement Amendments to FRS 139, Financial Instruments: Recognition and Measurement
FRS 140	Amendments to FRS 140, Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives Amendment to IC Interpretation 9, Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above FRSs, amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

3. Segmental Information

KEY ASIC BHD
(Company No. 707082-M)

Business segments	Current Qtr Ended 30/06/2010 RM'000	Comparative Qtr Ended 30/06/2009 RM'000	Cumulative YTD 30/06/2010 RM'000	Cumulative YTD 30/06/2009 RM'000
Segment Revenue				
Revenue-Recurring Engineering	3,765	14,380	8,598	18,712
Revenue-Non-Recurring Engineering	2,325	9,014	4,764	14,127
Total revenue including inter-segment sales	6,090	23,394	13,362	32,839
Elimination of inter-segment sales	-	-	-	-
Total revenue	6,090	23,394	13,362	32,839
Segment PBT				
PBT-Recurring Engineering	355	3,014	78	3,467
PBT-Non-Recurring Engineering	(5,956)	1,408	(9,832)	2,247
Total PBT including inter-segment PBT	(5,601)	4,422	(9,754)	5,714
Elimination of inter-segment PBT	-	-	-	-
Other Income	229	587	450	1,595
Total PBT/(LBT)	(5,372)	5,009	(9,304)	7,309

Geographical Segments

	Total Revenue Qtr Ended		Total PBT/ (LBT) Qtr Ended	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Malaysia	4,080	23,394	(4,184)	5,009
Taiwan	2,010	-	(1,188)	-
	6,090	23,394	(5,372)	5,009

4. 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 2010.

5. Changes in Estimates

There were no changes in accounting estimates made that would materially affect the accounts of the Group for the quarter ended 30 June 2010.

6. 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.

7. Dividends Paid

There were no dividends paid during the quarter under review.

8. Valuation of Property, Plant and Equipment

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

9. Debt And Equity Securities

There were no issuance, cancellation, resale and repayment of debt and equity securities for the current quarter under review.

10. Changes in Composition of the Company

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

KEY ASIC BHD
(Company No. 707082-M)

11. Discontinued Operation

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

12. 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.

13. 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.

14. Subsequent Material Events

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 Requirements

15. Review Of Performance

During the current quarter under review, the Group has recorded a net loss attributable to equity holders of RM5.42 million on the back of revenue of RM6.09 million. The revenue were lower as compared to previous corresponding quarter in 2009 was mainly contributed by lower shipments of finished goods to customers due to limited production capacity allocation from the foundry partners as most of their capacities were pre-booked by bigger player in the semiconductor industry.

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

	Current Qtr Ended 30/06/2010 RM'000	Preceding Qtr Ended 31/03/2010 RM'000	% Changes
Turnover	6,090	7,272	-16.3%
Loss Before Taxation ("LBT")	(5,372)	(3,931)	36.7%

The Group recorded a revenue of RM6.09 million and LBT of RM5.37 million in the current quarter as compared to a revenue of RM7.27 million and LBT of RM3.93 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 16.3% and an increase in LBT of 36.7% respectively as compared to preceding quarter, which is mainly due to lower revenue recorded in the current quarter and the impairment on receivables as required by FRS 139.

17. Commentary Of Prospects

The demand for consumer electronic goods for the 1st half of 2010 are healthy and the overall worldwide semiconductor sales has grew by more than 50% as compared to same period last year as reported by Semiconductor Industry Association. Foundries and integrated device manufacturers are ramping production to bring supply into line with expected demand levels.

Ironically, the Group performance has been affected by the sudden surge in the demand for semiconductor goods as foundries production capacity becomes scarce. Foundries are taking advantage of the current situation by rationing its limited capacity to those that generating higher margin and volume and thus pushing out those lower volume devices.

In this challenging business environment, the Board of Directors of Key ASIC ("Board") is of the opinion that the Group's performance would be further subjected to among others foundry capacity allocation and anticipated demand from our newly tape-out devices.

18. Profit Forecast and Profit Guarantee

The Company did not announce any profit guarantee to date.

19. 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 on 14 April 2006. The taxation provided in the financial statements were for the interest income derived from placement of fixed deposits with licenced financial institutions.

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(Company No. 707082-M)

The tax expense for the current quarter ended 30 June 2010 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 tax rate mainly due to certain income that were exempted from taxation.

20. 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.

21. 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.

22. 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 2010

Description	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
IPO Proceeds				
R&D-Capital expenditure	Within 24 months of Listing	36,000	(35,861)	139
R&D-Operating expenditure	Within 24 months of Listing	8,200	(8,200)	-
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>(80,661)</u>	<u>139</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.

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 30 June 2010.

24. Off Balance Sheet Financial Instruments

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

25. Material Litigation

There was no pending material litigation from 1 January 2010 up to the date of this quarterly announcement.

26. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 30 June 2010.

27. Earnings Per Share

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

	Individual Quarter Ended		Cumulative YTD	
	30-June-10	30-June-09	30-June-10	30-June-09
Profit After Taxation & Minority Interest (RM'000)	(5,416)	4,947	(9,391)	7,063
Weighted average number of ordinary shares in issue ('000)	805,000	805,000	805,000	805,000
Basic Earnings Per Share (Sen)	(0.67)	0.61	(1.17)	0.88
Diluted Earnings Per Share (Sen) *	N/A	N/A	N/A	N/A

Note :

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

28. 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 25 August 2010.