

KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 31 August 2020

	Note	Unaudited Current Qtr Ended 31/08/2020 RM'000	Unaudited Comparative Qtr Ended 31/08/2019 RM'000	Unaudited Cumulative YTD 31/08/2020 RM'000	Unaudited Cumulative YTD 31/08/2019 RM'000
Revenue		4,390	3,124	4,390	3,124
Cost of sales		(3,089)	(2,430)	(3,089)	(2,430)
Gross profits		<u>1,301</u>	<u>694</u>	<u>1,301</u>	<u>694</u>
Other income		9	25	9	25
Administrative expenses		(625)	(593)	(625)	(593)
Selling and distribution expenses		(398)	(341)	(398)	(341)
Research and development expenses		(952)	(926)	(952)	(926)
Earnings/(Loss) Before Interest, Taxes, Depreciation and		<u>(665)</u>	<u>(1,141)</u>	<u>(665)</u>	<u>(1,141)</u>
Depreciation		(161)	(39)	(161)	(39)
Amortisation of Intangible Assets		(311)	(311)	(311)	(311)
Profit/(Loss) before tax		<u>(1,137)</u>	<u>(1,491)</u>	<u>(1,137)</u>	<u>(1,491)</u>
Profit/(Loss) before tax is stated after charging/(crediting):-					
Interest income		(8)	(13)	(8)	(13)
Depreciation and amortisation		472	350	472	350
Foreign exchange gain or loss		32	123	32	123
Income tax expense	19	(3)	-	(3)	-
Profit/(Loss) for the period		<u>(1,140)</u>	<u>(1,491)</u>	<u>(1,140)</u>	<u>(1,491)</u>
Foreign currency translation		(141)	-	(141)	-
Total Comprehensive Profit/(Loss)		<u>(1,281)</u>	<u>(1,491)</u>	<u>(1,281)</u>	<u>(1,491)</u>
Profit attributable to:					
Equity holders of the Company		<u>(1,140)</u>	<u>(1,491)</u>	<u>(1,140)</u>	<u>(1,491)</u>
Total comprehensive profit attributable to:					
Equity holders of the Company		<u>(1,281)</u>	<u>(1,491)</u>	<u>(1,281)</u>	<u>(1,491)</u>
Basic earning per share (sen)	28	(0.10)	(0.16)	(0.10)	(0.16)
Diluted earning per share (sen)	28	(0.10)	(0.16)	(0.10)	(0.16)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2020 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 31 August 2020

	Unaudited As At 31/08/2020 RM'000	Audited As At 31/05/2020 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	727	662
Intangible assets	15,483	15,800
Right of used asset	1,024	1,159
	<u>17,234</u>	<u>17,621</u>
Current assets		
Trade and other receivables	3,346	2,176
Inventories	1,973	842
Cash and cash equivalents	12,415	8,593
	<u>17,734</u>	<u>11,611</u>
TOTAL ASSETS	<u>34,968</u>	<u>29,232</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	42,137	35,256
Accumulated profit / (loss)	(17,301)	(16,161)
ESOS reserve	1,447	1,685
Other reserve	(588)	(447)
Total Equity	<u>25,695</u>	<u>20,333</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	-	6
	<u>-</u>	<u>6</u>
Current liabilities		
Trade and other payables	7,273	7,698
Tax liabilities	188	18
Lease Liabilities - ROUA	1,812	1,177
	<u>9,273</u>	<u>8,893</u>
Total liabilities	<u>9,273</u>	<u>8,899</u>
TOTAL EQUITY AND LIABILITIES	<u>34,968</u>	<u>29,232</u>
Net Assets Per Share Attributable to Equity of Parent (RM)	0.0221	0.0192

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KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Cash Flow Statements
For The Period Ended 31 Aug 2020

