

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 4th Quarter Ended 31 December 2011

	Note	Unaudited Current Qtr Ended 31/12/2011 RM'000	Unaudited Comparative Qtr Ended 31/12/2010 RM'000	Unaudited Cumulative YTD 31/12/2011 RM'000	Audited Cumulative YTD 31/12/2010 RM'000
Revenue		4,035	4,337	18,398	23,715
Cost of sales		(3,416)	(6,091)	(12,568)	(20,370)
Gross profits		<u>619</u>	<u>(1,754)</u>	<u>5,830</u>	<u>3,345</u>
Other income		1,634	200	1,938	599
Administrative expenses		(6,544)	(14,884)	(12,817)	(26,009)
Selling and distribution expenses		(487)	(423)	(1,739)	(1,713)
Research and development expenses		(14,014)	(5,042)	(31,091)	(25,360)
Loss before tax		<u>(18,792)</u>	<u>(21,903)</u>	<u>(37,879)</u>	<u>(49,138)</u>
Profit/(Loss) before tax is stated after charging/(crediting):-					
Interest income		(153)	(200)	(439)	(599)
Other income including investment income		(1,481)	-	(1,499)	-
Depreciation and amortisation		960	3,121	6,663	12,676
Provision for and written off of receivables		1,857	-	4,585	-
Provision for and written off of inventories		-	-	-	85
Impairment of assets		8,488	14,268	8,488	18,097
Written off of goodwill		6,326	-	6,326	-
Foreign exchange gain or loss		(1,223)	-	328	5,051
Income tax expense	19	(49)	(51)	(121)	371
Loss for the period		<u>(18,841)</u>	<u>(21,954)</u>	<u>(38,000)</u>	<u>(48,767)</u>
Foreign currency translation		354	143	148	(56)
Total Comprehensive Loss		<u>(18,487)</u>	<u>(21,811)</u>	<u>(37,852)</u>	<u>(48,823)</u>
Loss attributable to:					
Equity holders of the Company		<u>(18,487)</u>	<u>(21,954)</u>	<u>(38,000)</u>	<u>(48,767)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		<u>(18,487)</u>	<u>(21,811)</u>	<u>(37,852)</u>	<u>(48,823)</u>
Basic loss per share (sen)	28	(2.34)	(2.73)	(4.72)	(6.06)
Diluted loss per share (sen)	28	(2.34)	(2.73)	(4.72)	(6.06)

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 31 December 2011

	Unaudited As At 31/12/2011 RM'000	Audited As At 31/12/2010 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	2,027	2,601
Intangible assets	48,787	69,341
Deferred tax assets	737	737
	51,551	72,679
Current assets		
Trade receivables	4,583	23,149
Other receivables	2,254	1,852
Inventories	185	753
Cash and cash equivalents	41,200	45,379
	48,222	71,133
	99,773	143,812
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80,500	80,500
Share premium	54,887	54,887
Treasury shares	(300)	(2)
Accumulated loss	(40,901)	(2,901)
ESOS reserve	581	-
Other reserve	6	(142)
	94,773	132,342
Total Equity		
Current liabilities		
Trade payables	3,144	8,690
Other payables	1,474	2,261
Amount owing to related company	-	511
Tax payables	382	8
	5,000	11,470
Total liabilities	5,000	11,470
	99,773	143,812
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.1177	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 4th Quarter Ended 31 December 2011

	Unaudited 12 Months Ended 31/12/2011 RM'000	Audited 12 Months Ended 31/12/2010 RM'000
Cash Flow From Operating Activities		
Profit/(loss) before taxation	(37,879)	(49,138)
Adjustment for:		
Amortisation of government grant	-	-
Amortisation of intangible assets	5,740	11,368
Provision for and written off of bad debts	4,585	-
Written off of goodwill	6,326	-
Depreciation of property, plant and equipment	923	1,308
Foreign exchange translation	148	-
Exceptional item:-	-	-
Impairment loss on trade receivables	-	18,097
Impairment of intangible assets	8,488	-
Inventories written down	-	-
Inventories written off	-	85
Interest income	(439)	(599)
Share-based payment under ESOS	581	-
Operating profit/(loss) before working capital changes	<u>(11,527)</u>	<u>(18,879)</u>
Changes in working capital:-		
(Increase) / Decrease in inventories	568	(771)
(Increase)/Decrease in receivables	13,579	11,881
Increase/(Decrease) in payables	(6,844)	(11,311)
Income generated from/(used in) operations	<u>(4,224)</u>	<u>(19,080)</u>
Interest received	439	599
Development costs incurred	-	(5,398)
Tax paid	253	(698)
Net cash flow generated from/(used in) operating activities	<u>(3,532)</u>	<u>(24,577)</u>
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(349)	(121)
Purchase of investment in subsidiary	-	-
Net cash used in investing activities	<u>(349)</u>	<u>(121)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Government grant received	-	-
Payment for shares buy-back	(298)	(2)
Net cash from financing activities	<u>(298)</u>	<u>(2)</u>
Net decrease in cash and cash equivalents	(4,179)	(24,700)
Effect of changes in exchange rates	-	(65)
Cash and cash equivalents as at 1 Jan	45,379	70,144
Cash and cash equivalents as at end of the financial period	<u>41,200</u>	<u>45,379</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 4th Quarter Ended 31 December 2011
(The figures have not been audited)

	Attributable to Equity Holders of the Parent						Minority Interest	Total Equity
	Share Capital	Share Premium	Treasury Shares	Non Distributable ESOS Reserves	Other Reserves	Distributable Retained Earnings / (Accumulated Losses)		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	80,500	54,887	(2)	-	(142)	(2,901)	-	132,342
Total Comprehensive Loss	-	-	-	-	148	(38,000)	-	(37,852)
Buy-back of ordinary shares	-	-	(298)	-	-	-	-	(298)
Share-based payment under ESOS	-	-	-	581	-	-	-	581
	80,500	54,887	(300)	581	6	(40,901)	-	94,773
At 31 December 2011 (Unaudited)								
At 1 January 2010	80,500	54,887	-	-	(85)	45,865	-	181,167
Total Comprehensive Loss	-	-	-	-	(56)	(48,767)	-	(48,823)
Buy-back of ordinary shares	-	-	(2)	-	-	-	-	(2)
	80,500	54,887	(2)	-	(141)	(2,902)	-	132,342
At 31 December 2010 (Audited)								

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.

