

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAR 2016

	Unaudited As At 31 March 2016 RM'000	Audited As At 31 December 2014 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	34	72
Intangible Assets	9,888	11,028
Deferred tax assets	95	95
Total Non-Current Assets	<u>10,017</u>	<u>11,195</u>
Current Assets		
Inventories	470	446
Trade Receivables	4,277	2,607
Other Receivables	414	436
Deposits, cash and bank balances	56	475
Total Current Assets	<u>5,217</u>	<u>3,964</u>
Total Assets	<u>15,234</u>	<u>15,159</u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	11,621	11,621
Share premium	296	296
Warrants reserve	2,629	2,629
Accumulated loss	(2,987)	(5,644)
Total Equity	<u>11,559</u>	<u>8,902</u>
Non-Current Liabilities		
Trade and other payables	1,377	1,717
Total Non-Current Liabilities	<u>1,377</u>	<u>1,717</u>
Current Liabilities		
Loans and Borrowings	466	-
Trade and other payables	1,832	4,540
Total Current Liabilities	<u>2,298</u>	<u>4,540</u>
Total Liabilities	<u>3,675</u>	<u>6,257</u>
Total Equity and Liabilities	<u>15,234</u>	<u>15,159</u>
Net Assets Per Share Attributable to owners of the Company (Sen)	3.98	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 MAR 2016**

	----Individual Quarter----		----Cumulative Quarter----	
	Unaudited	Unaudited	Unaudited	Unaudited
	Current Qtr Ended 31-Mar-2016 RM'000	Preceding year corresponding Qtr Ended 31-Mar-2015 RM'000	15 months to date ended 31-Mar-2016 RM'000	Preceding 15 mths corresponding period ended 31-Mar-2015 RM'000
Revenue	1,313	N/A	3,622	N/A
Cost of sales	(128)	N/A	(868)	N/A
Gross profit	<u>1,185</u>	<u>N/A</u>	<u>2,754</u>	<u>N/A</u>
Other income	2	N/A	3,722	N/A
Selling and distribution	(31)	N/A	(120)	N/A
Administrative and general expenses	(527)	N/A	(2,505)	N/A
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	<u>629</u>	<u>N/A</u>	<u>3,851</u>	<u>N/A</u>
Amortisation of Intangible Assets	(144)	N/A	(1,140)	N/A
Depreciation	(8)	N/A	(41)	N/A
Profit from operations	<u>477</u>	<u>N/A</u>	<u>2,670</u>	<u>N/A</u>
Finance Cost	(5)	N/A	(13)	N/A
Profit before tax	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>
Profit before tax is stated after charging/(crediting):-				
Reversal of impairment loss on trade receivables	-	N/A	(2)	N/A
Gain on debt waiver	-	N/A	(3,680)	N/A
Interest income	-	N/A	(5)	N/A
Impairment loss on intangible assets	-	N/A	-	N/A
Impairment loss on trade receivables	-	N/A	53	N/A
Inventories written off	-	N/A	-	N/A
Loss on disposal of investment in subsidiary	-	N/A	-	N/A
Interest expenses	5	N/A	13	N/A
Depreciation and amortisation	152	N/A	1,181	N/A
Foreign exchange gain	-	N/A	(32)	N/A
Income tax expense	-	N/A	-	N/A
Profit for the period	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>
Foreign currency translation	-	N/A	-	N/A
Total comprehensive income	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>
Attributable to :-				
Owners of the Company	472	N/A	2,657	N/A
Non-Controlling Interests	-	N/A	-	N/A
	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>
Total comprehensive income attributable to:-				
Owners of the Company	472	N/A	2,657	N/A
Non-Controlling Interests	-	N/A	-	N/A
	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>
Profit per share - Basic (sen)	0.16	N/A	0.91	N/A
- 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.

Due to change in financial year end from 31 December 2015 to 31 May 2016, the results for corresponding 3 months and 15 months period in prior year were not presented.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MAR 2016**

	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
Period ended 31 Mar 2016									
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	-	-	-	-	-	2,657	2,657	-	2,657
Comprehensive income for the period	-	-	-	-	-	2,657	2,657	-	2,657
Balance as at 31 Mar 2016 (Unaudited)	11,621	296	2,629	-	-	(2,987)	11,559	-	11,559

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.

Due to change in financial year end from 31 December 2015 to 31 May 2016, the results for corresponding 15 months period in prior year was not presented.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 MAR 2016**

	Unaudited 15 Months to date ended 31/03/2016 RM'000	Preceding 15 mths corresponding Period Ended 31/03/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,657	N/A
Adjustments for:		
Amortisation of intangible assets	1,140	N/A
Depreciation of property, plant and equipment	41	N/A
Impairment loss on trade receivables	53	N/A
Interest expense	13	N/A
Interest income	(5)	N/A
Gain on debt waiver	(3,680)	N/A
Reversal of impairment loss on trade receivables	(2)	N/A
Operating profit before changes in working capital	<u>217</u>	<u>N/A</u>
Increase in inventories	(24)	N/A
Decrease in trade and other receivables	(1,699)	N/A
Decrease in trade and other payables	632	N/A
Cash used in operations	<u>(874)</u>	<u>N/A</u>
Interest paid	(13)	N/A
Interest received	5	N/A
Net cash used in operating activities	<u>(882)</u>	<u>N/A</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(3)	N/A
Net cash used in investing activities	<u>(3)</u>	<u>N/A</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(885)	N/A
CASH AND CASH EQUIVALENTS AT 1 JANUARY	475	N/A
CASH AND CASH EQUIVALENTS AT 31 MAR	<u>(410)</u>	<u>N/A</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	42	N/A
Cash and bank balances	14	N/A
Bank overdraft	(466)	N/A
	<u>(410)</u>	<u>N/A</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.