	Unaudited 3 Months Ended 31/08/2020 RM'000	Audited 12 Months Ended 31/05/2020 RM'000
Cash Flow From Operating Activities		
Profit/(Loss) before taxation	(1,137)	(18,708)
Adjustments for:		
Amortisation of intangible assets	320	1,250
Depreciation of Right of used assets	104	462
Depreciation of property, plant and equipment	53	188
Foreign exchange translation	(140)	(496)
Exceptional items:		
Inventories written off	-	59
Impairment loss on trade receivables	-	10,047
Other receivables written off	-	31
ESOS expenses	-	1,694
Interest Expense	-	35
Interest income	(8)	(21)
Operating profit/(loss) before working capital changes	<u>(808)</u>	<u>(5,459)</u>
Changes in working capital:-		
(Increase) / Decrease in inventories	(1,130)	105
(Increase) / Decrease in receivables	(1,171)	(339)
Increase/(Decrease) in payables	344	349
Cash used in operations	<u>(2,765)</u>	<u>(5,344)</u>
Interest received	8	22
Tax refund / (paid)	161	-
Net cash flow used in operating activities	<u>(2,596)</u>	<u>(5,322)</u>
Cash Flow From Investing Activities		
Purchase of property, plant & equipment	(126)	(206)
Purchase of intangible assets	-	(55)
Net cash used in investing activities	<u>(126)</u>	<u>(261)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	6,642	5,235
Repayment of Lease Liabilities	(98)	(458)
Advances from a director	-	303
Net cash used in financing activities	<u>6,544</u>	<u>5,080</u>
Net decrease in cash and cash equivalents	3,822	(503)
Effects of changes in exchange rates	-	19
Cash and cash equivalents as at 1 June	8,593	9,077
Cash and cash equivalents as at end of the financial period	<u>12,415</u>	<u>8,593</u>

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KEY ASIC BHD
(Company No. 707082-M)
Condensed Consolidated Statements of Changes in Equity
For The Period Ended 31 August 2020
(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 2020	35,256	-	-	1,685	(447)	(16,161)	20,333	-	20,333		
Total Comprehensive Profit/(Loss)	-	-	-	-	(141)	(1,140)	(1,281)	-	(1,281)		
Issuance of shares	6,881	-	-	(238)	-	-	6,643	-	6,643		
At 31 August 2020 (Unaudited)	42,137	-	-	1,447	(588)	(17,301)	25,695	-	25,695		

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 May 2020 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 August 2020 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 2020. 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 2020.

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 2020, except for the adoption of new/revised MFRSs that are effective 1 June 2020. 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 2020 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 August 2020				
Segment Revenue				
Sales	220	4,303	(133)	4,390
Segment LBT				
Profit/(Loss) before tax	(2,115)	969	-	(1,146)
Other income				9
Profit before tax				<u>(1,137)</u>
Depreciation	85	76	-	161
Non cash expenses other than depreciation	311	-	-	311
Cumulative YTD ended 31 August 2020				
Segment Revenue				
Sales	220	4,303	(133)	4,390
Segment LBT				
Profit/(Loss) before tax	(2,115)	969	-	(1,146)
Other income				9
Profit before tax				<u>(1,137)</u>
Depreciation	85	76	-	161
Non cash expenses other than depreciation	311	-	-	311
Segment assets	36,307	781	(2,120)	34,968
Segment liabilities	9,798	1,174	(1,699)	9,273
Capital expenditure	93	33		126
Geographical Segments				
	Total Revenue		Total PBT/(LBT)	
	Qtr Ended	Qtr Ended	Qtr Ended	Qtr Ended
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	270	289	(1,542)	(1,515)
Taiwan	4,120	2,835	405	24
	<u>4,390</u>	<u>3,124</u>	<u>(1,137)</u>	<u>(1,491)</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 August 2020.

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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 August 2020.

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 RM1.14 million on the back of revenue of RM4.39 million.

