

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Comprehensive Income  
For The 3rd Quarter Ended 30 September 2011

	Note	Unaudited Current Qtr Ended 30/09/2011 RM'000	Unaudited Comparative Qtr Ended 30/09/2010 RM'000	Unaudited Cumulative YTD 30/09/2011 RM'000	Unaudited Cumulative YTD 30/09/2010 RM'000
Revenue		4,884	5,690	14,363	19,053
Cost of sales		(3,436)	(2,920)	(9,152)	(12,046)
<b>Gross profits</b>		<b>1,448</b>	<b>2,770</b>	<b>5,211</b>	<b>7,007</b>
Other income		66	59	304	510
Administrative expenses		(3,532)	(8,596)	(6,274)	(10,977)
Selling and distribution expenses		(341)	(489)	(1,251)	(1,234)
Research and development expenses		(7,403)	(10,654)	(17,077)	(21,519)
<b>Loss before tax</b>		<b>(9,762)</b>	<b>(16,910)</b>	<b>(19,087)</b>	<b>(26,213)</b>
Income tax expense	19	(12)	(12)	(72)	(100)
<b>Loss for the period</b>		<b>(9,774)</b>	<b>(16,922)</b>	<b>(19,159)</b>	<b>(26,313)</b>
Foreign currency translation		7	(83)	(206)	(350)
<b>Total Comprehensive Loss</b>		<b>(9,767)</b>	<b>(17,005)</b>	<b>(19,365)</b>	<b>(26,663)</b>
Loss attributable to:					
Equity holders of the Company		(9,774)	(16,922)	(19,159)	(26,313)
Total comprehensive loss attributable to:					
Equity holders of the Company		(9,767)	(17,005)	(19,365)	(26,663)
Basic loss per share (sen)	28	(1.22)	(2.10)	(2.38)	(3.27)
Diluted loss per share (sen)	28	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 2010 and the accompanying explanatory notes enclosed to the interim financial statements.**

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Financial Position  
As at 30 September 2011

	<b>Unaudited As At 30/09/2011 RM'000</b>	<b>Audited As At 31/12/2010 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	1,915	2,601
Intangible assets	64,363	69,341
Deferred tax assets	737	737
	67,015	72,679
<b>Current assets</b>		
Trade receivables	5,488	23,149
Other receivables	1,705	1,852
Inventories	219	753
Cash and cash equivalents	43,500	45,379
	50,912	71,133
	117,927	143,812
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	80,500	80,500
Share premium	54,887	54,887
Treasury shares	(182)	(2)
Accumulated loss	(22,060)	(2,901)
Other reserve	(348)	(142)
	112,797	132,342
<b>Total Equity</b>		
<b>Current liabilities</b>		
Trade payables	2,759	8,690
Other payables	1,993	2,261
Amount owing to related company	-	511
Tax payables	378	8
	5,130	11,470
	5,130	11,470
<b>Total liabilities</b>		
	117,927	143,812
<b>TOTAL EQUITY AND LIABILITIES</b>		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.1401	0.1644

**The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 3rd Quarter Ended 30 September 2011

	<b>Unaudited 9 Months Ended 30/09/2011 RM'000</b>	<b>Unaudited 9 Months Ended 30/09/2010 RM'000</b>
Net Cash Flows From Operating Activities	(1,943)	(23,370)
Net Cash Flows From Investing Activities	64	363
Net Cash Flows From Financing Activities	-	-
	<hr/>	<hr/>
Net Change in Cash & Cash Equivalents	(1,879)	(23,007)
Cash & Cash Equivalents at Beginning of Financial Period	45,379	70,145
	<hr/>	<hr/>
Cash & Cash Equivalents at End of Financial Period	<u>43,500</u>	<u>47,138</u>

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances	5,686	4,101
Fixed deposits	37,814	43,037
	<hr/>	<hr/>
	<u>43,500</u>	<u>47,138</u>

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010 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 3rd Quarter Ended 30 September 2011  
 (The figures have not been audited)

	Attributable to Equity Holders of the Parent		Non Distributable		Distributable		Minority	Total
	Share Capital	Share Premium	Treasury Shares	Other Reserves	Retained Earnings / (Accumulated Losses)	Total	Interest	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2011</b>	80,500	54,887	(2)	(142)	(2,901)	132,342	-	132,342
Total Comprehensive Loss	-	-	-	(206)	(19,159)	(19,365)	-	(19,365)
Buy-back of ordinary shares	-	-	(180)	-	-	(180)	-	(180)
<b>At 30 September 2011 (Unaudited)</b>	80,500	54,887	(182)	(348)	(22,060)	112,797	-	112,797
<b>At 1 January 2010</b>	80,500	54,887		(86)	45,866	181,167	-	181,167
Total Comprehensive Loss	-	-	(2)	(350)	(26,313)	(26,663)	-	(26,663)
Buy-back of ordinary shares	-	-		-	-	(2)	-	(2)
<b>At 30 September 2010 (Unaudited)</b>	80,500	54,887	(2)	(436)	19,553	154,502	-	154,502

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2010 and the accompanying explanatory notes enclosed to the interim financial statements.

