

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2017**

	<b>Unaudited As At 31 August 2017 RM'000</b>	<b>Audited As At 31 May 2017 RM'000</b>
<b><u>ASSETS</u></b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	1,279	125
Intangible Assets	9,003	9,164
Total Non-Current Assets	<u>10,282</u>	<u>9,290</u>
<b>Current Assets</b>		
Inventories	29	24
Trade Receivables	1,400	1,772
Other Receivables	15,045	1,981
Deposits, cash and bank balances	2,039	1,593
Total Current Assets	<u>18,514</u>	<u>5,369</u>
<b>Total Assets</b>	<b><u>28,796</u></b>	<b><u>14,659</u></b>
<b><u>EQUITY AND LIABILITIES</u></b>		
<b>Capital and Reserves</b>		
Share capital	13,367	12,781
Share premium	-	586
Warrants reserve	2,629	2,629
Accumulated loss	(1,569)	(4,596)
Total Equity	<u>14,427</u>	<u>11,401</u>
<b>Non-Current Liabilities</b>		
Trade and other payables	695	684
Total Non-Current Liabilities	<u>695</u>	<u>684</u>
<b>Current Liabilities</b>		
Loans and Borrowings	-	-
Trade and other payables	13,009	2,572
Income tax liabilities	665	3
Total Current Liabilities	<u>13,673</u>	<u>2,574</u>
Total Liabilities	<u>14,369</u>	<u>3,258</u>
<b>Total Equity and Liabilities</b>	<b><u>28,796</u></b>	<b><u>14,659</u></b>
	-	-
Net Assets Per Share Attributable to owners of the Company (Sen)	4.52	3.57

Note:

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 May 2017 and the accompanying explanatory notes attached to the interim financial statements.**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 AUGUST 2017

	Unaudited 2017 Current Quarter Ended 31-Aug RM'000	Unaudited 2016 Comparative Quarter Ended 31-Aug RM'000	Unaudited 2017 Cumulative Year To Date 31-Aug RM'000	Unaudited 2016 Cumulative Year To Date 31-Aug RM'000
Revenue	7,836	222	7,836	222
Cost of sales	(3,577)	(85)	(3,577)	(85)
<b>Gross profit</b>	<b>4,259</b>	<b>137</b>	<b>4,259</b>	<b>137</b>
Other income	141	8	141	8
Selling and distribution	(2)	(12)	(2)	(12)
Administrative and general expenses	(467)	(484)	(467)	(484)
<b>Profit / (Loss) Before Interest, Taxes, Depreciation and Amortisation</b>	<b>3,931</b>	<b>(351)</b>	<b>3,931</b>	<b>(351)</b>
Amortisation of Intangible Assets	(161)	(144)	(161)	(144)
Depreciation	(71)	(13)	(71)	(13)
<b>Profit / (Loss) from operations</b>	<b>3,700</b>	<b>(508)</b>	<b>3,700</b>	<b>(508)</b>
Finance Cost	(11)	(7)	(11)	(7)
<b>Profit / (Loss) before tax</b>	<b>3,689</b>	<b>(516)</b>	<b>3,689</b>	<b>(516)</b>
Profit / (Loss) before tax is stated after charging/(crediting):-				
Interest income	(7)	(7)	(7)	(7)
Depreciation and amortisation	232	157	232	157
Foreign exchange (gain) / loss	(134)	23	(134)	23
Income tax expense	(662)	-	(662)	-
<b>Profit / (Loss) for the period</b>	<b>3,027</b>	<b>(516)</b>	<b>3,027</b>	<b>(516)</b>
Foreign currency translation	-	-	-	-
<b>Total comprehensive profit / (loss)</b>	<b>3,027</b>	<b>(516)</b>	<b>3,027</b>	<b>(516)</b>
Attributable to :-				
Owners of the Company	3,027	(516)	3,027	(516)
Non-Controlling Interests	-	-	-	-
	<b>3,027</b>	<b>(516)</b>	<b>3,027</b>	<b>(516)</b>
Total comprehensive profit / (loss) attributable to:-				
Owners of the Company	3,027	(516)	3,027	(516)
Non-Controlling Interests	-	-	-	-
	<b>3,027</b>	<b>(516)</b>	<b>3,027</b>	<b>(516)</b>
Earnings / (Loss) per share - Basic (sen)	0.95	(0.16)	0.95	(0.16)
- Diluted (sen)	0.77	(0.14)	0.77	(0.14)

