

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 31 March 2016

	Note	Unaudited Current Qtr Ended 31/03/2016 RM'000	Unaudited Comparative Qtr Ended 31/03/2015 RM'000	Unaudited Cumulative YTD 31/03/2016 RM'000	Unaudited Cumulative YTD 31/03/2015 RM'000
Revenue		4,506	2,720	4,506	2,720
Cost of sales		(3,208)	(2,399)	(3,208)	(2,399)
Gross profits		1,298	321	1,298	321
Other income		19	45	19	45
Administrative expenses		(429)	(696)	(429)	(696)
Selling and distribution expenses		(415)	(366)	(415)	(366)
Research and development expenses		(2,430)	(4,037)	(2,430)	(4,037)
Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment		(1,957)	(4,733)	(1,957)	(4,733)
Depreciation		(148)	(43)	(148)	(43)
Amortisation of Intangible Assets		-	(120)	-	(120)
Earnings Before Interest, Taxes, and Impairment		(2,105)	(4,896)	(2,105)	(4,896)
Impairment		-	-	-	-
Loss before tax		(2,105)	(4,896)	(2,105)	(4,896)
Loss before tax is stated after charging/(crediting):-					
Interest income		-	(23)	-	(23)
Depreciation and amortisation		148	163	148	163
Foreign exchange gain or loss		(18)	(51)	(18)	(51)
Income tax expense	19	-	-	-	-
Loss for the period		(2,105)	(4,896)	(2,105)	(4,896)
Foreign currency translation		1,395	(180)	1,395	(180)
Total Comprehensive Loss		(710)	(5,076)	(710)	(5,076)
Loss attributable to:					
Equity holders of the Company		(2,105)	(4,896)	(2,105)	(4,896)
Total comprehensive loss attributable to:					
Equity holders of the Company		(710)	(5,076)	(710)	(5,076)
Diluted loss per share (sen)	28	(0.25)	(0.61)	(0.25)	(0.61)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016

	Unaudited As At 31/03/2016 RM'000	Audited As At 31/12/2015 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	786	934
Intangible assets	16,494	16,494
	<u>17,280</u>	<u>17,428</u>
Current assets		
Trade receivables	8,523	6,422
Other receivables	2,409	2,098
Inventories	1,184	956
Cash and cash equivalents	2,545	3,447
	<u>14,661</u>	<u>12,923</u>
	<u>31,941</u>	<u>30,351</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	41,673	41,423
Share premium	19,128	18,453
Treasury shares	-	(336)
Accumulated loss	(38,118)	(36,013)
ESOS reserve	224	224
Other reserve	732	(663)
	<u>23,639</u>	<u>23,088</u>
Total Equity	<u>23,639</u>	<u>23,088</u>
Current liabilities		
Trade payables	2,108	4,454
Other payables	6,006	2,809
Tax liabilities	188	-
	<u>8,302</u>	<u>7,263</u>
Total liabilities	<u>8,302</u>	<u>7,263</u>
	<u>31,941</u>	<u>30,351</u>
TOTAL EQUITY AND LIABILITIES	<u>31,941</u>	<u>30,351</u>
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0284	0.0279

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 Period Ended 31 March 2016

	Unaudited 3 Months Ended 31/03/2016 RM'000	Unaudited 3 Months Ended 31/03/2015 RM'000
Cash Flow From Operating Activities		
(Loss) before taxation	(2,105)	(4,896)
Adjustments for:		
Amortisation of intangible assets	-	120
Depreciation of property, plant and equipment	148	43
Foreign exchange translation	1,395	(180)
Interest income	-	(23)
Operating (loss) before working capital changes	<u>(562)</u>	<u>(4,936)</u>
Changes in working capital:-		
(Increase) / Decrease in inventories	(228)	209
(Increase) / Decrease in receivables	(2,412)	1,369
Increase/(Decrease) in payables	851	449
Cash used in operations	<u>(2,351)</u>	<u>(2,909)</u>
Interest received	-	23
Tax refund	188	162
Net cash flow used in operating activities	<u>(2,163)</u>	<u>(2,724)</u>
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	-	(25)
Purchase of intangible assets	-	-
Net cash used in investing activities	<u>-</u>	<u>(25)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	925	-
Payment for shares buy-back	336	-
Net cash used in financing activities	<u>1,261</u>	<u>-</u>
Net decrease in cash and cash equivalents	(902)	(2,749)
Cash and cash equivalents as at 1 Jan	3,447	9,961
Cash and cash equivalents as at end of the financial period	<u>2,545</u>	<u>7,212</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 Period Ended 31 March 2016
(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 2016	41,423	18,453	(336)	224	(663)	(36,013)	23,088	-	23,088		
Total Comprehensive Loss	-	-	-	-	1,395	(2,105)	(710)	-	(710)		
Buy-back of ordinary shares	-	-	336	-	-	-	336	-	336		
Issuance of shares	250	675	-	-	-	-	925	-	925		
At 31 March 2016 (Unaudited)	41,673	19,128	-	224	732	(38,118)	23,639	-	23,639		
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	-	-	-	-	-	-	-	-	-		
Share premium & par value reduction	-	-	-	-	-	-	-	-	-		
At 31 March 2015 (Unaudited)	40,250	14,887	(363)	613	(253)	(27,042)	28,092	-	28,092		

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes enclosed to the interim financial statements.