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

	Current Qtr Ended 31/08/2020 RM'000	Preceding Qtr Ended 31/05/2020 RM'000	% Changes
Turnover	4,390	3,183	37.9%
Profit/(Loss) Before Taxation	(1,137)	(13,176)	-91.4%

The Group recorded a revenue of RM4.39 million and LBT of RM1.14 million in the current quarter as compared to a revenue of RM3.18 million and LBT of RM13.17 million in the immediate preceding quarter. This represents an increase in revenue of approximately 37.9% and an decrease in LBT of 91.4% respectively as compared to preceding quarter.

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17. Commentary Of Prospects

The ASIC design business continues to be impacted positively by the pandemic, generating stronger demand for chips for ventilators due to the second wave of COVID-19 in Europe and U.S. The Group has received orders of such chips for delivery till middle of 2021. The number of new design has also increased and these designs will build the revenue pipeline for the next few years. The Group continues to make progress in the development of the KeyPATH products and there is strong interest on the Artificial Intelligence used in the medical areas. The pandemic has not only accelerated the adoption of telemedicine from doctors to patients, doctors at the back end such as pathologists and radiologists are also looking Internet of Medical Things and Artificial Intelligence technologies to increase the productivity and quality of their works.

In addition to the medical applications, there is also strong demand for edge Artificial Intelligence of C2D2 in the surveillance market. The Group is currently working with a few very large potential companies in developing Edge Artificial Intelligence Surveillance system for the China market.

The Group has been making aggressive investment in development of more IP blocks for SoC/ASIC design related to IoT, Artificial Intelligence, power management for ultra low power applications and high precision sensors for medical applications. This investment shall generate significant licensing fees for the Group in the next few years.

18. Profit Forecast and Profit Guarantee

The Company did not announce any profit guarantee to date.

19. Taxation

The tax expenses for the period ending 31 August 2020 consist of the following :

Current tax expenses	RM'000
Deferred tax expenses	(3)
	<u>(3)</u>

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 Extra Ordinary 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").

As at the date of this report, 222,642,250 new ordinary shares were issued pursuant to the Private Placement and were subsequently listed and quoted on the Main Market of Bursa Securities Berhad. The details of the utilisation of proceeds from the Private Placement were as follows :-

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance to be Utilised RM'000
Payment for cost of sales	20,696	9,128	11,568
Payment of salaries	21,600	5,396	16,204
Payment of office rentals	480	342	138
Payment of licensing fees of EDA tools	4,000	3,455	545

The Proposed Private Placement is deemed completed on 14 July 2020.

23. Group Borrowings and Debt Securities

The Group does not have any borrowing or issued any debt securities as at 31 August 2020

24. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments as at the date of this report.

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25. Material Litigation

There was no pending material litigation from 1 June 2020 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 31/08/2020 RM'000	Group 31/05/2020 RM'000
Total accumulated losses of Key ASIC Berhad and it's subsidiaries:		
- Realised	(17,332)	(16,240)
- Unrealised - in respect of other items of income and expense	31	79
Total Group accumulated losses as per consolidated accounts	<u>(17,301)</u>	<u>(16,161)</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 August 2020.

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	
	31-Aug-20	31-Aug-19	31-Aug-20	31-Aug-19
Profit After Taxation & Minority Interest (RM'000)	(1,140)	(1,491)	(1,140)	(1,491)
Weighted average number of ordinary shares in issue ('000)	1,160,101	950,569	1,160,101	950,569
Basic Earning Per Share (Sen)	<u>(0.10)</u>	<u>(0.16)</u>	<u>(0.10)</u>	<u>(0.16)</u>

(b) Dilutive

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

	Individual Quarter Ended		Cumulative YTD	
	31-Aug-20	31-Aug-19	31-Aug-20	31-Aug-19
Profit After Taxation & Minority Interest (RM'000)	(1,140)	(1,491)	(1,140)	(1,491)
Dilutive shares on option outstanding ('000)	1,172,654	950,569	1,172,654	950,569
Basic Earning Per Share (Sen)	<u>(0.10)</u>	<u>(0.16)</u>	<u>(0.10)</u>	<u>(0.16)</u>

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 26 October 2020.