Note:

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the period ended 31 May 2017 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 AUGUST 2017**

	Share Capital 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 2017</u></b>					
Balance as at 1 June 2017 (Audited)	13,367	2,629	(4,596)	11,401	11,401
Foreign exchange difference	-	-	-	-	-
Total Other comprehensive income for the period	-	-	-	-	-
Profit for the period	-	-	3,027	3,027	3,027
Comprehensive profit for the period	-	-	3,027	3,027	3,027
Balance as at 31 August 2017 (Unaudited)	13,367	2,629	(1,569)	14,427	14,427

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 2017 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 AUGUST 2017**

	<b>Unaudited 3 Months to date ended 31/08/2017 RM'000</b>	<b>Unaudited 3 Months to date ended 31/08/2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before tax	3,689	(516)
Adjustments for:		
Amortisation of intangible assets	161	144
Depreciation of property, plant and equipment	71	13
Finance costs	11	7
Interest income	(7)	(7)
Unrealised (gain) / loss on foreign exchange translation	(22)	23
Operating profit / (loss) before changes in working capital	<u>3,902</u>	<u>(335)</u>
Changes in working capital:-		
Inventories	(5)	(0)
Trade and other receivables	(12,670)	156
Trade and other payables	10,437	(74)
Cash generated from / (used in) operations	<u>1,664</u>	<u>(254)</u>
Interest received	7	7
Net cash generated from / (used in) operating activities	<u>1,671</u>	<u>(246)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	<u>(1,224)</u>	<u>(136)</u>
Net cash used in investing activities	<u>(1,224)</u>	<u>(136)</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	447	(382)
<b>CASH AND CASH EQUIVALENTS AT 01 JUNE</b>	1,593	1,527
<b>CASH AND CASH EQUIVALENTS AT 31 AUGUST</b>	<u>2,039</u>	<u>1,145</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	43	748
Cash and bank balances	<u>1,996</u>	<u>398</u>
	<u>2,039</u>	<u>1,145</u>

Note:

**The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 May 2017 and the accompanying notes attached to the interim financial statements.**

**SELECTED EXPLANATORY NOTES**

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

The current quarter financial report ended 31 August 2017 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 2017. 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 2017.

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 2017.

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

The auditors' report on the audited financial statements for the year ended 31 May 2017 was not qualified.

**3. Segmental Reporting**

**Geographical information**

	<b><u>Individual Quarter Ended</u></b>		<b><u>Individual YTD</u></b>	
	<b><u>31-Aug-17</u></b>	<b><u>31-Aug-16</u></b>	<b><u>31-Aug-17</u></b>	<b><u>31-Aug-16</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
Malaysia	2	222	2	222
Russia	7,834	-	7,834	-
Group revenue	<u>7,836</u>	<u>222</u>	<u>7,836</u>	<u>222</u>

**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**

The Company has incorporated a 100 % owned subsidiary known as UCrest Technology Sdn Bhd (Company No. 1246426-P ) ("UTSB") on 12 September 2017.

The incorporation of UTSB does not have any effect on the share capital and substantial shareholders' shareholdings of PALETTE. It is also not expected to have any material effect on the net assets, gearing and earnings of PALETTE for the financial year ending 31 May 2018.

**11. Discontinued Operation**

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

**SELECTED EXPLANATORY NOTES**

**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**

Referring to the announcements made on 28 September 2017, 3 October 2017, 9 October 2017, 12 October 2017 and 17 October 2017, 7,247,100 new ordinary shares had been issued at an issue price of RM0.04 each pursuant to the exercise of warrants. The total cash proceeds arising from the exercise of warrants amounted to RM289,884.

**Additional Information As Per ACE Market Listing Requirement**

**15. Review Of Performance**

During the current quarter under review, the Group recorded a net profit attributable to Owners of the Company of RM3.027 million.

