

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

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

	<b>Unaudited As At 31 August 2016 RM'000</b>	<b>Audited As At 31 May 2016 RM'000</b>
<b><u>ASSETS</u></b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	156	34
Intangible Assets	9,648	9,791
Total Non-Current Assets	<u>9,804</u>	<u>9,825</u>
<b>Current Assets</b>		
Inventories	29	29
Trade Receivables	2,673	2,795
Other Receivables	247	304
Deposits, cash and bank balances	1,145	1,527
Total Current Assets	<u>4,095</u>	<u>4,655</u>
<b>Total Assets</b>	<b><u>13,898</u></b>	<b><u>14,480</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>Capital and Reserves</b>		
Share capital	12,781	12,781
Share premium	586	586
Warrants reserve	2,629	2,629
Accumulated loss	(4,310)	(3,794)
Total Equity	<u>11,687</u>	<u>12,202</u>
<b>Non-Current Liabilities</b>		
Trade and other payables	896	889
Total Non-Current Liabilities	<u>896</u>	<u>889</u>
<b>Current Liabilities</b>		
Trade and other payables	1,316	1,389
Total Current Liabilities	<u>1,316</u>	<u>1,389</u>
Total Liabilities	<u>2,212</u>	<u>2,278</u>
<b>Total Equity and Liabilities</b>	<b><u>13,898</u></b>	<b><u>14,480</u></b>
	-	-
Net Assets Per Share Attributable to owners of the Company (Sen)	3.66	3.82

Note:

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 AUGUST 2016

	----Individual Quarter----		----Cumulative Quarter----	
	Unaudited	Unaudited	Unaudited	Unaudited
	Current	Preceding 3 mths	3 months	Preceding 3 mths
	3 mths ended	corresponding	to date ended	corresponding
	31-Aug-2016	period ended	31-Aug-2016	period ended
	RM'000	31-Aug-2015	RM'000	31-Aug-2015
		RM'000		RM'000
Revenue	222	N/A	222	N/A
Cost of sales	(85)	N/A	(85)	N/A
<b>Gross profit</b>	<b>137</b>	<b>N/A</b>	<b>137</b>	<b>N/A</b>
Other income	8	N/A	8	N/A
Selling and distribution	(12)	N/A	(12)	N/A
Administrative and general expenses	(484)	N/A	(484)	N/A
<b>Loss Before Interest, Taxes, Depreciation and Amortisation</b>	<b>(351)</b>	<b>N/A</b>	<b>(351)</b>	<b>N/A</b>
Amortisation of Intangible Assets	(144)	N/A	(144)	N/A
Depreciation	(13)	N/A	(13)	N/A
<b>Loss from operations</b>	<b>(508)</b>	<b>N/A</b>	<b>(508)</b>	<b>N/A</b>
Finance Cost	(7)	N/A	(7)	N/A
<b>Loss before tax</b>	<b>(516)</b>	<b>N/A</b>	<b>(516)</b>	<b>N/A</b>
Loss before tax is stated after charging/(crediting):-				
Interest income	(7)	N/A	(7)	N/A
Depreciation and amortisation	157	N/A	157	N/A
Foreign exchange loss	23	N/A	23	N/A
Income tax expense	-	N/A	-	N/A
<b>Loss for the period</b>	<b>(516)</b>	<b>N/A</b>	<b>(516)</b>	<b>N/A</b>
Foreign currency translation	-	N/A	-	N/A
<b>Total comprehensive loss</b>	<b>(516)</b>	<b>N/A</b>	<b>(516)</b>	<b>N/A</b>
Attributable to :-				
Owners of the Company	(516)	N/A	(516)	N/A
	(516)	N/A	(516)	N/A
Total comprehensive loss attributable to:-				
Owners of the Company	(516)	N/A	(516)	N/A
	(516)	N/A	(516)	N/A
Loss per share - Basic (sen)	(0.16)	N/A	(0.16)	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 period ended 31 May 2016 and the accompanying explanatory notes attached to the interim financial statements.

Due to change in financial year end from 31 December to 31 May, the results for corresponding 3 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 AUGUST 2016**

	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Accumulated loss RM'000	Equity Attributable to the Owners of the Company RM'000	Total Equity RM'000
<b><u>Quarter ended 31 August 2016</u></b>						
Balance as at 1 June 2016 (Audited)	12,781	586	2,629	(3,794)	12,202	12,202
Foreign exchange difference	-	-	-	-	-	-
Total Other comprehensive income for the period	-	-	-	-	-	-
Loss for the period	-	-	-	(516)	(516)	(516)
Comprehensive loss for the period	-	-	-	(516)	(516)	(516)
Balance as at 31 August 2016 (Unaudited)	12,781	586	2,629	(4,310)	11,687	11,687

Note:

**The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying notes attached to the interim financial statements.**

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

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

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

	<b>Unaudited 3 Months to date ended 31/08/2016 RM'000</b>	<b>Preceding 3 mths corresponding Period Ended 31/08/2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before tax	(516)	N/A
Adjustments for:		
Amortisation of intangible assets	144	N/A
Depreciation of property, plant and equipment	13	N/A
Finance costs	7	N/A
Interest income	(7)	N/A
Unrealised loss on foreign exchange translation	23	N/A
Operating loss before changes in working capital	<u>(335)</u>	<u>N/A</u>
Increase in inventories	(0)	N/A
Decrease in trade and other receivables	156	N/A
Decrease in trade and other payables	<u>(74)</u>	<u>N/A</u>
Cash used in operations	<u>(254)</u>	<u>N/A</u>
Interest received	7	N/A
Net cash used in operating activities	<u>(246)</u>	<u>N/A</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	<u>(136)</u>	<u>N/A</u>
Net cash used in investing activities	<u>(136)</u>	<u>N/A</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(382)</u>	<u>N/A</u>
<b>CASH AND CASH EQUIVALENTS AT 01 JUNE</b>	<u>1,527</u>	<u>N/A</u>
<b>CASH AND CASH EQUIVALENTS AT 31 AUGUST</b>	<u><u>1,145</u></u>	<u><u>N/A</u></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	748	N/A
Cash and bank balances	<u>398</u>	<u>N/A</u>
	<u><u>1,145</u></u>	<u><u>N/A</u></u>

Note:

**The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 May 2016 and the accompanying notes attached to the interim financial statements.**

**Due to change in financial year end from 31 December to 31 May, the results for corresponding 3 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 August 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 May 2016. 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 May 2016.

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 May 2016, except for the adoption of new/revised MFRSs that are effective on or after 1 January 2016. These new/revised MFRSs are not expected to have significant impact on the financial position or results.

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

The auditors' report on the audited financial statements for the year ended 31 May 2016 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 current and cumulative financial periods covered relating to the 3 months ended 31 August 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.

**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 RM2.67 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 RM0.516 million.

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

	<u>Immediate Preceding Quarter</u>		<u>Individual Quarter Ended</u>		<u>Individual YTD</u>	
	<u>31-Aug-16</u>	<u>31-May-16</u>	<u>31-Aug-16</u>	<u>31-Aug-15</u>	<u>31-Aug-16</u>	<u>31-Aug-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>
LBITDA	(359)	(355)	(359)	N/A	(359)	N/A
Less : Amortisation of Intangible Assets	(144)	(97)	(144)	N/A	(144)	N/A
Less : Depreciation	(13)	(5)	(13)	N/A	(13)	N/A
Loss before tax	<u>(516)</u>	<u>(457)</u>	<u>(516)</u>	<u>N/A</u>	<u>(516)</u>	<u>N/A</u>

The Group recorded loss before tax of RM0.516 million in the current period, and RM0.457 million in the immediate preceding quarter respectively.

**18. Commentary Of Prospects**

The iMedic product continues to gain features and users and feedback from the initial deployments is being aggressively incorporated into future releases. The IOS version of the product is on track in its development and will soon deploy its initial tests. We continue to develop our SDN (software defined networking portfolio) with multiple evaluations underway at major telecommunications providers. The development team for both products will continue to assess market requirements and keep improving the products to ensure leading edge competitiveness.

**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 of 29,000,000 new shares at issue price RM0.05 each have been utilised as follows:

	Proposed Utilisation (Actual proceed received)	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	(RM'000)	(RM'000)		(RM'000)	%	
Working capital for our Group	1,340	641	Within 12 mths	699	52%	ongoing
Defray expenses in relation to the Proposed Private Placement	110	72	Within 2 weeks	38	35%	pending invoices
<b>Total</b>	<b>1,450</b>	<b>713</b>		<b>737</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 31/08/2016 RM'000</b>	<b>Group 31/05/2016 RM'000</b>
Total accumulated losses of Palette Multimedia Berhad and it's subsidiaries:		
- Realised	(17,764)	(17,540)
- Unrealised - in respect of other items of income and expense	(23)	14
	<u>(17,787)</u>	<u>(17,526)</u>
Add: Consolidation adjustments	13,477	13,732
Total Group accumulated losses as per consolidated accounts	<u>(4,310)</u>	<u>(3,794)</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.

**28. Dividends Payable**

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

**29. Basic Loss Per Share**

(a) Basic

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

	<b>Individual period Ended</b>		<b>Cumulative YTD</b>	
	<b>31-Aug-16</b>	<b>31-Aug-15</b>	<b>31-Aug-16</b>	<b>31-Aug-15</b>
Net Loss After Tax & Non-Controlling Int(RM'000)	(516)	N/A	(516)	N/A
Weighted average number of ordinary shares in issue ('000)	319,527	290,527	319,527	290,527
Basic loss Per Share (sen)	<u>(0.16)</u>	<u>N/A</u>	<u>(0.16)</u>	<u>N/A</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.