

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 28 February 2019

	Note	Unaudited Current Qtr Ended 28/02/2019 RM'000	Unaudited Comparative Qtr Ended 28/02/2018 RM'000	Unaudited Cumulative YTD 28/02/2019 RM'000	Unaudited Cumulative YTD 28/02/2018 RM'000
Revenue		5,048	6,583	19,639	20,445
Cost of sales		(3,172)	(2,852)	(11,150)	(10,178)
Gross profits		1,876	3,731	8,489	10,267
Other income		125	46	223	181
Administrative expenses		(472)	(519)	(1,668)	(1,701)
Selling and distribution expenses		(431)	(239)	(1,136)	(737)
Research and development expenses		(1,592)	(1,760)	(4,067)	(5,180)
Earnings/(Loss) Before Interest, Taxes, Depreciation, Amortisation and Impairment		(494)	1,259	1,841	2,830
Depreciation		(48)	(72)	(142)	(283)
Amortisation of Intangible Assets		(311)	(165)	(932)	(495)
Earnings/(Loss) Before Interest, Taxes, and Impairment		(853)	1,022	767	2,052
Impairment		-	-	-	-
Profit/(Loss) before tax		(853)	1,022	767	2,052
Profit/(Loss) before tax is stated after charging/(crediting):-					
Interest income		(28)	(3)	(55)	(12)
Depreciation and amortisation		359	237	1,074	778
Foreign exchange gain or loss		(97)	8	(145)	(35)
Income tax expense	19	-	-	-	-
Profit/(Loss) for the period		(853)	1,022	767	2,052
Foreign currency translation		(366)	(7)	(665)	(124)
Total Comprehensive Profit/(Loss)		(1,219)	1,015	102	1,928
Profit attributable to:					
Equity holders of the Company		(853)	1,022	767	2,052
Total comprehensive profit attributable to:					
Equity holders of the Company		(1,219)	1,015	102	1,928
Basic earning per share (sen)	28	(0.09)	0.11	0.08	0.23
Diluted earning per share (sen)	28	(0.09)	0.11	0.08	0.23

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2018 and the accompanying explanatory notes enclosed to the interim financial statements.

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Financial Position
For The Period Ended 28 February 2019

	Unaudited As At 28/02/2019 RM'000	Audited As At 31/05/2018 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	311	408
Intangible assets	17,306	18,238
	17,617	18,646
Current assets		
Trade and other receivables	11,804	12,268
Inventories	1,577	1,126
Cash and cash equivalents	8,993	1,367
	22,374	14,761
	39,991	33,407
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	29,992	67,472
Share premium	-	-
Treasury shares	-	-
Accumulated loss	4,550	(42,217)
ESOS reserve	39	39
Other reserve	(1,310)	(645)
	33,271	24,649
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	16	16
	16	16
Current liabilities		
Trade and other payables	6,646	8,740
Tax liabilities	58	2
	6,704	8,742
	6,720	8,758
TOTAL EQUITY AND LIABILITIES		
	39,991	33,407
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0350	0.0295

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KEY ASIC BHD
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Condensed Consolidated Cash Flow Statements
For The Period Ended 28 February 2019

	Unaudited 9 Months Ended 28/02/2019 RM'000	Audited 12 Months Ended 31/05/2018 RM'000
Cash Flow From Operating Activities		
Profit/(Loss) before taxation	767	3,715
Adjustments for:		
Amortisation of intangible assets	932	683
Depreciation of property, plant and equipment	142	310
Foreign exchange translation	(665)	(27)
Exceptional items:		
Impairment loss on intangible assets		-
Inventories written off	-	94
Impairment loss on other receivables		(126)
Deposit forfeited	-	-
Reversal of impairment loss on trade receivables		(876)
Share option expenses		-
Interest income	(55)	(6)
Operating profit/(loss) before working capital changes	1,121	3,767
Changes in working capital:-		
(Increase) / Decrease in inventories	(451)	206
(Increase) / Decrease in receivables	464	(5,889)
Increase/(Decrease) in payables	(2,094)	(721)
Cash used in operations	(960)	(2,637)
Interest received	55	6
Tax refund / (paid)	56	-
Net cash flow used in operating activities	(849)	(2,631)
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(45)	(13)
Purchase of intangible assets		(3,362)
Purchase of investment in subsidiary	-	-
Net cash used in investing activities	(45)	(3,375)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	8,520	4,709
Payment for shares buy-back		-
Proceeds from resale of treasury shares	-	-
Advances from a director		99
Net cash used in financing activities	8,520	4,808
Net decrease in cash and cash equivalents	7,626	(1,198)
Effects of changes in exchange rates	-	(8)
Cash and cash equivalents as at 1 June	1,367	2,573
Cash and cash equivalents as at end of the financial period	8,993	1,367

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2018 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 28 February 2019
(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 June 2018	67,472	-	-	39	(645)	(42,217)	24,649	-	24,649
Total Comprehensive Profit/(Loss)	-	-	-	-	(665)	767	102	-	102
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-
Issuance of shares	8,520	-	-	-	-	-	8,520	-	8,520
Share Capital Reduction	(46,000)	-	-	-	-	46,000	-	-	-
At 28 February 2019 (Unaudited)	29,992	-	-	39	(1,310)	4,550	33,271	-	33,271

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2018 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 28 February 2019 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 May 2018. 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 May 2018.

