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Palette
MULTIMEDIA BERHAD
(420056-K)

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CORPORATE INFORMATION

Palette
MULTIMEDIA BERHAD
(420056-K)

BOARD OF DIRECTORS :	Eg Kah Yee	(Chairman / Managing Director)
	Eg Kaa Chee	(Non-Independent Non-Executive Director)
	Abdul Razak Bin Dato' Haji Ipap	(Non-Independent Non-Executive Director)
	Sukhdev Singh A/L Banta Singh	(Executive Director)
	Thong Kooi Pin	(Independent Non-Executive Director)
	Chuan Tsui Ju	(Independent Non-Executive Director)

COMPANY SECRETARIES : Wong Wai Foong
(MAICSA No. 7001358)

Joanne Toh Joo Ann
(LS No. 0008574)

REGISTERED OFFICE : Level 18, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel : 03-2264 8888 Fax : 03-2282 2733

BUSINESS ADDRESS : Lot 6.04 Level 6 KPMG Tower,
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47800 Petaling Jaya, Selangor Darul Ehsan.
Tel : 03-7728 9880 Fax : 03-7728 1080

AUDITOR : STYL Associates
No: 902, 9^{th} Floor,
Block A, Damansara Intan,
No: 1, Jalan SS 20/27,
47400 Petaling Jaya.
Tel: 03-77242128 / 77242130 / 77242136
Fax: 03-77332125

REGISTRAR : Tricor Investor Services Sdn. Bhd.
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur.
Tel : 03-2264 3883 Fax : 03-2282 1886

CORPORATE SOLICITORS : Rajah, Lau & Associates
B-13-13, Block B, 13th Floor, Unit 13,
Megan Phileo Avenue, 12, Jalan Yap Kwan Seng,
50450 Kuala Lumpur.
Tel : 03-2710 5585 Fax : 03-2710 5589

PRINCIPAL BANKERS : Public Bank Berhad

STOCK EXCHANGE LISTING : Bursa Malaysia Securities Berhad
(ACE Market)
Stock name : PALETTE
Stock code : 0005

CORPORATE WEBSITE : www.palettemm.com

BOARD OF DIRECTORS

EG KAH YEE
Chairman / Managing Director

Mr. Eg Kah Yee, a Malaysian, aged 54, is the founder, Chairman / Managing Director of Palette Multimedia Berhad. He obtained his Bachelor of Computer Science from West Virginia University, USA in 1983. He started his career as System Analyst with Phoenix Data Systems Inc., a Silicon Valley company in Santa Clara, California USA, where he developed VLSI Layout Verification System. In 1985, he joined Daisy Systems Corporation; a Silicon Valley company listed on NASDAQ based in Mountain View, California which he was the R&D Project Manager responsible for the development of second generation Digital Logic Simulator (DLSII) where he designed and implemented the simulation engine and DBMS. In 1988, he was promoted to be the Director of North Asia Region responsible for business in China, Hong Kong, Taiwan and Korea.

In 1990, he left Daisy Systems Corporation and joined Synopsys Inc., a Silicon Valley based startup pioneer in logic synthesis and High Level Design for ASIC and VLSI design. He started as the Regional Manager for South Asia Pacific Operations where he was responsible for the starting and growing of the business in Taiwan, Asean countries, India, Australia and New Zealand. The Company was listed on NASDAQ in 1992. He was later promoted to be the General Manager for Asia Pacific Operation where he was responsible for global business operation excluding America, Europe and Japan.

In 1996, he left Synopsys Inc. and started to invest and groom companies. He started Canvas Technology Inc. in Taiwan, a company specialize in Real Time Operating System (RTOS) for embedded designs where the team has done numerous co-development of set-top-boxes, networking products, PDA and defense systems. He has also invested in Silicon Vision Inc., a Silicon Valley company specialize in optical products, in Freemont, California together with two Venture Capitalists from Taiwan and a few high net-worth individuals from USA.

Currently, he also sits on the board of Key ASIC Berhad and various private limited companies.

EG KAA CHEE
Non-Independent & Non-Executive Director

Mr. Eg Kaa Chee, a Malaysian, aged 50, was appointed as the Director of Palette Multimedia Berhad since 1997. He obtained his LLB from University of Malaya in 1989. He started his legal practice in 1990. He specialized in litigation and conveyance. He is the senior partner of Rajah, Lau & Associates. Presently he is the Legal Advisor for several companies and non-governmental organizations.

ABDUL RAZAK BIN DATO' HJ. IPAP
Non-Independent Non-Executive Director

En. Abdul Razak Bin Dato' Hj. Ipap, a Malaysian, aged 54, was appointed as the Independent Non-Executive Director of Palette Multimedia Berhad on 1 June 2001. He was re-designated as a Non-Independent Non-Executive Director of Palette on 25 August 2010. He graduated with Bachelor of Science in Agribusiness from Universiti Pertanian Malaysia (currently known as Universiti Putra Malaysia) in 1988. He started his career by joining Shell Chemical Sdn Bhd as Trainee Executive in year 1986, responsible for sales development for the Company. In 1988, he joined United Engineers (M) Bhd as Business Development Executive where he was responsible for developing new sales and managing the existing project portfolio. From 1993 to 1995, he was attached to Sime Logistics Sdn Bhd as Manager in Operations and Marketing. In 1995, he joined Celcom (M) Sdn Bhd as Senior Manager (Logistics) responsible for the smooth flowing of the entire company's logistic and was subsequently promoted as the Vice president Logistics. He left Celcom in Year 2000 to start off his own career in IT business. He is a member of the Audit Committee and Nominating Committee of Palette. He also sits on Board of M-Mode Berhad as Independent Non-Executive Director since 19 June 2012.

SUKHDEV SINGH A/L BANTA SINGH
Executive Director

Mr. Sukhdev Singh, a Malaysian, aged 59, was appointed as the Executive Director of Palette Multimedia Berhad on 29 May 2006. He obtained his Bachelor of Computer Science from London in 1982. He started his career as a System Analyst and subsequently Project Manager for ICL, being involved in a variety of technical and project areas.

BOARD OF DIRECTORS

He subsequently joined Hewlett Packard Singapore as a Network consultant covering Asia pacific. Later on moving to other roles involving systems integration and finally heading HP's server marketing for Asean. He then joined Intel Asia Pacific in 1994, heading up Intel's distribution business in South Asia as the Regional Manager for South Asia. Subsequent to that he was involved in one of Asia's leading IT distribution companies for a number of years. He joined Palette Multimedia Berhad as General Manager based in Singapore in 2002. His core interests and specialty lie in the area of computer network design and security and he retains a direct involvement in some of the leading technologies in this sphere.

THONG KOOI PIN
Independent Non-Executive Director

Mr. Thong Kooi Pin, a Malaysian, aged 42, was appointed as the Independent Non-Executive Director of Palette Multimedia Berhad on 18 December 2006. He graduated with a professional degree in ACCA (Association of Chartered Certified Accountant) in 1998 and admitted as member of Malaysian Institute of Accountants as Chartered Accountant in year 2000. He further obtained his Master degree in business administration majoring in finance in year 2005 from Universiti Putra Malaysia. He also sits on the Board of M-Mode Berhad as the Executive Director since September 2005. He was re-designated as a Non-Independent Non-Executive Director of M-Mode Berhad on 1 December 2008. He is the Chairman of the Nominating Committee and Audit Committee of Palette.

CHUAN TSUI JU
Independent Non-Executive Director

Ms. Chuan Tsui Ju, a Malaysian, aged 54, was appointed as the Independent Non-Executive Director of Palette Multimedia Berhad on 22 November 2013. She completed the General Certificate of Education. She joined construction company, Lim & Chia Sdn Bhd as an Account Executive right after finishing her accounting courses in 1980 and subsequently in 1985, she left the Company and continues her career in construction and development industry with Ample's group. In 1990, she was hired by Jujutsu Industries group initially as an Administrator and rose to the rank of Director responsible for the whole operation of the Group. She left Jujutsu Industry in 1996 to set up her own business in tutorial sector and sold it off in 1999. Currently, she is working as Director of Project Coordinator at A&P Solution Enterprise which specialises in advertising and promotion activities. She is a member of the Audit Committee of Palette.

Eg Kah Yee and Eg Kaa Chee are brothers.

All directors do not have directorship in other public listed companies in Malaysia except as disclosed for Eg Kah Yee, Thong Kooi Pin and Abdul Razak Bin Dato' Hj. Ipap.

