

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2013

	Unaudited 2013 Current Qtr Ended 31-Mar RM'000	Unaudited 2012 Comparative Qtr Ended 31-Mar RM'000	Unaudited 2013 Cumulative YTD 31-Mar RM'000	Unaudited 2012 Cumulative YTD 31-Mar RM'000
Revenue	905	672	905	672
Cost of sales	<u>(255)</u>	<u>(550)</u>	<u>(255)</u>	<u>(550)</u>
Gross (loss) / profit	650	122	650	122
Other income	25	376	25	376
Selling and distribution	(33)	(62)	(33)	(62)
Administrative and general expenses	<u>(849)</u>	<u>(630)</u>	<u>(849)</u>	<u>(630)</u>
Results from operating activities	(207)	(194)	(207)	(194)
Finance Cost	<u>(1)</u>	<u>(20)</u>	<u>(1)</u>	<u>(20)</u>
Loss before tax	(208)	(214)	(208)	(214)
Loss before tax is stated after charging/(crediting):-				
Reversal of impairment loss on trade receivables	-	(204)	-	(204)
Bad debts recovered	-	(172)	-	(172)
Interest expenses	1	-	1	-
Depreciation and amortisation	217	242	217	242
Foreign exchange loss	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period	(208)	(214)	(208)	(214)
Foreign currency translation	-	-	-	-
Total comprehensive loss	(208)	(214)	(208)	(214)
Attributable to :-				
Owners of the Company	(208)	(214)	(208)	(214)
Non-Controlling Interests	-	-	-	-
	<u>(208)</u>	<u>(214)</u>	<u>(208)</u>	<u>(214)</u>
Total comprehensive loss attributable to:-				
Owners of the Company	(208)	(214)	(208)	(214)
Non-Controlling Interests	-	-	-	-
	<u>(208)</u>	<u>(214)</u>	<u>(208)</u>	<u>(214)</u>
EPS - Basic (sen)	(0.07)	(0.07)	(0.07)	(0.07)
- Diluted (sen)	N/A	N/A	N/A	N/A

Note:

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Unaudited As At 31 March 2013 RM'000	Audited As At 31 December 2012 RM'000
ASSETS		
Non-current assets		
Property, Plant and Equipment	211	244
Intangible Assets	16,226	16,406
Receivables	12,932	12,932
Total non-current assets	<u>29,369</u>	<u>29,582</u>
Current assets		
Inventories	508	517
Trade Receivables	3,990	3,715
Other Receivables	1,637	1,720
Cash and bank balances	2,614	250
	<u>8,749</u>	<u>6,202</u>
Assets classified as held for sale	7	7
Total current assets	<u>8,756</u>	<u>6,209</u>
Total assets	<u>38,125</u>	<u>35,791</u>
EQUITY AND LIABILITIES		
Equity		
Share Capital	29,053	29,053
Share Premium	4,296	4,296
Warrants reserve	2,752	-
Accumulated loss	(14,740)	(14,532)
Other Reserves	30	31
Equity attributable to owners of the Company	<u>21,391</u>	<u>18,848</u>
Non-Controlling Interests	19	18
Total Equity	<u>21,410</u>	<u>18,866</u>
Non-current liabilities		
Trade and other payables	13,638	13,638
Current Liabilities		
Trade and other payables	2,621	2,576
Loans and Borrowings	420	675
	<u>3,041</u>	<u>3,251</u>
Liabilities classified as held for sale	36	36
	<u>3,077</u>	<u>3,287</u>
Total liabilities	<u>16,715</u>	<u>16,925</u>
Total equity and liabilities	<u>38,125</u>	<u>35,791</u>
	-	-
Net Assets Per Share Attributable to owners of the Company (Sen)	7.36	6.49

Note:

