


keyASIC

KEY ASIC BERHAD

200501024949 (707082-M)




ANNUAL REPORT
2020



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CORPORATE INFORMATION

Board of Directors

Eg Kah Yee
Executive Chairman, Chief Executive Officer

Benny T. Hu @ Ting Wu Hu
Independent Non-Executive Director

N.Chanthiran A/L Nagappan
Independent Non-Executive Director

Chen, Chia-Yin
Independent Non-Executive Director

Prof. Low Teck Seng
Independent Non-Executive Director

Audit Committee

Benny T. Hu @ Ting Wu Hu
Chairman / Independent Non-Executive Director

N.Chanthiran A/L Nagappan
Independent Non-Executive Director

Chen, Chia-Yin
Independent Non-Executive Director

Company Secretaries

Wong Wai Foong
SSM PC NO. 202008001472 (MAICSA 7001358)
Joanne Toh Joo Ann
SSM PC NO. 202008001119 (LS 0008574)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9191
Fax : 03-2783 9111

Business Address

6th Floor, Unit 3
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Tel : 03-7729 3300
Fax : 03-7729 1300

Share Registrar

Tricor Investor & Issuing House Services
Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Main
Market)
Stock Name : KEYASIC
Stock Code : 0143

Corporate Solicitor

Rajah, Lau & Associates
B-13-13, Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 03-2710 5587
Fax : 03-2710 5589

Auditors

CAS Malaysia PLT (LLP0009918-LCA) &
(AF 1476)
B-5-1, IOI Boulevard, Jalan Kenari 5,
Bandar Puchong Jaya,
47170 Puchong,
Selangor Darul Ehsan
Tel : 03-8600 5463

Principal Bankers

United Overseas Bank (Malaysia) Bhd
Public Bank Berhad

Corporate Website

www.keyasic.com

BOARD OF DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

EG KAH YEE

Eg Kah Yee, a Malaysian, Male, aged 60, was appointed to the Board of Directors of Key ASIC Berhad ("Key ASIC" or "Group") as a Non-Independent Non-Executive Chairman on 15 June 2006. He was redesignated as the Chief Executive Officer on 30 October 2014. He graduated with Bachelor of Computer Science degree from West Virginia University, USA in 1983. He started his career as a research and development ("R&D") Engineer with Phoenix Data Systems Inc., Santa Clara, California, USA, before joining Daisy Systems Corporation ("Daisy"), a company listed on the NASDAQ Market and a pioneer in computer aided engineering in electronic designs, as R&D Project Manager.

While he was in Daisy, he assumed various positions such as Regional Technical Director, Country Manager (Taiwan) and Director of North Asia Region. In 1990, he joined Synopsys Inc., a company listed on the NASDAQ Market, which pioneered the high level design for Application Specific Integrated Circuit and Very-large-scale Integration, as Regional Manager for South Asia Pacific Operations and was subsequently promoted as General Manager for Asia Pacific Operations in 1992. He left Synopsys Inc. in 1996 and founded Palette Multimedia Berhad (now known as UCrest Berhad) in 1997 and has been the Chairman/Managing Director since then. Currently, he is the Chairman of Malaysia Integrated Circuit Design Association and he also sits on the Board of Directors of various private limited companies.

He is a Major Shareholder of Key ASIC through Key ASIC Limited. He does not have any family relationship with any other Director and / or Major Shareholders. He does not have any conflict of interest with the Company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

BENNY T. HU @ TING WU HU

Benny T. Hu @ Ting Wu Hu, Taiwanese, Male, aged 71, was appointed to the Board of Key ASIC as Independent Non-Executive Director on 14 October 2009. He graduated in Master in Business Administration degree from Wharton School, University of Pennsylvania and started his career as a Manager in Bankers Trust Company. He has more than 40 years of experience in finance and investment industry. He was the President and later Chairman of China Development Industrial Bank, the largest venture capital and investment firm in Taiwan with an investment portfolio over USD3 billion, from 1993 to 2004. The investment portfolio consists of over 500 investee companies, in which 80% of them are IT related companies. He has been actively involved in the semiconductor industry and was a former Vice Chairman and founder of World Semiconductor Manufacturing Corporation from 1996 to 2001. He has been a member of Rand Corporation Asia Pacific board and a board member of Stanford Institute of Economic Policy Research since 2000. Currently, he is the Chairman of National Taiwan University Incubation and Innovation Company, which the main objective is to provide financial and operational assistance to Taiwan's startup companies. In addition, he also chairs multiple integrated circuit or semiconductor related companies or focused venture funds. He is the Chairman of the Audit Committee and the Nomination Committee.

Mr Benny Hu does not hold any directorship in other public companies.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**BOARD OF DIRECTORS
AND SENIOR MANAGEMENT'S PROFILE**

(CONT'D)

N. CHANTHIRAN A/L NAGAPPAN

N. Chanthiran A/L Nagappan, a Malaysian, Male, aged 55, was appointed to the Board of Directors of Key ASIC as an Independent Non-Executive Director on 14 December 2007. He graduated with a Bachelor of Accounting (Honours) degree from University of Malaya in 1988. He is also a Chartered Accountant, Certified Public Accountants, Certified Risk Professional and Certified Financial Planner. He started his career as tax executive in Coopers & Lybrand in 1988. In 1994, he joined Arab Merchant Bank Berhad as Assistant Manager. In 1995, he worked as Corporate Finance Manager with Sadec Group. He started his Audit practice in 2001. He has more than 20 years of corporate finance experience in the areas of listing, financial and corporate restructuring, mergers and acquisition. Currently, he is a partner of Chanthiran & Co. and CN & Associates. He is the Chairman of the Option Committee and a member of the Audit Committee of Key ASIC.

Mr N. Chanthiran does not hold any directorship in other public companies.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHEN, CHIA-YIN

Chen, Chia-Yin, a Taiwanese, Female, aged 45, was appointed to the Board of Directors of Key ASIC as an Independent Non-Executive Director on 24 June 2014. She vacated office pursuant to Paragraph 15.05(3)(C) of the Main Market listing requirements of Bursa Malaysia Securities Berhad and was re-appointed on 25 September 2020.

Her first career is with China Development Industrial Bank ("CDIB") as a Manager in Overseas Investment department mostly responsible for investment activities in the fields of banking and finance related acquisition projects in Southeast Asia, IT and Semiconductor venture investments in Japan and Silicon Valley, distressed asset joint venture investment project in New York and managing portfolio investment worth US\$100 million. In year 2005, she joined Etron Technology Inc. as Senior Investment Manager in CEO office. At Etron, she managed portfolio investments and specialised in M&A, incubating startups and spinoffs, also sitting on the boards of the investee companies as Managing Directors until Mar 2012. Since then she has been pursuing her investment profession with Strait Capital Investment Group, responsible for overseas M&A, focusing on Semiconductor, pharmaceutical and medical service fields. She is a member of the Audit Committee, Remuneration Committee and Nomination Committee of Key ASIC.

Ms Chen does not hold any directorship in other public companies.

She does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**BOARD OF DIRECTORS
AND SENIOR MANAGEMENT'S PROFILE**

(CONT'D)

PROF. LOW TECK SENG

Prof. Low Teck Seng, a Singaporean, Male, aged 65, was appointed to the Board of Directors of Key ASIC as Independent Non-Executive Director on 24 November 2017.

Prof. Low Teck Seng is the Chief Executive Officer of the National Research Foundation ("NRF"), Prime Minister's Office, Singapore. The NRF sets the national direction for research and development ("R&D") by developing policies, plans and strategies for research, innovation and enterprise. Prior to joining NRF in July 2012, Prof. Low served as the Managing Director of the Agency for Science, Technology and Research. Prof. Low was instrumental in setting up the Magnetism Technology Centre ("MTC") in National University of Singapore ("NUS") in 1992. The MTC is the predecessor of the Data Storage Institute ("DSI"), a leading research institute focusing on data storage technologies. He was Dean of Engineering at the NUS from 1998 to 2000. Prof. Low is presently a tenured professor at the National University of Singapore. He is a Fellow of the Singapore Academy of Engineers; Fellow of the IEEE and International Fellow of the Royal Academy of Engineers, UK.

