

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 1st Quarter Ended 31 March 2014

	Note	Unaudited Current Qtr Ended 31/03/2014 RM'000	Unaudited Comparative Qtr Ended 31/03/2013 RM'000	Unaudited Cumulative YTD 31/03/2014 RM'000	Audited Cumulative YTD 31/03/2013 RM'000
Revenue		4,675	6,303	4,675	6,303
Cost of sales		(3,701)	(4,848)	(3,701)	(4,848)
Gross profits		974	1,455	974	1,455
Other income		124	106	124	106
Administrative expenses		(547)	(604)	(547)	(604)
Selling and distribution expenses		(586)	(755)	(586)	(755)
Research and development expenses		(4,713)	(3,669)	(4,713)	(3,669)
Loss before tax		(4,748)	(3,467)	(4,748)	(3,467)
(Loss) before tax is stated after charging/(crediting):-					
Interest income		(82)	(106)	(82)	(106)
Depreciation and amortisation		685	570	685	570
Foreign exchange gain or loss		(42)	32	(42)	32
Income tax expense	19	(21)	(32)	(21)	(32)
Loss for the period		(4,769)	(3,499)	(4,769)	(3,499)
Foreign currency translation		(42)	90	(42)	90
Total Comprehensive Loss		(4,811)	(3,409)	(4,811)	(3,409)
Loss attributable to:					
Equity holders of the Company		(4,769)	(3,499)	(4,769)	(3,499)
Total comprehensive loss attributable to:					
Equity holders of the Company		(4,811)	(3,409)	(4,811)	(3,409)
Basic loss per share (sen)	28	(0.59)	(0.43)	(0.59)	(0.43)
Diluted loss per share (sen)	28	(0.59)	(0.43)	(0.59)	(0.43)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 March 2014

	Unaudited As At 31/03/2014 RM'000	Audited As At 31/12/2013 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	1,177	1,275
Intangible assets	38,977	39,473
	40,154	40,748
Current assets		
Trade receivables	2,085	4,488
Other receivables	1,120	2,530
Inventories	3,280	3,836
Cash and cash equivalents	22,377	22,869
	28,862	33,723
	69,016	74,471
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	(362)	(353)
Accumulated loss	(72,914)	(68,145)
ESOS reserve	613	613
Other reserve	71	113
	62,795	67,615
Total Equity		
Current liabilities		
Trade payables	1,504	4,952
Other payables	4,641	1,904
Tax liabilities	76	-
	6,221	6,856
Total liabilities		
	6,221	6,856
TOTAL EQUITY AND LIABILITIES		
	69,016	74,471
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0780	0.0840

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 1st Quarter Ended 31 March 2014

	Unaudited 3 Months Ended 31/03/2014 RM'000	Audited 3 Months Ended 31/03/2013 RM'000
Cash Flow From Operating Activities		
(Loss) before taxation	(4,748)	(3,467)
Adjustments for:		
Amortisation of intangible assets	496	376
Depreciation of property, plant and equipment	189	194
Foreign exchange translation	(42)	90
Exceptional item:-		
Interest income	(82)	(106)
Operating (loss) before working capital changes	(4,187)	(2,913)
Changes in working capital:-		
(Increase) / Decrease in inventories	556	(22)
(Increase) / Decrease in receivables	3,813	(2,134)
Increase/(Decrease) in payables	(711)	(88)
Cash used in operations	(529)	(5,157)
Interest received	82	106
Tax paid	55	416
Net cash flow used in operating activities	(392)	(4,635)
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(91)	(56)
Purchase of intangible assets		
Net cash used in investing activities	(91)	(56)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment for shares buy-back	(9)	(33)
Net cash used in financing activities	(9)	(33)
Net decrease in cash and cash equivalents	(492)	(4,724)
Cash and cash equivalents as at 1 Jan	22,869	31,554
Cash and cash equivalents as at end of the financial period	22,377	26,830

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 1st Quarter Ended 31 March 2014
(The figures have not been audited)

	<----- Attributable to Equity Holders of the Parent ----->						Total	Non-Controlling Interest	Total Equity		
	<----- Non Distributable ----->					(Accumulated Losses					
	Share Capital	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 2014	80,500	54,887	(353)	613	113	(68,145)	67,615	-	67,615		
Total Comprehensive Loss	-	-	-	-	(42)	(4,769)	(4,811)	-	(4,811)		
Buy-back of ordinary shares	-	-	(9)	-	-	-	(9)	-	(9)		
At 31 March 2014 (Unaudited)	80,500	54,887	(362)	613	71	(72,914)	62,795	-	62,795		
At 1 January 2013	80,500	54,887	(318)	757	29	(60,741)	75,114	-	75,114		
Total Comprehensive Loss	-	-	-	-	90	(3,499)	(3,409)	-	(3,409)		
Buy-back of ordinary shares	-	-	(33)	-	-	-	(33)	-	(33)		
At 31 March 2013 (Unaudited)	80,500	54,887	(351)	757	119	(64,240)	71,672	-	71,672		

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes enclosed to the interim financial statements.