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2013

	Unaudited 3 Months Ended 31/3/2013 RM'000	Unaudited 3 Months Ended 31/3/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(208)	(214)
Adjustment for:		
Amortisation of intangible assets	180	191
Depreciation of property, plant and equipment	37	51
Interest expense	1	20
Other income	(25)	-
Operating profit / (loss) before changes in working capital	(15)	48
Decrease in inventories	9	19
(Increase) / Decrease in trade and other receivables	(192)	966
Increase / (Decrease) in trade and other payables	45	(340)
Cash (used in) / generated from operations	(153)	693
Interest paid	(1)	(20)
Development cost paid	-	-
Tax paid	-	-
Net cash (used in) / generated from operating activities	<u>(154)</u>	<u>673</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(4)	(5)
Other income	25	-
Net cash generated from / (used in) investing activities	<u>21</u>	<u>(5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in borrowings	29	(441)
Proceeds from Rights Issue of Warrants, net of expenses	2,752	-
Net cash generated from / (used in) financing activities	<u>2,781</u>	<u>(441)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,648	227
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(34)	(112)
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>2,614</u>	<u>115</u>

Note:

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to the interim financial statements.

The balance of cash and cash equivalents at end of financial period includes the amount of cash and cash equivalents that is restricted to be used, as shown in the interim Statement of Financial Position.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2013

	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Other Reserves - ESOS Reserve RM'000	Other Reserves - Foreign Exchange Reserve RM'000	Accumulated loss RM'000	Equity Attributable to the Owner of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Quarter ended 31 March 2013									
At 1 January 2013	29,053	4,296	-	13	18	(14,532)	18,848	18	18,866
Foreign exchange difference	-	-	-	-	(1)	-	(1)	-	-
Total Other comprehensive income for the period	-	-	-	-	(1)	-	(1)	-	-
Loss for the period	-	-	-	-	-	(208)	(208)	-	(208)
Comprehensive Income / (loss) for the period	-	-	-	-	(1)	(208)	(209)	1	(208)
Renounceable Rights Issue of Warrants	-	-	2,905	-	-	-	2,905	-	2,905
Expenses relating to Rights Issue of Warrants	-	-	(153)	-	-	-	(153)	-	(153)
At 31 March 2013 (Unaudited)	29,053	4,296	2,752	13	17	(14,740)	21,391	19	21,410
Quarter ended 31 March 2012									
At 1 January 2012	29,053	4,296	-	27	-	(14,012)	19,364	18	19,382
Foreign exchange difference	-	-	-	-	-	-	-	-	-
Total Other comprehensive income for the period	-	-	-	-	-	(214)	(214)	-	(214)
Loss for the period	-	-	-	-	-	(214)	(214)	-	(214)
Comprehensive loss for the period	-	-	-	-	-	(214)	(214)	-	(214)
At 31 March 2012 (Unaudited)	29,053	4,296	-	27	-	(14,226)	19,150	18	19,168

Note:

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

SELECTED EXPLANATORY NOTES

1. Accounting Policies and Methods Of Computation

The 1st quarterly financial report ended 31 March 2013 is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. The explanatory notes attached to the quarterly financial report provide an explanation on events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

The accounting policies and methods of computation adopted by the Group in the quarterly financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2012, except for the adoption of new/revised MFRSs that are effective 1 January 2013. These new/revised MFRSs are not expected to have significant impact on the financial position or results.

2. Audit Report

Other than qualification on the foreign subsidiary on the appropriateness of preparing the financial statements on a going concern basis, the auditors' report of the Company's annual financial statements for the financial year ended 31 December 2012 was not subject to any other qualification.

3. Segmental Reporting

<u>Geographical segments</u>	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
Current Quarter ended 31 March 2013				
Segment Revenue				
Revenue	905	-	-	905
Inter-Segment Sales	-	-	-	-
Total Revenue	905	-	-	905
Segment PBT / (LBT)				
Segment Results				(207)
Unallotted Corporate Exp.				-
Operating Loss				(207)
Interest Expense				(1)
Interest Income				-
Loss Before Taxation				(208)
Depreciation	37	-	-	37
Non cash expenses other than depreciation	180	-	-	180
Cumulative YTD ended 31 March 2013				
Segment Revenue				
Revenue	905	-	-	905
Inter-Segment Sales	-	-	-	-
Total Revenue	905	-	-	905
Segment PBT / (LBT)				
Segment Results				(207)
Unallotted Corporate Exp.				-
Operating Loss				(207)
Interest Expense				(1)
Interest Income				-
Loss Before Taxation				(208)
Depreciation	37	-	-	37
Non cash expenses other than depreciation	180	-	-	180
Segment assets	38,895	1,802	(2,572)	38,125
Segment liabilities	33,168	44	(16,497)	16,715
Capital expenditure	4	-	-	4

SELECTED EXPLANATORY NOTES

4. Unusual Items

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group.

