

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2015**

	<b>Unaudited As At 30 Sept 2015 RM'000</b>	<b>Audited As At 31 December 2014 RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	50	72
Intangible Assets	10,156	11,028
Deferred tax assets	95	95
Total Non-Current Assets	<u>10,301</u>	<u>11,195</u>
<b>Current Assets</b>		
Inventories	501	446
Trade Receivables	2,169	2,607
Other Receivables	415	436
Deposits, cash and bank balances	138	475
Total Current Assets	<u>3,223</u>	<u>3,964</u>
<b>Total Assets</b>	<b><u>13,524</u></b>	<b><u>15,159</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves</b>		
Share capital	11,621	11,621
Share premium	296	296
Warrants reserve	2,629	2,629
Accumulated loss	(3,763)	(5,644)
Total Equity	<u>10,783</u>	<u>8,902</u>
<b>Non-Current Liabilities</b>		
Trade and other payables	1,717	1,717
Total Non-Current Liabilities	<u>1,717</u>	<u>1,717</u>
<b>Current Liabilities</b>		
Loans and Borrowings	456	-
Trade and other payables	568	4,540
Total Current Liabilities	<u>1,024</u>	<u>4,540</u>
Total Liabilities	<u>2,741</u>	<u>6,257</u>
<b>Total Equity and Liabilities</b>	<b><u>13,524</u></b>	<b><u>15,159</u></b>
Net Assets Per Share Attributable to owners of the Company (Sen)	3.71	3.06

Note:

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPT 2015**

	Unaudited 2015 Current Qtr Ended 30-Sep RM'000	Unaudited 2014 Comparative Qtr Ended 30-Sep RM'000	Unaudited 2015 Cumulative YTD 30-Sep RM'000	Unaudited 2014 Cumulative YTD 30-Sep RM'000
Revenue	773	40	1,241	321
Cost of sales	<u>(315)</u>	<u>(63)</u>	<u>(610)</u>	<u>(117)</u>
<b>Gross profit / (loss)</b>	458	(23)	631	204
Other income	21	108	3,704	213
Selling and distribution	(12)	(448)	(72)	(483)
Administrative and general expenses	<u>(403)</u>	<u>(317)</u>	<u>(1,482)</u>	<u>(1,434)</u>
<b>Earnings Before Interest, Taxes, Depreciation and Amortisation</b>	64	(680)	2,781	(1,500)
Amortisation of Intangible Assets	(598)	(137)	(872)	(411)
Depreciation	<u>(8)</u>	<u>(9)</u>	<u>(25)</u>	<u>(62)</u>
<b>Profit / (Loss) from operations</b>	(542)	(826)	1,884	(1,973)
Finance Cost	(3)	-	(3)	-
<b>Profit / (Loss) before tax</b>	<u>(545)</u>	<u>(826)</u>	<u>1,881</u>	<u>(1,973)</u>
Profit / (Loss) before tax is stated after charging/(crediting):-				
Reversal of impairment loss on trade receivables	-	(166)	-	(167)
Gain on disposal of investment in subsidiary	-	-	-	(45)
Gain on debt waiver	-	-	(3,680)	-
Interest income	(1)	-	(4)	(2)
Interest expenses	3	-	3	-
Depreciation and amortisation	606	146	897	473
Foreign exchange loss / (gain)	<u>(24)</u>	<u>119</u>	<u>(20)</u>	<u>62</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit / (Loss) for the period</b>	(545)	(826)	1,881	(1,973)
Foreign currency translation	-	-	-	(20)
<b>Total comprehensive income / (loss)</b>	<u>(545)</u>	<u>(826)</u>	<u>1,881</u>	<u>(1,993)</u>
Attributable to :-				
Owners of the Company	(545)	(826)	1,881	(1,973)
Non-Controlling Interests	-	-	-	-
	<u>(545)</u>	<u>(826)</u>	<u>1,881</u>	<u>(1,973)</u>
Total comprehensive income / (loss) attributable to:-				
Owners of the Company	(545)	(826)	1,881	(1,975)
Non-Controlling Interests	-	-	-	(18)
	<u>(545)</u>	<u>(826)</u>	<u>1,881</u>	<u>(1,993)</u>
Profit / (Loss) per share - Basic (sen)	(0.19)	(0.28)	0.65	(0.68)
- 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 2014 and the accompanying explanatory notes attached to the interim financial statements.