KEY ASIC BHD
(Company No. 707082-M)

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The quarterly financial report ended 31 March 2014 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 2013. 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 2013.

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 2013, except for the adoption of new/revised MFRSs that are effective 1 January 2014. 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 2013 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 31 March 2014				
Segment Revenue				
Sales	4,197	1,478	(1,000)	4,675
Segment LBT				
Loss before tax	(5,429)	557	-	(4,872)
Other income				124
Loss before tax				<u>(4,748)</u>
Depreciation	128	61	-	189
Non cash expenses other than depreciation	494	2	-	496
Cumulative YTD ended 31 March 2014				
Segment Revenue				
Sales	4,197	1,478	(1,000)	4,675
Segment LBT				
Loss before tax	(5,429)	557	-	(4,872)
Other income				124
Loss before tax				<u>(4,748)</u>
Depreciation	128	61	-	189
Non cash expenses other than depreciation	494	2	-	496
Segment assets	77,565	2,875	(11,424)	69,016
Segment liabilities	13,816	771	(8,366)	6,221
Capital expenditure	-	91		91

Geographical Segments

	Total Revenue		Total (LBT)	
	Qtr Ended 31/03/2014	31/03/2013	Qtr Ended 31/03/2014	31/03/2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,902	372	(4,166)	(3,508)
Taiwan	1,773	5,931	(582)	41
	<u>4,675</u>	<u>6,303</u>	<u>(4,748)</u>	<u>(3,467)</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 March 2014

5. Changes in Estimates

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There were no changes in accounting estimates made that would materially affect the accounts of the Group for the quarter ended 31 March 2014

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 RM4.75 million on the back of revenue of RM4.68 million representing an increase in losses as compared to the loss before tax of RM3.47 million in the comparative quarter of the preceding year. The increase in losses is mainly due to lower revenue recorded and higher operating expenses incurred in the current quarter for R&D in developing new products.

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

	Current Qtr Ended 31/03/2014 RM'000	Preceding Qtr Ended 31/12/2013 RM'000	% Changes
Turnover	4,675	9,204	-49.2%
Loss Before Taxation ("LBT")	(4,748)	(695)	583.2%

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The Group recorded a revenue of RM4.68 million and LBT of RM4.75 million in the current quarter as compared to a revenue of RM9.20 million and LBT of RM0.70 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 49.2% and an increase in LBT of 583.2% respectively as compared to preceding quarter. The decrease in revenue in the current quarter is due to delay in project completion as a result of engineering changes request from our customer and lower demand from customers on our WiFi SD card. The increase in losses is mainly due to lower revenue recorded as well as lower other income recorded in the current quarter. The reduction in other income is then due to the reversal of impairment loss on trade receivables and foreign exchange gain recorded in the immediate preceding quarter, thus resulting lower other income recorded in current quarter.

17. Commentary Of Prospects

The industry worldwide semiconductor sales recorded for the first (1st) quarter of 2014 has been very encouraging and posted the highest ever first quarter sales total to US\$78.47 billion accordance to the press release by Semiconductor Industry Association. The growth largely built from the strong growing momentum especially from America.

Unfortunately, Key ASIC has not able to growth in line with the industry trend during the quarter under review for reasons as mentioned in the note 15 and 16 above. However, the Company is looking forward into launching another new exciting product spun from the existing WiFi SD card technology expected in late second quarter of this year. 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 lack of promotional activities carried by our existing customers and 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 31 March 2014

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 2014 up to the date of this quarterly announcement.

26. Realised and Unrealised Profits/Losses

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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 31/03/2014 RM'000	Group 31/12/2013 RM'000
Total accumulated losses of Key ASIC Berhad and its subsidiaries:		
- Realised	(72,871)	(68,175)
- Unrealised - in respect of other items of income and expense	(43)	245
Total Group accumulated losses as per consolidated accounts	<u>(72,914)</u>	<u>(67,930)</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 31 March 2014

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>	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Loss After Taxation & Minority Interest (RM'000)	<u>(4,769)</u>	<u>(3,499)</u>	<u>(4,769)</u>	<u>(3,499)</u>
Weighted average number of ordinary shares in issue ('000)	<u>805,497</u>	<u>805,000</u>	<u>805,497</u>	<u>805,000</u>
Basic Loss Per Share (Sen)	<u>(0.59)</u>	<u>(0.43)</u>	<u>(0.59)</u>	<u>(0.43)</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>	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Loss After Taxation & Minority Interest (RM'000)	<u>(4,769)</u>	<u>(3,499)</u>	<u>(4,769)</u>	<u>(3,499)</u>
Dilutive shares on option outstanding ('000)	<u>805,497</u>	<u>805,098</u>	<u>802,497</u>	<u>805,098</u>
Dilutive Loss Per Share (Sen)	<u>(0.59)</u>	<u>(0.43)</u>	<u>(0.59)</u>	<u>(0.43)</u>

There were no dilutive shares during the quarter under review as the average market price is higher than the granted ESOS exercise price.

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 23 May 2014