Prof Low is also the Independent Non-Executive Director of UCrest Berhad. He is the Chairman of the Remuneration Committee of Key ASIC.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**THONG KOOI PIN
Financial Controller**

Mr Thong Kooi Pin, a Malaysian, male, aged 47, was appointed as the Financial Controller of Key ASIC Berhad on 25 September 2006. He graduated with a professional degree in Association of Chartered Certified Accountant ("ACCA") in 1998 and admitted as member of Malaysian Institute of Accountants ("MIA") as Chartered Accountant in year 2000. He further obtained his Master degree in business administration majoring in finance in year 2005 from Universiti Putra Malaysia.

Mr Thong Kooi Pin is also the Independent Non-Executive Director of UCrest Berhad.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**RAYMOND CHEANG KOK LOONG
Production and Quality Assurance Manager**

Mr Raymond Cheang Kok Loong, a Malaysian, male, aged 49, was appointed as the Production and Quality Assurance Manager of Key ASIC Berhad since 8 May 2008. He graduated with a Bachelor degree in Engineering (Mechanical) from Monash University, Australia in 1993. He started his career as engineer with Robert Bosch Penang, Malaysia in 1994 before joining ASE, Malaysia in 2000 where he assumed various position and subsequently Section Head for the IC Package Design & Development Dept before joining Key ASIC Berhad.

Mr Raymond Cheang does not hold any directorship in other public companies.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**BOARD OF DIRECTORS
AND SENIOR MANAGEMENT'S PROFILE**

(CONT'D)

LEE SENG SIONG**Design Manager**

Mr Lee Seng Siong, a Malaysian, male, aged 43, was appointed as the Design Manager of Key Asic Berhad on 4th May 2020. He graduated with a BSc (Hons) Physics in 2000 and MSc. Electronics Engineering in 2003 from Universiti Putra Malaysia. He further obtained PhD in Electronics Engineering in year 2020 from Multimedia University.

Mr Lee does not hold any directorship in other public companies.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

HSINKAI LEE**Vice President ("VP") of Marketing**

Mr Hsinkai Lee, a Taiwanese, male, aged 60, was appointed as the VP of Marketing on July, 2018. He graduated with a professional degree in Electronic Engineering of Tamkang University Taiwan, in 1982.

Mr Hsinkai Lee does not hold any directorship in other public companies.

He does not have any family relationship with any Director and /or major shareholder. He does not have any conflict of interest with the company and has no conviction for offences (other than traffic offences) within the past 5 years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the Annual Report and the Audited Financial Statements of Key ASIC Berhad ("Group") for the year ended 31 May 2020 ("FYE 2020").

Financial Performance

The Group has posted a net loss of RM17.912 million for FYE 2020 as compared to a net loss of RM2.052 million for FYE 2019.

Industry Trends and Development

The Group made breakthroughs in FYE 2020 with its IoT product targeting specifically in the healthcare industry. The Group's patented technologies, MCard™ has made penetration to the respiratory clinics or sleep centers in the U.S. It has also successfully been qualified by a leading ventilator manufacturer in China to bundle with its non-invasive ventilators or CPAP machines for shipment to customers.

With the proven success of these two models and acceptance by the market, the Group plans to increase its investment in the business development and marketing effort to further expand and deepen in this sector of the markets, not just in the United States but also Europe and Asia.

The COVID-19 pandemic has made positive impacts as well as negative inconvenience to the Group. The overall growth of revenue in FYE 2020 has been affected by the COVID-19 pandemic despite of the breakthroughs that the Group has made. Due to the lock down in various countries, the contract manufacturers for wafers, test, packaging and shipment of the chips are severely impacted, hence affecting the revenue of the Group.

However, COVID-19 has also affected the business positively. The pandemic has accelerated the adoption of telemedicine and remote monitoring due to lock down and also for the safety of the frontline healthcare workers. In addition to enabling the doctors or nurses to remotely monitor patients within the hospital premises. MCard™ also enables COVID-19 or sleep apnea patients be remotely monitored at home by the doctors or specialists.

With the additional investment in sales and marketing, the Group foresees that there will be continuous growth of the MCard™ and MDrive™ in the market not just in the bundling with the ventilators but other medical devices such as moveable ECG and Ultrasound machines in the hospitals and clinics. The Group expects to see more penetration in this area.

Due to the pandemic, many Governments realize the need for telemedicine or remote monitoring, not just for the for COVID-19 patient management but other chronic disease patients in general so as to avoid possible infection when the non-COVID-19 patients visit the hospitals.

In the area of the development of artificial technologies, C2D2 the leading Artificial Intelligence platform has been progressing well and will be available in second half of the year. The development of KeyPATH, the Artificial Intelligence for cell recognition is also making significant breakthrough in achieving high accuracy consistently. The Group expects to release these products to the field for trials within this fiscal year.

The Group is also making investment into developing more IP blocks on other foundries to expand its ASIC design business. The Group is also expanding its partnership with other foundries so to offer its IP blocks to be used in the SoC designs. With more IP blocks on some of the advance process technologies, the Group expects to win significant ASIC design business in the future.

**CHAIRMAN'S
STATEMENT**

(CONT'D)

Prospect

Digitalization of various industries are currently the primary focus of the development of economy in many countries. With the Internet of Things (IoT) and Artificial Intelligence (AI) chips, and the capability of design various hardware systems and the Cloud based application, the Group is in a very good position to capitalize on the digitalization of the economy. In the healthcare industry, the adoption of connected healthcare or telemedicine is gaining very strong momentum and the Group expects most medical device manufacturers will be turning their devices into Internet of Medical Things.

With the IOMT and AI capabilities, the Group will continue to expand on the development of more IoT devices in the healthcare industry.

The Group has also been focusing its effort in licensing its IP to foundries and fabless design companies and the Group expects to see growth in revenue in this sector of the business.

Appreciation

I wish to express my greatest appreciation to all the members of the Board of Directors who have continuously been providing the management with invaluable guidance and active participation the course of the development of the business of the Group and to our dedicated and talented colleagues that have been working shoulder to shoulder with me in developing the world class products.

In addition, I would also like to extend my appreciation to the shareholders that have been supporting the Group and the indispensable business partners and associates that have been contributing to the business of the Group.

Thank you,

EG KAH YEE
Executive Chairman, Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Description of the Group's Business

The Group has 3 areas of focus of the business: the ASIC design services, the IP development and licensing, and the IOT and Artificial Intelligence SoCs and systems.

Due to the successful track record of first-time silicon success and a rich pool of IP Blocks, the Group continues to get turnkey ASIC design services of the new chips from the existing customers. The Group has extended its foundry partnership to other foundries to have access to advance process technologies such as 14nm and 7nm.

The outbreak of COVID-19 pandemic has affected the Group's business positively in the long term. There is a surge on the demand of chips for ventilators and the demand continues to remain strong throughout the fiscal year. There is also strong demand for MCard and MDrive, the Internet of Things technology that enables medical equipment and devices to be connected to Wi-Fi or 5G network inside and outside of hospital facilities so as to minimize the contacts of the front-line medical professionals with the patients to prevent any possible infection.

The pandemic has also accelerated the adoption of telemedicine and consequentially triggered the demand to develop more Wi-Fi IOT medical devices with Group's IoT platform based on SPG101.

The continuous escalating China-US trade tension has also affected the Group's business positively. China has stepped up the investment into semiconductor significantly. Because of the leading edge technological capabilities and richness of intellectual properties, the Group has been invited to participate in many projects in China recently.

A lot of interest has also been generated on C2D2, the Internet of Things and Artificial Intelligence platform in digitalization of healthcare and smart surveillance market. The Group expects to have significant collaborative projects in the near future.

Financial Year Ended 31 May 2020 ("FYE 2020")

Revenue

The Group's revenue for FYE 2020 was RM11.324million compared with RM24.009million in FYE 2019. The lower revenue was largely due to the COVID-19 pandemic because of the lock down of manufacturing partners unable to deliver the necessary chips to the customers and also the ability to closing of deals in second half of the fiscal year.

Costs and expenses

Total costs and expenses before finance costs for FYE 2020 which amounted to RM21.416million comprised of the following items:

- (a) Administrative expenses amounted to RM14.192million;
- (b) Research and development expenses amounted to RM5.402million;
- (c) Selling and distribution expenses of RM1.822million.

