

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 2nd Quarter Ended 30 June 2013

	Note	Unaudited Current Qtr Ended 30/06/2013 RM'000	Unaudited Comparative Qtr Ended 30/06/2012 RM'000	Unaudited Cumulative YTD 30/06/2013 RM'000	Audited Cumulative YTD 30/06/2012 RM'000
Revenue		6,917	6,009	13,220	8,731
Cost of sales		(5,237)	(5,017)	(10,085)	(6,965)
Gross profits		1,680	992	3,135	1,766
Other income		254	112	360	284
Administrative expenses		(656)	(698)	(1,260)	(1,808)
Selling and distribution expenses		(359)	(398)	(1,114)	(740)
Research and development expenses		(3,336)	(3,413)	(7,005)	(7,076)
Loss before tax		(2,417)	(3,405)	(5,884)	(7,574)
(Loss) before tax is stated after charging/(crediting): -					
Interest income		(66)	(99)	(171)	(220)
Depreciation and amortisation		572	543	1,142	1,160
Foreign exchange gain or loss		(179)	23	(147)	580
Income tax expense	19	(21)	(29)	(53)	(60)
Loss for the period		(2,438)	(3,434)	(5,937)	(7,634)
Foreign currency translation		51	251	142	(14)
Total Comprehensive Loss		(2,387)	(3,183)	(5,795)	(7,648)
Loss attributable to:					
Equity holders of the Company		(2,438)	(3,434)	(5,937)	(7,634)
Total comprehensive loss attributable to:					
Equity holders of the Company		(2,387)	(3,183)	(5,795)	(7,648)
Basic loss per share (sen)	28	(0.30)	(0.43)	(0.74)	(0.95)
Diluted loss per share (sen)	28	(0.30)	(0.43)	(0.74)	(0.95)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	Unaudited As At 30/06/2013 RM'000	Audited As At 31/12/2012 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	1,468	1,407
Intangible assets	40,208	40,960
Deferred tax assets	184	184
	<u>41,860</u>	<u>42,551</u>
Current assets		
Trade receivables	6,262	3,825
Other receivables	1,455	1,219
Inventories	1,738	688
Cash and cash equivalents	24,921	31,554
	<u>34,376</u>	<u>37,286</u>
	<u>76,236</u>	<u>79,837</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	(351)	(318)
Accumulated loss	(66,678)	(60,741)
ESOS reserve	757	757
Other reserve	171	29
	<u>69,286</u>	<u>75,114</u>
Total Equity		
Current liabilities		
Trade payables	3,852	3,019
Other payables	3,098	1,704
	<u>6,950</u>	<u>4,723</u>
Total liabilities		
	<u>6,950</u>	<u>4,723</u>
	<u>76,236</u>	<u>79,837</u>
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0861	0.0933

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013

	Unaudited 6 Months Ended 30/06/2013 RM'000	Audited 6 Months Ended 30/06/2012 RM'000
Cash Flow From Operating Activities		
(Loss) before taxation	(5,884)	(7,574)
Adjustments for:		
Amortisation of intangible assets	752	754
Depreciation of property, plant and equipment	390	406
Foreign exchange translation	142	(14)
Exceptional item: -		
Share option expenses	-	26
Interest income	(171)	(220)
Operating (loss) before working capital changes	(4,771)	(6,622)
Changes in working capital: -		
(Increase) / Decrease in inventories	(1,050)	(463)
(Increase) / Decrease in receivables	(2,673)	824
Increase/(Decrease) in payables	2,227	(184)
Cash used in operations	(6,267)	(6,445)
Interest received	171	220
Tax paid	(53)	-
Net cash flow used in operating activities	(6,149)	(6,225)
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(451)	(32)
Net cash used in investing activities	(451)	(32)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for shares buy-back	(33)	(15)
Net cash used in financing activities	(33)	(15)
Net decrease in cash and cash equivalents	(6,633)	(6,272)
Cash and cash equivalents as at 1 Jan	31,554	41,250
Cash and cash equivalents as at end of the financial period	24,921	34,978

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013
(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 2013	80,500	54,887	(318)	757	29	(60,741)	75,114	-	75,114			
Total Comprehensive Loss	-	-	-	-	142	(5,937)	(5,795)	-	(5,795)			
Buy-back of ordinary shares	-	-	(33)	-	-	-	(33)	-	(33)			
At 30 June 2013 (Unaudited)	80,500	54,887	(351)	757	171	(66,678)	69,286	-	69,286			
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 option granted under ESOS	-	-	-	26	-	-	26	-	26			
At 30 June 2012 (Unaudited)	80,500	54,887	(315)	836	62	(49,381)	86,589	-	86,589			

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 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 2013 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 2012. 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 2012.

