

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The 1st Quarter Ended 31 March 2015

	Note	Unaudited Current Qtr Ended 31/03/2015 RM'000	Unaudited Comparative Qtr Ended 31/03/2014 RM'000	Unaudited Cumulative YTD 31/03/2015 RM'000	Unaudited Cumulative YTD 31/03/2014 RM'000
Revenue		2,720	4,675	2,720	4,675
Cost of sales		(2,399)	(3,701)	(2,399)	(3,701)
Gross profits		<u>321</u>	<u>974</u>	<u>321</u>	<u>974</u>
Other income		45	124	45	124
Administrative expenses		(696)	(547)	(696)	(547)
Selling and distribution expenses		(366)	(586)	(366)	(586)
Research and development expenses		(4,200)	(4,713)	(4,200)	(4,713)
Loss before tax		<u>(4,896)</u>	<u>(4,748)</u>	<u>(4,896)</u>	<u>(4,748)</u>
Loss before tax is stated after charging/(crediting):-					
Interest income		(23)	(82)	(23)	(82)
Depreciation and amortisation		163	685	163	685
Foreign exchange gain or loss		(51)	(42)	(51)	(42)
Income tax expense	19	-	(21)	-	(21)
Loss for the period		<u>(4,896)</u>	<u>(4,769)</u>	<u>(4,896)</u>	<u>(4,769)</u>
Foreign currency translation		(180)	(42)	(180)	(42)
Total Comprehensive Loss		<u>(5,076)</u>	<u>(4,811)</u>	<u>(5,076)</u>	<u>(4,811)</u>
Loss attributable to:					
Equity holders of the Company		<u>(4,896)</u>	<u>(4,769)</u>	<u>(4,896)</u>	<u>(4,769)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		<u>(5,076)</u>	<u>(4,811)</u>	<u>(5,076)</u>	<u>(4,811)</u>
Basic loss per share (sen)	28	(0.61)	(0.59)	(0.61)	(0.59)
Diluted loss per share (sen)	28	(0.61)	(0.59)	(0.61)	(0.59)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015

	Unaudited As At 31/03/2015 RM'000	Audited As At 31/12/2014 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	1,082	1,100
Intangible assets	20,743	20,863
	21,825	21,963
Current assets		
Trade receivables	1,225	2,690
Other receivables	1,074	978
Inventories	4,686	4,895
Cash and cash equivalents	7,212	9,961
	14,197	18,524
	36,022	40,487
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	40,250	40,250
Share premium	14,887	14,887
Treasury shares	(363)	(363)
Accumulated loss	(27,042)	(22,146)
ESOS reserve	613	613
Other reserve	(253)	(73)
	28,092	33,168
Total Equity		
Current liabilities		
Trade payables	2,271	5,260
Other payables	5,497	2,059
Tax liabilities	162	-
	7,930	7,319
	7,930	7,319
Total liabilities		
	36,022	40,487
TOTAL EQUITY AND LIABILITIES		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0349	0.0412

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015

	Unaudited 3 Months Ended 31/03/2015 RM'000	Unaudited 3 Months Ended 31/03/2014 RM'000
Cash Flow From Operating Activities		
(Loss) before taxation	(4,896)	(4,748)
Adjustments for:		
Amortisation of intangible assets	120	496
Depreciation of property, plant and equipment	43	189
Foreign exchange translation	(180)	(42)
Interest income	(23)	(82)
Operating (loss) before working capital changes	(4,936)	(4,187)
Changes in working capital:-		
(Increase) / Decrease in inventories	209	556
(Increase) / Decrease in receivables	1,369	3,813
Increase/(Decrease) in payables	449	(711)
Cash used in operations	(2,909)	(529)
Interest received	23	82
Tax refund	162	55
Net cash flow used in operating activities	(2,724)	(392)
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(25)	(91)
Purchase of intangible assets	-	-
Net cash used in investing activities	(25)	(91)
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in fixed deposit pledged for banking facilities granted	-	(9)
Payment for shares buy-back	-	(9)
Net cash used in financing activities	-	(9)
Net decrease in cash and cash equivalents	(2,749)	(492)
Cash and cash equivalents as at 1 Jan	9,961	22,869
Cash and cash equivalents as at end of the financial period	7,212	22,377

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015
(The figures have not been audited)

	<----- Attributable to Equity Holders of the Parent ----->						Total	Non-Controlling Interest	Total Equity
	<----- Non Distributable ----->					(Accumulated Loss			
	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 2015	40,250	14,887	(363)	613	(73)	(22,146)	33,168	-	33,168
Total Comprehensive Loss	-	-	-	-	(180)	(4,896)	(5,076)	-	(5,076)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-
At 31 March 2015 (Unaudited)	40,250	14,887	(363)	613	(253)	(27,042)	28,092	-	28,092
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

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014 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 2015 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 2014. 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 2014.