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPT 2015**

	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 Owners of the Company RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
<b>Quarter ended 30 Sept 2015</b>									
Balance as at 1 January 2015	11,621	296	2,629	-	-	(5,644)	8,902	-	8,902
Foreign exchange difference	-	-	-	-	-	-	-	-	-
Total Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	1,881	1,881	-	1,881
Comprehensive income for the period	-	-	-	-	-	1,881	1,881	-	1,881
Balance as at 30 Sept 2015 (Unaudited)	11,621	296	2,629	-	-	(3,763)	10,783	-	10,783
<b>Quarter ended 30 Sept 2014</b>									
Balance as at 1 January 2014	29,053	4,296	2,629	13	26	(20,253)	15,764	18	15,782
Foreign exchange difference	-	-	-	-	(26)	24	(2)	(18)	(20)
Total Other comprehensive income / (loss) for the period	-	-	-	-	(26)	24	(2)	(18)	(20)
Loss for the period	-	-	-	-	-	(1,973)	(1,973)	-	(1,973)
Comprehensive loss for the period	-	-	-	-	(26)	(1,949)	(1,975)	(18)	(1,993)
Share premium & par value reduction	(17,432)	(4,000)	-	-	-	21,432	-	-	-
Expenses relating to Share premium & par value reduction	-	(145)	-	-	-	-	(145)	-	(145)
Balance as at 30 Sept 2014 (Unaudited)	11,621	151	2,629	13	-	(770)	13,644	-	13,644

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 2014 and the accompanying notes attached to the interim financial statements.**

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 SEPT 2015**

	<b>Unaudited 9 Months Ended 30/09/2015 RM'000</b>	<b>Unaudited 9 Months Ended 30/09/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	1,881	(1,973)
Adjustments for:		
Amortisation of intangible assets	872	411
Depreciation of property, plant and equipment	25	62
Interest expense	3	-
Interest income	(4)	(2)
Gain on disposal of investment in subsidiary	-	(45)
Gain on debt waiver	(3,680)	-
Reversal of impairment loss on trade receivables	-	(167)
Operating loss before changes in working capital	<u>(903)</u>	<u>(1,714)</u>
Increase in inventories	(55)	(22)
Decrease in trade and other receivables	459	2,305
Decrease in trade and other payables	<u>(292)</u>	<u>(450)</u>
Cash (used in) / generated from operations	(791)	119
Interest paid	(3)	-
Interest received	4	2
Net cash (used in) / generated from operating activities	<u>(790)</u>	<u>121</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(3)	(10)
Net cash used in investing activities	<u>(3)</u>	<u>(10)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Expenses relating to Share premium & par value reduction	-	(145)
Net cash used in financing activities	<u>-</u>	<u>(145)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(793)	(34)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	-	26
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	475	771
<b>CASH AND CASH EQUIVALENTS AT 30 SEPT</b>	<u>(318)</u>	<u>763</u>

**Cash and cash equivalents**

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

Deposits	128	68
Cash and bank balances	10	695
Bank overdraft	(456)	-
	<u>(318)</u>	<u>763</u>

Note:

**The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying notes attached to the interim financial statements.**

**SELECTED EXPLANATORY NOTES**

**1. Accounting Policies and Methods Of Computation**

The 3rd quarter financial report ended 30 Sept 2015 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 2014. 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 2014.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014 except for the adoption of the following Amendments and Annual improvements to Standards:

Effective for financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119 : Defined Benefits Plans - Employee Contribution  
Annual Improvements to MFRSs 2010 - 2012 Cycle  
Annual Improvements to MFRSs 2011 - 2013 Cycle

The adoption of the above standards, amendments and annual improvement do not have any significant financial impact to the Group's financial statements.