Other income

Other income of the Group of RM0.036 million recorded was mainly due to foreign exchange gain on the Group's USD denominated assets as a result of the strengthening of US Dollar against Malaysian Ringgit.

Taxation

There is income tax credit of RM0.796 million for the Group.

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

(CONT'D)

Loss attributable to Owners of the Company

Loss attributable to Owners of the Company was RM17.912 million or RM1.87 sen per basic share. The loss is largely attributed to lower revenue generated and impairment loss on trade receivables.

Liquidity and capital resources

Cash and cash equivalents of the Group amounted to RM8.594 million.

The Group's net cash used in operating activities was RM5.322million and capital expenditure in respect of property, plant and equipment was RM0.261 million.

The Group's financing activities recorded a net cash inflow in 2020.

Prospects

The ASIC design service business of the Group continues to grow into new geographical territory. The Group has developed more IP Blocks and expanded to other applications that are based on IOT and AI. The outlook of the business is positive due to the strong demand for healthcare related products;

The Group has expanded in the development of the IP Blocks to other foundries and it is expected to be a key revenue generator for the Group for the next few years. This will also generate more turnkey ASIC design service projects because of the availability of the IP Blocks.

Internet of Medical Things continues to be the focus of the Group in the healthcare sectors and more investment will be made into the development of IoMT medical devices.

The Group has also invested heavily in the development of Artificial Intelligence (AI) related products and it will continue to deepen the research and development in this area.

The pandemic has contracted the economy but at the same time, has accelerated in the adoption of Internet of Medical Things or IoT medical devices. The Group sees hospitals and equipment manufacturers actively looking for IoT technologies to revolutionized their products and their infrastructure in the hospitals so that they can better manage the patients remotely and also to protect the frontline medical professionals.

Internet of Things and Artificial Intelligence technologies are definitely in high demands in the healthcare sections since the outbreak of COVID-19 and the Group expects the business continues to grow in this sector.

Risk Factors**Innovation Risks**

Continuous innovation is the key to the success of the Group. The Group focuses on continuous development of innovative technologies and products to continue to lead the market in the Internet of Things (IoT) and specifically Internet of Medical Things (IoMT) and Artificial Intelligence.

Competency Risks

The Group has taken the strategy to develop the competency aggressively by hiring of the top talents available in Malaysia and develop the competency and expertise internally. The Program has been successfully and the Group will continue to execute such strategy moving forward.

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

(CONT'D)

Information Technology ("IT") Risk

The Group has invested in strengthening the IT team as well as invested in upgrading and expanding the IT infrastructure throughout the Group during the fiscal year. Network has been modernized and upgraded, communication bandwidths have been upgraded by multiple folds to support the online works and video conferencing meetings.

Security of the IT infrastructure has been upgraded to ensure the security and integrity of the intellectual properties and databases.

The Group has also acquired and deployed a new system to unify the operation of the ranging from order processing, inventory management, accounting and finance and human resources so as to increase the efficiency of the business operations.

Intellectual Property ("IP") Risk

The Group has invested new infrastructure and methodology to protect the intellectual properties developed. More security measures are put in place to ensure the intellectual properties are not being transferred out of the facilities of the Group.

The Group is also investing more in the filing of patents so that the innovative ideas and technologies are protected in most of the countries.

Production Risk

The pandemic lockdown has caused delay in production of the chips. The risk of movement restriction remains as long as the threat of the COVID-19 continues to exist and full capacity production can be affected.

The Group continues to qualify more manufacturing partners in order to meet the production demands in the event of outbreak of any epidemic.

Design Development Risk

The restriction that the Authorities are imposing on the hiring of foreign knowledge professionals and the slow processing of such applications are causing delays in the development of the products. Continuous tightening of the hiring of foreign talents will impose a design development risk to the product release schedule.

The Group has taken steps to hire talented fresh graduates and has developed the fast track on the job training programs to accelerate their capabilities and skillset so as to reduce the reliance on the foreign talents.

Needless to say, the closing of borders due to pandemic has also imposed the risk of design development. Foreign talents are not allowed to come on board as planned is causing delays to the projects.

Geo Political Risk

Closing of international borders is already having impact on the economy. Continuous use of COVID-19 as an excuse to hold on to the power gained during the pandemic is going to make the recovery slow. Borders are negotiated to open bilaterally between countries and it will take a long time to be back to normal. This uncertainty will remain until all borders are open and quarantine are not required.

The Group remains cautiously optimistic about the market though most borders remain close at this moment. The Group has been conducting its business online prior to the pandemic and as much, the engineering activities continues without much disruption. However, the face to face contract negotiation is restricted and causing delays in the closure.

AUDIT COMMITTEE REPORT

The Audit Committee was established on 4 October 2007 with the primary objective to provide assistance to the Board of Directors ("Board") in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

1. Composition of Audit Committee

The present members of the Audit Committee comprise of:-

Chairman

Benny T. Hu @ Ting Wu Hu – Independent Non-Executive Director

Members

N. Chanthiran a/l Nagappan - Independent Non-Executive Director

Chen, Chia-Yin – Independent Non-Executive Director

2. Terms of Reference

The Terms of Reference of the Audit Committee is available at the Company's website at www.keyasic.com. The Terms of Reference was last reviewed and updated on 29 July 2019.

3. Summary of Meeting and Activities Undertaken

In view of the implementation of the Movement Control Order ("MCO") by the government, the Audit Committee only managed to meet three (3) times during the financial year ended 31 May 2020. The attendance records of the meetings are as follows:-

Name	Attendance
Benny T. Hu @ Ting Wu Hu	3/3
N. Chanthiran a/l Nagappan	3/3
Chen, Chia-Yin	1/3

The main activities undertaken by the Committee during the year were as follows:-

- (i) reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval;
- (ii) reviewed the quarterly unaudited financial results of the Group on July 2019, October 2019 and January 2020 prior to recommending them for approval by the Board. The third quarter unaudited financial results which were supposed to be reviewed in April 2020 was postponed to June 2020 due to the MCO implemented by the government to combat the outbreak of the COVID-19 pandemic. The financial results were presented by Management in the presence of the External Auditors who attended to the queries raised by the Audit Committee. The Audit Committee was satisfied that the financial results had been prepared in accordance with Malaysian Financial Reporting Standards 134;
- (iii) reviewed the financial performance against the budget;
- (iv) reviewed and discussed on the Company's plan for financial year ending 2020;
- (v) reviewed the recurrent related party transactions entered into by the Group and ensured that the transactions were within the threshold as set in accordance with the mandate obtained from the shareholders;
- (vi) reviewed the Circular to shareholders in relation to the Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature;

AUDIT COMMITTEE REPORT

(CONT'D)

- (vii) discussed and reviewed the fees of the External Auditor;
- (viii) reviewed and discussed with the External Auditors the Management Letter and Audit Planning Memorandum for the FYE 2020 and recommended the same for the Board's notation;
- (ix) the assessment on the External Auditor was conducted by completing personalised evaluation form as guided by the Corporate Governance Guide on Evaluation of External Auditor Performance and independence Checklist. The AC had, with the assistance from the Management, assessed the performance and independence of Messrs. Afrizan Tarmili Khairul Azhar ("AFTAAS") and recommended that AFTAAS be re-appointed as the External Auditor of the Company. AFTAAS was re-appointed as the External Auditors of the Company at the last Annual General Meeting of the Company. Subsequent thereto, the Company had received a notice in writing from AFTAAS on their resignation as Auditors of the Company. The AC had reviewed and recommended that Messrs CAS Malaysia PLT be appointed as the External Auditor of the Company for the financial year ended 31 May 2020 in place of AFTAAS;
- (x) assessed the performance of the internal auditors, Vaersa Advisory Sdn. Bhd.
- (xi) assessed the suitability and independence of External Auditors, Messrs CAS Malaysia PLT ("CAS") and reviewed their re-appointment as auditors of the Company;
- (xii) Reviewed and discussed with the Internal Auditor the Internal Audit Plan, the key risks of the Group covered in the Enterprise Risk Management Report prepared by the Internal Auditor including the management action plans based on the recommendation highlighted by the Internal Auditor before updating the Board;
- (xiii) Reviewed and discussed with the Internal Auditor, the Risk Management Framework, Internal Audit Report on Procurement and Accounts Payable Management and Internal Audit Report on Operations Management of Production Department, including the management action plans based on the recommendation highlighted by the Internal Auditor before updating the Board; and
- (xiv) Assessed the performance of the Internal Auditor based on personalised evaluation form. The AC was satisfied with the performance of the Internal Auditors.

