

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

	Note	Unaudited Current Qtr Ended 31/12/2016 RM'000	Unaudited Comparative Qtr Ended 31/12/2015 RM'000	Unaudited Cumulative YTD 31/12/2016 RM'000	Audited Cumulative YTD 31/12/2015 RM'000
Revenue		3,515	6,897	17,011	19,253
Cost of sales		(2,872)	(1,441)	(13,273)	(11,185)
<b>Gross profits</b>		<b>643</b>	<b>5,456</b>	<b>3,738</b>	<b>8,068</b>
Other income					
Administrative expenses		62	747	153	963
Selling and distribution expenses		(609)	(667)	(2,141)	(2,569)
Research and development expenses		(516)	(332)	(1,762)	(1,560)
		(1,564)	(3,102)	(7,935)	(14,054)
<b>Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment</b>		<b>(1,984)</b>	<b>2,102</b>	<b>(7,947)</b>	<b>(9,152)</b>
Depreciation		(88)	(117)	(364)	(395)
Amortisation of Intangible Assets		-	(111)	-	(476)
<b>Earnings Before Interest, Taxes, and Impairment</b>		<b>(2,072)</b>	<b>1,874</b>	<b>(8,311)</b>	<b>(10,023)</b>
Impairment		-	(3,882)	-	(3,905)
<b>Loss before tax</b>		<b>(2,072)</b>	<b>(2,008)</b>	<b>(8,311)</b>	<b>(13,928)</b>
Loss before tax is stated after charging/(crediting):-					
Interest income		-	(2)	(1)	(30)
Depreciation and amortisation		88	228	364	870
Impairment of assets		-	3,882	-	3,905
Foreign exchange gain or loss		65	(563)	(2)	(778)
Income tax expense	19	-	-	(6)	-
<b>Loss for the period</b>		<b>(2,072)</b>	<b>(2,008)</b>	<b>(8,317)</b>	<b>(13,928)</b>
Foreign currency translation		(153)	(35)	960	(530)
<b>Total Comprehensive Loss</b>		<b>(2,225)</b>	<b>(2,043)</b>	<b>(7,357)</b>	<b>(14,458)</b>
Loss attributable to:					
Equity holders of the Company		(2,072)	(2,008)	(8,317)	(13,928)
Total comprehensive loss attributable to:					
Equity holders of the Company		(2,225)	(2,043)	(7,357)	(14,458)
Basic loss per share (sen)	28	(0.25)	(0.24)	(1.00)	(1.69)
Diluted loss per share (sen)	28	(0.25)	(0.24)	(1.00)	(1.69)

**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 December 2016

	<b>Unaudited As At 31/12/2016 RM'000</b>	<b>Audited As At 31/12/2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	570	934
Intangible assets	16,494	16,494
	<hr/> 17,064	<hr/> 17,428
<b>Current assets</b>		
Trade receivables	7,401	6,422
Other receivables	1,324	2,098
Inventories	910	956
Cash and cash equivalents	1,418	3,447
	<hr/> 11,053	<hr/> 12,923
	<hr/> <hr/> 28,117	<hr/> <hr/> 30,351
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	42,069	41,423
Share premium	19,531	18,453
Treasury shares	-	(336)
Accumulated loss	(44,330)	(36,013)
ESOS reserve	224	224
Other reserve	297	(663)
	<hr/> 17,791	<hr/> 23,088
<b>Total Equity</b>		
<b>Current liabilities</b>		
Trade payables	2,866	4,454
Other payables	7,272	2,809
Tax liabilities	188	-
	<hr/> 10,326	<hr/> 7,263
	<hr/> <hr/> 10,326	<hr/> <hr/> 7,263
<b>Total liabilities</b>		
	<hr/> <hr/> 28,117	<hr/> <hr/> 30,351
<b>TOTAL EQUITY AND LIABILITIES</b>		
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0213	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 December 2016

	<b>Unaudited 12 Months Ended 31/12/2016 RM'000</b>	<b>Audited 12 Months Ended 30/12/2015 RM'000</b>
<b>Cash Flow From Operating Activities</b>		
(Loss) before taxation	(8,311)	(13,928)
Adjustments for:		
Amortisation of intangible assets	-	476
Depreciation of property, plant and equipment	364	395
Foreign exchange translation	960	(649)
Exceptional items:		
Impairment loss on intangible assets		3,882
Impairment loss on other receivables	-	23
Reversal of impairment loss on trade receivables		(22)
Interest income	(1)	(30)
Operating (loss) before working capital changes	(6,988)	(9,853)
Changes in working capital:-		
(Increase) / Decrease in inventories	46	401
(Increase) / Decrease in receivables	(205)	(1,338)
Increase/(Decrease) in payables	2,875	(57)
Cash used in operations	(4,272)	(10,847)
Interest received	1	30
Tax refund	182	26
Net cash flow used in operating activities	(4,089)	(10,791)
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant & equipment	-	(101)
Purchase of intangible assets	-	-
Net cash used in investing activities	-	(101)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	1,724	4,351
Payment for shares buy-back	336	-
Proceeds from resale of treasury shares	-	27
Net cash used in financing activities	2,060	4,378
<b>Net decrease in cash and cash equivalents</b>	(2,029)	(6,514)
<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>	1,418	3,447