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 2012, except for the adoption of new/revised MFRSs that are effective 1 January 2013. These new/revised MFRSs are not expected to have significant impact on the financial position or results.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2012 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 2013				
Segment Revenue				
Sales	825	6,278	(186)	6,917
Segment LBT				
Loss before tax	(4,158)	1,487	-	(2,671)
Other income				254
Loss before tax				<u>(2,417)</u>
Depreciation	148	48	-	196
Non cash expenses other than depreciation	375	1	-	376
	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
Cumulative YTD ended 30 June 2013				
Segment Revenue				
Sales	1,616	11,992	(388)	13,220
Segment LBT				
Loss before tax	(9,161)	2,917	-	(6,244)
Other income				360
Loss before tax				<u>(5,884)</u>
Depreciation	298	92	-	390
Non cash expenses other than depreciation	751	1	-	752
Segment assets	69,898	14,074	(7,736)	76,236
Segment liabilities	1,186	10,561	(4,797)	6,950
Capital expenditure	49	402		451

Geographical Segments

	Total Revenue Qtr Ended		Total (LBT) Qtr Ended	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
Malaysia	622	2,418	(2,439)	(2,307)
Taiwan	6,295	3,591	22	(1,098)
	<u>6,917</u>	<u>6,009</u>	<u>(2,417)</u>	<u>(3,405)</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 2013

KEY ASIC BHD
(Company No. 707082-M)

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 2013

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.

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 RM2.42 million on the back of revenue of RM6.92 million representing a decrease in losses as compared to the loss before tax of RM3.4 million in the comparative quarter of the preceding year. The decrease in losses is mainly contributed by higher gross margin in the current quarter.

Nonetheless, the revenue for the Group has increased by approximately 51.4% for the first half year as compared to same period last year largely fueled by the sales of our Wi-Fi SD card ("Card"). The revenue contribution from the Card sales is expected to increase further in the future as continuous effort in promoting the Card is on-going.

KEY ASIC BHD
(Company No. 707082-M)

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

	Current Qtr Ended 30/06/2013 RM'000	Preceding Qtr Ended 31/03/2013 RM'000	% Changes
Turnover	6,917	6,303	9.7%
Loss Before Taxation ("LBT")	(2,417)	(3,467)	-30.3%

The Group recorded a revenue of RM6.92 million and LBT of RM2.42 million in the current quarter as compared to a revenue of RM6.3 million and LBT of RM3.47 million in the immediate preceding quarter. This represents an increase in revenue of approximately 9.7% and a decrease in LBT of 30.3% respectively as compared to preceding quarter. The decrease in losses is mainly due to lower operating expenses incurred in the current quarter.

17. Commentary Of Prospects

The semiconductor industry outlook for the first half of 2013 had again experienced modest but consistent growth compared to the same period last year and the sign of the growth is expected to be strong moving forward led largely by US. This is well evidenced by the aggressive demand for foundry capacity from big semiconductor companies across the world. It was ironic in this situation that smaller companies will be squeezed out by the big players in getting their shares on foundry capacity.

Nonetheless, Key ASIC group revenue has increased as compared to same period last year 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 moving forward this year but may be restricted by limited supply of material as mentioned above 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 the extension on 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 2011. 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

There was no corporate proposal announced but not completed 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 30 June 2013.

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 2013 up to the date of this quarterly announcement.

KEY ASIC BHD
(Company No. 707082-M)

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 30/06/2013 RM'000	Group 31/03/2013 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(66,743)	(64,335)
- Unrealised - in respect of deferred tax recognised in the income statement	184	184
- in respect of other items of income and expense	(119)	(89)
Total Group accumulated losses as per consolidated accounts	<u>(66,678)</u>	<u>(64,240)</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 June 2013

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>30-June-13</u>	<u>30-June-12</u>	<u>30-June-13</u>	<u>30-June-12</u>
Loss After Taxation & Minority Interest (RM'000)	(2,438)	(3,434)	(5,937)	(7,634)
Weighted average number of ordinary shares in issue ('000)	802,591	805,000	802,591	805,000
Basic Loss Per Share (Sen)	<u>(0.30)</u>	<u>(0.43)</u>	<u>(0.74)</u>	<u>(0.95)</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>	
	<u>30-June-13</u>	<u>30-June-12</u>	<u>30-June-13</u>	<u>30-June-12</u>
Loss After Taxation & Minority Interest (RM'000)	(2,438)	(3,434)	(5,937)	(7,634)
Dilutive shares on option outstanding ('000)	805,042	802,852	805,000	802,852
Dilutive Loss Per Share (Sen)	<u>(0.30)</u>	<u>(0.43)</u>	<u>(0.74)</u>	<u>(0.95)</u>

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 29 August 2013.