4. Internal Audit Function

Internal auditor is reporting directly to the AC. The functions of the Internal Auditor are to ensure a regular review of the adequacy and integrity of its internal control system. The Internal Auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach.

The Internal Auditor is required to conduct regular and systematic reviews on all operating units and submit an independent report to the AC for review and approval to ensure adequate coverage. The Group has incurred approximately RM16,000 in the financial year ended 31 May 2020 in maintaining the internal audit function.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board recognises the importance of good corporate governance in discharging its responsibilities, protecting and enhancing shareholders' value through promoting and practising high standards of corporate governance throughout the Group. The Board adopts and applies the principles and best practices as governed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and Malaysian Code on Corporate Governance ("Code"). Where there are gaps in the Company's observation of any of the recommendations of the Code, these are disclosed herein with explanations.

The Corporate Governance Report (CG Report) provides the details on how Key ASIC has applied each Practice as set out in the Code during the financial year ended 31 May 2020 ("FYE 2020"). The CG Report is available on our corporate website at www.keyasic.com

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board's Role and Responsibilities

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board is responsible in formulating and reviewing of strategic plans, key policies and monitoring Group's business operations. The Board delegates the day-to-day management of the Company's business to the management team but reserves for its consideration significant matters such as the following:-

- Approval of financial results;
- Declaration of dividends;
- Risk appetite setting;
- Credit policy;
- Business (Acquisition/Disposal);
- Capital Expenditures;
- Corporate Proposal; and
- Budget

The Board's role is to oversee the performance of the Management to determine whether the business is properly managed. The Board gets updates from Management at the quarterly Board Meetings when reviewing the unaudited quarterly results. During the meeting, the Board participates in the discussion on the performance of the Group.

The Board assumes the following responsibilities:-

- (a) Reviewing, adopting and monitoring strategic plan for the Group;
- (b) Overseeing the conduct of the Company's business;
- (c) Identifying risks and assume active role in ensuring the implementation of appropriate systems to manage or mitigate these risks;
- (d) Succession planning, including appointing, training, fixing the compensation of the key managements;
- (e) Ensuring measures are in place to assess and oversee Management's performance;
- (f) Developing and implementing an investor relations programme or shareholder communications policy for the Group; and
- (g) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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1.2 Chairman of the Board

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and sufficient time is allowed for discussion. When chairing Board meetings, the Chairman ensures the following:-

- (a) All relevant issues are on the agenda of Board meetings;
- (b) Board debates strategic and critical issues;
- (c) Board receives the necessary management reports relating to the Company's business on a timely basis;
- (d) All directors are able to participate openly in discussions at Board meetings;
- (e) Providing leadership to the Board and is responsible for the developmental needs of the Board.

1.3 Separation of Position of Chairman and Chief Executive Officer ("CEO")

Although the positions of the Chairman and CEO are held by Eg Kah Yee, however the Board consists of a majority of Independent Directors. The Board collectively views that Eg Kah Yee's expertise is highly needed and the Board is confident that the current practice is best in maintaining the sustainability and the creativity of the Group in moving forward especially in time when the Group is struggling for profitability.

1.4 Qualified and Competent Company Secretaries

The Board has direct access to the advice and services of the Company Secretary. The Company Secretaries are qualified to act in accordance with the requirements of the Companies Act, 2016.

The Board is updated by the Company Secretary on new statutes and directives issued by the regulatory authorities. The Company Secretary has attended the Board and Committee meetings and ensured that all procedures are adhered.

Roles and responsibilities of the Company Secretaries can be found in the CG Report.

1.5 Access to Information and Advice

All Directors, including Independent Non-Executive Directors, have full and timely access to information concerning the Company or other external information as they may feel necessary. Board papers and reports which include the Group's performance and major operational, financial and corporate information are distributed to the Directors 7 days prior to Board meetings to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Board collectively, and each Director individually, has the right to seek independent professional advice in furtherance of their duties, at the Company's expense subject to the approval by the Board. Such request may be done via email or during the Board meeting.

2. Board Charter

A Board Charter has been established with the objectives to ensure that all Board Members are aware of their duties and responsibilities, the various legislations and regulations affecting their conduct, principles and practices of good corporate governance are applied accordingly. The Board Charter is reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.

The Board Charter was last reviewed and updated on 27 April 2018 and would be reviewed and updated periodically.

This Board Charter is made available at the Company's website at www.keyasic.com

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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3. Code of Conduct and Whistle-Blowing Policy

The Board strongly believes in applying good working ethics and code of conduct in all business dealings. The Board established the Code of Conduct and Ethics based on the following principles:-

- (a) Conflicts of interest;
- (b) Corporate opportunities;
- (c) Protection of confidential information;
- (d) Protection and proper use of company assets;
- (e) Compliance with laws, rules and regulations;
- (f) Trading on inside information;
- (g) Compliance with this Code and reporting of any illegal or unethical behavior;
- (h) Bribery and corruption;
- (i) Money laundering;
- (j) Preventing the abuse of power; and
- (k) Waivers and amendments.

The Code of Conduct and Ethics was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.

The Code of Conduct and Ethics is available on the Company's website at www.keyasic.com

The Board recognises the importance of whistle-blowing and is committed to maintain the standards of ethical conduct within the Group. The Company is committed to operating in compliance with all applicable laws, rules and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its board members, officers and/or employees. The Board had established a whistle-blowing policy which outlines procedures for employees to report actions that an employee reasonably believes violate a law, or regulation or that constitutes fraudulent accounting or other practices. This policy applies to any matter which is related to the Company's business. This policy has accordingly been inserted in the employee manual/handbook.

The Whistle-Blowing policy was reviewed and updated on 27 April 2018 and will be reviewed and updated periodically.

4. Time Commitments

The Board is primarily responsible for the strategic directions of the Group and is scheduled to meet at least four (4) times a year. However, additional meetings may be convened as and when deemed necessary as determined by the members of the Board.

Similarly, due to the outbreak of the COVID-19 pandemic and the implementation of the MCO, only three (3) board meetings were held and the details of each Director's attendance are set out as follows:-

Directors	Meeting Attendance
Eg Kah Yee (Chairman)	3/3
Benny T. Hu @ Ting Wu Hu	3/3
N. Chanthiran a/l Nagappan	3/3
Chen, Chia-Yin	1/3
Prof Low Teck Seng	3/3

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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4. Time Commitments (Continued)

In view of the MCO, the fourth meeting in the financial year which should have been held in April 2020 was postponed to 19 June 2020.

Currently, all Directors of the Company held less than five (5) directorships in other listed companies.

The Chairman of the Board and the Company Secretary shall be notified of any new directorship by any Board members. The notification shall include an indication of time that will be spent. The Company does not have policy nor impose any time commitment on its Independent and Non-Executive Director's position to commit their time to the Company but the Board members are supportive of the Chairman whenever a board meeting is called to deliberate important matters related to the Group.

The Directors are required to notify the Chairman, prior to their acceptance of new directorships in other companies.

5. Board Composition

The existing composition of the Board is as set out below:-

Directors

Eg Kah Yee
Benny T. Hu @ Ting Wu Hu
N. Chanthiran A/L Nagappan
Chen, Chia-Yin
Prof. Low Teck Seng

Designation

Executive Chairman, Chief Executive Officer
Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director

The profile of each Director is presented under Profile of Directors on pages 3 to 5 of this Annual Report.

The current Board has five (5) members comprising one (1) Non-Independent, Executive Director/Chief Executive Officer (Chairman), and four (4) Independent Non-Executive Directors. The composition of the Board comprises of a majority of Independent Non-Executive Directors. The Board is satisfied that the current composition fairly reflects the investment of shareholders and balance in view of the Group's business. Together, the Directors bring a wide range of experience relevant to the direction and objectives of the Group as most of them are veteran in the semiconductor industry.