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 2014, except for the adoption of new/revised MFRSs that are effective 1 January 2015. 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 2014 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 2015				
Segment Revenue				
Sales	444	2,276	-	2,720
Segment LBT				
Loss before tax	(4,900)	(41)	-	(4,941)
Other income				45
Loss before tax				<u>(4,896)</u>
Depreciation	30	13	-	43
Non cash expenses other than depreciation	119	1	-	120
Cumulative YTD ended 31 March 2015				
Segment Revenue				
Sales	444	2,276	-	2,720
Segment LBT				
Loss before tax	(4,900)	(41)	-	(4,941)
Other income				45
Loss before tax				<u>(4,896)</u>
Depreciation	30	13	-	43
Non cash expenses other than depreciation	119	1	-	120
Segment assets	43,086	4,544	(11,608)	36,022
Segment liabilities	9,340	4,081	(5,491)	7,930
Capital expenditure	4	21		25
Geographical Segments				
	Total Revenue Qtr Ended		Total (LBT) Qtr Ended	
	31/03/2015	31/03/2014	31/03/2015	31/03/2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	5	2,902	(3,000)	(4,166)
Taiwan	2,715	1,773	(1,896)	(582)
	<u>2,720</u>	<u>4,675</u>	<u>(4,896)</u>	<u>(4,748)</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 2015

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 March 2015

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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 RM4.90 million on the back of revenue of RM2.72 million representing an increase in losses as compared to the loss before tax of RM4.75 million in the comparative quarter of the preceding year. The increase in losses is mainly due to lower revenue recorded in the current quarter, however the decrease in the amortization on intangible assets narrow the gap on the loss before tax recorded in current quarter. The decrease in revenue is due to lower demand in non-recurring engineering services.

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

	Current Qtr Ended 31/03/2015 RM'000	Preceding Qtr Ended 31/12/2014 RM'000	% Changes
Turnover	2,720	5,486	-50.5%
Loss Before Taxation ("LBT")	(4,896)	(19,913)	-75.4%

The Group recorded a revenue of RM2.72 million and LBT of RM4.90 million in the current quarter as compared to a revenue of RM5.49 million and LBT of RM19.91 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 50.5% and a decrease in LBT of 75.4% respectively as compared to preceding quarter. The decrease in revenue is mainly due to lower demand from our Russian customers in current quarter. The decrease in losses is mainly due to impairment loss made on intangible assets recorded in the preceding 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 planning to launch two (2) new ultra mobile products in Q2 and Q3 this year, namely K-Card and K-Drive 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.

As a result of lower revenue recorded than expected, the Group's cash flow may be under pressure. The Company is taking necessary steps to address this. Notwithstanding the above, the Company is working on action plans to improve the cash flow position and the revenue with the launch of he products described above.

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 25 March 2015, the Company has submitted to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 31 March 2015

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 2015 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 31/03/2015 RM'000	Group 31/12/2014 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(26,948)	(22,404)
- Unrealised - in respect of other items of income and expense	(94)	258
Total Group accumulated losses as per consolidated accounts	<u>(27,042)</u>	<u>(22,146)</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 31 March 2015

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>31-Mar-15</u>	<u>31-Mar-14</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
Loss After Taxation & Minority Interest (RM'000)	<u>(4,896)</u>	<u>(4,769)</u>	<u>(4,896)</u>	<u>(4,769)</u>
Weighted average number of ordinary shares in issue ('000)	<u>802,487</u>	<u>805,497</u>	<u>802,487</u>	<u>805,497</u>
Basic Loss Per Share (Sen)	<u>(0.61)</u>	<u>(0.59)</u>	<u>(0.61)</u>	<u>(0.59)</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>31-Mar-15</u>	<u>31-Mar-14</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
Loss After Taxation & Minority Interest (RM'000)	<u>(4,896)</u>	<u>(4,769)</u>	<u>(4,896)</u>	<u>(4,769)</u>
Dilutive shares on option outstanding ('000)	<u>802,487</u>	<u>805,497</u>	<u>802,487</u>	<u>805,497</u>
Dilutive Loss Per Share (Sen)	<u>(0.61)</u>	<u>(0.59)</u>	<u>(0.61)</u>	<u>(0.59)</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 20 May 2015.