None of the Directors has any conflict of interest with the Company and none of the Directors has any convictions for offences other than traffic offences, if any, in the past 10 years.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased as the Chairman of Palette Multimedia Berhad to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended ("FYE") 31 December 2014.

Financial & Operational Performance

The Group has posted a net loss of RM6,835,886 as compared to a net loss of RM5,717,312 over last year.

Industry Outlook & Development

The increasing sophistication in mobile usage has created a market for applications that are location savvy, secure & highly interactive. Connectivity is now taken for granted with the rollout of LTE & other high speed wireless technologies. Users increasingly expect services tailored to their particular needs and Palette has embarked on a number of software projects that provide focused services via mobile devices.

Prospects

Palette continues to build on its networking, security and application development capabilities. The first phase of a major project to develop a media rich mobile application has been completed and we anticipate significant knock-on developments to ensue within this year. Our unique ability to combine several different technical expertise areas has resulted in a now proven ability to develop intelligent apps that intersect between fast networks, security and rich user experience.

Appreciation

I wish to record my sincere appreciation to all the members of the Board of Directors, valuable employees, our indispensable business partners and associates, for their effort, contribution and their continuous support to the Company.

Thank You.

EG KAH YEE
Chairman

STATEMENT OF CORPORATE GOVERNANCE

The Board recognises the importance of good corporate governance in discharging its responsibilities, protecting and enhancing shareholders' value through promoting and practising high standards of corporate governance throughout the Group. The Board adopts and applies the principles and best practices as governed by the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR") and Malaysian Code on Corporate Governance 2012 ("Code"). Where there are gaps in the Company's observation of any of the recommendations of the Code, these are disclosed herein with explanations.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions of the Board and Management

The roles of the Chairman and the Executive Director are separated with a clear division of responsibilities between them to ensure balance of power and authority.

The Chairman leads the strategic planning at the Board level, whilst the Executive Director is responsible for the implementation of the policies laid down by the Board and executive decision making as well as managing the day-to-day operations of the business, implementation of Board policies and making strategic decisions for the expansion of the business.

All Board members bring independent judgments on issues pertaining to strategy, performance, risk management, resources and standard of conduct.

1.2 Clear roles and responsibilities

The Board assumes the following responsibilities:-

a) Reviewing and adopting a strategic plan for the Group

The Board has in place a strategy planning process, whereby Executive Director presents to the Board its recommended strategy, together with the proposed business plans for the Board's review and approval. The Board will deliberate both Management's and its own perspectives, and challenge the Management's views and assumptions to ensure the best outcome.

b) Overseeing the conduct of the Company's business

The Executive Director is responsible for the day-to-day management of the business and operations of the Group in respect of both its regulatory and commercial functions. He is supported by Management.

Management's performance, under the leadership of the Executive Director, is assessed by the Board through monitoring of the success in delivering the approved targets and business plans against the performance of the Group.

c) Identifying risks and assume active role in ensuring the implementation of appropriate systems to manage or mitigate these risks

The Audit Committee advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The Audit Committee reviews the action plan implemented and makes relevant recommendations to the Board to manage risks.

d) Succession planning, including appointing, training, fixing the compensation of the key managements

The Board has entrusted the Nominating Committee with the responsibility to review candidates for the Board and key management positions and to determine remuneration packages for these appointments, and to formulate nomination, selection, remuneration and succession policies for the Group.

e) Developing and implementing an investor relations programme or shareholder communications policy for the Group

The Company strongly believes that effective and timely communication is essential in maintaining good relations with the shareholders, investors and investment community. To that end, the Board strives to provide shareholders and investors accurate, useful and timely information about the Company, its businesses and its activities via the timely release of quarterly financial results, press releases and announcements. Whilst the Company endeavours to provide as much information as possible, it is aware of the legal and regulatory framework governing the release of material and price sensitive information.

The Company has identified Mr. Thong Kooi Pin as the Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

In addition to the above, shareholders and investors can make enquiry about investor relations matters with designated management personnel directly responsible for investor relations, via dedicated e-mail addresses available on the corporate website.

f) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including system for compliance with applicable laws, regulations, rules, directives and guidelines

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and the reviews of its effectiveness are set out in the Statement on Internal Control of this Annual Report.

1.3 Promoting Ethical Standards

The Code of Conduct and Ethnics is based on the following principles:-

- Conflicts of interest;
- Corporate opportunities;
- Protection of confidential information;
- Compliance with laws, rules and regulations;
- Trading on inside information
- Compliance with this Code and reporting of any illegal or unethical behaviour; and
- Waivers and amendments.

The Board recognised the importance of whistle-blowing and is committed to maintain the standards of ethical conduct within the Group.

1.4 Strategies Promoting Sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition.

The Board promotes good corporate governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. Accordingly, the Company takes cognisance of the global environmental, social, governance and sustainability agenda.

The Company recognises the value of a diversed and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Company into the future. The Company is committed to leveraging the diverse backgrounds in terms of gender, ethnicity and age, experiences and perspectives of our workforce, to provide good customer service to an equally diverse customer base. The Company's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills, enhancement, appointment to roles, retention of employees, succession planning and training and development.

1.5 Access to Information and Advice

All Directors, including Independent Non-Executive Directors, have full and timely access to information concerning the Company or other external information as they may feel necessary. Board papers and reports which include the Group's performance and major operational, financial and corporate information are distributed to the Directors with sufficient time prior to Board meetings to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The Directors may obtain independent professional advice in furtherance of their duties, at the Company's expense, if necessary.

Directors also have direct access to the advice and services of the Group's Company Secretary. The Board is advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

1.6 Qualified and Competent Company Secretaries

The Board is updated by the Company Secretary who is experienced, competent and knowledgeable, on new statutes and directives issued by the regulatory authorities. The Company Secretary has attended the Board and Committee meetings and ensured that all procedures are adhered.

1.7 Board Charter

A Board Charter had been established with the objectives to ensure that all Board Members are aware of their duties and responsibilities, the various legislations and regulations affecting their conduct, principles and practices of good corporate governance are applied accordingly. The Board Charter is reviewed periodically to update with changes in regulating and best practices to ensure the Board's effectiveness.

2. STRENGHTEN COMPOSITION

2.1 Nominating Committee

The Nominating Committee was established on 22 February 2013 and has been tasked with the responsibilities to recommend new appointment to the Board. The Nominating Committee shall be appointed by the Board of Directors and shall comprise exclusively of non-executive directors, a majority of whom are independent directors. The Chair of the Nominating Committee is the Senior Independent Director of the Company. The present members of the Nominating Committee are as follows:-

Chairman
Thong Kooi Pin (Independent Non-Executive Director)

Member
Abdul Razak Bin Dato' Hj. Ipap (Non-Independent Non-Executive Director)

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

(i) Recruitment or appointment of Directors

The primary function of the Nominating Committee is to recommend to the Board, candidates for all directorships to be filled by the shareholders or the board after taking into consideration the following criteria:

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent non-executive directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/ functions as expected from independent non-executive directors.

(ii) Gender, Ethnicity and Age Group Diversity Policy

Currently, there is no formal gender, ethnicity and age group policy established on the boardroom. However, the Nominating Committee will review the suitability of women candidates, ethnicity and age group based on vacancy arising therein and recommendation from fellow board member from time to time in order to promote better gender, ethnicity and age group diversity.

The appointment of Chuan Tsui Ju on 22 November 2014 reflects that the Board recognises the value of a lady member of the Board and is an initial step taken by the Board towards achieving a more gender diversified Board.

(iii) Annual Assessment

The Nominating Committee assesses the effectiveness of the Board as a whole, Board Committees and contributions of each individual Director as well as their character, integrity and time commitment, independence of Independent Directors on annual basis. The Nominating Committee reviews annually the required mix of skills and experience including core competencies which Non-Executive Directors should bring to the Board and other qualities for the Board to function effectively and efficiently.

All Directors have completed the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn Bhd within the time frame stipulated in the LR. All Directors are also encouraged to attend programmes seminars to keep abreast with relevant changes in development and procedures in the industry.

For the year under review, the Directors had attended various appropriate seminars and courses to keep abreast of current developments as well as the new statutory and regulatory requirements. As the Board members have attended a diverse range of training programmes during the year to enhance their knowledge and skills in specific area, the Nominating Committee is of the opinion that the Directors have assessed and addressed their own training needs.