5.1 Appointments to the Board

As documented in the approved Board Charter, the Board may exercise the power pursuant to the Constitution to appoint a person who is willing to act as a Director either to fill a casual vacancy or as an additional Director upon appropriate recommendation by the Nomination Committee ("NC").

The appointment of new directorship would be through a formal and transparent selection process and would take into consideration the evaluation of the candidates' abilities in terms of their skills, knowledge, experience, expertise and integrity to discharge their responsibilities. The Board recognises the importance of diversity and would take into consideration diversity in the selection process.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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5.2 Boardroom and Gender Diversity

The Board recognises the importance of gender diversity and is committed to the extent practicable, to address the recommendation of the Code relating to the establishment of a policy formalising its approach to boardroom and workplace diversity.

The Board has on 27 April 2018 adopted a Gender Diversity Policy. Diversity encompasses various areas such as gender, age, ethnicity and cultural background and the Board firmly believe that a well diversify workplace could benefit the Company to achieve:-

- (a) a good morale between the workforce that leads to a healthy work culture where employees motivate each other to perform at a higher level;
- (b) With a gender-diverse workforce, the company can expand its customer base and offer better services;
- (c) improve employment and career development opportunities for women;
- (d) a gender-balanced team brings with it greater industry knowledge and helps the company access more resources, as well as multiple channels of information; and
- (e) awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The appointment of Chen, Chia-Yin reflects that the Board recognises the value of a lady member of the Board and is a step taken by the Board towards achieving a more gender diversified Board.

5.3 Independent Non-Executive Directors

The Independent Directors play a crucial supervisory function. Their presence is essential in providing unbiased views and impartiality to the Board's deliberation and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are fully discussed and examined, taking into account the interest of all stakeholders in the Group. In order to ensure the effectiveness of the Independent Directors, the Board undertakes an assessment of its Independent Directors on annual basis to ensure the Independent Director can continue to bring independent and objective judgement to Board deliberation.

The Board takes note that the Code recommends that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through two tier voting process.

Shareholders' approval would be sought if an Independent Director who has served in that capacity for more than nine (9) years and twelve (12) years shall remain as an Independent Director. The NC will assess the independence of the Independent Director based on the assessment criteria developed by the NC, and recommend to the Board for recommendation to the shareholders. Justification for the approval would be provided.

5.4 Re-election of Directors

In accordance to the Company's Constitution, Directors appointed during the year is required to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Constitution also require one-third (1/3) of the Directors to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election every three (3) years.

The NC has considered the assessment of Benny T. Hu @ Ting Wu Hu and Chen, Chia-Yin, the Directors standing for re-election and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

(CONT'D)

5.5 Professional Developments

The Directors during financial year 2020, have attended the following trainings:-

<u>Director</u>	<u>Trainings</u>	<u>Date</u>
Eg Kah Yee	Corporate Disclosure Policy under the Listing Requirements and Detecting Financial Fraud by Tricor Hive Sdn Bhd	21 November 2019
N. Chanthiran A/L Nagappan	National Tax Conference 2019 by LHDN	5 - 6 August 2019
	Seminar Percukaian Kebangsaan 2019	15 October 2019
	Corporate Disclosure Policy under the Listing Requirements and Detecting Financial Fraud by Tricor Hive Sdn Bhd	21 November 2019
	Group Accounting MFRS 3,10,11 by Malaysia Institute of Account	5 - 6 February 2020
Benny T. Hu @ Ting Wu Hu	Information Disclosure & How to Prevent Inside Trading by Securities & Futures Institute	06 November 2019
	Corporate Disclosure Policy under the Listing Requirements and Detecting Financial Fraud by Tricor Hive Sdn Bhd	21 November 2019
Chen, Chia-Yin	Corporate Disclosure Policy under the Listing Requirements and Detecting Financial Fraud by Tricor Hive Sdn Bhd	21 November 2019
Prof Low Teck Seng	Science Technology and Society Forum	6 - 10 October 2019
	Corporate Disclosure Policy under the Listing Requirements and Detecting Financial Fraud by Tricor Hive Sdn Bhd	21 November 2019
	Updates on IFRS by E&Y	12 February 2020
	Briefing to Directors by E&Y	26 February 2020

5.6 Nomination Committee

The NC was established on 4 October 2007 and has been tasked with the responsibilities to recommend new appointment to the Board. The NC shall be appointed by the Board of Directors and shall comprise exclusively of Non-Executive Directors, a majority of whom are Independent Directors. The NC has two (2) members, all of whom are Independent Directors:

- Benny T. Hu @ Ting Wu Hu (Independent Non-Executive Director)
- Chen, Chia-Yin (Independent Non-Executive Director)

The NC is chaired by Mr Benny T. Hu @ Ting Wu Hu

The Terms of Reference of the NC is available at the Company's website at www.keyasic.com

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

(CONT'D)

5.6 Nomination Committee (Continued)**Summary of Activities undertaken by the Nomination Committee**

During the financial year 2020, the following activities were undertaken by NC:-

- (a) Assessed the effectiveness and required mix of skills and experience and other qualities, including core competencies of the Board as a whole, the committees of the Board and the contribution of each existing Director and thereafter, recommend the findings to the Board;
- (b) Assessed the term of office and performance of the Audit Committee and each individual member;
- (c) Assessed the independence of the Independent Directors based on criteria set out in the MMLR;
- (d) Reviewed and recommended the re-election of Benny T. Hu and Chen, Chia-Yin;
- (e) Reviewed and recommended the retention of N. Chanthiran A/L Nagappan and Benny T. Hu, to continue in office as Independent Non-Executive Directors; and
- (f) Reviewed the training needs of the Directors.

On 29 July 2020, the NC assessed the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director as well as their character, integrity and time commitment, independence of Independent Directors. The NC reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently.

The summary of the assessment and its findings was tabled to the NC on 29 July 2020. Based on the summary as presented, the NC tabled its recommendations to the Board of Directors at the Board of Directors' Meeting held on 29 July 2020.

The NC had on 29 July 2020, assessed the independence of the independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Based on the recommendations from the NC, the Board had also assessed and would be proposing to the shareholders' for approval the continuation in office of Mr N. Chanthiran and Mr Benny T. Hu as Independent Non-Executive Directors of the Company. A two tier voting process would be adopted when seeking the shareholders' approval to retain Mr N. Chanthiran as Independent Non-Executive Director of the Company.

The Board's proposal for continuation in office as Independent Non-Executive Directors were based on the following:-

N. Chanthiran a/l Nagappan

- (i) He fulfils the criteria of an Independent Director pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements;
- (ii) His experience in the audit and accountancy profession enables him to provide the Board with a diverse set of experience, expertise, skills and competence;
- (iii) He has not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as an Independent Non-Executive Director; and
- (iv) The long tenure with the Company has neither impaired nor compromised his independent judgments. He continues to remain objective and is able to exercise independent judgments in expressing his views and in participating in deliberations and decision making of the Board and Board committees in the best interest of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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5.6 Nomination Committee (Continued)

Benny T. Hu @ Ting Wu Hu

- (i) He fulfils the criteria of an Independent Director pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements;
- (ii) He has been effective and his competencies remain relevant to exercise objective independent judgement on corporate affairs;
- (iii) His accumulated experience gained from being a member of the board is invaluable to the Group as engineering design company are rare in Malaysia;
- (iv) He has not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as an Independent Non-Executive Director; and
- (v) The long tenure with the Company has neither impaired nor compromised his independent judgments. He continues to remain objective and is able to exercise independent judgments in expressing his views and in participating in deliberations and decision making of the Board and Board committees in the best interest of the Company.

Other than Directors' fees, options granted and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to the Independent Directors that would cause biases in their objective and independent judgement in board deliberation.

6. Remuneration Policy

The Company has established a remuneration policy for the Directors and Senior Management to support and drive business strategy and long-term objectives of the Company and its subsidiaries.

