

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 2nd Quarter Ended 30 June 2012

	Note	Unaudited Current Qtr Ended 30/06/2012 RM'000	Unaudited Comparative Qtr Ended 30/06/2011 RM'000	Unaudited Cumulative YTD 30/06/2012 RM'000	Unaudited Cumulative YTD 30/06/2011 RM'000
Revenue		6,009	4,671	8,731	9,479
Cost of sales		(5,017)	(2,203)	(6,965)	(5,716)
Gross profits		992	2,468	1,766	3,763
Other income		112	183	284	238
Administrative expenses		(698)	(2,008)	(1,808)	(2,741)
Selling and distribution expenses		(398)	(473)	(740)	(910)
Research and development expenses		(3,413)	(5,004)	(7,076)	(9,675)
Loss before tax		(3,405)	(4,834)	(7,574)	(9,325)
(Loss) before tax is stated after charging/(crediting): -					
Interest income		(99)	(183)	(220)	(238)
Depreciation and amortisation		543	2,472	1,160	4,317
Foreign exchange gain or loss		23	1,402	580	1,399
Income tax expense	19	(29)	(47)	(60)	(60)
Loss for the period		(3,434)	(4,881)	(7,634)	(9,385)
Foreign currency translation		251	(198)	(14)	(213)
Total Comprehensive Loss		(3,183)	(5,079)	(7,648)	(9,598)
Loss attributable to:					
Equity holders of the Company		(3,434)	(4,881)	(7,634)	(9,385)
Total comprehensive loss attributable to:					
Equity holders of the Company		(3,183)	(5,079)	(7,648)	(9,598)
Basic loss per share (sen)	28	(0.43)	(0.61)	(0.95)	(1.17)
Diluted loss per share (sen)	28	(0.43)	(0.61)	(0.95)	(1.17)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 June 2012

	Unaudited As At 30/06/2012 RM'000	Audited As At 31/12/2011 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	1,652	2,026
Intangible assets	48,039	48,793
Deferred tax assets	115	115
	<u>49,806</u>	<u>50,934</u>
Current assets		
Trade receivables	3,642	4,734
Other receivables	2,009	1,741
Inventories	647	184
Cash and cash equivalents	34,978	41,250
	<u>41,276</u>	<u>47,909</u>
	<u>91,082</u>	<u>98,843</u>
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	(315)	(300)
Accumulated loss	(49,381)	(41,747)
ESOS reserve	836	810
Other reserve	62	76
	<u>86,589</u>	<u>94,226</u>
Total Equity		
Current liabilities		
Trade payables	1,926	3,206
Other payables	2,507	1,411
Tax payables	60	-
	<u>4,493</u>	<u>4,617</u>
Total liabilities		
	<u>4,493</u>	<u>4,617</u>
	<u>91,082</u>	<u>98,843</u>
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.1076	0.1171

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2012

	Unaudited 6 Months Ended 30/06/2012 RM'000	Unaudited 6 Months Ended 30/06/2011 RM'000
Cash Flow From Operating Activities		
(Loss) before taxation	(7,574)	(9,325)
Adjustments for:		
Amortisation of intangible assets	754	515
Depreciation of property, plant and equipment	406	3,802
Foreign exchange translation	(14)	(213)
Exceptional item: -		
Share-based payment under ESOS	26	
Interest income	(220)	(238)
Operating (loss) before working capital changes	(6,622)	(5,459)
Changes in working capital: -		
(Increase) / Decrease in inventories	(463)	605
Decrease in receivables	824	12,749
Increase/(Decrease) in payables	(184)	(8,314)
Cash generated from/(used in) operations	(6,445)	(419)
Interest received	220	238
Development costs incurred		
Tax paid		406
Net cash flow from/(used in) operating activities	(6,225)	225
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(32)	(29)
Purchase of intangible assets		(997)
Net cash used in investing activities	(32)	(1,026)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for shares buy-back	(15)	(1)
Net cash used in financing activities	(15)	(1)
Net increase /(decrease) in cash and cash equivalents	(6,272)	(802)
Effect of changes in exchange rates	-	-
Cash and cash equivalents as at 1 Jan	41,250	45,379
Cash and cash equivalents as at end of the financial period	34,978	44,577

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011 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 2012
(The figures have not been audited)

	<----- Attributable to Equity Holders of the Parent ----->						Total	Non-Controlling Interest	Total Equity			
	Share Capital	<----- Non Distributable ----->				(Accumulated Losses				RM'000	RM'000	RM'000
		Share Premium	Treasury Shares	ESOS Reserves	Other Reserves							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
At 1 January 2012	80,500	54,887	(300)	810	76	(41,747)	94,226	-	94,226			
Total Comprehensive Loss	-	-	-	-	(14)	(7,634)	(7,648)	-	(7,648)			
Buy-back of ordinary shares	-	-	(15)	-	-	-	(15)	-	(15)			
Share-based payment under ESOS	-	-	-	26	-	-	26	-	26			
At 30 June 2012 (Unaudited)	80,500	54,887	(315)	836	62	(49,381)	86,589	-	86,589			
At 1 January 2011	80,500	54,887	(2)	-	(142)	(2,901)	132,342	-	132,342			
Total Comprehensive Loss					(213)	(9,385)	(9,598)	-	(9,598)			
Buy-back of ordinary shares			(1)				(1)		(1)			
At 30 June 2011 (Unaudited)	80,500	54,887	(3)	-	(355)	(12,286)	122,743	-	122,743			

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes enclosed to the interim financial statements.