5. Changes In Estimates Of Amount Reported Previously Affecting Current Interim Period

There are no changes in estimates of amount reported that will have a material effect in the current interim period.

6. Seasonality or Cyclicity

The operations of the Group are not subject to any seasonality or cyclicity factors.

7. Dividends Paid Or Proposed

Dividends were neither paid nor proposed during the current interim period.

8. Valuation of Property, Plant and Equipment

The Group has not carried out any valuation on its property, plant & equipment.

9. Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

10. Change In The Composition of The Group

Pursuant to Rule 9.19(25) of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the Board of Directors of Palette Multimedia Berhad ("Palette" or "the Company") has announced that the Company had on 15 October 2012 entered into a Sale and Purchase of Shares Agreement ("SPA") with Jaliah Binti Jalal and Ismail bin Mohamadeen (collectively known as "the Purchasers") for the disposal of 649,999 ordinary shares of USD1 each in PT Palette, representing 99.99% shareholding in PT Palette ["the Sale Shares"] for a total cash consideration of RM1 ["Disposal Consideration"].

Upon completion of the Proposed Disposal, PT Palette shall ceased to be a subsidiary of the Company.

11. Discontinued Operation

There were no discontinued operations within the activities of the Group for the quarter under review.

12. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

13. Changes In Contingent Liabilities & Assets

There are no material contingent liabilities as at the date of this report.

14. Subsequent Events

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

Additional Informations As Per ACE Market Listing Requirement

15. Review Of Performance

During the current quarter under review, the Group recorded a net loss attributable to Owners of the Company of RM0.2 million on the back of RM0.9 million revenue representing an improvement as compared to a net loss attributable to Owners of the Company of RM0.21 million in the comparative quarter of the preceding year.

SELECTED EXPLANATORY NOTES

16. Material Change In the Profit Before Taxation Compared To The Results of Immediate Preceding Quarter

The Group recorded a loss before tax of RM0.20 million in the current quarter as compared to a net loss before tax of RM0.41 million in the immediate preceding quarter. This representing an improvement of approximately 49%. The better performance of the Group is mainly due to non-recurring of write off of inventories by a subsidiary in preceding quarter.

17. Commentary Of Prospects

Q1 2013 saw the completion of our first successful implementation of Palette's Access Management Gateway. The existing trials are being concluded in Q2 and we will see further rollouts from end Q2. The R&D team is also preparing a new version to be launched in end June which will be targeted at the enterprise market, thereby increasing our market coverage with positive results to come in within the second half of the year.

18. Profit Forecast

There were no profit forecast announced in the current interim period and financial year to date under review, hence there was no comparison between actual and forecast results.

19. Taxation

The company and its subsidiaries, no taxable profit is expected due to the losses made in prior years.

20. Unquoted Investments / Properties

There were no purchase or sales of unquoted investments or properties during the current interim period under review.

21. Purchase or Disposal of Quoted Securities

There were no purchase or disposal of quoted securities during the current interim period under review.

22. Status of Corporate Proposal

(1) Memorandum of Understanding between TT dotCom Sdn Bhd and Palette Multimedia Berhad

The company has on 30th August 2007, entered into a Memorandum of Understanding with TT dotCom Sdn Bhd to provide high bandwidth internet access service for wired and wireless networks within the Damansara Perdana area and Jaya 33 building in Petaling Jaya.

For the purpose of the joint services to be offered in Damansara Perdana, Palette will charge a rate of RM25,000 per month on a flat basis to TIME for the provision of 2nd and 3rd line support.

There is no material development pertaining to the Memorandum of Understanding between TT dotCom Sdn Bhd and Palette Multimedia Berhad.

