

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Comprehensive Income  
For The 4th Quarter Ended 31 December 2014

|  | Note | Unaudited<br>Current<br>Qtr Ended<br>31/12/2014<br>RM'000 | Unaudited<br>Comparative<br>Qtr Ended<br>31/12/2013<br>RM'000 | Unaudited<br>Cumulative<br>YTD<br>31/12/2014<br>RM'000 | Audited<br>Cumulative<br>YTD<br>31/12/2013<br>RM'000 |
|--|------|---|---|--|--|
| Revenue  |      | 5,486   | 9,204   | 16,786   | 41,095   |
| Cost of sales  |      | (4,233)   | (5,796)   | (13,289)   | (30,321)   |
| <b>Gross profits</b>                                   |      | <b>1,253</b>  | <b>3,408</b>  | <b>3,497</b>   | <b>10,774</b>  |
| Other income   |      | 721   | 2,497   | 1,092  | 3,090  |
| Administrative expenses                                |      | (17,161)  | (641)   | (19,117)   | (2,518)  |
| Selling and distribution expenses                      |      | (644)   | (814)   | (2,414)  | (2,629)  |
| Research and development expenses                      |      | (4,082)   | (5,145)   | (16,153)   | (16,019)   |
| <b>Loss before tax</b>                                 |      | <b>(19,913)</b>   | <b>(695)</b>  | <b>(33,095)</b>  | <b>(7,302)</b>                                       |
| Loss before tax is stated after charging/(crediting):- |      |   |   |  |  |
| Interest income  |      | (47)  | (90)  | (270)  | (385)  |
| Depreciation and amortisation                          |      | 572   | 625   | 2,468  | 2,331  |
| Impairment of assets                                   |      | 16,119  | -   | 16,119   | -  |
| Reversal of impairment loss on trade receivables       |      | -   | (1,550)   | -  | (1,550)  |
| Foreign exchange gain or loss                          |      | (257)   | (611)   | (370)  | (860)  |
| Income tax expense                                     | 19   | (10)  | (23)  | (66)   | (245)  |
| <b>Loss for the period</b>                             |      | <b>(19,923)</b>   | <b>(718)</b>  | <b>(33,161)</b>  | <b>(7,547)</b>                                       |
| Foreign currency translation                           |      | (100)   | (211)   | (116)  | 84   |
| <b>Total Comprehensive Loss</b>                        |      | <b>(20,023)</b>   | <b>(929)</b>  | <b>(33,277)</b>  | <b>(7,463)</b>                                       |
| Loss attributable to:                                  |      |   |   |  |  |
| Equity holders of the Company                          |      | (19,923)  | (718)   | (33,161)   | (7,547)  |
| Total comprehensive loss attributable to:              |      |   |   |  |  |
| Equity holders of the Company                          |      | (20,023)  | (929)   | (33,277)   | (7,463)  |
| Basic loss per share (sen)                             | 28   | (2.48)  | (0.09)  | (4.13)   | (0.94)   |
| Diluted loss per share (sen)                           | 28   | (2.48)  | (0.09)  | (4.13)   | (0.94)   |

**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 December 2014

|  | <b>Unaudited<br/>As At<br/>31/12/2014<br/>RM'000</b> | <b>Audited<br/>As At<br/>31/12/2013<br/>RM'000</b> |
|--|--|--|
| <b>ASSETS</b>  |  |  |
| <b>Non-current assets</b>                                  |  |  |
| Property, plant & equipment                                | 1,099  | 1,275  |
| Intangible assets  | 21,369   | 39,473   |
|  | 22,468   | 40,748   |
| <b>Current assets</b>                                      |  |  |
| Trade receivables  | 3,404  | 4,488  |
| Other receivables  | 1,195  | 2,530  |
| Inventories  | 4,893  | 3,836  |
| Cash and cash equivalents                                  | 9,901  | 22,869   |
|  | 19,393   | 33,723   |
|  | 41,861   | 74,471   |
| <b>TOTAL ASSETS</b>  |  |  |
| <b>EQUITY AND LIABILITIES</b>                              |  |  |
| <b>Equity attributable to equity holders of the parent</b> |  |  |
| Share capital  | 40,250   | 80,500   |
| Share premium  | 14,887   | 54,887   |
| Treasury shares  | (363)  | (354)  |
| Accumulated loss   | (21,055)   | (68,144)   |
| ESOS reserve   | 613  | 613  |
| Other reserve  | (3)  | 113  |
|  | 34,329   | 67,615   |
| <b>Total Equity</b>  |  |  |
| <b>Current liabilities</b>                                 |  |  |
| Trade payables   | 1,561  | 4,952  |
| Other payables   | 5,743  | 1,904  |
| Tax liabilities  | 228  | -  |
|  | 7,532  | 6,856  |
| <b>Total liabilities</b>                                   |  |  |
|  | 7,532  | 6,856  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |  |  |
|  | 41,861   | 74,471   |
| Net Assets Per Share Attributable to Equity of Parent (RM) | 0.0426   | 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 4th Quarter Ended 31 December 2014