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Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The quarterly financial report ended 31 March 2016 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 2015. 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 2015.

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 2015, except for the adoption of new/revised MFRSs that are effective 1 January 2016. 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 2015 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 2016				
Segment Revenue				
Sales	3,045	1,462	(1)	4,506
Segment LBT				
Loss before tax	(2,186)	62	-	(2,124)
Other income	-	-	-	19
Loss before tax	-	-	-	<u>(2,105)</u>
Depreciation	29	119	-	148
Non cash expenses other than depreciation	-	-	-	-
Cumulative YTD ended 31 March 2016				
Segment Revenue				
Sales	3,045	1,462	(1)	4,506
Segment LBT				
Loss before tax	(2,186)	62	-	(2,124)
Other income	-	-	-	19
Loss before tax	-	-	-	<u>(2,105)</u>
Depreciation	29	119	-	148
Non cash expenses other than depreciation	-	-	-	-
Segment assets	33,203	1,968	(3,230)	31,941
Segment liabilities	8,965	2,365	(3,028)	8,302
Capital expenditure	-	-	-	-
Geographical Segments				
	Total Revenue Qtr Ended		Total (LBT) Qtr Ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,100	5	(1,279)	(3,000)
Taiwan	2,406	2,715	(826)	(1,896)
	<u>4,506</u>	<u>2,720</u>	<u>(2,105)</u>	<u>(4,896)</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 2016

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 2016

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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 RM2.11 million on the back of revenue of RM4.51 million representing a decrease in losses as compared to the loss before tax of RM4.9million in the comparative quarter of the preceding year. The decrease in losses is mainly due to lower operating expenses in the current quarter.

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

	Current Qtr Ended 31/03/2016 RM'000	Preceding Qtr Ended 31/12/2015 RM'000	% Changes
Turnover	4,506	6,897	-34.7%
Loss Before Taxation ("LBT")	(2,105)	(2,008)	4.8%

The Group recorded a revenue of RM6.9 million and LBT of RM2.01 million in the current quarter as compared to a revenue of RM3.15 million and LBT of RM3.84 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 34.7% and an increase in LBT of 4.8% respectively as compared to preceding quarter. The decrease in revenue is mainly due to lower demand from non-recurring engineering services in current quarter.

17. Commentary Of Prospects

Key ASIC has officially launched its K- Card product into the market during the quarter as planned and currently selling through authorised distributors and online channels. On the other hand, production of K-Drive continue to suffer delay and slipping into early Q3 of 2016. The success of the the two products is very much dependent on the awareness of the public on its versatile usage on which the Company is currently working on.

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In addition to the above, Key ASIC is working on the variation of K-card that allows 2-way communications for medical equipment uses. This technology would connect such equipment to the service provider directly and remotely through internet cloud. The significant of this 2-way communications would potentially save time, cost and life for people that require the services of service provider on regular basis. One of the specific example of such medical device is CPAP (Continuous Positive Airway Pressure) machine for those with sleep apnea problem.

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

The Company had on 24 March 2015 announced the private placement exercise which entails the issuance of up to 81,177,000 new ordinary shares of RM0.05 in the Company representing not more than ten percent (10%) of the enlarged issued and paid-up share capital of the Company.

25,000,000 new Ordinary Shares were issued pursuant to the Private Placement and were subsequently listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

The details of the utilisation of proceeds from the Private Placement were as follows:-

Description	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance to be utilized (RM'000)
Research and development	5,314	4,346	968
Working capital	405	405	-
Estimated expenses in relation to the Private Placement	300	24	276

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 31 March 2016.

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 2016 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.

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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 31/03/2016 RM'000	Group 31/12/2015 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(38,124)	(44,117)
- Unrealised - in respect of other items of income and expense	6	919
Total Group accumulated losses as per consolidated accounts	<u>(38,118)</u>	<u>(36,013)</u>

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 March 2016.

28. Loss Per Share

(a) Basic

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

	Individual Quarter Ended		Cumulative YTD	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Loss After Taxation & Minority Interest (RM'000)	<u>(2,105)</u>	<u>(4,896)</u>	<u>(2,105)</u>	<u>(4,896)</u>
Weighted average number of ordinary shares in issue ('000)	<u>833,455</u>	<u>802,487</u>	<u>833,455</u>	<u>802,487</u>
Basic Loss Per Share (Sen)	<u>(0.25)</u>	<u>(0.61)</u>	<u>(0.25)</u>	<u>(0.61)</u>

(b) Dilutive

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

	Individual Quarter Ended		Cumulative YTD	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Loss After Taxation & Minority Interest (RM'000)	<u>(2,105)</u>	<u>(4,896)</u>	<u>(2,105)</u>	<u>(4,896)</u>
Dilutive shares on option outstanding ('000)	<u>833,455</u>	<u>802,487</u>	<u>833,455</u>	<u>802,487</u>
Dilutive Loss Per Share (Sen)	<u>(0.25)</u>	<u>(0.61)</u>	<u>(0.25)</u>	<u>(0.61)</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 2016.