

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015**

	<b>Unaudited As At 31 March 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	68	72
Intangible Assets	10,891	11,028
Deferred tax assets	95	95
<b>Total Non-Current Assets</b>	<b>11,054</b>	<b>11,195</b>
<b>Current Assets</b>		
Inventories	461	446
Trade Receivables	2,241	2,607
Other Receivables	421	436
Deposits, cash and bank balances	199	475
<b>Total Current Assets</b>	<b>3,322</b>	<b>3,964</b>
<b>Total Assets</b>	<b>14,376</b>	<b>15,159</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	(6,283)	(5,644)
<b>Total Equity</b>	<b>8,263</b>	<b>8,902</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	1,717	1,717
<b>Total Non-Current Liabilities</b>	<b>1,717</b>	<b>1,717</b>
<b>Current Liabilities</b>		
Trade and other payables	4,396	4,540
<b>Total Current Liabilities</b>	<b>4,396</b>	<b>4,540</b>
<b>Total Liabilities</b>	<b>6,113</b>	<b>6,257</b>
<b>Total Equity and Liabilities</b>	<b>14,376</b>	<b>15,159</b>
	-	-
Net Assets Per Share Attributable to owners of the Company (Sen)	2.84	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 31 MARCH 2015**

	Unaudited 2015 Current Qtr Ended 31-Mar RM'000	Unaudited 2014 Comparative Qtr Ended 31-Mar RM'000	Unaudited 2015 Cumulative YTD 31-Mar RM'000	Unaudited 2014 Cumulative YTD 31-Mar RM'000
Revenue	272	114	272	114
Cost of sales	(130)	(19)	(130)	(19)
<b>Gross profit</b>	<u>142</u>	<u>95</u>	<u>142</u>	<u>95</u>
Other income	0	58	0	58
Selling and distribution	(75)	(20)	(75)	(20)
Administrative and general expenses	(706)	(701)	(706)	(701)
<b>Loss from operations</b>	<u>(639)</u>	<u>(568)</u>	<u>(639)</u>	<u>(568)</u>
Finance Cost	(0)	-	(0)	-
<b>Loss before tax</b>	<u>(639)</u>	<u>(568)</u>	<u>(639)</u>	<u>(568)</u>
Loss before tax is stated after charging/(crediting):-				
Reversal of impairment loss on trade receivables	-	(1)	-	(1)
Interest income	(0)	-	(0)	-
Interest expenses	0	-	0	-
Depreciation and amortisation	145	164	145	164
Foreign exchange loss / (gain)	1	(57)	1	(57)
	<u>1</u>	<u>(57)</u>	<u>1</u>	<u>(57)</u>
Income tax expense	-	-	-	-
<b>Loss for the period</b>	<u>(639)</u>	<u>(568)</u>	<u>(639)</u>	<u>(568)</u>
Foreign currency translation	-	(1)	-	(1)
<b>Total comprehensive loss</b>	<u>(639)</u>	<u>(569)</u>	<u>(639)</u>	<u>(569)</u>
Attributable to :-				
Owners of the Company	(639)	(568)	(639)	(568)
Non-Controlling Interests	-	-	-	-
	<u>(639)</u>	<u>(568)</u>	<u>(639)</u>	<u>(568)</u>
Total comprehensive loss attributable to:-				
Owners of the Company	(639)	(569)	(639)	(569)
Non-Controlling Interests	-	-	-	-
	<u>(639)</u>	<u>(569)</u>	<u>(639)</u>	<u>(569)</u>
Loss per share - Basic (sen)	(0.22)	(0.20)	(0.22)	(0.20)
- 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 31 MARCH 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 31 March 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 loss for the period	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(639)	(639)	-	(639)
Comprehensive loss for the period	-	-	-	-	-	(639)	(639)	-	(639)
Balance as at 31 March 2015 (Unaudited)	11,621	296	2,629	-	-	(6,283)	8,263	-	8,263
<b>Quarter ended 31 March 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	-	-	-	-	(1)	-	(1)	-	(1)
Total Other comprehensive loss for the period	-	-	-	-	(1)	-	(1)	-	(1)
Loss for the period	-	-	-	-	-	(568)	(568)	-	(568)
Comprehensive loss for the period	-	-	-	-	(1)	(568)	(569)	-	(569)
Balance as at 31 March 2014 (Unaudited)	29,053	4,296	2,629	13	25	(20,821)	15,195	18	15,213