The Nominating Committee met once during the financial year.

(iv) Re-election of Director

In accordance to the Company's Articles of Association, Directors appointed during the year is required to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles also require one-third (1/3) of the Directors to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election every three (3) years.

The Board has considered the assessment of Eg Kah Yee and Thong Kooi Pin, the Directors standing for re-election and collectively agree that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their respective roles as Directors.

2.3 Directors' Remuneration

Directors' remuneration is evaluated by the Board. The Board has not set up a Remuneration Committee as the Board, as a whole, determines the remuneration of the Directors.

The determination of remuneration packages of Non-Executive Directors should be a matter for the Board as a whole with the individuals concerned abstaining from discussion of their own remuneration.

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorised into appropriate components for the financial year ended 31 December 2014 are as follows:-

	Non-Executive Directors (RM)	**Executive Director (RM)**
Salaries and other emoluments	-	177,943
Fees	24,000	-
Benefit in kind	-	-
Total	24,000	177,943

Directors' Remuneration	**No. of Directors**
RM 50,000 and below	5
RM 100,000 – RM 150,000	1

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The independent directors play a crucial supervisory function. Their presence is essential in providing unbiased views and impartiality to the Board's deliberation and decision-making process. In addition, the non-executive directors ensure that matters and issues brought to the Board are fully discussed and examined, taking into account the interest of all stakeholders in the Group. In order to ensure the effectiveness of the Independent Directors, the Board undertakes an assessment of its Independent Directors on annual basis.

The Board has assessed the independence of the Independent Directors and is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

3.2 Tenure of Independent Directors

The Board takes note that the Code recommends that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years unless shareholders' approval is obtained to retain such Director as an Independent Non-Executive Director.

Shareholders' approval would be sought if an Independent Director who has served in that capacity for more than nine (9) years shall remain as an Independent Director. The Nominating Committee will assess the independence of the Independent Director based on the assessment criteria developed by the Nominating Committee, and recommend to the Board for recommendation to the shareholders. Justification for the approval would be provided.

3.3 Shareholders' Approval for Re-appointment of Independent Non-Executive Director who has served more than nine (9) years

- Thong Kooi Pin, who was appointed as the Independent Non-Executive Director on 18 December 2006 will reach a cumulative term of nine (9) years in December 2015. He has met independence guideline as set out in Chapter 1 of the LR and the Board therefore considers Thong Kooi Pin as independent and recommends that he remains as an Independent Non-Executive Director. The Nominating Committee has assessed and viewed that he has been effective and his competencies remain relevant to exercise objective independent judgement on corporate affairs.

  During his tenure of office, Thong Kooi Pin has not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of them to carry out their duties as an Independent Non-Executive Director; and

- He was not offered or granted any options by the Company. Other than Directors' fees and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to the Independent Directors that would cause biases in their objective and independent judgement in board deliberation.

3.4 Separation of Positions of the Chairman and Chief Executive Officer

Currently, the Chairman of the Board is headed by the Managing Director, Eg Kah Yee, whom is also the single largest shareholder in the Company. The Code recommends that the Chairman position be filled by an Independent Non-Executive director. However, it is the collective view of the Board, based on the current state of affair and his shareholdings in the Company, Eg Kah Yee is the best person to drive the Group to profitability in near future.

3.5 Composition of the Board

The current Board has six (6) members comprising two (2) Executive Directors (including the Chairman / Managing Director), two (2) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. Although the current composition does not comprise of a majority of Independent Director, with the presence of half of the Board members being Non-executive Directors, the Board feels that its current composition is still reasonably sufficient to ensure balance of power and authority and at the same time provides the Board with the advantage of ensuring the expectations of the Board and management are aligned with such combination of roles and responsibilities. Together, the Directors bring a wide range of experience relevant to the direction and objectives of the Group as they come from various different backgrounds ranging from business, marketing, legal and technical. A brief description of the background of each Director is presented on pages 3 to 4 of this Annual Report.

4. FOSTER COMMITMENTS

4.1 Time Commitments

The Board is primarily responsible for the strategic directions of the Group and is scheduled to meet at least four (4) times a year. However, additional meetings may be convened as and when deemed necessary as determined by the members of the Board.

During the financial year ended 31 December 2014, four (4) board meetings were held and the details of each Director's attendance are set out as follows:-

Directors	Meeting Attendance
Eg Kah Yee (Chairman)	4/4
Eg Kaa Chee	2/4
Abdul Razak Bin Dato' Hj. Ipap	4/4
Sukhdev Singh A/L Banta Singh	4/4
Thong Kooi Pin	4/4
Chuan Tsui Ju	4/4

Currently, all Directors of the Company holds less than five (5) directorships in other listed companies.

The Chairman of the Board and the Company Secretary shall be notified of any new directorship by any Board members. The notification shall include an indication of time that will be spent on the new appointment.

4.2 Directors' Training

The Board will identify the training needs amongst the Directors. All Directors are provided with the opportunity, and are encouraged to attend any relevant training programme, seminar and conferences to keep them updated on relevant new legislations, best practices, financial reporting requirements and/or other relevant courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

For the year under review, the Directors had attended various appropriate seminars and courses to keep abreast of current developments as well as the new statutory and regulatory requirements. As the Board members have attended a diverse range of training programmes during the year to enhance their knowledge and skills in specific area, the Nominating Committee is of the opinion that the Directors have assessed and addressed their own training needs.

The Directors during the year, have attended the following training:-

Directors	Meeting Attendance
Eg Kah Yee	i) 10th Tricor Tax and Corporate Seminar by Tricor Tax Services Sdn Bhd.
Sukhdev Singh A/L Banta Singh	i) 10th Tricor Tax and Corporate Seminar by Tricor Tax Services Sdn Bhd.
Thong Kooi Pin	i) 10th Tricor Tax and Corporate Seminar by Tricor Tax Services Sdn Bhd. ii) Understanding Goods and Services Tax by Richmark Training Sdn Bhd. iii) EQ & People Skills for Leaders by Cleverbridge Training Resources.
Chuan Tsui Ju	i) 10th Tricor Tax and Corporate Seminar by Tricor Tax Services Sdn Bhd.

	ii) Mandatory Accreditation Programme for Directors of Public Listed Companies.
Abdul Razak Bin Dato' Hj. Ipap	i) Advocacy Sessions on Corporate Disclosure for Directors of Listing Issuers by Bursa Malaysia.
Eg Kaa Chee	i) The Malaysian Private Equity Forum by Ekuiti Nasional Bhd

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

It is the Board's responsibility to ensure that the financial statements are prepared in accordance with the Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standard Board so as to present a balanced and fair assessment of the Group's financial position and prospects. The Directors are also responsible for keeping proper accounting records, safeguarding the assets of the Company and taking reasonable steps to prevent and enable detection of fraud and other irregularities.

In preparing the financial statements, the Directors have taken the necessary steps and actions as follows:-

(a) selecting suitable accounting policies and then applying them consistently;
(b) stating whether applicable accounting standards have been followed;
(c) making judgments and estimates that are reasonable and prudent; and
(d) preparing the financial statements on a going concern basis, having made reasonable enquiries and assessment on the resources of the Company on its ability to continue further business in foreseeable future.

5.2 Assessment of Suitability and Independence of External Auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded the authority to communicate directly with the external auditors. The auditors in turn are able to highlight matters which require the attention of the Board effectively to the Audit Committee in term of compliance with the accounting standards and other related regulatory requirements. The Audit Committee has assessed and is satisfied with the confirmation provided by the external auditors that they have complied with the ethical requirements regarding independence with respect to the audit of the Group in accordance with all relevant professional and regulatory requirements.

6. RECOGNISE AND MANAGE RISK

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. However, the Board recognises that such system is structured to manage rather than eliminate the possibility of encountering risk of failure to achieve corporate objectives.

The Statement of Risk Management and Internal Controls is set out on pages 20 to 22 of the Annual Report providing an overview of the state of internal controls within the Group.

7. TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Company is committed to provide clear, accurate and timely disclosure of all material information to its stakeholders and the general public. The Company will ensure compliance with the disclosure requirements as set out in the LR at all times.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Company maintains various methods of dissemination of information and has established a website at www.palettemm.com from which shareholders and the general public may access among others, the latest information on the activities of the Group; product information; announcements made to Bursa Securities, Annual Report and Board Charter.