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Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The 4th quarterly financial report ended 31 December 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 31 December 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.

3. Segmental Information

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Business Segments	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
Current Quarter ended 31 December 2011				
Segment Revenue				
Sales	1,621	2,414	-	4,035
Segment PBT / (LBT)				
Loss before tax	(22,532)	2,106	-	(20,426)
Other income				1,634
Loss before tax				<u>(18,792)</u>
Depreciation	157	39	-	196
Non cash expenses other than depreciation	18,013	1	-	18,014
	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
Cumulative YTD ended 31 December 2011				
Segment Revenue				
Sales	8,504	9,894	-	18,398
Segment PBT / (LBT)				
Loss before tax	(43,742)	3,925	-	(39,817)
Other income				1,938
Loss before tax				<u>(37,879)</u>
Depreciation	695	228	-	923
Non cash expenses other than depreciation	25,709	11	-	25,720
Segment assets	93,862	45,059	(39,148)	99,773
Segment liabilities	1,035	40,141	(36,176)	5,000
Capital expenditure	17	332	-	349
Geographical Segments				
	Total Revenue		Total (LBT)	
	Qtr Ended	Qtr Ended	Qtr Ended	Qtr Ended
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Malaysia	944	1,599	(17,438)	(19,983)
Taiwan	3,091	2,738	(1,354)	(1,920)
	<u>4,035</u>	<u>4,337</u>	<u>(18,792)</u>	<u>(21,903)</u>

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 31 December 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 31 December 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

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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 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 RM18.79 million on the back of revenue of RM4.04 million representing a decrease in losses as compared to the loss before tax of RM21.9 million in the comparative quarter of the preceding year. The decrease in losses is mainly due to the recovery of bad debts and gain on foreign exchange in the current quarter.

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

	Current Qtr Ended 31/12/2011 RM'000	Preceding Qtr Ended 30/09/2011 RM'000	% Changes
Turnover	4,035	4,884	-17.4%
Loss Before Taxation ("LBT")	(18,792)	(9,762)	92.5%

The Group recorded a revenue of RM4.04 million and LBT of RM18.79 million in the current quarter as compared to a revenue of RM4.88 million and LBT of RM9.76 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 17.4% and an increase in LBT of 92.5% respectively as compared to preceding quarter. The increase in LBT is mainly due to the impairment being made to the intangible assets and the written off of goodwill in the current quarter.

17. Commentary Of Prospects

The Group has posted a loss after taxation of RM38 million after taking into account assets impairment and partial goodwill on consolidation write-off. Both the provision and write-off has accounted for RM14.8 million to the current financial year. The loss is largely due to the slow growth in the semiconductor industry, our continuous investment on the projects and suspension in commercialization of a few projects that we have invested.

Despite of the loss, the Group has continuously invested in a few innovative projects over the past 2-3 years. These projects have completed or in the process of completion at the end of the current financial year and will be going into pilot production and then mass production in 2012 including in Wi-Fi Secure Digital ("SD") chip. With these products going into mass production, the Board of directors is the view that such innovative products would be able to return the Group to profitability in near future.

As for the semiconductor industry, the Semiconductor Industry Association ("SIA") reported that the worldwide semiconductor sales for 2011 has reached a record of US\$299.5 billion, representing a marginal increase of 0.4 percent (%) over the previous year. It is also reported that the industry is expecting further recovery due to increase anticipated demand for year 2012 though the first half of the year is expected to be slow.

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) The proceed raised from the IPO has been fully utilised as at the date of this report.

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 31 December 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 31/12/2011 RM'000	Group 30/09/2011 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(28,351)	(20,787)
- Unrealised	737	737
- in respect of deferred tax recognised in the income statement	(1,907)	(2,010)
- in respect of other items of income and expense	(29,521)	(12,286)
Total Group accumulated losses as per consolidated accounts	<u>(29,521)</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.

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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 31 December 2011.

28. Loss Per Share

(a) Basic

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>31-Dec-11</u>	<u>31-Dec-10</u>	<u>31-Dec-11</u>	<u>31-Dec-10</u>
Loss After Taxation & Minority Interest (RM'000)	(18,841)	(21,954)	(38,000)	(48,767)
Weighted average number of ordinary shares in issue ('000)	805,000	804,992	805,000	804,992
Basic Loss Per Share (Sen)	(2.34)	(2.73)	(4.72)	(6.06)

(b) Dilutive

The dilutive 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>31-Dec-11</u>	<u>31-Dec-10</u>	<u>31-Dec-11</u>	<u>31-Dec-10</u>
Loss After Taxation & Minority Interest (RM'000)	(18,841)	(21,954)	(38,000)	(48,767)
Dilutive shares on option outstanding ('000)	805,046	804,992	805,046	804,992
Dilutive Loss Per Share (Sen)	(2.34)	(2.73)	(4.72)	(6.06)

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 February 2012.