

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Comprehensive Income  
For The 2nd Quarter Ended 30 June 2014

	Note	Unaudited Current Qtr Ended 30/06/2014 RM'000	Unaudited Comparative Qtr Ended 30/06/2013 RM'000	Unaudited Cumulative YTD 30/06/2014 RM'000	Audited Cumulative YTD 30/06/2013 RM'000
Revenue		2,390	6,917	7,064	13,220
Cost of sales		(1,917)	(5,237)	(5,618)	(10,085)
<b>Gross profits</b>		<b>473</b>	<b>1,680</b>	<b>1,446</b>	<b>3,135</b>
Other income		75	254	198	360
Administrative expenses		(840)	(656)	(1,388)	(1,260)
Selling and distribution expenses		(608)	(359)	(1,193)	(1,114)
Research and development expenses		(3,683)	(3,336)	(8,396)	(7,005)
<b>Loss before tax</b>		<b>(4,583)</b>	<b>(2,417)</b>	<b>(9,333)</b>	<b>(5,884)</b>
Loss before tax is stated after charging/(crediting):-					
Interest income		(75)	(66)	(157)	(171)
Depreciation and amortisation		622	572	1,307	1,142
Foreign exchange gain or loss		261	(179)	219	(147)
Income tax expense	19	(19)	(21)	(39)	(53)
<b>Loss for the period</b>		<b>(4,602)</b>	<b>(2,438)</b>	<b>(9,372)</b>	<b>(5,937)</b>
Foreign currency translation		(2)	51	(23)	142
<b>Total Comprehensive Loss</b>		<b>(4,604)</b>	<b>(2,387)</b>	<b>(9,395)</b>	<b>(5,795)</b>
Loss attributable to:					
Equity holders of the Company		(4,602)	(2,438)	(9,372)	(5,937)
Total comprehensive loss attributable to:					
Equity holders of the Company		(4,604)	(2,387)	(9,395)	(5,795)
Basic loss per share (sen)	28	(0.57)	(0.30)	(1.17)	(0.74)
Diluted loss per share (sen)	28	(0.57)	(0.30)	(1.17)	(0.74)

**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 30 June 2014

	<b>Unaudited As At 30/06/2014 RM'000</b>	<b>Audited As At 31/12/2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	1,075	1,275
Intangible assets	38,480	39,473
	<hr/> 39,555	<hr/> 40,748
<b>Current assets</b>		
Trade receivables	2,205	4,488
Other receivables	980	2,530
Inventories	3,052	3,836
Cash and cash equivalents	18,247	22,869
	<hr/> 24,484	<hr/> 33,723
	<hr/> <hr/> 64,039	<hr/> <hr/> 74,471
<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	(362)	(353)
Accumulated loss	(77,517)	(68,145)
ESOS reserve	613	613
Other reserve	96	113
	<hr/> 58,217	<hr/> 67,615
<b>Total Equity</b>		
<b>Current liabilities</b>		
Trade payables	1,406	4,952
Other payables	4,331	1,904
Tax liabilities	85	-
	<hr/> 5,822	<hr/> 6,856
<b>Total liabilities</b>		
	<hr/> 5,822	<hr/> 6,856
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<hr/> <hr/> 64,039	<hr/> <hr/> 74,471
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0723	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 2nd Quarter Ended 30 June 2014

	<b>Unaudited 6 Months Ended 30/06/2014 RM'000</b>	<b>Audited 6 Months Ended 30/06/2013 RM'000</b>
<b>Cash Flow From Operating Activities</b>		
(Loss) before taxation	(9,333)	(5,884)
Adjustments for:		
Amortisation of intangible assets	993	752
Depreciation of property, plant and equipment	314	390
Foreign exchange translation	(17)	142
Exceptional item:-		
Interest income	(157)	(171)
Operating (loss) before working capital changes	(8,200)	(4,771)
Changes in working capital:-		
(Increase) / Decrease in inventories	784	(1,050)
(Increase) / Decrease in receivables	3,833	(2,673)
Increase/(Decrease) in payables	(1,119)	2,227
Cash used in operations	(4,702)	(6,267)
Interest received	157	171
Tax paid	46	(53)
Net cash flow used in operating activities	(4,499)	(6,149)
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant & equipment	(114)	(451)
Purchase of intangible assets		
Net cash used in investing activities	(114)	(451)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment for shares buy-back	(9)	(33)
Net cash used in financing activities	(9)	(33)
<b>Net decrease in cash and cash equivalents</b>	(4,622)	(6,633)
<b>Cash and cash equivalents as at 1 Jan</b>	22,869	31,554
<b>Cash and cash equivalents as at end of the financial period</b>	18,247	24,921

**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 2nd Quarter Ended 30 June 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			
<b>At 1 January 2014</b>	80,500	54,887	(353)	613	113	(68,145)	67,615	-	67,615		
Total Comprehensive Loss	-	-	-	-	(17)	(9,372)	(9,389)	-	(9,389)		
Buy-back of ordinary shares	-	-	(9)	-	-	-	(9)	-	(9)		
<b>At 30 June 2014 (Unaudited)</b>	80,500	54,887	(362)	613	96	(77,517)	58,217	-	58,217		
<b>At 1 January 2013</b>	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)		
<b>At 30 June 2013 (Unaudited)</b>	80,500	54,887	(351)	757	171	(66,678)	69,286	-	69,286		

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 30 June 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**

