

**KEY ASIC BHD**  
**(Company No. 707082-M)**  
Condensed Consolidated Statements Of Comprehensive Income  
For The Period Ended 30 September 2016

	Note	Unaudited Current Qtr Ended 30/09/2016 RM'000	Unaudited Comparative Qtr Ended 30/09/2015 RM'000	Unaudited Cumulative YTD 30/09/2016 RM'000	Unaudited Cumulative YTD 30/09/2015 RM'000
Revenue		2,891	3,153	13,496	12,396
Cost of sales		(2,452)	(2,452)	(10,401)	(9,743)
<b>Gross profits</b>		<b>439</b>	<b>701</b>	<b>3,095</b>	<b>2,653</b>
Other income		58	24	90	140
Administrative expenses		(565)	(550)	(1,505)	(1,881)
Selling and distribution expenses		(413)	(415)	(1,247)	(1,228)
Research and development expenses		(1,906)	(3,441)	(6,398)	(11,078)
<b>Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment</b>		<b>(2,387)</b>	<b>(3,681)</b>	<b>(5,965)</b>	<b>(11,394)</b>
Depreciation		(47)	(38)	(275)	(155)
Amortisation of Intangible Assets		-	(121)	-	(362)
<b>Earnings Before Interest, Taxes, and Impairment</b>		<b>(2,434)</b>	<b>(3,840)</b>	<b>(6,240)</b>	<b>(11,911)</b>
Impairment		-	-	-	-
<b>Loss before tax</b>		<b>(2,434)</b>	<b>(3,840)</b>	<b>(6,240)</b>	<b>(11,911)</b>
Loss before tax is stated after charging/(crediting):-					
Interest income		1	-	1	(24)
Depreciation and amortisation		47	159	275	517
Foreign exchange gain or loss		(37)	(76)	(67)	(197)
Income tax expense	19	(6)	-	(6)	-
<b>Loss for the period</b>		<b>(2,440)</b>	<b>(3,840)</b>	<b>(6,246)</b>	<b>(11,911)</b>
Foreign currency translation		(144)	(223)	1,113	(495)
<b>Total Comprehensive Loss</b>		<b>(2,584)</b>	<b>(4,063)</b>	<b>(5,133)</b>	<b>(12,406)</b>
Loss attributable to:					
Equity holders of the Company		(2,440)	(3,840)	(6,246)	(11,911)
Total comprehensive loss attributable to:					
Equity holders of the Company		(2,584)	(4,063)	(5,133)	(12,406)
Basic loss per share (sen)	28	(0.29)	(0.48)	(0.75)	(1.48)
Diluted loss per share (sen)	28	(0.29)	(0.48)	(0.75)	(1.48)

**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 30 September 2016

	<b>Unaudited As At 30/09/2016 RM'000</b>	<b>Audited As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	659	934
Intangible assets	16,494	16,494
	17,153	17,428
<b>Current assets</b>		
Trade receivables	6,954	6,422
Other receivables	924	2,098
Inventories	534	956
Cash and cash equivalents	1,997	3,447
	10,409	12,923
	27,562	30,351
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	41,719	41,423
Share premium	19,216	18,453
Treasury shares	-	(336)
Accumulated loss	(42,259)	(36,013)
ESOS reserve	224	224
Other reserve	450	(663)
	19,350	23,088
<b>Total Equity</b>		
<b>Current liabilities</b>		
Trade payables	2,571	4,454
Other payables	5,453	2,809
Tax liabilities	188	-
	8,212	7,263
	8,212	7,263
<b>Total liabilities</b>		
	27,562	30,351
<b>TOTAL EQUITY AND LIABILITIES</b>		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0232	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 30 September 2016

	<b>Unaudited 9 Months Ended 30/09/2016 RM'000</b>	<b>Unaudited 9 Months Ended 30/09/2015 RM'000</b>
<b>Cash Flow From Operating Activities</b>		
(Loss) before taxation	(6,240)	(11,911)
Adjustments for:		
Amortisation of intangible assets	-	361
Depreciation of property, plant and equipment	275	156
Foreign exchange translation	1,113	(495)
Interest income	(1)	(24)
Operating (loss) before working capital changes	(4,853)	(11,913)
Changes in working capital:-		
(Increase) / Decrease in inventories	422	2,048
(Increase) / Decrease in receivables	642	297
Increase/(Decrease) in payables	761	810
Cash used in operations	(3,028)	(8,758)
Interest received	1	24
Tax refund	182	162
Net cash flow used in operating activities	(2,845)	(8,572)
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant & equipment	-	(60)
Purchase of intangible assets	-	-
Net cash used in investing activities	-	(60)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	1,059	162
Payment for shares buy-back	336	-
Net cash used in financing activities	1,395	162
<b>Net decrease in cash and cash equivalents</b>	(1,450)	(8,470)
<b>Cash and cash equivalents as at 1 Jan</b>	3,447	9,961
<b>Cash and cash equivalents as at end of the financial period</b>	1,997	1,491

**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 30 September 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	
<b>At 1 January 2016</b>	41,423	18,453	(336)	224	(663)	(36,013)	23,088	-	23,088
Total Comprehensive Loss	-	-	-	-	1,113	(6,246)	(5,133)	-	(5,133)
Buy-back of ordinary shares	-	-	336	-	-	-	336	-	336
Issuance of shares	296	763	-	-	-	-	1,059	-	1,059
<b>At 30 September 2016 (Unaudited)</b>	41,719	19,216	-	224	450	(42,259)	19,350	-	19,350
<b>At 1 January 2015</b>	40,250	14,887	(363)	613	(73)	(22,146)	33,168	-	33,168
Total Comprehensive Loss	-	-	-	-	(495)	(11,911)	(12,406)	-	(12,406)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-
Share premium & par value reduction	56	211	-	(105)	-	-	162	-	162
<b>At 30 September 2015 (Unaudited)</b>	40,306	15,098	(363)	508	(568)	(34,057)	20,924	-	20,924

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.

