

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2016**

	Unaudited As At 31 May 2016 RM'000	Restated Audited As At 31 December 2014 RM'000	Audited As At 01 January 2014 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	34	72	122
Intangible Assets	9,791	11,028	15,535
Deferred tax assets	-	76	-
<b>Total Non-Current Assets</b>	<b>9,825</b>	<b>11,176</b>	<b>15,658</b>
<b>Current Assets</b>			
Inventories	29	11	24
Trade Receivables	2,795	2,607	4,156
Other Receivables	304	105	74
Deposits, cash and bank balances	1,527	475	771
	4,655	3,198	5,026
Assets held for sale	-	-	6
<b>Total Current Assets</b>	<b>4,655</b>	<b>3,198</b>	<b>5,032</b>
<b>Total Assets</b>	<b>14,480</b>	<b>14,374</b>	<b>20,689</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	12,781	11,621	29,053
Share premium	586	296	4,296
Warrants reserve	2,629	2,629	2,629
Other reserve	-	-	39
Accumulated loss	(3,794)	(5,918)	(20,911)
	12,202	8,628	15,107
Non-Controlling interests	-	-	18
<b>Total Equity</b>	<b>12,202</b>	<b>8,628</b>	<b>15,125</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	889	1,206	-
Deferred tax liabilities	-	-	252
<b>Total Non-Current Liabilities</b>	<b>889</b>	<b>1,206</b>	<b>252</b>
<b>Current Liabilities</b>			
Trade and other payables	1,389	4,540	5,282
Liabilities held for sale	-	-	30
<b>Total Current Liabilities</b>	<b>1,389</b>	<b>4,540</b>	<b>5,312</b>
<b>Total Liabilities</b>	<b>2,278</b>	<b>5,746</b>	<b>5,564</b>
<b>Total Equity and Liabilities</b>	<b>14,480</b>	<b>14,374</b>	<b>20,689</b>
	-	-	-
Net Assets Per Share Attributable to owners of the Company (Sen)	3.82	2.97	5.21

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 MAY 2016

	----Individual Quarter----		----Cumulative Quarter----	
	Unaudited	Unaudited	Unaudited	
	Current	Preceding 2 mths	17 months	Preceding 17 mths
	2 mths ended	corresponding	to date ended	corresponding
	31-May-2016	period ended	31-May-2016	period ended
	RM'000	31-May-2015	RM'000	31-May-2015
		RM'000		RM'000
Revenue	0	N/A	3,622	N/A
Cost of sales	(6)	N/A	(874)	N/A
<b>Gross profit / (loss)</b>	<b>(6)</b>	<b>N/A</b>	<b>2,748</b>	<b>N/A</b>
Other income	21	N/A	3,743	N/A
Selling and distribution	(3)	N/A	(123)	N/A
Administrative and general expenses	(368)	N/A	(2,873)	N/A
<b>Earnings / (Loss) Before Interest, Taxes, Depreciation and Amortisation</b>	<b>(356)</b>	<b>N/A</b>	<b>3,495</b>	<b>N/A</b>
Amortisation of Intangible Assets	(97)	N/A	(1,237)	N/A
Depreciation	(5)	N/A	(46)	N/A
<b>Profit / (Loss) from operations</b>	<b>(457)</b>	<b>N/A</b>	<b>2,213</b>	<b>N/A</b>
Finance Cost	(0)	N/A	(13)	N/A
<b>Profit / (Loss) before tax</b>	<b>(457)</b>	<b>N/A</b>	<b>2,200</b>	<b>N/A</b>
Profit / (Loss) 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	(1)	N/A	(6)	N/A
Impairment loss on trade receivables	11	N/A	64	N/A
Interest expenses	0	N/A	13	N/A
Depreciation and amortisation	102	N/A	1,283	N/A
Foreign exchange gain	(18)	N/A	(50)	N/A
Income tax expense	(76)	N/A	(76)	N/A
<b>Profit / (Loss) for the period</b>	<b>(533)</b>	<b>N/A</b>	<b>2,124</b>	<b>N/A</b>
Foreign currency translation	-	N/A	-	N/A
<b>Total comprehensive income / (loss)</b>	<b>(533)</b>	<b>N/A</b>	<b>2,124</b>	<b>N/A</b>
Attributable to :-				
Owners of the Company	(533)	N/A	2,124	N/A
Non-Controlling Interests	-	N/A	-	N/A
	<b>(533)</b>	<b>N/A</b>	<b>2,124</b>	<b>N/A</b>
Total comprehensive income / (loss) attributable to:-				
Owners of the Company	(533)	N/A	2,124	N/A
Non-Controlling Interests	-	N/A	-	N/A
	<b>(533)</b>	<b>N/A</b>	<b>2,124</b>	<b>N/A</b>
Profit / (Loss) per share - Basic (sen)	(0.17)	N/A	0.66	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 2 months and 17 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 MAY 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
<b>Period ended 31 May 2016</b>									
Balance as at 1 January 2015 (Restated)	11,621	296	2,629	-	-	(5,918)	8,628	-	8,628
Foreign exchange difference	-	-	-	-	-	-	-	-	-
Total Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	2,124	2,124	-	2,124
Comprehensive income for the period	-	-	-	-	-	2,124	2,124	-	2,124
Issuance of shares	1,160	290	-	-	-	-	1,450	-	1,450
Balance as at 31 May 2016 (Unaudited)	12,781	586	2,629	-	-	(3,794)	12,202	-	12,202