Among others, the following are some of the criteria adopted by the Company and its subsidiaries in considering the remuneration of the Senior Management:-

- The overall performance of the Company and its subsidiaries;
- General economic situation;
- Prevailing market practice;
- Salary position against market;
- Skills and experience; and
- Individual performance

The Remuneration Committee ("RC") was established on 4 October 2007. The present members of the Remuneration Committee are Prof. Low Teck Seng and Chen, Chia-Yin. The RC's Terms of Reference is available on the Company's website at www.keyasic.com

The RC is responsible to implement the policies and procedures on the remuneration for the CEO whilst the Board is responsible for approving the policies and procedures which govern the remuneration of the employees including CEO and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices and the Company attracts, retains and motivates the Directors and Senior Management who are with strong credentials, high calibre and astute insights to run the business successfully.

The remuneration package is reflective of the individual Director's and Senior Management's experience and level of responsibilities and it is structured to link to corporate and individual performance. The RC is responsible for determining the level and make up of CEO's remuneration and approved by the Board, with the presence of a majority of non-executive directors. The CEO however, does not participate in any way when determining his remuneration package.

All Directors except Eg Kah Yee, the Chief Executive Officer, are paid fixed monthly directors' fees. The determination of the monthly annual directors' fee and remuneration package for Directors is a matter for the Board as a whole, depending on any additional responsibilities taken. The monthly directors' fee payable to Directors is presented to the shareholders at the Annual General Meeting for their approval.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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6. Remuneration Policy (Continued)

All Directors shall abstain from deliberations and voting on their own remuneration.

The Remuneration Policy of Directors and Senior Management was adopted by the Board on 27 April 2018. The Policy would be reviewed and updated periodically.

Details of remuneration of Directors of the Company for the financial year ended 31 May 2020 are as follows:-

Director	Group (RM)	Company (RM)
Eg Kah Yee	90,000.00	90,000.00
Benny T. Hu @ Ting Wu Hu	36,000.00	36,000.00
N.Chanthiran a/l Nagappan	36,000.00	36,000.00
Chen, Chia-Yin	36,000.00	36,000.00
Prof. Low Teck Seng	36,000.00	36,000.00

The Company respects the confidentiality of the remuneration of the Senior Management in view of the competitive nature of human resource market. Thus, the Company does not have the intention to adopt the recommendation to disclose the details of each member of senior management in bands of RM50,000 on a named basis.

However, the Company would endeavour to ensure that the remuneration package of the employees are in line with the industry practices and the annual increments and bonuses pay-out are based on individual performances.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**1. Audit Committee**

The Audit Committee (“AC”) was established on 4 October 2007 with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

The AC has three (3) members who are Independent Non-Executive Directors. The following are the members of the AC:-

- Benny T. Hu @ Ting Wu Hu – Independent Non-Executive Director
- N. Chanthiran a/l Nagappan - Independent Non-Executive Director
- Chen, Chia-Yin – Independent Non-Executive Director

Mr Benny T. Hu @ Ting Wu Hu is the Chairman of the AC.

2. External Auditors

The Board has established a transparent relationship with the external auditors through the AC, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board to the AC in terms of compliance with the accounting standards and other related regulatory requirements.

The AC undertakes annual assessment of the suitability and independence of the External Auditors. The factors considered by the AC in its assessment include, adequacy of professionalism and experience of the staff, the resources of the external auditors, the fees and the independence of and the level of non-audit services rendered to the Group.

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

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2. External Auditors (Continued)

The amounts of audit and non-audit fees paid to the External Auditors or a firm affiliated to the External Auditors by the Company and the Group for the financial year ended 31 May 2020 are as follows:-

	Group (RM)	Company (RM)
Audit	167,563	125,000
Non-Audit	5,000	5,000

The AC had on 29 July 2020 conducted an assessment in the suitability and independence of the external Auditors. Having assessed their performance, the AC is satisfied with the competence and independence of the external auditors and had recommended to the Board, the re-appointment of the External Auditors upon which the shareholders' approval will be sought at the forthcoming Annual General Meeting of the Company.

3. Internal Audit Function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm to provide its services to meet with the Group's required service level.

Internal auditor reports directly to the AC. The functions of the internal auditor are to ensure a regular review of the adequacy and integrity of its internal control system. The internal auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach based on COSO assessment model.

The assessment of the internal audit are reported periodically to the AC. The recommendations arising from the internal audit and its implementations would be monitored.

The internal audit function is outsourced to an independent professional firm, Vaersa Advisory Sdn Bhd. The internal audit team is headed by Mr Quincy Gan who possesses the relevant qualification and experience and is assisted by four members.

The expenses incurred for the internal audit function for FYE 2020 is RM16,000.

4. Risk Management and Internal Control Framework

The Group has put in place an Enterprise Risk Management framework ("ERM") which comprises the following elements:

- Communicate and disseminate across the organisation the vision, role and direction of the Group;
- Provide guiding principles and approach towards risk management;
- Process of identification, assessment, evaluation and management of the various principal risks which affect the Group's business;
- Creation of a risk-awareness culture and risk ownership for more effective management of risks;
- Regular review, tracking and reporting on keys risks identified and corresponding mitigation procedures; and
- Regular review of the effectiveness of the system of internal control.

The framework is applied to determine, evaluate and manage principal risks of the Group. This is complemented by the system of internal control that is integrated into the Group's operations and processes.

**CORPORATE GOVERNANCE
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**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH
STAKEHOLDERS****1. Communication**

The Company is committed to provide clear, accurate and timely disclosure of all material information to its stakeholders and the general public. The Company will ensure compliance with the disclosure requirements as set out in the MMLR at all times.

2. Corporate Disclosure Policy

The Company is committed to provide clear, accurate and timely disclosure of all material information to its stakeholders and the general public. The Company will ensure compliance with the disclosure requirements as set out in the MMLR at all times.

3. Leverage on Information Technology for Effective Dissemination of Information

The Company maintains various methods of dissemination of information and has established a website at www.keyasic.com from which shareholders and the general public may access among others, the latest information on the activities of the Group; product information; announcements made to Bursa Securities; Annual Report and Board Charter.

4. Encourage Shareholder Participation at General Meetings

Notice of the Fourteenth AGM was issued to the shareholders on 30 September 2019, being more than 28 days in advance of the scheduled AGM which was held on 22 November 2019. The shareholders are also provided with a copy of the Company's Annual Report at least 28 days before the AGM in order for them to have sufficient time to read and understand the Company's financial and non-financial performance before the actual event takes place.

Pursuant to the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolutions which may properly be moved and is intended to be moved at any general meeting, must be voted by poll. Voting for all resolutions as set out in the Notice of Annual General Meeting held on 22 November 2019 were voted by poll and validated by an Independent Scrutineer.

5. Effective Communication and Proactive Engagement

AGM also provides an effective means of face-to-face communication with the shareholders where they are encouraged to participate in the open question and answer session during the AGM.

This CG Overview Statement was approved by the Board of the Company on 18 September 2020.

STATEMENT ON DIRECTOR'S RESPONSIBILITY

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act, 2016 and the applicable approved accounting standards set by Malaysian Accounting Standard Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

- (a) selecting suitable accounting policies and then applying them consistently. This is done through discussion with the current reporting auditor if there is any changes in the accounting standard that may affect the way of the financial statement is presented;
- (b) stating whether applicable accounting standards have been followed;
- (c) making judgments and estimates that are reasonable and prudent. The Board makes judgment and estimate by carefully consider all aspect of the variables concerned and especially in the case of sustainability on the book value of the intangible assets; and
- (d) preparing the financial statements on a going concern basis, having made reasonable enquiries and assessment on the resources of the Company on its ability to continue further business in foreseeable future.

CORPORATE SUSTAINABILITY STATEMENT

Overview and scope of sustainability at Key ASIC Berhad

Sustainability is one of the strategic pillars for Key ASIC Berhad. Our sustainability performance is considered fundamental to our business success and sustainability is in fact embedded in our day to day operations. Central to our approach is a strong emphasis on health and safety. It is a core value for our culture and provides the framework for the way employees are expected to behave. We are committed to enthrall and engage with communities within which we operate through regular dialogues, socioeconomic footprint studies and community activities. It is an opportunity for us to gain feedback on our operations and how we impact them. In order to focus our efforts and strengthen our benchmarks for economic, environmental and social sustainability.

Our organisation's sustainability strategy is determined by our Board of Directors, who provide an oversight of our corporate sustainability policies and performance. Senior Management oversees the implementation of the organisation's sustainability approach and ensures that key targets are being met. The respective division's management heads are responsible for identifying, evaluating, monitoring and managing economic, environmental and social risks and opportunities directly.