Due to change in financial year end from 31 December 2015 to 31 May 2016, the results for corresponding 15 months period in prior year was not presented.

SELECTED EXPLANATORY NOTES

1. Accounting Policies and Methods Of Computation

The current quarter financial report ended 31 Mar 2016 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. Change of financial year end

As announced on 20 August 2015, the Company has changed its financial year end from 31 December to 31 May. Thus, the statutory financial statements will be made up from 01 January 2015 to 31 May 2016 covering a period of 18 months.

As a result, the current and cumulative financial periods covered relating to the 15 months ended 31 March 2016 do not correspond with any of the financial quarters covered by the interim financial reports of the previous financial year. Therefore, no comparative figures have been disclosed.

4. 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.

5. Unusual Items

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

6. 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.

7. Seasonality or Cyclicity

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

8. Dividends Paid Or Proposed

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

9. Valuation of Property, Plant and Equipment

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

10. Debts and Equity Securities

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

11. Change In The Composition of The Group

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

12. Discontinued Operation

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

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SELECTED EXPLANATORY NOTES**13. 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.

14. Changes In Contingent Liabilities & Assets

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

15. Subsequent Events

Under the Trade receivable of RM4.28 million, a total of RM0.81 million are not due yet for collection and not recognised as revenue in accordance to the agreement with the customer.

Additional Information As Per ACE Market Listing Requirement**16. Review Of Performance**

During the current quarter under review, the Group recorded a net profit attributable to Owners of the Company of RM0.472 million on the back of RM1.313 million revenue.

17. Material Change In the Profit Before Taxation Compared To The Results of :-

	<u>Immediate Preceding Quarter</u>		<u>Individual Quarter Ended</u>		<u>Individual YTD</u>	
	<u>31-Mar-16</u>	<u>31-Dec-15</u>	<u>31-Mar-16</u>	<u>31-Mar-15</u>	<u>31-Mar-16</u>	<u>31-Mar-15</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
EBITDA	629	441	629	N/A	3,851	N/A
Less : Amortisation of Intangible Assets	(144)	(124)	(144)	N/A	(1,140)	N/A
Less : Depreciation	(8)	(8)	(8)	N/A	(41)	N/A
Less : Finance cost	(5)	(5)	(5)	N/A	(13)	N/A
Profit before tax	<u>472</u>	<u>304</u>	<u>472</u>	<u>N/A</u>	<u>2,657</u>	<u>N/A</u>

The Group recorded profit before tax of RM0.472 million in the current quarter, and profit before tax of RM0.304 million in the immediate preceding quarter respectively.

18. Commentary Of Prospects

Palette has commenced selectively marketing its new iMedic system for healthcare and has had very positive responses so far. In addition a new team with experience in the medical industry has been recruited to engage in the marketing of this highly innovative healthcare solution. Initial revenue impact will be in Q3 2016. Palette's existing focus on software defined networks continues with the first full customer rollout expected at the end of Q2 2016. Both these strategic moves will ensure a strong second half of 2016 for the company as both solutions build up momentum in the marketplace.

19. 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.

20. Taxation

The company and its subsidiaries, no taxable profit is expected due to the losses made on the year-to-date.

21. Unquoted Investments / Properties

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

22. Purchase or Disposal of Quoted Securities

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

23. Status of Corporate Proposal

Refer to the announcements made on 18 November 2015, 19 November 2015 and 3 February 2016 in relation to the Proposed Private Placement, Bursa Securities has, vide its letter dated 4 February 2016, approved the listing of and quotation for up to 43,578,900 new Palette Shares to be issued pursuant to the Proposed Private Placement subject to the following conditions:

- (i) Palette and TA Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements ("LR") pertaining to the implementation of the Proposed Private Placement;
- (ii) Palette and TA Securities to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- (iii) Palette to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.

Palette is required to ensure full compliance of all the requirements as provided under the LR at all times.

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(Company No.: 420056-K)

SELECTED EXPLANATORY NOTES

Announcement made on 01 April 2016, the 29,000,000 new ordinary shares of RM0.04 each in Palette were issued and allotted. The proceeds raised from the Private Placement have been utilised as follows:

	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	(RM'000)	(RM'000)		(RM'000)	%	
Working capital for our Group	1052	106	Within 12 mths	946	90%	
Defray expenses in relation to the Proposed Private Placement	110	72	Within 2 weeks	38	35%	pending invoices
Total	1,162	178		984		

24. Group Borrowings and Debt Securities

Group Borrowings denominated in Ringgit Malaysia as at 31 March 2016 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	466	-	466
Unsecured	-	-	-
Total	466	-	466

25. Off Balance Sheet Financial Instruments

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

26. Material Litigation

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

27. 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:

	Group 31/03/2016 RM'000	Group 31/12/2014 RM'000
Total accumulated losses of Palette Multimedia Berhad and its subsidiaries:		
- Realised	(16,814)	(19,488)
- Unrealised - in respect of other items of income and expense	95	95
	(16,719)	(19,393)
Add: Consolidation adjustments	13,732	13,749
Total Group accumulated losses as per consolidated accounts	(2,987)	(5,644)

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.

28. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 31 March 2016.

29. Basic Loss Per Share

(a) Basic

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

	Individual Quarter Ended		Cumulative YTD	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Net Profit After Tax & Non-Controlling Int(RM'000)	472	N/A	2,657	N/A
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic profit Per Share (sen)	0.16	N/A	0.91	N/A

(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.