**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 December 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	-	-	-	-	960	(8,317)	(7,357)	-	(7,357)		
Buy-back of ordinary shares	-	-	336	-	-	-	336	-	336		
Issuance of shares	646	1,078	-	-	-	-	1,724	-	1,724		
<b>At 31 December 2016 (Unaudited)</b>	42,069	19,531	-	224	297	(44,330)	17,791	-	17,791		
<b>At 1 January 2015</b>	40,250	14,887	(363)	613	(73)	(22,146)	33,168	-	33,168		
Total Comprehensive Loss	-	-	-	-	(590)	(13,867)	(14,457)	-	(14,457)		
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-		
Issuance of shares	1,173	3,566	27	(389)	-	-	4,377	-	4,377		
<b>At 31 December 2015 (Audited)</b>	41,423	18,453	(336)	224	(663)	(36,013)	23,088	-	23,088		

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 31 December 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 31 December 2016</b>				
<b>Segment Revenue</b>				
Sales	362	3,238	(85)	3,515
<b>Segment LBT</b>				
Loss before tax	(661)	(1,473)		(2,134)
Other income				62
Loss before tax				<u>(2,072)</u>
Depreciation	30	58	-	88
Non cash expenses other than depreciation	-	-	-	-
<b>Cumulative YTD ended 31 December 2016</b>				
<b>Segment Revenue</b>				
Sales	8,684	9,926	(1,599)	17,011
<b>Segment LBT</b>				
Loss before tax	(7,393)	(1,055)	(16)	(8,464)
Other income				153
Loss before tax				<u>(8,311)</u>
Depreciation	118	246	-	364
Non cash expenses other than depreciation	-	-	-	-
Segment assets	27,980	2,870	(2,733)	28,117
Segment liabilities	8,784	3,811	(2,268)	10,327
Capital expenditure	-	-	-	-
<b>Geographical Segments</b>				
	<b>Total Revenue</b>		<b>Total (LBT)</b>	
	<b>Qtr Ended</b>		<b>Qtr Ended</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysia	298	5,356	(1,222)	(802)
Taiwan	3,217	1,541	(850)	(1,206)
	<u>3,515</u>	<u>6,897</u>	<u>(2,072)</u>	<u>(2,008)</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 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 December 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 RM2.1 million on the back of revenue of RM3.5 million representing an increase in losses as compared to the loss before tax of RM2million 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 31/12/2016 RM'000</b>	<b>Preceding Qtr Ended 30/09/2016 RM'000</b>	<b>% Changes</b>
Turnover	3,515	2,891	21.6%
Loss Before Taxation ("LBT")	(2,072)	(2,434)	-14.9%

The Group recorded a revenue of RM3.5 million and LBT of RM2.1 million in the current quarter as compared to a revenue of RM2.9 million and LBT of RM2.4 million in the immediate preceding quarter. This represents an increase in revenue of approximately 21.6% and a decrease in LBT of 14.9% respectively as compared to preceding quarter. The increase in revenue is mainly due to higher demand from recurring engineering services and non-recurring engineering services in current quarter.

**17. Commentary Of Prospects**

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Key ASIC has officially launched its K-Card product and recently K-Drive into the market and currently selling through authorised distributors and online channels. The sales response on both products are sluggish so far and the Company has put in place several sales strategies including promoting through trade shows to boost up the demand. 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. On 19 January 2017, a further extension of time of six (6) months were granted from 15 December 2016 until 14 June 2017 to complete the implementation of the Private Placement.

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:-

<b>Description</b>	<b>Proposed Utilisation (RM'000)</b>	<b>Actual Utilisation (RM'000)</b>	<b>Balance to be utilized (RM'000)</b>
Research and development	5,383	5,383	-
Working capital	930	930	-
Estimated expenses in relation to the Private Placement	300	27	273

**23. Group Borrowings and Debt Securities**

The Group does not have any borrowing or issued any debt securities as at 31 December 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 31/12/2016 RM'000</b>	<b>Group 30/09/2016 RM'000</b>
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(44,406)	(42,305)
- Unrealised - in respect of other items of income and expense	75	46
Total Group accumulated losses as per consolidated accounts	<u>(44,331)</u>	<u>(42,259)</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>31-Dec-16</b>	<b>31-Dec-15</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Loss After Taxation & Minority Interest (RM'000)	<u>(2,072)</u>	<u>(2,008)</u>	<u>(8,317)</u>	<u>(13,928)</u>
Weighted average number of ordinary shares in issue ('000)	<u>834,381</u>	<u>826,067</u>	<u>834,381</u>	<u>826,067</u>
Basic Loss Per Share (Sen)	<u>(0.25)</u>	<u>(0.24)</u>	<u>(1.00)</u>	<u>(1.69)</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>31-Dec-16</b>	<b>31-Dec-15</b>	<b>31-Dec-16</b>	<b>31-Dec-15</b>
Loss After Taxation & Minority Interest (RM'000)	<u>(2,072)</u>	<u>(2,008)</u>	<u>(8,317)</u>	<u>(13,928)</u>
Dilutive shares on option outstanding ('000)	<u>834,381</u>	<u>826,067</u>	<u>834,381</u>	<u>826,067</u>
Dilutive Loss Per Share (Sen)	<u>(0.25)</u>	<u>(0.24)</u>	<u>(1.00)</u>	<u>(1.69)</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 22 February 2017