|  | <b>Unaudited<br/>12 Months<br/>Ended<br/>31/12/2014<br/>RM'000</b> | <b>Audited<br/>12 Months<br/>Ended<br/>31/12/2014<br/>RM'000</b> |
|--|--|--|
| <b>Cash Flow From Operating Activities</b>                         |  |  |
| (Loss) before taxation   | (33,095)   | (7,302)  |
| Adjustments for:   |  |  |
| Amortisation of intangible assets                                  | 1,985  | 1,506  |
| Depreciation of property, plant and equipment                      | 483  | 741  |
| Inventories written off  | -  | 252  |
| Rereversal of impairment loss on trade receivables                 |  | (1,557)  |
| Impairment of asset  | 16,119   |  |
| Foreign exchange translation                                       | (116)  |  |
| Interest income  | (270)  | (452)  |
| Operating (loss) before working capital changes                    | (14,894)   | (6,812)  |
| Changes in working capital:-                                       |  |  |
| (Increase) / Decrease in inventories                               | (1,057)  | (3,375)  |
| (Increase) / Decrease in receivables                               | 2,419  | (510)  |
| Increase/(Decrease) in payables                                    | 448  | 1,974  |
| Cash used in operations  | (13,084)   | (8,723)  |
| Interest received  | 270  | 452  |
| Tax refund   | 162  | 129  |
| Net cash flow used in operating activities                         | (12,652)   | (8,142)  |
| <b>Cash Flow From Investing Activities</b>                         |  |  |
| Purchase of property, plant & equipment                            | (307)  | (593)  |
| Purchase of intangible assets                                      | -  | (20)   |
| Net cash used in investing activities                              | (307)  | (613)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                         |  |  |
| Decrease in fixed deposit pledged for banking facilities granted   |  | 3  |
| Payment for shares buy-back  | (9)  | (35)   |
| Net cash used in financing activities                              | (9)  | (32)   |
| <b>Net decrease in cash and cash equivalents</b>                   | (12,968)   | (8,787)  |
| <b>Effects of changes in exchange rates</b>                        | -  | 103  |
| <b>Cash and cash equivalents as at 1 Jan</b>                       | 22,869   | 31,498   |
| <b>Cash and cash equivalents as at end of the financial period</b> | 9,901  | 22,814   |

**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 4th Quarter Ended 31 December 2014  
(The figures have not been audited)

|  | <----- Attributable to Equity Holders of the Parent -----> |                  |                    |                  |                   |                      | Total         | Non-Controlling<br>Interest | Total<br>Equity |
|--|--|------------------|--------------------|------------------|-------------------|----------------------|---------------|-----------------------------|-----------------|
|  | Share<br>Capital   | Share<br>Premium | Treasury<br>Shares | ESOS<br>Reserves | Other<br>Reserves | (Accumulated<br>Loss |               |                             |                 |
|  | 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           | (354)              | 613              | 113               | (68,144)             | 67,615        | -                           | 67,615          |
| Total Comprehensive Loss               | -  | -                | -                  | -                | (116)             | (33,161)             | (33,277)      | -                           | (33,277)        |
| Buy-back of ordinary shares            | -  | -                | (9)                | -                | -                 | -                    | (9)           | -                           | (9)             |
| Share premium & par value reduction    | (40,250)   | (40,000)         | -                  | -                | -                 | 80,250               | -             | -                           | -               |
| <b>At 31 December 2014 (Unaudited)</b> | <b>40,250</b>  | <b>14,887</b>    | <b>(363)</b>       | <b>613</b>       | <b>(3)</b>        | <b>(21,055)</b>      | <b>34,329</b> | <b>-</b>                    | <b>34,329</b>   |
| <b>At 1 January 2013</b>               | 80,500   | 54,887           | (318)              | 757              | 29                | (60,741)             | 75,114        | -                           | 75,114          |
| Total Comprehensive Loss               | -  | -                | -                  | -                | 84                | (7,547)              | (7,463)       | -                           | (7,463)         |
| Buy-back of ordinary shares            | -  | -                | (36)               | -                | -                 | -                    | (36)          | -                           | (36)            |
| Share option lapsed                    | -  | -                | -                  | (144)            | -                 | 144                  | -             | -                           | -               |
| <b>At 31 December 2013 (Audited)</b>   | <b>80,500</b>  | <b>54,887</b>    | <b>(354)</b>       | <b>613</b>       | <b>113</b>        | <b>(68,144)</b>      | <b>67,615</b> | <b>-</b>                    | <b>67,615</b>   |