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 31 MARCH 2015**

	<b>Unaudited 3 Months Ended 31/03/2015 RM'000</b>	<b>Unaudited 3 Months Ended 31/03/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(639)	(568)
Adjustments for:		
Amortisation of intangible assets	137	137
Depreciation of property, plant and equipment	8	27
Interest expense	0	-
Interest income	(0)	-
Reversal of impairment loss on trade receivables	-	(1)
Operating loss before changes in working capital	<u>(494)</u>	<u>(405)</u>
Increase in inventories	(15)	(4)
Decrease in trade and other receivables	381	527
Decrease in trade and other payables	<u>(144)</u>	<u>(151)</u>
Cash generated used in operations	<u>(272)</u>	<u>(33)</u>
Interest paid	(0)	-
Interest received	0	-
Net cash used in operating activities	<u>(272)</u>	<u>(33)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	<u>(4)</u>	<u>(3)</u>
Net cash used in investing activities	<u>(4)</u>	<u>(3)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(276)	(36)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	-	1
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	475	771
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<u>199</u>	<u>736</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 1st quarter financial report ended 31 March 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 with the adoption of the following MFRS:

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

Amendments to MFRS 10 : Consolidated Financial Statements - Investment Entities  
Amendments to MFRS 12 : Disclosure of Interests in Other Entities - Investment Entities  
Amendments to MFRS 127 : Separate Financial Statements - Investment Entities  
Amendments to MFRS 132 : Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 136 : Impairment of Asset - Recoverable Amount Disclosures For Non-Financial Assets  
Amendments to MFRS 139 : Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting  
IC Interpretation 21 : Levies

The adoption of the above do not have any significant financial impact on the Group upon their initial application.

**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 2014 was not subject to any other qualification.

**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 RM0.639 million on the back of RM0.272 million revenue representing an adverse performance as compared to a net loss attributable to Owners of the Company of RM0.568 million in the comparative quarter of the preceding year.

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

	<b>Individual Quarter Ended</b>	
	<b>31-Mar-15</b>	<b>31-Dec-14</b>
	<b>RM'000</b>	
Operating profit / (loss)	(639)	83
Less : Impairment loss on IP	-	(3,959)
Less : Late payment interest	-	(1,312)
Less : Audit journal	-	(131)
Loss before tax	<u>(639)</u>	<u>(5,319)</u>

The Group recorded an Operating loss of RM0.639 million in the current quarter as compared to an Operating profit of RM0.083 million in the immediate preceding quarter.

During the immediate preceding quarter, the Group has taken in the impairment loss of Intellectual Property amounted RM3.959 million, late payment interest RM1.312 million and audit adjustment RM0.131 million, hence the Group's result became loss before tax RM5.319 million.

**17. Commentary Of Prospects**

The 2nd Quarter saw the successful completion of a custom software project for a major telecommunications company. This project has far reaching implications as it heralds Palette's growing ability to architect solutions especially in areas involving cloud computing and mobile applications; especially from the experience gained from building the iMedic system. Development work has commenced on a new range of cloud products which are expected to be launched at the end of Quarter 2, with significant business impact to Palette by year end. Palette will continue to build its expertise in the key technology areas of cloud and mobile application development, "the internet of things" and network software development.

**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.

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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 31/03/2015 RM'000</b>	<b>Group 31/12/2014 RM'000</b>
Total accumulated losses of Palette Multimedia Berhad and it's subsidiaries:		
- Realised	(20,127)	(19,488)
- Unrealised - in respect of other items of income and expense	95	95
	<u>(20,032)</u>	<u>(19,393)</u>
Add: Consolidation adjustments	13,749	13,749
Total Group accumulated losses as per consolidated accounts	<u>(6,283)</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 31 March 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>31-Mar-15</b>	<b>31-Mar-14</b>	<b>31-Mar-15</b>	<b>31-Mar-14</b>
Net Profit / (Loss) After Tax & Non-Controlling Int(RM'000)	(639)	(568)	(639)	(568)
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic profit / (Loss) Per Share (sen)	<u>(0.22)</u>	<u>(0.20)</u>	<u>(0.22)</u>	<u>(0.20)</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.