8. STRENGTHENING OF RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage Shareholder Participation at General Meetings

Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least 21 days before the AGM in order for them to have sufficient time to read and understand the Company’s financial and non-financial performance before the actual event takes place.

8.2 Poll Voting

The Board encourages shareholders to put forth substantive resolutions for shareholders’ approval by poll voting at the general meetings. At the Seventeenth Annual General Meeting (“AGM”) and the Extraordinary General Meeting (“EGM”) held on 23 June 2014, the Chairman had notified the shareholders at the commencement of the AGM and EGM of their rights to demand a poll for the substantive resolutions. All resolutions put forth for shareholders’ approval at the AGM and EGM were voted by show of hands.

8.3 Effective Communication and Proactive Engagement

The Company’s AGM also provides an effective means of face-to-face communication with the shareholders where they are encouraged to participate in the open question and answer session during the AGM.

9. CORPORATE SOCIAL RESPONSIBILITIES (“CSR”)

The Group remains committed to support the community as a responsible corporate citizen during the financial year under review. The Group’s CSR initiatives are focused on enhancement of the workplace and environment conservation.

We acknowledge the importance of both financial and non-financial strategies in our continuous efforts to maintain long term and sustainable performance for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders’ value, we are also mindful of our goals to provide a sustainable workplace for our human assets’ career developments as they are critical components to our growth and to promote a sustainable environmentally responsible organisation.

ENVIRONMENT

The Group remains committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

In line with commitment to reduce carbon footprints, employees are encouraged to fully maximize the benefits of electronic environment (eg email, instant messaging and etc.) for communication and only print hard copy when necessary. Employees are also encouraged to print on both sides of paper to minimize paper usage. Energy efficient bulbs are used throughout and all computer peripherals and lighting are switched off when not in use.

WORKPLACE

Our people are our valuable assets. The Group provides its employees a quality work environment which complies with the health and safety standard as we understand a good environment would raise the efficiency and productivity of employees besides improving the quality of life of our employees.

We practice open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

The company also actively organises a variety of recreational activities such as staff dinner, festive gatherings and birthday celebration to create an amiable workplace for its staff. In addition, health insurance and medical care are provided to employees.

TRAININGS

External trainings are provided to employees to enhance their skills and abilities which would offer excellent opportunities for career enhancement.

GROUP'S DIVERSITY

(i) Diversity report on the breakdown of directors :-

Age group	Gender						Ethnicity							
	M	%	F	%	Total	%	My	%	Ch	%	Ot	%	Total	%
21-30	-	-		-	-	-		-		-		-	-	-
31-40	-	-		-	-	-		-		-		-	-	-
41-50	2	40%		-	2	33%		-	2	50%		-	2	33%
51-60	3	60%	1	100%	4	67%	1	100%	2	50%	1	100%	4	67%
61-70	-	-		-	-	-		-		-		-	-	-
	5	**100%**	**1**	**100%**	**6**	**100%**	**1**	**100%**	**4**	**100%**	**1**	**100%**	**6**	**100%**

(ii) Diversity report on the breakdown of employees :-

Age group	Gender						Ethnicity							
	M	%	F	%	Total	%	My	%	Ch	%	In	%	Total	%
21-30	1	17%	1	50%	2	25%	-	-	1	50%	1	20%	2	25%
31-40	3	50%	1	50%	4	50%	-	-	1	50%	3	60%	4	50%
41-50	1	17%	-	-	1	13%	1	100%	-	-	-	-	1	13%
51-60	1	17%	-	-	1	13%	-	-	-	-	1	20%	1	13%
61-70	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6	**100%**	**2**	**100%**	**8**	**100%**	**1**	**100%**	**2**	**100%**	**5**	**100%**	**8**	**100%**

symbol substitution :

M = Male
F = Female
My = Malays
Ch = Chinese
Ot = Other
In = Indians

AUDIT COMMITTEE REPORTS

The Audit Committee was established with the primary objective to provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate governance and practices for the Group, to improve the business efficiency and enhance the independent role of external and internal auditors.

1. Composition of Audit Committee

The present members of the Audit Committee comprise of:-

Chairman
Thong Kooi Pin – Independent Non-Executive Director

Members
Abdul Razak Bin Dato' Hj. Ipap – Non-Independent Non-Executive Director
Chuan Tsui Ju – Independent Non-Executive Director

2. Terms of Reference

A. Composition

The Committee shall be appointed by the Board of Directors from amongst its members which fulfills the following requirements:-

(i) shall comprise not less than 3 members;
(ii) the majority shall be independent directors;
(iii) all members must be non-executive directors; and
(iv) at least one member:

(a) must be a member of the Malaysian Institute of Accountants; or
(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(c) fulfills such other requirements as prescribed or approved by the Exchange.

In the event of any vacancy in the audit committee resulting in the non-compliance of the above, the Board shall within three (3) months appoint new members as required to make up the minimum numbers.

B. Authority

The Audit Committee is empowered by the Board to investigate, deliberate, discuss and review any activity within its terms of reference and access to any resources within the Company which are required to perform its duties without any restriction. The Committee is authorized to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or convene meetings with them excluding the attendance of the executive members of the Company whenever is deemed necessary.

The Committee is also authorizing to obtain independent/external professional or other advices and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

C. Functions and Duties

The duties and responsibilities of the Audit Committee shall be:-

1) To review the following and report the same to the Board:-

(i) The audit plan before the audit commences, the evaluation of the system of internal controls and the audit report with the external auditors.

(ii) The appointment of the external auditor, the audit fee and any question of resignation or dismissal.

(iii) The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-

- changes in or implementation of major accounting policy changes;
- significant and unusual events; and
- compliance with accounting standards and other legal requirements.

(iv) Problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

(v) The external auditors' management letter and management's response.

2) To do the following, in relation to the internal audit function:-

(i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;

(ii) review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.

3) To review any related party transaction and conflict of interest situation that may arise within the Company and Group including any transaction, procedure or course of conduct that raises questions of management integrity.

4) Monitor the Group's compliance with relevant laws, regulations and code of conducts.

D. Retirement and Resignation

In the event of any vacancy in the Audit Committee, the Company shall fill the vacancy within two (2) months, but in any case not later than three (3) months.

E. Meetings

The members of the Committee shall select a Chairman from among their members who is an Independent Non-Executive Director and majority of members present must be Independent Directors in order to form a quorum in the audit committee meeting.

Any member may at any time, and the head of group finance and the Company Secretary shall on the requisition of any of the members or the external auditors summon a meeting. The Committee shall meet on at least four (4) occasions each year. The external auditors may request a meeting if they consider this necessary.

Except in the case of any emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to any member entitled personally or by sending it via fax or through post or by courier or by email to such member to his registered address as appearing in the Register of Directors, as the case may be.

In addition to the Committee members, meetings would normally be attended by a representative of the external auditors, the financial controller and head of internal audit at the invitation of the Committee. Other Board members may also attend the Audit Committee meetings only at the Committee's invitation.

The Committee should meet with the internal/external auditors without executive board members present at least twice a year. A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote. The minutes of meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and shall be circulated to the Committee and the Board of Directors.

The minutes of meetings shall be taken by the Company Secretary and be kept at the Company's Registered Office.

3. Summary of Meeting and Activities Undertaken

A total of four (4) meetings were held during the financial year ended 31 December 2014 and the attendance records are as follows:-

	Meeting attended
Abdul Razak Bin Dato' Haji Ipap	4/4
Thong Kooi Pin	4/4
Chuan Tsui Ju	4/4

Summary of Activities of Committee

During the financial year ended 31 December 2014, the Committee has carried out the following activities:-

(i) reviewed the quarterly reports and the annual audited financial statements of the Group prior to submission to the Board for their consideration and approval;

(ii) reviewed the quarterly reports, review is made for the Company's compliance with the Listing Requirement, MASB and applicable regulatory requirement;

(iii) reviewed the related party transactions entered into by the Group;

(iv) reviewed the fees of the external auditor;

(v) consider the re-appointment of external auditors;

(vi) reviewed with the external auditors the audit plan, scope of work and audit report; and

(vii) reviewed the management letter issues and Management's response.

4. Internal Audit Function

The Group has conducted in-house internal audit function to assist the Audit Committee in discharging its responsibilities and duties. The functions of the internal auditor are to ensure a regular review of the adequacy and integrity of its internal control system. The internal auditor will also be required to assist the Group in enhancing its existing risk management framework and adopting a risk-based approach.