**Part A - Explanatory Notes Pursuant to FRS 134**

**1. Basis of Preparation**

The quarterly financial report ended 30 September 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. The Company had changes the financial year end to 31 May 2017 as announced on 8 April 2016.

**3. Segmental Information**

<b>Business Segments</b>	<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 September 2016</b>				
<b>Segment Revenue</b>				
Sales	447	2,455	(11)	2,891
<b>Segment LBT</b>				
Loss before tax	(2,798)	305	1	(2,492)
Other income				58
Loss before tax				<u>(2,434)</u>
Depreciation	29	18	-	47
Non cash expenses other than depreciation	-	-	-	-
<b>Cumulative YTD ended 30 September 2016</b>				
<b>Segment Revenue</b>				
Sales	8,322	6,687	(1,513)	13,496
<b>Segment LBT</b>				
Loss before tax	(6,732)	418	(16)	(6,330)
Other income				90
Loss before tax				<u>(6,240)</u>
Depreciation	88	187	-	275
Non cash expenses other than depreciation	-	-	-	-
Segment assets	27,703	2,388	(2,529)	27,562
Segment liabilities	8,102	2,228	(2,118)	8,212
Capital expenditure	-	-	-	-
<b>Geographical Segments</b>				
	<b>Total Revenue</b>		<b>Total (LBT)</b>	
	<b>Qtr Ended</b>		<b>Qtr Ended</b>	
	<b>30/09/2016</b>	<b>30/09/2015</b>	<b>30/09/2016</b>	<b>30/09/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	-	1,204	(1,621)	(2,733)
Taiwan	2,891	1,949	(813)	(1,107)
	<u>2,891</u>	<u>3,153</u>	<u>(2,434)</u>	<u>(3,840)</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 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 30 September 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 RM2.4 million on the back of revenue of RM2.9 million representing a decrease in losses as compared to the loss before tax of RM3.8million in the comparative quarter of the preceding year. The decrease in losses is mainly due to lower overall operating expenses incurred as a result of cost cutting exercise implemented by the Group. The Board has taken among others, reduction in the EDA tools, office spaces and prudent spending.

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

	<b>Current Qtr Ended 30/09/2016 RM'000</b>	<b>Preceding Qtr Ended 30/06/2016 RM'000</b>	<b>% Changes</b>
Turnover	2,891	6,100	-52.6%
Loss Before Taxation ("LBT")	(2,434)	(1,700)	43.2%

The Group recorded a revenue of RM2.9 million and LBT of RM2.4 million in the current quarter as compared to a revenue of RM6.1 million and LBT of RM1.7 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 52.6% and an increase in LBT of 43.2% 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**

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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.

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. We are currently working with Sefam (a French Company) and u-wish (a Taiwan Company) to bundle our Kcard with their CPAP machine. The Group has started to supply to u-Wish to be bundle with their CPAP machine.

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 and its subsidiaries, no taxable profit is expected due to the losses made on the year-to-date.

**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. Subsequently, the said corporate exercise were granted further extension as per our announcements dated 30 Nov 2015 and 13 June 2016 by Bursa to complete the implementation until 14 December 2016.

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	5,314	-
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 30 September 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**

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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 30/09/2016 RM'000</b>	<b>Group 30/06/2016 RM'000</b>
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(42,305)	(39,802)
- Unrealised - in respect of other items of income and expense	46	(16)
Total Group accumulated losses as per consolidated accounts	<u>(42,259)</u>	<u>(39,818)</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 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:

	<b>Individual Quarter Ended</b>		<b>Cumulative YTD</b>	
	<b>30-Sep-16</b>	<b>30-Sep-15</b>	<b>30-Sep-16</b>	<b>30-Sep-15</b>
Loss After Taxation & Minority Interest (RM'000)	(2,440)	(3,840)	(6,246)	(11,911)
Weighted average number of ordinary shares in issue ('000)	834,381	802,487	834,381	802,487
Basic Loss Per Share (Sen)	<u>(0.29)</u>	<u>(0.48)</u>	<u>(0.75)</u>	<u>(1.48)</u>

(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>30-Sep-16</b>	<b>30-Sep-15</b>	<b>30-Sep-16</b>	<b>30-Sep-15</b>
Loss After Taxation & Minority Interest (RM'000)	(2,440)	(3,840)	(6,246)	(11,911)
Dilutive shares on option outstanding ('000)	834,381	802,487	834,381	802,487
Dilutive Loss Per Share (Sen)	<u>(0.29)</u>	<u>(0.48)</u>	<u>(0.75)</u>	<u>(1.48)</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.