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 December 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**

| <b>Business Segments</b>                      | <b>Non-recurring engineering services<br/>RM'000</b> | <b>Recurring engineering services<br/>RM'000</b> | <b>Eliminations<br/>RM'000</b>   | <b>Consolidated<br/>RM'000</b> |
|---|--|--|----------------------------------|--------------------------------|
| <b>Current Quarter ended 31 December 2014</b> |  |  |                                  |                                |
| <b>Segment Revenue</b>                        |  |  |                                  |                                |
| Sales   | 3,730  | 2,573  | (817)                            | 5,486                          |
| <b>Segment LBT</b>                            |  |  |                                  |                                |
| Loss before tax                               | (20,000)   | (634)  | -                                | (20,634)                       |
| Other income                                  |  |  |                                  | 721                            |
| Loss before tax                               |  |  |                                  | <u>(19,913)</u>                |
| Depreciation                                  | 37   | 39   | -                                | 76                             |
| Non cash expenses other than depreciation     | 16,614   | 1  | -                                | 16,615                         |
| <b>Cumulative YTD ended 31 December 2014</b>  |  |  |                                  |                                |
| <b>Segment Revenue</b>                        |  |  |                                  |                                |
| Sales   | 10,782   | 8,556  | (2,552)                          | 16,786                         |
| <b>Segment LBT</b>                            |  |  |                                  |                                |
| Loss before tax                               | (33,943)   | (244)  | -                                | (34,187)                       |
| Other income                                  |  |  |                                  | 1,092                          |
| Loss before tax                               |  |  |                                  | <u>(33,095)</u>                |
| Depreciation                                  | 286  | 197  | -                                | 483                            |
| Non cash expenses other than depreciation     | 18,098   | 6  | -                                | 18,104                         |
| Segment assets                                | 47,716   | 3,382  | (9,237)                          | 41,861                         |
| Segment liabilities                           | 12,524   | 1,191  | (6,183)                          | 7,532                          |
| Capital expenditure                           | 55   | 252  |                                  | 307                            |
| <b>Geographical Segments</b>                  |  |  |                                  |                                |
|   | <b>Total Revenue<br/>Qtr Ended</b>                   |  | <b>Total (LBT)<br/>Qtr Ended</b> |                                |
|   | <b>31/12/2014<br/>RM'000</b>                         | <b>31/12/2013<br/>RM'000</b>                     | <b>31/12/2014<br/>RM'000</b>     | <b>31/12/2013<br/>RM'000</b>   |
| Malaysia                                      | 2,174  | 5,539  | (18,703)                         | (517)                          |
| Taiwan  | 3,312  | 3,665  | (1,210)                          | (178)                          |
|   | <u>5,486</u>   | <u>9,204</u>                                     | <u>(19,913)</u>                  | <u>(695)</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 December 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 31 December 2014.

**6. Seasonal or Cyclical Factors**

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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 RM19.91million on the back of revenue of RM5.49 million representing an increase in losses as compared to the loss before tax of RM0.70 million in the comparative quarter of the preceding year. The increase in losses is mainly due to higher operating expenses and lower revenue recorded in the current quarter as well as higher other income recorded in the comparative quarter of the preceding year. The decrease in revenue is due to lower demand in both recurring engineering services and non-recurring engineering services. The higher operating expenses is mainly due to impairment loss on intangible assets recorded in current quarter. Besides that, other income is lower is mainly due to reversal of impairment loss on trade receivables recorded in the comparative quarter of the preceding year.