The internal auditor is required to conduct regular and systematic reviews on all operating units and submitting an independent report to the Audit Committee for review and approval to ensure adequate coverage.

The fee in respect of the internal audit function for the financial year ended 31 December 2014 was RM2,000.

STATEMENT OF VERIFICATION ON ALLOCATION OF OPTIONS PURSUANT TO EMPLOYEE SHARE OPTION SCHEME

The Audit Committee has verified that there was no option granted for the year ended 31 December 2014.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

1. Introduction

The Board is committed to maintaining a sound system of internal control of the Company and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

2. Board Responsibilities

The Board of Directors recognizes the importance of sound internal controls and risk management in safeguarding the assets of the Group. However, such systems are designed to manage rather than eliminate the business risk totally. It should be noted that any system could provide only reasonable and not absolute assurance against material misstatement or fraud.

The Group has in place an on-going process to identify, evaluate, monitor and manage any significant risks through the internal controls set out in order to attain a reasonable assurance that business objectives have been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

3. Risk Management Framework

The Board has established an organization with clearly defined lines of accountability and delegated authority.

A risk analysis of the Group is conducted on a regular basis including constantly reviewing the process in identifying, evaluating and putting up necessary action to assess and monitor the impacts of the risk on the operation and business. The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to address the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. Significant risks identified are subsequently brought to the attention of the Board at the scheduled board meetings. This serves as the on-going process of identifying; assessing and managing risks faced by the Group and has been in place for the year under review and up to the date of approval of this statement for inclusion in the Annual report.

The Group's risk management continues to be driven by Executive Director and assisted by management. The Executive Director and management are responsible for identifying, evaluating and monitoring of risks and taking appropriate and timely actions to manage risk. These processes are embedded and carried out as part of the Group's operating and business management processes. External and relevant professionals would be drawn on to assist and provide advices to the management team when necessary. In order to ensure the objectivity of the review of the risk management and systems of internal control in the Group, the Audit Committee is instituted by the Board to undertake this role.

In conducting its review, the process is regularly reviewed by the Board via the Audit Committee ("AC") at the quarterly Board meeting with the assistance of the in-house internal audit team to further review and improves the existing internal control processes within the Group. The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the business changes and competitive environment.

Management further supplements the Audit Committee review on control and risk assessment when presenting the quarterly financial performance and results to the Audit Committee and the Board including pertinent explanations on the performance of the Group. With management consultation, the Audit Committee reviews and analyses the interim financial results in corroboration with management representations on operations and the performance of its subsidiaries as well as deliberates the annual report and audited financial statements before recommending these documents to the Board for approval.

4. Internal Control Framework

The other key elements of the Group's internal control systems are described below:

- Monthly monitoring of operational results against the budget for the Board's review and discussion;
- Regular and comprehensive information provided to the Board, covering financial performance and key business indicators;
- Regular updates of internal policies and procedures, to reflect changing risks or resolve operational efficiencies; and
- Regular management meeting with all key personnel of respective department to address weaknesses and improve efficiency.

The Board is of the view that there is no significant breakdown or weaknesses in the system of internal control of the Group that may have material impact against the operations of the Group for the financial year ended 31 December 2014.

5. Management Responsibilities And Assurance

In accordance to the Bursa Securities' Guidelines, management is responsible to the Board for identifying risks relevant to the business of the Group's objectives and strategies; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objective and performance.

In producing this Statement, the Board has received assurance from Executive Director that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

6. Board Assurance And Limitation

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is on-going. For the financial year under review, there was no material loss resulted from significant control weaknesses. The Board is satisfied that the existing level of systems of internal control and risk management are effective to enable the Group to achieve its business objectives.

While, the Board wishes to reiterate that risk management and systems of internal control would be continuously improved in line with the evolving business development, it should be noted that all risk management systems and systems of internal control could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of internal control and risk management in the Group could only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

This Statement is issued in accordance with a resolution of the Directors dated 21 May 2015.

7. Conclusion

The Board recognizes the necessity to monitor closely the adequacy and effectiveness of the Group's system of internal controls and risk management, taking into consideration the fast-changing business environment. Although the Board is of the view that the present risk management and internal control is adequately in place to safeguard the Company's assets and sufficient to detect any fraud or irregularities, the Board is on a constant watch for any improvement that may strengthen its current system from time to time.

8. Review of the Statement by the External Auditors

The external auditors have reviewed this Statement of Internal Control. Their review has been conducted to assess whether the Statement of Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

ADDITIONAL COMPLIANCE INFORMATION

1. **Non-Statutory Audit Fees**

   The Company did not pay any amount of non-statutory audit fees to external auditors or company affiliated to the auditors' firm for the financial year ended 31 December 2014.

2. **Option, Warrant and Convertible Securities**

   The Company had on 21 March 2013 issued 145,263,250 Warrants on the basis of one (1) Warrant for every two (2) existing ordinary shares of the Company at an issue price of RM0.02 per Warrant.

   Other than as disclosed above, the Company did not issue any options and convertible securities during the financial year ended 31 December 2014.

   The Employee Share Option Scheme which has been in force for a period of ten (10) years commencing from 6 April 2004 had expired on 5 April 2014.

3. **Material Contracts**

   Neither the Company nor its subsidiary have entered into any contract which are or may be material (not being contracts entered into in the ordinary course of business) involving Directors' and Major Shareholders' interests since the end of the previous financial year.

4. **Recurrent Related Party Transactions ("RRPT")**

   There were no Recurrent Related Party Transactions for the financial year under review.

5. **Sanctions or Penalties**

   There were no sanctions or material penalties imposed by any regulatory body to the Company and its subsidiary, Directors or management.

6. **Variance in Result**

   There was no material variation between the audited results for the financial year ended 31 December 2014 and the unaudited results previously announced for the similar period.

7. **Profit Guarantee**

   There is no profit guarantee committed by the Company to any party.

8. **Depository Receipt Programme**

   During the financial year, the Company did not sponsor any Depository Receipt programme.

9. **Share Buy-backs**

   The Company did not carry out any share buy-backs for the financial year under review.

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2014.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and design, development and marketing of information technology related products and services. The principal activities of the subsidiary is as disclosed in Note 8 to the Financial Statements. There have been no significant changes in the nature of these principal activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the financial year are as follows:

	GROUP RM	COMPANY RM
Loss before tax	(7,291,690)	(5,297,489)
Income tax credit	455,804	455,804
Net loss for the financial year	(6,835,886)	(4,841,685)
Attributable to:		
Owners of the Company	(6,835,886)	(4,841,685)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items as disclosed in Notes 19 and 22 of the Financial Statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend the payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those as disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

SHARE OPTIONS

The shareholders of the Company, via a Members' Circular Resolution dated 7th April 2004, approved the Palette Multimedia Berhad ESOS for the benefit of eligible directors and eligible employees of the Company.

The salient features of the ESOS are as follows:

a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

b) eligible persons are confirmed employees including executive directors of the Company and have been in the employment of the Company for a period of at least six (6) months of continuous service on or prior to the date of allocation;

c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the directors and senior management. In addition, not more than twenty-five per cent (25%) of the shares under the ESOS will be granted to any individual staff;

d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and

e) the options granted to an option holder under the ESOS are exercisable by the option holder after completing one (1) year's service. The options are exercisable starting one (1) year from the grant date and have a contractual term of ten (10) years. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

f) the duration of the scheme shall be ten (10) years from the commencement of the scheme.

The movement in the share options during the financial year are as follows:

Option price RM	Date of offer	**Number of options over ordinary shares of RM0.10 each** As at 1.1.2014	Granted	Lapsed	As at 31.12.2014
0.10	20.12.2004	16,650,000	-	(16,650,000)	-

The exercise period for the above options lapsed on 5th April 2014.

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

2013/2018 WARRANTS

Pursuant to a deed poll dated 13th February 2013, the Company made a renounceable rights issue of 145,263,250 warrants at an issue price of RM0.02 per warrant on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in the Company. With effect from 26th August 2014, the exercise price of the 145,263,250 unexercised warrants was adjusted to an exercise price of RM0.04 per share consequential to the Company's capital reduction exercise.