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The quarterly financial report ended 30 June 2012 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 year ended 31 December 2011. 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 2011.

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 2011, except for in the current period ended 30 June 2012, the Group adopted the Malaysian Financial Reporting Standards Framework ("MFRS Framework") relevant to the Group as explained below:

Convergence of the FRS Framework in Malaysia with the IFRS Framework issued by the IASB

On 19 November 2011, Malaysian Accounting Standard Board ("MASB") issued a new MASB approved accounting framework, the MFRS Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer ("Transitioning Entities").

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening undistributed income.

The adoption of the MFRSs does not have any significant impact on the interim financial statements of the Group and the Company.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

3. Segmental Information

Business Segments	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
Current Quarter ended 30 June 2012				
Segment Revenue				
Sales	3,068	2,941	-	6,009
Segment LBT				
Loss before tax	(3,873)	356	-	(3,517)
Other income				112
Loss before tax				<u>(3,405)</u>
Depreciation	152	14	-	166
Non cash expenses other than depreciation	402	1	-	403
	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
Cumulative YTD ended 30 June 2012				
Segment Revenue				
Sales	4,164	4,566	-	8,730
Segment LBT				
Loss before tax	(7,917)	59	-	(7,858)
Other income				284
Loss before tax				<u>(7,574)</u>
Depreciation	306	100	-	406

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Non cash expenses other than depreciation	778	2	-	780
Segment assets	85,575	38,478	(32,971)	91,082
Segment liabilities	571	37,018	(33,096)	4,493
Capital expenditure	28	4	-	32

Geographical Segments

	Total Revenue Qtr Ended		Total (LBT) Qtr Ended	
	30/06/2012 RM'000	30/06/2011 RM'000	30/06/2012 RM'000	30/06/2011 RM'000
Malaysia	2,418	1,714	(2,307)	(4,825)
Taiwan	3,591	2,957	(1,098)	(9)
	<u>6,009</u>	<u>4,671</u>	<u>(3,405)</u>	<u>(4,834)</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 30 June 2012.

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 2012.

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 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.

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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 RM3.41 million on the back of revenue of RM6.01 million representing a decrease in losses as compared to the loss before tax of RM4.83 million in the comparative quarter of the preceding year. The decrease in losses is mainly due to the higher amortization charges recorded in the comparative quarter of the preceding year. The gross margin has dropped by 36.33% mainly due to reclassification of part of the R&D Expenditure to cost of sales and lower margin for sales of hardware component to a customer.

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

	Current Qtr Ended 30/06/2012 RM'000	Preceding Qtr Ended 31/03/2012 RM'000	% Changes
Turnover	6,009	2,722	120.8%
Loss Before Taxation ("LBT")	(3,405)	(4,169)	-18.3%

The Group recorded a revenue of RM6.01 million and LBT of RM3.41 million in the current quarter as compared to a revenue of RM2.72 million and LBT of RM4.17 million in the immediate preceding quarter. This represents an increase in revenue of approximately 120.8% and a decrease in LBT of 18.3% respectively as compared to preceding quarter. The decrease in LBT is mainly due to higher foreign exchange losses recorded in the immediate preceding quarter.

17. Commentary Of Prospects

The semiconductor outlook at the end of second quarter registering a slight decrease in worldwide sales of 2% drop as compared to same period last year reported by the Semiconductor Industry Association. The decrease was due mainly to lower demand from Europe countries as the crisis deepening.

Nonetheless, Key ASIC group revenue has increased as highlighted in note 16 above in line with the ramping up from the sales of new SD WiFi chip albeit slower than expected. The Board of Directors is in the view that the revenue will continue to grow with the SD WiFi enable chip as the main revenue driver in the next half year but may be restricted by the weakening of Europe economies or others unforeseen external factor.

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.

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23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 30 June 2012

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 2012 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 30/06/2012 RM'000	Group 31/03/2012 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(49,458)	(46,081)
- Unrealised	115	115
- in respect of deferred tax recognised in the income statement	(38)	19
- in respect of other items of income and expense	<u>(49,381)</u>	<u>(45,947)</u>
Total Group accumulated losses as per consolidated accounts		

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 June 2012.

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>	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
Loss After Taxation & Minority Interest (RM'000)	(3,434)	(4,881)	(7,634)	(9,385)
Weighted average number of ordinary shares in issue ('000)	805,000	805,000	805,000	805,000
Basic Loss Per Share (Sen)	<u>(0.43)</u>	<u>(0.61)</u>	<u>(0.95)</u>	<u>(1.17)</u>

(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>	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11

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Loss After Taxation & Minority Interest (RM'000)	(3,434)	(4,881)	(7,634)	(9,385)
Dilutive shares on option outstanding ('000)	802,852	805,000	802,852	805,000
Dilutive Loss Per Share (Sen)	(0.43)	(0.61)	(0.95)	(1.17)

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 13 August 2012.