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

|                              | <b>Current<br/>Qtr Ended<br/>31/12/2014<br/>RM'000</b> | <b>Preceding<br/>Qtr Ended<br/>30/09/2014<br/>RM'000</b> | <b>% Changes</b> |
|------------------------------|--|--|------------------|
| Turnover                     | 5,486  | 4,235  | 29.5%            |
| Loss Before Taxation ("LBT") | (19,913)   | (3,849)  | 417.4%           |

The Group recorded a revenue of RM5.49 million and LBT of RM19.91 million in the current quarter as compared to a revenue of RM4.24 million and LBT of RM3.85 million in the immediate preceding quarter. This represents an increase in revenue of approximately 29.5% and an increase in LBT of 417.4% respectively as compared to preceding quarter. The increase in revenue is mainly due to higher demand from our Russian customers in current quarter. The increase in losses is mainly due to impairment loss made on intangible assets recorded in current quarter.

**17. Commentary Of Prospects**

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The semiconductor industry outlook for 2015 is projected to grow ranging from lowest of 6.5% up to 11%. The grow in semiconductor is continued to fuel by the strong demand for smartphones and portable devices such as solid-state drives ("SSD") and NAND flash in ultra mobile devices.

Key ASIC is betting on launching two (2) new ultra mobile products expected in Q2 2015, namely K-Drive and K-Card to take advantage of the growing demand for these products. K-Drive is essentially a portable Wi-Fi personal backup device that doesn't require any internet connection to backup personal data anytime, anywhere and seamlessly. Meanwhile, K-Card is our own in-house brand for our Wi-Fi SD card that turn non Wi-Fi devices into Wi-Fi enable device.

The Board is in the opinion that the prospect of the Company will improve with the launch of the products described above and looking to breakeven by end of 2015 bearing unforeseen circumstances.

**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 5 January 2015, the Share Premium Reduction and Par Value Reduction shall take effect and hence deemed completed.

**23. Group Borrowings and Debt Securities**

The Group does not have any borrowing or issued any debt securities as at 31 December 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:

|  | <b>Group<br/>31/12/2014<br/>RM'000</b> | <b>Group<br/>30/09/2014<br/>RM'000</b> |
|--|--|--|
| Total accumulated losses of Key ASIC Berhad and it's subsidiaries: |  |  |
| - Realised   | (20,870)                               | (81,258)                               |
| - Unrealised - in respect of other items of income and expense     | (185)                                  | (125)                                  |
| Total Group accumulated losses as per consolidated accounts        | <u>(21,055)</u>                        | <u>(81,383)</u>                        |

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The determination of realised and unrealised profits or losses is based on the Guidance 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 December 2014

**28. Loss Per Share**

(a) Basic

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

|  | <b>Individual Quarter Ended</b> |                  | <b>Cumulative YTD</b> |                  |
|--|---------------------------------|------------------|-----------------------|------------------|
|  | <b>31-Dec-14</b>                | <b>31-Dec-13</b> | <b>31-Dec-14</b>      | <b>31-Dec-13</b> |
| Loss After Taxation & Minority Interest (RM'000)           | (19,923)                        | (718)            | (33,161)              | (7,547)          |
| Weighted average number of ordinary shares in issue ('000) | 802,487                         | 802,571          | 802,487               | 802,571          |
| Basic Loss Per Share (Sen)                                 | (2.48)                          | (0.09)           | (4.13)                | (0.94)           |

(b) Dilutive

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

|  | <b>Individual Quarter Ended</b> |                  | <b>Cumulative YTD</b> |                  |
|--|---------------------------------|------------------|-----------------------|------------------|
|  | <b>31-Dec-14</b>                | <b>31-Dec-13</b> | <b>31-Dec-14</b>      | <b>31-Dec-13</b> |
| Loss After Taxation & Minority Interest (RM'000) | (19,923)                        | (718)            | (33,161)              | (7,547)          |
| Dilutive shares on option outstanding ('000)     | 802,427                         | 802,571          | 802,487               | 802,571          |
| Dilutive Loss Per Share (Sen)                    | (2.48)                          | (0.09)           | (4.13)                | (0.94)           |

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 13 February 2015.