The salient features of the warrants are as follows:

a) Each warrant entitles the registered holder, at any time during the exercise period to subscribe for one (1) new ordinary share at an exercise price of RM0.10 each, subject to adjustments in accordance with the provisions of the Deed Poll. The exercise price was adjusted to RM0.04 each pursuant to the Company's capital reduction exercise.

b) The exercise price for the warrants is fixed at RM0.10 per new ordinary share of the Company, subject to further adjustments in accordance with the provisions of the Deed Poll. The exercise price was adjusted to RM0.04 each pursuant to the Company's capital reduction exercise.

c) The warrants may be exercisable at any time within five (5) years commencing from and including the date of issue of the warrants and ending 5pm on the expiry date. The expiry date is a day falling immediately before the 5th anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day.

d) The new ordinary shares to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares shall not be entitled to any dividend, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment and issuance of the rights shares.

DIRECTORS

The names of the directors in office since the date of the last report are as follows:

Eg Kah Yee
Eg Kaa Chee
Abdul Razak Bin Dato' Haji Ipap
Sukhdev Singh A/L Banta Singh
Thong Kooi Pin
Chuan Tsui Ju

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the directors in the financial statements or the fixed salary of full-time employee of the Company or a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.04 each			
	Balance as at 1.1.2014	Bought	Sold	Balance as at 31.12.2014
Shares in the Company				
Direct interest				
Eg Kah Yee	54,834,052	-	-	54,834,052
Eg Kaa Chee	2	-	-	2
Indirect interest				
Eg Kah Yee	2	-	-	2
Eg Kaa Chee	54,834,052	-	-	54,834,052

	Number of 2013/2018 warrants			
	Balance as at 1.1.2014	Acquired	Exercised	Balance as at 31.12.2014
Direct interest				
Eg Kah Yee	27,477,375	-	-	27,477,375

DIRECTORS' REPORT

In addition to the above, the directors are also deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS as follows:

	Number of options over ordinary shares of RM0.10 each			
	Balance as at 1.1.2014	Granted	Lapsed	Balance as at 31.12.2014
Share options of the Company				
Direct interest				
Eg Kah Yee	6,075,000	-	(6,075,000)	-
Eg Kaa Chee	500,000	-	(500,000)	-
Sukhdev Singh A/L Banta Singh	2,500,000	-	(2,500,000)	-

None of the other directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Company during and at the beginning and end of the financial year.

OTHER STATUTORY INFORMATION

a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the financial statements of the Group and of the Company had been written down to an amount which they might be expected to realise.

As at 31st December 2014, the accumulated losses of the Group and of the Company were RM5,644,545 and RM6,343,410 respectively which arose from losses sustained in current and prior years. As mentioned in Note 4 a) to the Financial Statements, the financial statements have been prepared on the basis of accounting principles applicable to a going concern which presumes that the future operating results will improve and consequently, the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

b) Other than as stated, at the date of this report, the directors are not aware of any circumstances:

(i) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(ii) which would render the values attributable to current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

c) At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

d) No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT

e) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

f) In the opinion of the directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Signed on behalf of the Board in accordance with a resolution of the directors,

EG KAH YEE
Director

SUKHDEV SINGH A/L BANTA SINGH
Director

Kuala Lumpur
Date: 8th April 2015

STATEMENT BY DIRECTORS

We, EG KAH YEE and SUKHDEV SINGH A/L BANTA SINGH, being two of the directors of Palette Multimedia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2014 and of their financial performance and cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in Note 30 to the Financial Statements has been prepared in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors,

EG KAH YEE
Director

SUKHDEV SINGH A/L BANTA SINGH
Director

Kuala Lumpur
Date: 8th April 2015

STATUTORY DECLARATION

I, LAU SUIT LAN, being the officer primarily responsible for the financial management of Palette Multimedia Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed LAU SUIT LAN
at Petaling Jaya, on 8th April 2015

LAU SUIT LAN

Before me:
S.Arokiadass A.M.N
No. B 460

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Palette Multimedia Berhad, which comprise the statements of financial position as at 31st December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 68.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material mistatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31st December 2014 and of their financial performance and cash flows for the year then ended.

STYL ASSOCIATES
AF 1929
Chartered Accountants

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No: 1 Jalan SS 20/27 47400 Petaling Jaya
Tel: 03-77242128 / 77242130 / 77242136
Fax: 03-77332125

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 a) to the Financial Statements which indicates that the accumulated losses of the Group and of the Company as at 31st December 2014 were RM5,644,545 and RM6,343,410 respectively. The successful turnaround plan for the Group and the Company is one of the key factors for the sustainability of the Group's and of the Company's operations and for the Group and the Company to continue as going concerns in the foreseeable future. The validity of the going concerns assumption is therefore dependent on the successful implementation of the turnaround plan in the future. In the event the going concern assumption is no longer valid, the Group and the Company may not be able to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect such situation. The financial statements of the Group and the Company do not include any adjustment relating to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditor's reports on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act other than as disclosed in Note 8 to the Financial Statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 30 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

STYL ASSOCIATES
AF 1929
Chartered Accountants

No: 902 9th Floor Block A Damansara Intan
No: 1 Jalan SS 20/27 47400 Petaling Jaya
Tel: 03-77242128 / 77242130 / 77242136
Fax: 03-77332125

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

STYL ASSOCIATES
Firm No. AF 1929
Chartered Accountants

TAN CHIN HUAT
Approval No: 2037/06/16(J)
Chartered Accountant
Date: 8th April 2015
Petaling Jaya

STATEMENTS OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014

		GROUP		COMPANY	
		2014	2013	2014	2013
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	6	72,323	122,260	71,803	121,566
Intangible assets	7	11,028,009	15,535,279	11,028,009	15,535,279
Investment in subsidiaries	8	-	-	1	2
Deferred tax assets	9	94,851	-	94,851	-
Total Non-Current Assets		11,195,183	15,657,539	11,194,664	15,656,847
Current Assets					
Inventories	10	445,846	459,931	445,846	459,931
Trade receivables	11	2,607,000	4,155,809	1,760,622	3,308,856
Prepaid expenses and refundable deposits	11	435,469	405,464	435,469	399,758
Amount owing by subsidiaries	8	-	-	69,000	-
Deposits, cash and bank balances	12	475,425	770,878	471,298	763,529
		3,963,740	5,792,082	3,182,235	4,932,074
Assets held for sale	13	-	6,289	-	-
Total Current Assets		3,963,740	5,798,371	3,182,235	4,932,074
Total Assets		15,158,923	21,455,910	14,376,899	20,588,921
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	14	11,621,060	29,052,650	11,621,060	29,052,650
Reserves	15	(2,718,863)	(13,288,219)	(3,417,728)	(16,007,633)
		8,902,197	15,764,431	8,203,332	13,045,017
Non-Controlling interests		-	18,380	-	-
Total Equity		8,902,197	15,782,811	8,203,332	13,045,017
Non-Current Liabilities					
Trade payables	16	1,716,728	-	1,716,728	-
Deferred tax liabilities	9	-	360,953	-	360,953
Total Non-Current Liabilities		1,716,728	360,953	1,716,728	360,953
Current Liabilities					
Trade payables	16	464,053	4,990,398	426,903	4,953,010
Other payables and accrued expenses	16	4,061,471	272,159	4,015,462	225,938
Amount owing to subsidiaries	8	-	-	-	1,984,777
Amount owing to directors	17	14,474	14,474	14,474	14,474
Tax liabilities		-	4,752	-	4,752
		4,539,998	5,281,783	4,456,839	7,182,951
Liabilities held for sale	13	-	30,363	-	-
Total Current Liabilities		4,539,998	5,312,146	4,456,839	7,182,951
Total Liabilities		6,256,726	5,673,099	6,173,567	7,543,904
Total Equity and Liabilities		15,158,923	21,455,910	14,376,899	20,588,921