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 May 2018, except for the adoption of new/revised MFRSs that are effective 1 June 2018. 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 May 2018 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 28 February 2019				
Segment Revenue				
Sales	2,553	2,620	(125)	5,048
Segment LBT				
Profit/(Loss) before tax	(1,494)	516		(978)
Other income				125
Profit before tax				<u>(853)</u>
Depreciation	6	42	-	48
Non cash expenses other than depreciation	311	-	-	311
Cumulative YTD ended 28 February 2019				
Segment Revenue				
Sales	7,255	12,636	(252)	19,639
Segment LBT				
Profit/(Loss) before tax	(1,250)	1,794		544
Other income				223
Profit before tax				<u>767</u>
Depreciation	24	118	-	142
Non cash expenses other than depreciation	932	-	-	932
Segment assets	41,186	1,643	(2,838)	39,991
Segment liabilities	7,342	1,244	(1,866)	6,720
Capital expenditure	21	24	-	45
Geographical Segments				
	Total Revenue		Total PBT/(LBT)	
	Qtr Ended		Qtr Ended	
	28/02/2019	28/02/2018	28/02/2019	28/02/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,547	2,687	(618)	294
Taiwan	2,501	3,896	(235)	728
	<u>5,048</u>	<u>6,583</u>	<u>(853)</u>	<u>1,022</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 28 February 2019.

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 28 February 2019.

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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 RM0.85 million on the back of revenue of RM5.05 million.

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

	Current Qtr Ended 28/02/19 RM'000	Preceding Qtr Ended 30/11/18 RM'000	% Changes
Turnover	5,048	6,642	-24.0%
Profit/(Loss) Before Taxation	(853)	311	-374.3%

The Group recorded a revenue of RM5.05 million and LBT of RM0.85 million in the current quarter as compared to a revenue of RM6.64 million and PBT of RM0.31 million in the immediate preceding quarter. This represents a decrease in revenue of approximately 24.0% and a decrease in PBT of 374.3% respectively as compared to preceding quarter.

17. Commentary Of Prospects

The Company has six consecutive profitable quarters largely attributed to the increase shipment of the ASIC and IOT products. IOT project engagements have increase over the last few months in the area of resources and green energies with smart meter and smart grid. The Company's AI technology has attracted a quite a number of engagements and most of the projects are in the healthcare. The C2D2 project using AI chip for cancer cells recognition is on trial with pathology labs of renowned hospitals. AI products are expected to be the significant revenue contributor in the future.

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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 at the Extraordinary General Meeting held on 27 February 2018 obtained the shareholders' approval for a private placement exercise to issue up to 222,743,750 new ordinary shares in the Company representing not more than twenty five percent (25%) of the issued share capital of the company ("Private Placement").

60,000,000 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)
Payment for cost of sales	20,696	4,440	16,256
Payment of salaries	21,600	1,799	19,801
Payment of office rentals	480	97	383
Payment of licensing fees of EDA tools	4,000	2,184	1,816

Bursa Malaysia Securities Berhad had, vide its letter dated 20 July 2018, granted the Company approval for a further extension of time of six months from 26 January 2019 to 25 July 2019 to complete the Proposed Private Placement.

On 23 November 2018, the Company had obtained shareholders' approval for the Capital Reduction exercise. The said proposal was completed on 18 February 2019.

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 28 February 2019.

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 June 2018 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:

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	Group 28/02/2019 RM'000	Group 30/11/2018 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	4,560	(40,626)
- Unrealised - in respect of other items of income and expense	(10)	30
Total Group accumulated losses as per consolidated accounts	<u>4,550</u>	<u>(40,596)</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 28 February 2019.

28. Loss Per Share

(a) Basic

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

	Individual Quarter Ended		Cumulative YTD	
	28-Feb-19	28-Feb-18	28-Feb-19	28-Feb-18
Profit After Taxation & Minority Interest (RM'000)	(853)	1,022	767	2,052
Weighted average number of ordinary shares in issue ('000)	950,569	892,302	950,569	892,302
Basic Earning Per Share (Sen)	(0.09)	0.11	0.08	0.23

(b) Dilutive

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

	Individual Quarter Ended		Cumulative YTD	
	28-Feb-19	28-Feb-18	28-Feb-19	28-Feb-18
Profit After Taxation & Minority Interest (RM'000)	(853)	1,022	767	2,052
Dilutive shares on option outstanding ('000)	950,569	892,302	950,569	892,302
Basic Earning Per Share (Sen)	(0.09)	0.11	0.08	0.23

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 29 April 2019.