(2) Renounceable rights issue warrant ("Proposal")

On 7 September 2011, the Company has announced to undertake the proposed renounceable rights issue of up to 154,513,250 warrants ("Warrants") at an indicative issue price of RM0.03 for each Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 each in the Company ("Proposed Rights Issue of Warrants").

Bursa Securities on 4 April 2012 approved the listing application pursuant to the Proposed Rights Issue of Warrants. The approval of Bursa Securities is subject to compliance with certain conditions imposed by Bursa Securities.

The Proposed Rights Issue of Warrants has been approved by the shareholders of the Company at the Extraordinary General Meeting held on 15 June 2012.

Further extension of time of 6 months from 4 October 2012 until 3 April 2013 to complete the implementation of the rights issue has been approved by Bursa Securities on 20 September 2012.

The Company has increased the working capital of the Company through fund raising of renounceable right issue of 145,263,250 warrants at an issue price of RM0.02 per warrant on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in the Company held at 5.00pm on February 27, 2013. The rights issue of the warrants has been completed with the listing of 145,263,250 Warrants on the ACE Market of Bursa Securities on March 28, 2013.

SELECTED EXPLANATORY NOTES

23. Group Borrowings and Debt Securities

Group Borrowings denominated in Ringgit Malaysia as at 31 March 2013 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	-	-	-
Unsecured	420	-	420
Total	420	-	420

24. Off Balance Sheet Financial Instruments

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

25. Material Litigation

On the on-going litigation between the Company and Asustek Computer Inc and Bumiputra Commerce Bank Berhad registered under High Court suit no. D4-22-293-04, the Company had on 1 July 2010 been notified by its legal representative that a Notice of Appeal, against the decision of the Kuala Lumpur High Court dated 4 June 2010, has been filed into Court on 29 June 2010.

Company had on 29 June 2010 filed a notice of appeal against the above decision by the Court and were notified that the Court of Appeal of Malaysia had on 2 January 2013 dismissed our appeal against the decision of the court. Our Board considers that it has a reasonable chance of success if the matter is appealed and Company has applied for leave to appeal to the Federal Court of Malaysia. As such, the full impact on our net profits and shareholders funds could not be reliably quantified at this juncture until the proportion of liability is ascertained by the parties or otherwise.

The Board of Directors of Palette Multimedia Berhad ("Palette" or "the Company") wish to announce that the Company had on 8 April 2013 been notified by its legal representative that the Federal Court has fixed the hearing date for the application for leave to appeal on 22 August 2013.

26. Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Rules 2.07 and 2.23 of Bursa Securities ACE Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclose and the format period.

The breakdown of accumulated losses of the Group and the Company as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	Group 31/03/2013 RM'000	Group 31/12/2012 RM'000
Total accumulated losses of Palette Multimedia Berhad and it's subsidiaries:		
- Realised	(14,740)	(14,532)
- Unrealised - in respect of other items of income and expense	-	-
Total Group accumulated losses as per consolidated accounts	<u>(14,740)</u>	<u>(14,532)</u>

The determination of realised and unrealised losses is based on the Guidedance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

27. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 31 March 2013.

SELECTED EXPLANATORY NOTES

28. Status of utilisation of proceeds

A Renounceable Rights Issue of 145,263,250 Warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.10 was completed on 28 March 2013.

The proceeds from the Rights Issue have been utilised as follows:

	Amount Utilised (RM'000)	As per Prospectus dated 27 Feb 2013 (RM'000)
Working capital for our Group	-	2,355
Payment of trade line facility	-	150
Defray expenses in relation to the Rights Issue of Warrants	-	400
Total	-	2,905

29. Basic Earnings Per Share

(a) Basic

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

	Individual Quarter Ended		Cumulative YTD	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Net Profit/(Loss) After Tax & Non-Controlling Int(RM'000)	(208)	(214)	(208)	(214)
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic Profit / (Loss) Per Share (sen)	(0.07)	(0.07)	(0.07)	(0.07)

(b) Diluted

There is no dilution effect on the earning per share during the quarter and cumulative year to date since the exercise price of the outstanding options is higher than the weighted average market price of share traded.

30. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30th May 2013.