**16. Material Change In the Profit / (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-17</u>	<u>31-May-17</u>	<u>31-Aug-17</u>	<u>31-Aug-16</u>	<u>31-Aug-17</u>	<u>31-Aug-16</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>
P/(L)BITDA	3,931	883	3,931	(351)	3,931	(351)
Less : Amortisation of Intangible Assets	(161)	(196)	(161)	(144)	(161)	(144)
Less : Depreciation	(71)	(10)	(71)	(13)	(71)	(13)
Less : Finance cost	(11)	(10)	(11)	(7)	(11)	(7)
Profit / (Loss) before tax	<u>3,689</u>	<u>667</u>	<u>3,689</u>	<u>(516)</u>	<u>3,689</u>	<u>(516)</u>

The Group recorded profit before tax of RM3.689 million in the current quarter, and profit before tax RM0.667 million in the immediate preceding quarter.

**17. Commentary Of Prospects**

Palette has moved into the medtech space with the significant investment made over the past few years on the development of imedic, the mobile health system. imedic enable patients to have wireless medical devices at home or anywhere, to regularly make measurement and upload the vital sign data to the Cloud. This would allow doctors from anywhere in the world to have access to the patient's data 24x7 to review and provide online consultation to the patients. More than 15 devices have been developed to connect to imedic including CPAP machines for sleep apnea patients. The Company will continue to invest in the innovation and development of its next generation of imedic with extensive artificial intelligence (AI) technologies performing analytic on the "Big Data" of the patients and make useful recommendation of diagnosis and treatment plan to the doctors and patients.

The Company has effectively combined the latest innovative technologies: medtech, AI and Big Data in imedic. The power to be unleashed from these 3 technologies could be enormous.

In addition to its early adoption by hospitals and doctors in the China market and other Asian countries, the Company has made successful penetration into the Russia market. The Company has recorded profit last quarter and Q1 FY2018. The Board of Directors is in the opinion that the Company will be profitable for the current fiscal year.

**18. Profit Forecast**

There was no profit forecast issued by the Group.

**19. Taxation**

The company and its subsidiaries, provision of the income tax expenses for the year amounted RM0.662 million.

**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 Proposals announced by the Company 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**

(Company No.: 420056-K)

**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:

	Group	
	31/08/2017 RM'000	31/05/2017 RM'000
Total accumulated losses of Palette Multimedia Berhad and its subsidiaries:		
- Realised	(15,068)	(18,055)
- Unrealised - in respect of other items of income and expense	22	(17)
	(15,046)	(18,073)
Add: Consolidation adjustments	13,477	13,477
Total Group accumulated losses as per consolidated accounts	(1,569)	(4,596)

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 August 2017.

**28. Earnings / (Loss) Per Share**

(a) Basic

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

	<u>Individual quarter ended</u>		<u>Cumulative YTD</u>	
	31-Aug-17	31-Aug-16	31-Aug-17	31-Aug-16
Net Profit / (Loss) attributable to owners of the company (RM'000)	3,027	(516)	3,027	(516)
Weighted average number of ordinary shares in issue ('000)	319,527	319,527	319,527	319,527
Basic earnings / (loss) Per Share (sen)	0.95	(0.16)	0.95	(0.16)

(b) Diluted

For the purpose of calculating diluted earning / (loss) per share, the weighted average number of ordinary shares in issue during the financial year has been adjusted for the dilutive effects of warrants.

The diluted earning / (loss) per share for the quarter and cumulative year to date are computed as follow:

	<u>Individual quarter ended</u>		<u>Cumulative YTD</u>	
	31-Aug-17	31-Aug-16	31-Aug-17	31-Aug-16
Net Profit / (Loss) attributable to owners of the company (RM'000)	3,027	(516)	3,027	(516)
Weighted average number of ordinary shares in issue ('000)	319,527	319,527	319,527	319,527
Adjusted for assumed conversion of warrants ('000)	74,719	62,058	74,719	62,058
Adjusted weighted average number of ordinary shares in issue and issueable ('000)	394,245	381,584	394,245	381,584
Diluted earnings / (loss) Per Share (sen)	0.77	(0.14)	0.77	(0.14)