

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Comprehensive Income  
For The 3rd Quarter Ended 30 September 2014

	Note	Unaudited Current Qtr Ended 30/09/2014 RM'000	Unaudited Comparative Qtr Ended 30/09/2013 RM'000	Unaudited Cumulative YTD 30/09/2014 RM'000	Unaudited Cumulative YTD 30/09/2013 RM'000
Revenue		4,235	17,771	11,299	30,991
Cost of sales		(3,438)	(13,625)	(9,056)	(23,709)
<b>Gross profits</b>		<u>797</u>	<u>4,146</u>	<u>2,243</u>	<u>7,282</u>
Other income		173	230	371	590
Administrative expenses		(568)	(452)	(1,956)	(1,712)
Selling and distribution expenses		(576)	(654)	(1,769)	(1,768)
Research and development expenses		(3,675)	(3,780)	(12,071)	(10,785)
<b>Loss before tax</b>		<u>(3,849)</u>	<u>(510)</u>	<u>(13,182)</u>	<u>(6,393)</u>
Loss before tax is stated after charging/(crediting):-					
Interest income		(67)	(124)	(223)	(295)
Depreciation and amortisation		589	563	1,896	1,706
Foreign exchange gain or loss		(106)	(102)	113	(249)
Income tax expense	19	(17)	(23)	(56)	(77)
<b>Loss for the period</b>		<u>(3,866)</u>	<u>(533)</u>	<u>(13,238)</u>	<u>(6,470)</u>
Foreign currency translation		1	179	(16)	321
<b>Total Comprehensive Loss</b>		<u>(3,865)</u>	<u>(354)</u>	<u>(13,254)</u>	<u>(6,149)</u>
Loss attributable to:					
Equity holders of the Company		<u>(3,866)</u>	<u>(533)</u>	<u>(13,238)</u>	<u>(6,470)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		<u>(3,865)</u>	<u>(354)</u>	<u>(13,254)</u>	<u>(6,149)</u>
Basic loss per share (sen)	28	(0.48)	(0.07)	(1.65)	(0.81)
Diluted loss per share (sen)	28	(0.48)	(0.07)	(1.65)	(0.81)

**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 September 2014

	<b>Unaudited As At 30/09/2014 RM'000</b>	<b>Audited As At 31/12/2013 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	1,102	1,275
Intangible assets	37,984	39,473
	39,086	40,748
<b>Current assets</b>		
Trade receivables	3,557	4,488
Other receivables	1,547	2,530
Inventories	5,874	3,836
Cash and cash equivalents	11,954	22,869
	22,932	33,723
	62,018	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	(364)	(353)
Accumulated loss	(81,383)	(68,145)
ESOS reserve	613	613
Other reserve	97	113
	54,350	67,615
<b>Current liabilities</b>		
Trade payables	2,493	4,952
Other payables	5,082	1,904
Tax liabilities	93	-
	7,668	6,856
	7,668	6,856
<b>TOTAL EQUITY AND LIABILITIES</b>		
	62,018	74,471
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0675	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 3rd Quarter Ended 30 September 2014

	<b>Unaudited 9 Months Ended 30/09/2014 RM'000</b>	<b>Unaudited 9 Months Ended 30/09/2013 RM'000</b>
<b>Cash Flow From Operating Activities</b>		
(Loss) before taxation	(13,182)	(6,393)
Adjustments for:		
Amortisation of intangible assets	1,489	1,129
Depreciation of property, plant and equipment	407	577
Foreign exchange translation	(16)	321
Interest income	(223)	(295)
Operating (loss) before working capital changes	<u>(11,525)</u>	<u>(4,661)</u>
Changes in working capital:-		
(Increase) / Decrease in inventories	(2,038)	(3,791)
(Increase) / Decrease in receivables	1,914	(7,450)
Increase/(Decrease) in payables	719	6,866
Cash used in operations	<u>(10,930)</u>	<u>(9,036)</u>
Interest received	223	295
Tax paid	37	(7)
Net cash flow used in operating activities	<u>(10,670)</u>	<u>(8,748)</u>
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant & equipment	(234)	(561)
Purchase of intangible assets	-	(8)
Net cash used in investing activities	<u>(234)</u>	<u>(569)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment for shares buy-back	(11)	(35)
Net cash used in financing activities	<u>(11)</u>	<u>(35)</u>
<b>Net decrease in cash and cash equivalents</b>	(10,915)	(9,352)
<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>	<u>11,954</u>	<u>22,202</u>

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 3rd Quarter Ended 30 September 2014  
(The figures have not been audited)

	Attributable to Equity Holders of the Parent										Non-Controlling Interest	Total Equity
	Share Capital	Share Premium	Treasury Shares	ESOS Reserves	Other Reserves	(Accumulated Loss	Total					
	RM'000	RM'000	RM'000	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	-	67,615
Total Comprehensive Loss	-	-	-	-	(16)	(13,238)	(13,254)	-	-	(13,254)	-	(13,254)
Buy-back of ordinary shares	-	-	(11)	-	-	-	(11)	-	-	(11)	-	(11)
<b>At 30 September 2014 (Unaudited)</b>	80,500	54,887	(364)	613	97	(81,383)	54,350	-	-	54,350	-	54,350
<b>At 1 January 2013</b>	80,500	54,887	(318)	757	29	(60,741)	75,114	-	-	75,114	-	75,114
Total Comprehensive Loss	-	-	-	-	321	(6,470)	(6,149)	-	-	(6,149)	-	(6,149)
Buy-back of ordinary shares	-	-	(35)	-	-	-	(35)	-	-	(35)	-	(35)
<b>At 30 September 2013 (Unaudited)</b>	80,500	54,887	(353)	757	350	(67,211)	68,930	-	-	68,930	-	68,930

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.