Board of Sustainability

The Board recognises the importance of building a sustainable business, therefore takes into consideration medium to long term view of technology trend, environmental, social and governance impact while developing corporate strategies.

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition, market demand, technology changes etc.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

The Company recognises the value of a diversified and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to an equally diverse customer base. The Company's commitment in recognising the importance of diversity extends to all areas of our business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

**CORPORATE
SUSTAINABILITY STATEMENT**

(CONT'D)

Stakeholders Review & Engagement

Stakeholder Group	Engagement Methodology	Frequency of engagement
Customers	Customer feedback management	Regular
	Complaint management	Regular
	Market analysis & trend	Regular
Vendors	Regular evaluation to conform to our ISO standard	Annually
	Vendor relationship management	Regular
Governance & Regulators	Formal meetings/visits	Ad-hoc
	Licensing, audits & inspections	Annually
Employees	Employee performance appraisal	Annually
	Dialogue and engagement	Weekly
	Employee engagement programmes	Regular

Material Sustainability & Relevant Action Plan

The following is the Company's identified material sustainability matters, identified via management reviews and assessments of the context and strategy with considerations to relevant stakeholders' requirements and expectations. These are critical internal and external risk and opportunities that are pertinent to our long-term growth and continual improvement.

Material sustainability issues	
Economics	Research & Development and commitment to innovation on AI and its application for medical and security usage.
	Customer satisfaction and complaint management process for adherence and enhancement of products and service deliverables
	Sustainable value chain management with vendors, subcontractors, transporters, assessment, evaluation and improvements through our ISO standard
Social responsibilities	Workforce diversity and human rights factor inculcation within human resources development and capital management
	Occupational Safety & Health Management policies and practices enforcement
Environmental stewardships	Product and Services Responsibility Compliance to local statutory and regulatory requirements

**CORPORATE
SUSTAINABILITY STATEMENT**

(CONT'D)

Material Sustainability & Relevant Action Plan

We periodically update the full list of sustainability matters and revise our prioritisation annually based on our corporate strategy and external developments.

The Group is realising key benefits from integrating sustainability in business by including:

- Enhancement of process risk management via risk-based thinking group wide.
- To strengthen our international market presence without compromising aspects of quality and sustainability, and to be responsive to the challenges and changing expectations of stakeholders within the healthcare industry.
- Promoting innovation and attracting new customers with improvement initiatives and marketing strategy.
- Maintaining a licence to operate for best practices, fulfilling stakeholders needs and compliance to obligations.
- Securing capital with periodic business context and stakeholders review of requirements an expectation on environment, social and governance matters.
- To provide a safe working environment that is conducive for the personal and professional growth of our employees and corporate culture that is built on good communication practices, transparency and integrity.
- To strengthen our commitment to manage our impact on the environment by prioritizing strict adherence to environmental regulations.

KEY ASIC BERHAD SUSTAINABILITIES INITIATIVES

The Company has undertaken the following initiatives as an integral part of its business operations and practices by contributing to the welfare of its employees, stakeholders, the general public and the environment it operates in.

CORPORATE SOCIAL RESPONSIBILITIES (“CSR”)

The Group remains committed to support the community as a responsible corporate citizen during the financial year under review. The Group’s CSR initiatives are focused on enhancement of the workplace and environment conservation.

We acknowledge the importance of both financial and non-financial strategies in our continuous efforts to maintain long term and sustainable performance for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders’ value, we are also mindful of our goals to provide a sustainable workplace for our human assets’ career developments as they are critical components to our growth and to promote a sustainable environmentally responsible organisation.

CORPORATE SUSTAINABILITY STATEMENT

(CONT'D)

KEY ASIC BERHAD SUSTAINABILITIES INITIATIVES (CONTINUED)

WORKPLACE

Our people are our valuable assets. The Group provides its employees a quality work environment which complies with the health and safety standard as we understand a good environment would raise the efficiency and productivity of employees besides improving the quality of life of our employees.

We practice open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

The company also actively organises a variety of recreational activities such as staffs dinner, festive gatherings and birthday celebration to create an amiable workplace for its staffs. In addition, health insurance and medical care are provided to employees.

VENDOR

Sustainability in the supply chain from upstream to downstream is essential to maintain smooth business operations. Therefore, we are guided and adhere strictly to our ISO standard in selection process of suppliers with the capacity to conduct business ethically, with professionalism and preparedness to adapt to changes that impact sustainability under the risk management plan is of paramount importance. We also valued co-generation of opportunity with our suppliers, under an efficient assessment program. All these arrangements are in place to manage risk by making our resources secured from few suppliers, critical suppliers and suppliers who fail to comply with rules and regulations, or stakeholders' expectations. These risks can ultimately harm our reputation and disrupt our business.

The selection of suppliers is on the basis of commitment to comply to Key ASIC's business processes for sustainable business. Conduct assessment and certification of suppliers annually and continuously in order to mitigate risk in the supply chain.

ENVIRONMENT

The Group remains committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

In line with commitment to reduce carbon footprints, employees are encouraged to fully maximise the benefits of electronic environment (eg email, instant messaging and etc.) for communication and only print hard copy when necessary. Employees are also encouraged to print on both sides of paper to minimise paper usage. Energy efficient bulbs are used throughout and all computer peripherals and lighting are switched off when not in use.

HEALTH AND SAFETY

At Key ASIC Berhad, we believe in creating a strong safety culture. The Group reports on employee incidents and identifies trends and key risk areas, such as employee injuries, needle-stick injuries, employee falls, employee mobility incidents, occupational health-related incidents, infection-related incidents and exposure to bodily fluids. Our safety mechanism also entails the submission of health and safety recommendations about workplace conditions, the continual improvement of occupational health and safety standards by applying the lessons gained through experience and ongoing instruction and advice for staff and management.

TRAININGS

External and internal trainings are provided to employees to enhance their skills and abilities which would offer excellent opportunities for career enhancement.

**CORPORATE
SUSTAINABILITY STATEMENT**

(CONT'D)

DIVERSITY**EMPLOYEES**

Age group	Gender						Ethnicity							
	Male	%	Female	%	Total	%	Malays	%	Chinese	%	Others	%	Total	%
21-30	4	18	2	20	6	19	1	50	3	11	2	67	6	19
31-40	7	32	2	20	9	28	-	-	8	30	1	33	9	28
41-50	10	45	6	60	16	50	1	50	15	55	-	-	16	50
51-60	1	5	-	-	1	3	-	-	1	4	-	-	1	3
	22	100	10	100	32	100	2	100	27	100	3	100	32	100

DIRECTORS

Age group	Gender						Ethnicity							
	Male	%	Female	%	Total	%	Malays	%	Chinese	%	Indian	%	Total	%
41-50	-	-	1	100	1	20	-	-	1	25	-	-	1	20
51-60	1	25	-	-	1	20	-	-	-	-	1	100	1	20
61-70	2	50	-	-	2	40	-	-	2	50	-	-	2	40
71-80	1	25	-	-	1	20	-	-	1	25	-	-	1	20
	4	100	1	100	5	100	-	-	4	100	1	100	5	100

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. Introduction

The Board is pleased to present its Statement on Risk Management and Internal Control which outlines the nature and scope of the risk management and internal control of the Group for the financial year 31 May 2020. This Statement on Risk Management and Internal Control is issued in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on the status of the Group's compliance with the principles and best practices relating to risk management and internal control as stipulated in the Malaysian Code of Corporate Governance ("the Code").

The Board is committed to maintaining a sound system of internal control of the Company and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

2. Board Responsibilities

The Board recognises the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

The Board has received assurance from the Chief Executive Officer and the Financial controller that the Group's Internal control and risk management is operating adequately and effectively throughout the financial year, in all material aspects, based on the risk management and internal control system of the Group.

3. Risk Management Framework

The Board has established an organisation with clearly defined lines of accountability and delegated authority.