	<b>Non-recurring engineering services RM'000</b>	<b>Recurring engineering services RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Current Quarter ended 30 June 2014</b>				
<b>Segment Revenue</b>				
Sales	1,435	955		2,390
<b>Segment LBT</b>				
Loss before tax	(4,675)	17	-	(4,658)
Other income				75
Loss before tax				<u>(4,583)</u>
Depreciation	70	56	-	126
Non cash expenses other than depreciation	494	2	-	496
<b>Cumulative YTD ended 30 June 2014</b>				
<b>Segment Revenue</b>				
Sales	5,632	2,432	(1,000)	7,064
<b>Segment LBT</b>				
Loss before tax	(10,103)	572	-	(9,531)
Other income				198
Loss before tax				<u>(9,333)</u>
Depreciation	198	116	-	314
Non cash expenses other than depreciation	989	4	-	993
Segment assets	70,022	2,358	(8,341)	64,039
Segment liabilities	9,988	1,137	(5,303)	5,822
Capital expenditure	13	101		114

**Geographical Segments**

	<b>Total Revenue</b>		<b>Total (LBT)</b>	
	<b>Qtr Ended 30/06/2014 RM'000</b>	<b>30/06/2013 RM'000</b>	<b>Qtr Ended 30/06/2014 RM'000</b>	<b>30/06/2013 RM'000</b>
Malaysia	1,056	622	(2,889)	(2,439)
Taiwan	1,340	6,295	(1,688)	22
	<u>2,396</u>	<u>6,917</u>	<u>(4,577)</u>	<u>(2,417)</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 2014

**5. Changes in Estimates**

**KEY ASIC BHD**  
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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 30 June 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 RM4.58 million on the back of revenue of RM2.4 million representing an increase in losses as compared to the loss before tax of RM2.42 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. The decrease in revenue is due to lower demand from Taiwanese customer.

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

	<b>Current Qtr Ended 30/06/2014 RM'000</b>	<b>Preceding Qtr Ended 31/03/2014 RM'000</b>	<b>% Changes</b>
Turnover	2,390	4,675	-48.8%
Loss Before Taxation ("LBT")	(4,583)	(4,748)	-3.5%

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The Group recorded a revenue of RM2.4 million and LBT of RM4.58 million in the current quarter as compared to a revenue of RM4.68 million and LBT of RM4.74 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 48.8% and a decrease in LBT of 3.5% respectively as compared to preceding quarter. The decrease in revenue is due to lower demand from customers. The LBT did not decrease in tandem with the decrease in revenue is mainly due to lower operating cost incurred in the current quarter as compared to the immediate preceding quarter. The operating cost is lower as compared to the preceding quarter is mainly due to saving in R&D expenditure in the current quarter.

**17. Commentary Of Prospects**

The worldwide semiconductor industry achieved record sales through 1st half of 2014 and posted the highest ever first half yearly sales total to US\$161.2 billion, 11.1 percent higher than they were at the same point in 2013, accordance to the press release by Semiconductor Industry Association. Compared to 2013, sales increased in the Americas (12.1 percent), Europe (12.1 percent), Asia Pacific (10.5 percent), and Japan (8.5 percent). All four regional markets have posted better year-to-date sales through the first half of 2014 than they did through the same point last year.

Unfortunately, Key ASIC has not able to growth in line with the industry trend during the 1st half of 2014 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 fourth quarter of this year. Other than that, the Company is working on several customer ASICs made with advanced semiconductor technology at present, those chips will contribute remarkable revenue from fourth quarter of 2014 to whole year of 2015. The Board of Directors is in the view that the revenue will continue to grow with the leading SD WiFi enable chip as well as high performance, good value customer ASICs being 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 30 June 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:

	<b>Group 30/06/2014 RM'000</b>	<b>Group 31/03/2014 RM'000</b>
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(77,279)	(72,871)
- Unrealised - in respect of other items of income and expense	(238)	(43)
Total Group accumulated losses as per consolidated accounts	<u>(77,517)</u>	<u>(72,914)</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 2014

**28. Loss Per Share**

(a) Basic

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

	<b><u>Individual Quarter Ended</u></b>		<b><u>Cumulative YTD</u></b>	
	<b>30-June-14</b>	<b>30-June-13</b>	<b>30-June-14</b>	<b>30-June-13</b>
Loss After Taxation & Minority Interest (RM'000)	<u>(4,602)</u>	<u>(2,438)</u>	<u>(9,372)</u>	<u>(5,937)</u>
Weighted average number of ordinary shares in issue ('000)	<u>802,497</u>	<u>802,591</u>	<u>802,497</u>	<u>802,591</u>
Basic Loss Per Share (Sen)	<u>(0.57)</u>	<u>(0.30)</u>	<u>(1.17)</u>	<u>(0.74)</u>

(b) Dilutive

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

	<b><u>Individual Quarter Ended</u></b>		<b><u>Cumulative YTD</u></b>	
	<b>30-June-14</b>	<b>30-June-13</b>	<b>30-June-14</b>	<b>30-June-13</b>
Loss After Taxation & Minority Interest (RM'000)	<u>(4,602)</u>	<u>(2,438)</u>	<u>(9,372)</u>	<u>(5,937)</u>
Dilutive shares on option outstanding ('000)	<u>802,497</u>	<u>805,042</u>	<u>802,485</u>	<u>805,000</u>
Dilutive Loss Per Share (Sen)	<u>(0.57)</u>	<u>(0.30)</u>	<u>(1.17)</u>	<u>(0.74)</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 27 August 2014