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The quarterly financial report ended 30 September 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
<b>Current Quarter ended 30 September 2014</b>				
<b>Segment Revenue</b>				
Sales	1,419	3,551	(735)	4,235
<b>Segment LBT</b>				
Loss before tax	(3,840)	(182)	-	(4,022)
Other income				173
Loss before tax				<u>(3,849)</u>
Depreciation	50	43	-	93
Non cash expenses other than depreciation	494	2	-	496
	Non-recurring engineering services RM'000	Recurring engineering services RM'000	Eliminations RM'000	Consolidated RM'000
<b>Cumulative YTD ended 30 September 2014</b>				
<b>Segment Revenue</b>				
Sales	7,052	5,983	(1,736)	11,299
<b>Segment LBT</b>				
Loss before tax	(13,942)	389	-	(13,553)
Other income				371
Loss before tax				<u>(13,182)</u>
Depreciation	249	158	-	407
Non cash expenses other than depreciation	1,484	5	-	1,489
Segment assets	66,686	3,839	(8,507)	62,018
Segment liabilities	10,686	2,471	(5,489)	7,668
Capital expenditure	54	180		234
<b>Geographical Segments</b>				
	Total Revenue		Total (LBT)	
	Qtr Ended		Qtr Ended	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	690	3,168	(2,899)	(1,771)
Taiwan	3,545	14,603	(950)	1,261
	<u>4,235</u>	<u>17,771</u>	<u>(3,849)</u>	<u>(510)</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 September 2014

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 September 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 RM3.85 million on the back of revenue of RM4.24 million representing an increase in losses as compared to the loss before tax of RM0.51 million in the comparative quarter of the preceding year. The increase in losses is mainly due to lower revenue recorded in the current quarter. The decrease in revenue is due to lower demand in both recurring engineering services and non-recurring engineering services.

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

	Current Qtr Ended 30/09/2014 RM'000	Preceding Qtr Ended 30/06/2014 RM'000	% Changes
Turnover	4,235	2,390	77.2%
Loss Before Taxation ("LBT")	(3,849)	(4,583)	-16.0%

The Group recorded a revenue of RM4.24 million and LBT of RM3.85 million in the current quarter as compared to a revenue of RM2.39 million and LBT of RM4.58 million in the immediate preceding quarter. This represents an increase in revenue of approximately 77.2% and a decrease in LBT of 16% respectively as compared to preceding quarter. The increase in revenue is mainly due to higher demand from our Taiwanese customers in the current quarter. The decrease in losses is mainly due to higher revenue recorded as well as lower administrative expenses recorded in the current quarter. The decrease in administrative expenses is mainly due to higher exchange losses were incurred during the immediate preceding quarter.

**17. Commentary Of Prospects**

The prospect of semiconductor industry throughout the year of 2014 is good. The momentum of demand for electronics goods has been all time high as compared to last year.

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Unfortunately, Key ASIC has not been able to growth in line with the industry trend for reasons as outlined in note 15 and 16 above. However, the Company is looking forward in launching another new 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. these chips are anticipated to generate 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 other 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**

On 6 November 2014, the following special resolutions tabled at the Extraordinary General Meeting were duly passed by the shareholders:-

- i. Proposed Share Premium Reduction;
- ii. Proposed par Value Reduction; and
- iii. Proposed Amendments

**23. Group Borrowings and Debt Securities**

The Group does not have any borrowing or issued any debt securities as at 30 September 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**

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 30/09/2014 RM'000	Group 30/06/2014 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(81,258)	(77,279)
- Unrealised - in respect of other items of income and expense	(125)	(238)
Total Group accumulated losses as per consolidated accounts	<u>(81,383)</u>	<u>(77,517)</u>

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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 September 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>	
	<u>30-Sep-14</u>	<u>30-Sep-13</u>	<u>30-Sep-14</u>	<u>30-Sep-13</u>
Loss After Taxation & Minority Interest (RM'000)	(3,866)	(533)	(13,238)	(6,470)
Weighted average number of ordinary shares in issue ('000)	802,487	802,571	802,487	802,571
Basic Loss Per Share (Sen)	(0.48)	(0.07)	(1.65)	(0.81)

(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-Sep-14</u>	<u>30-Sep-13</u>	<u>30-Sep-14</u>	<u>30-Sep-13</u>
Loss After Taxation & Minority Interest (RM'000)	(3,866)	(533)	(13,238)	(6,470)
Dilutive shares on option outstanding ('000)	802,538	802,571	802,481	802,571
Dilutive Loss Per Share (Sen)	(0.48)	(0.07)	(1.65)	(0.81)

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 28 November 2014