The Group has put in place an Enterprise Risk Management framework ("ERM") where risk analysis of the Group is conducted on a regular basis including constantly reviewing the process in identifying, evaluating and putting up necessary action to assess and monitor the impacts of the risk on the operation and business. The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to address the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. Key ASIC Bhd is certified under the ISO9001:2015, hence it is part of the company's duty to take precautionary and preventive actions to minimize or eliminate some of the recognised potential risks.

The framework is applied to determine, evaluate and manage principal risks of the Group. This is complemented by the system of internal control that is integrated into the Group's operations and processes. The Group reviews and analyses various principle risks likely to be encountered, and in particular the following risks which are more pertinent to the Group:

**STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**

(CONT'D)

3. Risk Management Framework (Continued)**Information Technology ("IT") Risk**

Confidential files and intellectual property information of the Group are stored and protected in the Group's servers located in Malaysia and Taiwan. Virus attack and hacking threats are imminent in this modern world and it is part of the IT risk that the Company is constantly facing.

The Group has taken precautionary security measures to protect its own servers by having proper IT security such as firewall and anti-virus software to prevent unauthorised access to its computers systems, virus attack and ward off potential hackers. In order to maintain the continuity of the business, both servers in Malaysia and Taiwan are backup periodically.

Intellectual Property ("IP") Risk

It is part of the core business competency of the Group to create intellectual property and to derive new product from existing and most of the time through licensing of 3rd party IP. Unauthorized use or sharing of IP from the Group's library will have material impact to the Group financially and may expose the Company to international lawsuit.

In recognising the threats, the Group has put up several procedures to secure and limit the access to the Group's IP server to only authorized personnel within the Group. On top of that, all employees are compulsory to sign IP non-disclosure agreement upon accepting job offer within the Group.

Production Risk

The Company outsources its microchip or wafer production to external parties and product delivery to our customers could be affected by machine breakdown due to fire or major natural disaster.

The company is taking precaution action to work closely with our outsourced partners to ensure that they have a contingency plan for any outcome, to minimize or eliminate any risk that could jeopardize any delivery to our customers. It is also part of the Company's action plan to continue sourcing for alternative sources to ensure uninterrupted production delivery to our customer.

Design Development Risk

Our engineers engage closely with customer in developing IP as part of the deliverable in our IP design service contract with them. It is part of the design development risk that the outcome of the final design could have different characters than the intended one. The failure to comply with the requirements as specified in the customer design service contract will have a huge impact to the Company's financial as unnecessary costs may have to incur in order to rectify any design's fault.

The company has documented system in place to avert design flaw that could jeopardize customer product by having design review, approval, validation and working closely with customer at every stage of design and development till mass production.

The process encompasses assessments and evaluations at business unit process level before being examined on a Group perspective.

The Group's risk management continues to be driven by the Chief Executive Officer and assisted by management. The Chief Executive Officer and management are responsible for identifying, evaluating and monitoring of risks and taking appropriate and timely actions to manage risk. These processes are embedded and carried out as part of the Group's operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role.

In conducting its review, the process is regularly reviewed by the Board via the Audit Committee ("AC") at the quarterly Board meeting with the assistance of the outsourced independent consulting firm to further review and improves the existing internal control processes within the Group. The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the business changes and competitive environment.

**STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**

(CONT'D)

3. Risk Management Framework (Continued)

Management further supplements the Audit Committee review on control and risk assessment when presenting the quarterly financial performance and results to the Audit Committee and the Board including pertinent explanations on the performance of the Group. With management consultation, the Audit Committee reviews and analyses the interim financial results in corroboration with management representations on operations and the performance of its subsidiaries as well as deliberates the annual report and audited financial statements before recommending these documents to the Board for approval.

4. Internal Control Framework

The key elements of the Group's internal control systems are described below:

- Quarterly monitoring of operational results against the budget for the Board's review and discussion;
- Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- Regular updates of internal policies and procedures, to reflect changing risks or resolve operational deficiencies; and
- Regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the financial year ended 31 May 2020.

The Company has implemented ISO 9001:2000 Quality Management Systems, where documented internal procedures and standard operating procedures have been put in place. Internal quality audits are carried out by the ISO Committee and annual surveillance audits are conducted by an independent certification body to provide a high assurance of compliance.

The Internal Audit adopts a risk-based approach based on COSO assessment model.

5. Management Responsibilities and Assurance

In accordance to the Bursa Securities' Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

In producing this Statement, the Board has received assurance from the Chief Executive Officer that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

6. Board Assurance and Limitation

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss resulted from significant control weaknesses. The Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives.

**STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL**

(CONT'D)

6. Board Assurance and Limitation (Continued)

The Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

7. Review of the Statement by the External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the External Auditors have reviewed the Statement on Risk Management and Internal Control for inclusion in the annual report for the financial year ended 31 May 2020. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 included in the Annual Report, issued by the Malaysian Institute of Accountants. AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

8. Conclusion

The Board recognises the necessity to monitor closely the adequacy and effectiveness of the Group's system of internal controls and risk management, taking into consideration the fast-changing business environment. Although the Board is of the view that the present risk management and internal control is adequately in place to safeguard the Company's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.

The statement is made in accordance with a resolution of the Board of Directors dated 18 September 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds raised from 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")

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 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	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 private placement was completed on 14 July 2020.

2. Option, Warrant and Convertible Securities

Employees Share Option Scheme ("ESOS")

The Company had at the Extraordinary General Meeting held on 17 June 2011, approved the establishment and the administration of an Employee Share Option Scheme ("ESOS") and authorised the Company to allot and issue such number of new ordinary shares to the Eligible Person from time to time pursuant the ESOS. The ESOS was implemented on 30 November 2011 for a period of five (5) years. Pursuant to the Board's approval on 17 November 2016, the tenure of the ESOS has been extended for a further period of five (5) years and will expire on 28 November 2021. Total number of options granted and exercised by the eligible Directors and employees of the Group and the outstanding options during the FYE 2020 was set out in the table below:-

Description	Directors	Senior Management/ Director of Subsidiary	Other eligible employees	Total
Options granted	800,000	16,160,000	53,640,000	70,600,000
Options lapsed	-	-	500,000	500,000
Options exercised	-	-	5,150,000	5,150,000
Outstanding options unexercised	800,000	16,160,000	47,990,000	64,950,000

In accordance with the Company's ESOS By-Law, the total number of new shares which may be made available under the ESOS Scheme shall not exceed 15% of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS for the eligible Directors and employees of the Group. The aggregate maximum allocation applicable to directors and senior management is no more than 50% as per the ESOS by laws and the actual percentage granted to-date to them was 13.44%.

**ADDITIONAL
COMPLIANCE INFORMATION**

(CONT'D)

2. Option, Warrant and Convertible Securities (Continued)

During the FYE 2020, ESOS allocations to the Directors are as follows:-

Name of Directors	Number of options granted	Number of options exercised
Executive Chairman, Chief Executive Officer		
Eg Kah Yee	100,000	-
Independent Non-Executive Directors		
Benny T. Hu @ Ting Wu Hu	350,000	-
N. Chanthiran a/l Nagappan	350,000	-

Subsequent to the FYE 2020 and up to the date of this report, the Company had issue 41,740,000 new ordinary shares pursuant to the ESOS.

Other than as disclosed above, there were no warrants and convertible securities issued by the Company during the FYE 2020.

3. Material Contracts

Neither the Company nor its subsidiary have entered into any contract which are or may be material (not being contracts entered into in the ordinary course of business) involving Directors' and major shareholders' interests since the end of the previous financial year.

4. Recurrent Related Party Transactions ("RRPT")

The breakdown of aggregate value of transactions during the financial year are as follows:-

Transacting Party within Key ASIC Group	Related Party	Nature of Recurrent Transactions	Interested Related Parties	Actual Value Transacted during the financial year (RM)
Key ASIC Inc. (recipient of product) [Key ASIC Group]	Silterra Malaysia Sdn Bhd (provider of product & service)	Fabrication of wafer related services.	<i>Interested Major Shareholder</i> *Khazanah Nasional Berhad	4,181,232

*Ceased to be a major shareholder on 22 November 2019.

5. Sanctions or Penalties

There were no sanctions or material penalties imposed by any regulatory body to the Company and its subsidiaries, Directors or management.

6. Variance in Result

There was no material variation between the audited results for the financial year ended 31 May 2020 and the unaudited results previously announced for the similar period.