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

**1. Basis of Preparation**

The 3rd quarterly financial report ended 30 September 2011 is unaudited and has been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements.

The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010. 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 2010.

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 2010, except for in the current period ended 30 September 2011, 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 2010 was not qualified.

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**3. Segmental Information**

<b>Business segments</b>	<b>Current Qtr Ended 30/09/2011 RM'000</b>	<b>Comparative Qtr Ended 30/09/2010 RM'000</b>	<b>Cumulative YTD 30/09/2011 RM'000</b>	<b>Cumulative YTD 30/09/2010 RM'000</b>
<b>Segment Revenue</b>				
Revenue-Recurring Engineering	1,821	4,206	7,480	12,804
Revenue-Non-Recurring Engineering	3,063	1,484	6,883	6,249
Total revenue including inter-segment sales	4,884	5,690	14,363	19,053
Elimination of inter-segment sales	-	-	-	-
<b>Total revenue</b>	<b>4,884</b>	<b>5,690</b>	<b>14,363</b>	<b>19,053</b>
<b>Segment PBT / (LBT)</b>				
PBT-Recurring Engineering	281	(1,453)	1,818	(1,374)
PBT-Non-Recurring Engineering	(10,109)	(15,516)	(21,209)	(25,349)
Total PBT including inter-segment PBT	(9,828)	(16,969)	(19,391)	(26,723)
Elimination of inter-segment PBT	-	-	-	-
Other Income	66	59	304	510
<b>Total PBT/(LBT)</b>	<b>(9,762)</b>	<b>(16,910)</b>	<b>(19,087)</b>	<b>(26,213)</b>

**Geographical Segments**

	<b>Total Revenue Qtr Ended</b>		<b>Total (LBT) Qtr Ended</b>	
	<b>30/09/2011 RM'000</b>	<b>30/09/2010 RM'000</b>	<b>30/09/2011 RM'000</b>	<b>30/09/2010 RM'000</b>
Malaysia	875	2,928	(9,032)	(16,113)
Taiwan	4,009	2,762	(730)	(797)
	<b>4,884</b>	<b>5,690</b>	<b>(9,762)</b>	<b>(16,910)</b>

**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 September 2011.

**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 September 2011.

**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.

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

There has been no change in the composition of the Group for the quarter review.

**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 Main Market Listing Requirements**

**15. Review Of Performance**

During the current quarter under review, the Group has recorded a loss before tax of RM9.76 million on the back of revenue of RM4.88 million. The revenue were lower as compared to previous corresponding quarter in 2010 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 Loss Before Taxation Compared To The Immediate Preceding Quarter**

	<b>Current Qtr Ended 30/09/2011 RM'000</b>	<b>Preceding Qtr Ended 30/06/2011 RM'000</b>	<b>% Changes</b>
Turnover	4,884	4,671	4.6%
Loss Before Taxation ("LBT")	(9,762)	(4,834)	-102.0%

The Group recorded a revenue of RM4.88 million and LBT of RM9.76 million in the current quarter as compared to a revenue of RM4.67 million and LBT of RM4.88 million in the immediate preceding quarter. This represents an increase in revenue of approximately 4.6% and an increase in LBT of 102% respectively as compared to preceding quarter. The drastic increase in LBT is mainly due to higher EDA tools charges incurred in the current quarter.

**17. Commentary Of Prospects**

The demand for consumer electronic goods for the 3rd quarter of 2011 are healthy and the overall worldwide semiconductor sales has grew by approximately 3.5% as compared to previous quarter 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 company is currently in the process of renewing the second term of the pioneer status which is expected to be completed before the end of the current financial year. The taxation provided in the financial statements were for the interest income derived from placement of fixed deposits with licenced financial institutions.

**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 September 2011

Description	Timeframe for utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
<b>IPO Proceeds</b>				
R&D-Capital expenditure	Within 24 months of Listing	36,000	(34,440)	1,560
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>(79,240)</u>	<u>1,560</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 September 2011.

**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 2011 up to the date of this quarterly announcement.

**26. Realised and Unrealised Profits/Losses**

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format period.

The breakdown of accumulated losses of the Group as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	Group 30/09/2011 RM'000	Group 30/06/2011 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(20,787)	(11,067)
- Unrealised - in respect of deferred tax recognised in the income statement	737	737



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- in respect of other items of income and expense	(2,010)	(1,956)
Total Group accumulated losses as per consolidated accounts	<u>(22,060)</u>	<u>(12,286)</u>

The determination of realised and unrealised profits or losses is based on the Guidedance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**27. Dividends Payable**

The Board of Directors does not recommend any interim dividends for the current quarter ended 30 September 2011.

**28. Loss Per Share**

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

	<u>Individual Quarter Ended</u>		<u>Cumulative YTD</u>	
	<u>30-Sep-11</u>	<u>30-Sep-10</u>	<u>30-Sep-11</u>	<u>30-Sep-10</u>
Loss After Taxation & Minority Interest (RM'000)	(9,774)	(16,922)	(19,159)	(26,313)
Weighted average number of ordinary shares in issue ('000)	803,800	804,992	803,800	804,992
Basic Earnings Per Share (Sen)	(1.22)	(2.10)	(2.38)	(3.27)
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 24 November 2011.