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 17 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 MAY 2016**

	Unaudited 17 Months to date ended 31/05/2016 RM'000	Preceding 17 mths corresponding Period Ended 31/05/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,200	N/A
Adjustments for:		
Amortisation of intangible assets	1,237	N/A
Depreciation of property, plant and equipment	46	N/A
Impairment loss on trade receivables	64	N/A
Interest expense	13	N/A
Interest income	(6)	N/A
Gain on debt waiver	(3,680)	N/A
Reversal of impairment loss on trade receivables	(2)	N/A
Unrealised loss on foreign exchange translation	(14)	N/A
Operating loss before changes in working capital	<u>(142)</u>	<u>N/A</u>
Increase in inventories	(18)	N/A
Increase in trade and other receivables	(435)	N/A
Decrease in trade and other payables	<u>212</u>	<u>N/A</u>
Cash used in operations	(383)	N/A
Interest paid	(13)	N/A
Interest received	6	N/A
Net cash used in operating activities	<u>(390)</u>	<u>N/A</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(8)	N/A
Net cash used in investing activities	<u>(8)</u>	<u>N/A</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	1,450	N/A
Net cash generated from financing activities	<u>1,450</u>	<u>N/A</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	1,052	N/A
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	475	N/A
<b>CASH AND CASH EQUIVALENTS AT 31 MAY</b>	<u>1,527</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	1,143	N/A
Cash and bank balances	384	N/A
	<u>1,527</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 17 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 May 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 17 months.

As a result, the current and cumulative financial periods covered relating to the 17 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.

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**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 RM2.80 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 loss attributable to Owners of the Company of RM0.533 million.

**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-May-16</u>	<u>31-Mar-16</u>	<u>31-May-16</u>	<u>31-May-15</u>	<u>31-May-16</u>	<u>31-May-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 / (LBITDA)	(356)	629	(356)	N/A	3,495	N/A
Less : Amortisation of Intangible Assets	(97)	(144)	(97)	N/A	(1,237)	N/A
Less : Depreciation	(5)	(8)	(5)	N/A	(46)	N/A
Less : Finance cost	-	(5)	-	N/A	(13)	N/A
Profit / (Loss) before tax	(457)	472	(457)	N/A	2,200	N/A

The Group recorded loss before tax of RM0.457 million in the current period, and profit before tax of RM0.472 million in the immediate preceding quarter respectively.

**18. Commentary Of Prospects**

The initial marketing campaign for iMedic is now in full swing, with key doctors being recruited. In addition development has started on the IOS Apple version of iMedic to broaden its appeal. Overall efforts are on track for revenue impact within Q3. On the SDN Network product front, the first trial has concluded and new features are being added in order to get it ready deployment in the very near term. A number of key prospects have begun detailed evaluation of the product and we expect increasing interest as its live deployments start.

**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.

**PALETTE MULTIMEDIA BERHAD**

(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	320	Within 12 mths	732	70%	
Defray expenses in relation to the Proposed Private Placement	110	72	Within 2 weeks	38	35%	pending invoices
<b>Total</b>	<b>1,162</b>	<b>392</b>		<b>770</b>		

**24. Group Borrowings and Debt Securities**

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

**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:

	<b>Group 31/05/2016 RM'000</b>	<b>Group 31/12/2014 RM'000</b>
Total accumulated losses of Palette Multimedia Berhad and its subsidiaries:		
- Realised	(17,526)	(19,743)
- Unrealised - in respect of other items of income and expense	-	76
	(17,526)	(19,667)
Add: Consolidation adjustments	13,732	13,749
Total Group accumulated losses as per consolidated accounts	(3,794)	(5,918)

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 May 2016.

**29. Basic Loss Per Share**

(a) Basic

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

	<u>Individual period Ended</u>		<u>Cumulative YTD</u>	
	<u>31-May-16</u>	<u>31-May-15</u>	<u>31-May-16</u>	<u>31-May-15</u>
Net Profit After Tax & Non-Controlling Int(RM'000)	(533)	N/A	2,124	N/A
Weighted average number of ordinary shares in issue ('000)	319,527	290,527	319,527	290,527
Basic profit Per Share (sen)	(0.17)	N/A	0.66	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.