**2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited financial statements for the year ended 31 December 2014 was not qualified.

**3. Segmental Reporting**

**Geographical segment**

The business of the Group is managed principally in Malaysia and its products are distributed mainly in Malaysia.

**Business segment**

The Group is principally engaged in the business of design, development and marketing of information technology related product and services. Business segmental information has therefore not been prepared as the Group's revenue, operating profit, asset employed, liabilities, capital expenditure, depreciation and non-cash expenses are mainly confirmed to one business segment.

**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**

There has been no change in the composition of the Group during the interim period under review.

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**SELECTED EXPLANATORY NOTES****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 Information 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 RM0.545 million on the back of RM0.773 million revenue representing an improvement performance as compared to a net loss attributable to Owners of the Company of RM0.826 million in the comparative quarter of the preceding year.

**16. Material Change In the Profit / (Loss) Before Taxation Compared To The Results of Immediate Preceding Quarter**

	<b>Individual Quarter Ended</b>	
	<b>30-Sep-15</b>	<b>30-Jun-15</b>
	<b>RM'000</b>	
Operating loss	(545)	(615)
Add : Gain on debt waiver	-	3,680
Profit / (Loss) before tax	<u>(545)</u>	<u>3,065</u>

The Group recorded Operating loss of RM0.545 million in the current quarter, and RM0.615 million in the immediate preceding quarter respectively.

During the preceding quarter, the Group has taken up the gain on debt waiver from local bank amounted RM3.680 million, hence the Group's result became profit before tax RM3.065 million.

**17. Commentary Of Prospects**

Palette has commenced rolling out its iMedic system in Q3 to doctors and hospitals in Malaysia and we expect a positive impact on our earnings over the coming quarters. This innovative system has garnered great interest amongst doctors and is ground breaking in its approach to chronic care. In addition Palette continues with its WIFI business with extensions to current contracts expected in Q4 2015. Another new area for Palette is the provision of software for Software Defined Networks with the first impact on revenue expected by end 2015.

**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 on the year-to-date.

**20. Unquoted Investments / Properties**

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

**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**

There were no Corporate Proposal during the current interim period under review.

**23. Group Borrowings and Debt Securities**

There were no borrowings and debts securities for the financial quarter under review.

**PALETTE MULTIMEDIA BERHAD**

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**SELECTED EXPLANATORY NOTES****24. Off Balance Sheet Financial Instruments**

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

**25. Material Litigation**

There were no Material Litigation for the financial quarter under review.

**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 as at the reporting date, into realised and unrealised losses, pursuant to the directive, is as follows:

	<b>Group 30/09/2015 RM'000</b>	<b>Group 31/12/2014 RM'000</b>
Total accumulated losses of Palette Multimedia Berhad and it's subsidiaries:		
- Realised	(17,607)	(19,488)
- Unrealised - in respect of other items of income and expense	95	95
	<u>(17,512)</u>	<u>(19,393)</u>
Add: Consolidation adjustments	13,749	13,749
Total Group accumulated losses as per consolidated accounts	<u>(3,763)</u>	<u>(5,644)</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 30 Sept 2015.

**28. Basic Loss Per Share**

(a) Basic

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

	<b>Individual Quarter Ended</b>		<b>Cumulative YTD</b>	
	<b>30-Sep-15</b>	<b>30-Sep-14</b>	<b>30-Sep-15</b>	<b>30-Sep-14</b>
Net Profit / (Loss) After Tax & Non-Controlling Int(RM'000)	(545)	(826)	1,881	(1,973)
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic profit / (Loss) Per Share (sen)	<u>(0.19)</u>	<u>(0.28)</u>	<u>0.65</u>	<u>(0.68)</u>

(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.