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2014

	Note	GROUP 2014 RM	GROUP 2013 RM	COMPANY 2014 RM	COMPANY 2013 RM
Revenue		1,117,036	3,628,832	1,117,036	3,628,832
Other operating income	19	2,155,657	547,569	2,154,532	619,158
Changes of inventories of finished goods		795	(57,172)	795	(57,172)
Purchases and other direct costs		(271,770)	(1,034,261)	(271,770)	(1,944,438)
Staff costs	20	(1,069,440)	(977,276)	(1,030,251)	(922,610)
Amortisation of intangible assets		(548,251)	(739,034)	(548,251)	(548,251)
Depreciation of property, plant and equipment					
- current year		(70,071)	(150,189)	(69,897)	(149,514)
- overprovision in prior year		5,072	-	5,072	-
Directors' remuneration	21	(201,943)	(24,114)	(184,218)	(24,114)
Other operating expenses	19	(7,086,963)	(2,662,918)	(5,148,725)	(2,514,499)
Loss from operations		(5,969,878)	(1,468,563)	(3,975,677)	(1,912,608)
Finance costs	22	(1,321,812)	(3,883,044)	(1,321,812)	(3,883,044)
Loss before tax		(7,291,690)	(5,351,607)	(5,297,489)	(5,795,652)
Income tax credit/(expense)	23	455,804	(365,705)	455,804	(365,705)
Loss for the financial year		(6,835,886)	(5,717,312)	(4,841,685)	(6,161,357)
Other comprehensive income/(loss):					
Item that may be subsequently reclassified to profit or loss					
Exchange difference on translation of foreign operations		(44,728)	4,517	-	-
Total comprehensive loss for the year		(6,880,614)	(5,712,795)	(4,841,685)	(6,161,357)
Loss for the financial year attributable to:					
Owners of the Company		(6,835,886)	(5,721,389)	(4,841,685)	(6,161,357)
Non-controlling interests		-	4,077	-	-
Total loss for the financial year		(6,835,886)	(5,717,312)	(4,841,685)	(6,161,357)
Total comprehensive loss attributable to:					
Owners of the Company		(6,862,234)	(5,713,285)	(4,841,685)	(6,161,357)
Non-controlling interests		(18,380)	490	-	-
Total comprehensive loss for the year		(6,880,614)	(5,712,795)	(4,841,685)	(6,161,357)
Loss per share attributable to owners of the Company:					
Basic (sen)	24	(2.35)	(1.97)		
Diluted (sen)	24	(2.14)	N/A		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<----Attributable to Owners of the Company----								
		<----Non distributable reserve---->						Non-	
	Share capital RM	Share premium RM	Share option RM	Exchange fluctuation RM	Warrants reserve RM	Accumulated losses RM	Total RM	Controlling interests RM	Total equity RM
GROUP									
Balance as at 1st January 2013	29,052,650	4,296,261	13,136	18,244	-	(14,531,996)	18,848,295	17,890	18,866,185
Loss for the financial year	-	-	-	-	-	(5,721,389)	(5,721,389)	4,077	(5,717,312)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	8,104	-	-	8,104	(3,587)	4,517
Total comprehensive income/(loss) for the financial year	-	-	-	8,104	-	(5,721,389)	(5,713,285)	490	(5,712,795)
Transaction with Owners of the Company									
Issuance of warrants during the financial year	-	-	-	-	2,905,265	-	2,905,265	-	2,905,265
Warrants listing expenses	-	-	-	-	(275,844)	-	(275,844)	-	(275,844)
Total transaction with Owners of the Company	-	-	-	-	2,629,421	-	2,629,421	-	2,629,421
Balance as at 31st December 2013	29,052,650	4,296,261	13,136	26,348	2,629,421	(20,253,385)	15,764,431	18,380	15,782,811

(Forward)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2014

	<--- Attributable to Owners of the Company								
		<--- Non distributable reserve			--->		--->	Non-controlling interests RM	
	Share capital RM	Share premium RM	Share option RM	Exchange fluctuation RM	Warrants reserve RM	Accumulated losses RM	Total RM		Total equity RM
GROUP									
Balance as at 1st January 2014	29,052,650	4,296,261	13,136	26,348	2,629,421	(20,253,385)	15,764,431	18,380	15,782,811
Loss for the financial year	-	-	-	-	-	(6,835,886)	(6,835,886)	-	(6,835,886)
Other comprehensive loss for the year, net of tax	-	-	-	(26,348)	-	-	(26,348)	(18,380)	(44,728)
Total comprehensive loss for the financial year	-	-	-	(26,348)	-	(6,835,886)	(6,862,234)	(18,380)	(6,880,614)
Transaction with Owners of the Company:									
Share option lapsed	-	-	(13,136)	-	-	13,136	-	-	-
Capital reduction	(17,431,590)	(4,000,000)	-	-	-	21,431,590	-	-	-
Total transaction with Owners of the Company	(17,431,590)	(4,000,000)	(13,136)	-	-	21,444,726	-	-	-
Balance as at 31st December 2014	11,621,060	296,261	-	-	2,629,421	(5,644,545)	8,902,197	-	8,902,197

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2014

		<---------Non distributable reserve--------->				
	Share capital RM	Share premium RM	Share option RM	Warrants reserve RM	Accumulated loss RM	Total equity RM
COMPANY						
As at 1st January 2013	29,052,650	4,296,261	13,136	-	(16,785,094)	16,576,953
Transaction with Owners of the Company:						
Issuance of warrants during the financial year	-	-	-	2,905,265	-	2,905,265
Warrants listing expenses	-	-	-	(275,844)	-	(275,844)
Total transaction with Owners of the Company	-	-	-	2,629,421	-	2,629,421
Total comprehensive loss for the financial year	-	-	-	-	(6,161,357)	(6,161,357)
Balance as at 31st December 2013	29,052,650	4,296,261	13,136	2,629,421	(22,946,451)	13,045,017
Total comprehensive loss for the financial year	-	-	-	-	(4,841,685)	(4,841,685)
Transaction with Owners of the Company:						
Share option lapsed	-	-	(13,136)	-	13,136	-
Capital reduction	(17,431,590)	(4,000,000)	-	-	21,431,590	-
Total transaction with Owners of the Company	(17,431,590)	(4,000,000)	(13,136)	-	21,444,726	-
Balance as at 31st December 2014	11,621,060	296,261	-	2,629,421	(6,343,410)	8,203,332

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2014

	GROUP 2014 RM	GROUP 2013 RM	COMPANY 2014 RM	COMPANY 2013 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(7,291,690)	(5,351,607)	(5,297,489)	(5,795,652)
Adjustments for:				
Amortisation of intangible assets	548,251	739,034	548,251	548,251
Bad debts written off	-	235,136	-	235,136
Depreciation of property, plant and equipment				
- current year	70,071	150,189	69,897	149,514
- overprovision in prior year	(5,072)	-	(5,072)	-
Deposit written off	5,706	64,121	-	64,121
Impairment loss on intangible assets	3,959,019	132,009	3,959,019	-
Inventories written off	14,880	-	14,880	-
Loss on disposal of investment in subsidiary	1,915,972	-	-	-
Finance costs	1,321,812	3,883,044	1,321,812	3,883,044
Waiver of amount owing to subsidiary	(1,984,777)	-	(1,984,777)	-
Reversal of impairment loss on trade receivables	(168,455)	(6,399)	(167,330)	-
Reversal of impairment loss on amount owing by subsidiary	-	-	-	(77,988)
Interest income	(1,948)	(19,009)	(1,948)	(19,009)
Operating loss before working capital changes	(1,616,231)	(173,482)	(1,542,757)	(1,012,583)
Changes in working capital:				
(Increase)/Decrease in inventories	(795)	57,172	(795)	57,172
Decrease in trade receivables	1,717,264	12,497,211	1,715,564	11,922,360
(Increase)/Decrease in other receivables and prepaid expenses	(35,711)	1,016,681	(35,711)	1,015,721
(Increase)/Decrease in amount owing by subsidiaries	-	-	(69,000)	723,638
Decrease in trade payables	(2,809,615)	(9,906,392)	(2,809,378)	(9,216,671)
Increase/(Decrease) in other payables and accrued expenses	2,467,500	(1,023,619)	2,467,712	(1,017,415)
Decrease in amount owing to directors	-	(12,761)	-	(12,761)
Cash Generated From/(Used In) Operations	(277,588)	2,454,810	(274,365)	2,459,461
Finance costs paid	-	(3,883,044)	-	(3,883,044)
Interest received	1,948	19,009	1,948	19,009
Tax paid	(4,752)	-	(4,752)	-
Net Cash Used In Operating Activities	(280,392)	(1,409,225)	(277,169)	(1,404,574)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(15,062)	(29,028)	(15,062)	(29,028)
Net cash inflow arising on liquidation of subsidiary (Note 8)	1	-	-	-
Net Cash Used In Investing Activities	(15,061)	(29,028)	(15,062)	(29,028)

(Forward)

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short term bank borrowings	-	(390,805)	-	(390,805)
Proceeds from issuance of warrants, net of listing expenses	-	2,629,421	-	2,629,421
Net Cash From Financing Activities	-	2,238,616	-	2,238,616
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(295,453)	800,363	(292,231)	805,014
EFFECT OF EXCHANGE RATE CHANGES	-	4,517	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	770,878	(34,002)	763,529	(41,485)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	475,425	770,878	471,298	763,529

The accompanying Notes form an integral part of the Financial Statements.

1) GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding and design, development and marketing of information technology related products and services. The principal activities of the subsidiary is as disclosed in Note 8 to the Financial Statements. There have been no significant changes in the nature of these principal activities during the financial year.

The registered office of the Company is located at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at 6th Floor, Unit 4, No: 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 8th April 2015.

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia.

Adoption of Amendments to MFRSs and Issues Committee ("IC") Interpretations

The accounting policies adopted by the Group and the Company are consistent with those adopted in the previous year, except as follows:

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interest 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 Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above standards and interpretations did not have any impact on the financial statements of the Group and of the Company.

Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Annual Improvements have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company:

2) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

		Effective for annual period beginning on or after
Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution	1st July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle		1st July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle		1st July 2014
MFRS 14	Regulatory Deferral Accounts	1st January 2016
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1st January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1st January 2016
Annual improvements to MFRSs 2012 - 2014 Cycle		1st January 2016
Amendments to MFRS 101	Disclosure Initiative	1st January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1st January 2016
MFRS 15	Revenue from Contracts with Customers	1st January 2017
MFRS 9	Financial Instruments	1st January 2018

The Group and the Company will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group and the Company upon their initial application, except as described below:

MFRS 9 Financial Instruments

In November 2014, MASB issued the complete version of MFRS 9 replacing MFRS 139. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company are currently assessing the impact of the adoption of this standard in relation to the new requirements for classification, measurement and impairment.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The operations of the Group are subject to a variety of financial risks, including market risk (foreign currency exchange risk and interest rate risk), credit risk, and liquidity risk. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group and of the Company.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange risk, and other prices will affect the Group's financial position and cash flows.

The Group has in place policies to manage its competitive risks from its competitors in providing better alternatives in terms of better services.

(i) Foreign currency exchange risk

Foreign currency risk is that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group has exposure to foreign currency fluctuation arising from revenue or expense that are denominated in currency other than the functional currency of the Group.

However as at 31st December 2014, the Group’s exposure to foreign currency risk is not significant.

The Group has not entered into any forward foreign exchange contracts as at 31st December 2014.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s financial instruments will fluctuate because of changes in market interest rates.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group’s investment in financial assets are mainly short term in nature and mostly placed in financial institutions.

Changes in interest rates are not expected to have a significant impact on the Group's profit or loss.

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from trade receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 120 days, which are deemed to have higher credit risk, are monitored individually.

3) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The ageing of trade receivables as at the end of the reporting period was:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Neither past due nor impaired	760,216	1,219,005	760,216	1,219,005
Past due 31 - 60 days not impaired	107,168	-	107,168	-
Past due 61 - 90 days not impaired	104,076	64,375	104,076	64,375
Past due 91 - 120 days not impaired	71,018	153,257	71,018	153,257
Past due more than 120 days not impaired	718,144	1,872,219	718,144	1,872,219
	1,000,406	2,089,851	1,000,406	2,089,851
Impaired	2,817,224	2,986,254	1,885,526	2,052,856
	4,577,846	6,295,110	3,646,148	5,361,712

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM1,000,406 (2013: RM2,089,851) and RM1,000,406 (2013: RM2,089,851) respectively that are past due at the reporting date but not impaired.

These receivables are unsecured. Management is confident that these receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's and the Company's trade receivables and the movement of the allowance accounts used to record the impairment are as follows:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade receivables - norminal amount	2,817,224	2,986,254	1,885,526	2,052,856
Allowance for doubtful debts	(1,970,846)	(2,139,301)	(1,885,526)	(2,052,856)
	846,378	846,953	-	-

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
As at beginning of year	2,139,301	2,200,238	2,052,856	2,052,856
Reversal of impairment loss	(168,455)	(6,399)	(167,330)	-
Bad debts written off	-	(54,538)	-	-
As at end of year	1,970,846	2,139,301	1,885,526	2,052,856

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties or have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

3) **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient funds for contingent funding requirement of working capital.

Capital Risk Management

The primary objective of the Group's capital management is to safeguard the Group's and the Company's ability to continue as going concerns, and to maintain an optimal capital structure so as to provide returns for shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes compared to the previous financial year.

The Group is not subject to any externally imposed capital requirements.

4) **SIGNIFICANT ACCOUNTING POLICIES**

a) **Basis of Accounting**

The financial statements are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and also disclosed in Note 4 g) and on the basis of accounting principles applicable to a going concern. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

ii) Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

iii) Level 3 inputs are unobservable inputs for the asset or liability.

As at 31st December 2014, the Group and the Company's accumulated losses were RM5,644,545 and RM6,343,410 respectively. The successful turnaround plan for the Group and the Company is one of the key factors for the sustainability of the Group's and of the Company's operations and for the Group and the Company to continue as going concerns in the foreseeable future. The validity of the going concerns assumption is therefore dependent on the successful implementation of the turnaround plan in the future. In the event the going concern assumption is no longer valid, the Group and the Company may not be able to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect such situation.

The financial statements of the Group and the Company do not include any adjustment relating to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight-line basis over the expected useful lives of the property, plant and equipment concerned. The annual depreciation rates used are as follows:

	%
Computer equipment and software	20
Furniture and fittings	20
Office equipment	20
Renovation	20
Electrical equipment	20

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable. The residual values, useful lives and depreciation methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceed and the carrying amount of the asset, and is recognised in profit or loss.

c) Subsidiaries and Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company. Control is achieved when the Group:

(i) has power over the investee;
(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
(iii) has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting rights.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Subsidiaries and Basis of Consolidation (Continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Disposal of Subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

d) Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between disposal proceeds and their carrying amounts are recognised in profit or loss.

e) Intangible Assets

(i) Intellectual Property Rights

Acquired intellectual property are reviewed annually for impairment and are stated at cost less any accumulated impairment losses. Trademarks have an indefinite useful life as it is maintained through continuous marketing and upgrading.

(ii) Research and Development Costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Intangible Assets (Continued)

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible asset;

(iv) how the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Development costs with indefinite useful lives are not amortised but tested at each reporting date for impairment.

f) Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out method) and net realisable value. Cost consists of purchases and other direct costs incurred in bringing the inventories to its present condition and location.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

g) Financial Instruments

(i) Initial recognition and measurement

Financial instruments are recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(ii) Financial instrument categories and subsequent measurement

The Group categories financial instruments as follows:

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

a) *Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

c) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

d) *Available-for-sale financial assets ("AFS")*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Available-for-sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (Continued)

(ii) Financial instrument categories and subsequent measurement (Continued)

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as financial liabilities at fair value through profit or loss when the financial liability is either held for trading or it is designated as financial liabilities at fair value through profit or loss.

A financial liability is classified as held for trading if:

a) it has been acquired principally for the purpose of repurchasing it in the near term; or

b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liabilities at fair value through profit or loss upon initial recognition if:

a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income.

b) *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(iii) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (Continued)

(iii) Impairment of Financial Assets (Continued)

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

h) Impairment of Non Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment of Non Financial Assets (Continued)

i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

k) Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-Current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, term deposits and other short term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value against which bank overdraft, if any, are deducted.

m) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

n) Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group in the current and previous financial year ends.

p) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

q) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable, net of returns, allowances and trade discounts.

Revenue from services are recognised when services are rendered. Revenue represents the invoiced value of services rendered net of discounts and allowances. Interest income is recognised on accrual basis.

r) Foreign Currency Conversion

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

s) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Employee Benefits (Continued)

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

t) Income Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the financial year end.

Current taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

5) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported results during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the director's best knowledge of current events and actions, actual results may differ.

Critical Judgements in Applying the Group's and the Company's Accounting Policies

In the process of applying the Group's and the Company's accounting policies, the directors are of the opinion that there are no instances of application of judgement which are expected to have significant effect on the amounts recognised in the financial statements.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below:

(i) *Estimated Impairment of Intangible Assets*

The Group determines whether intangible assets have been impaired at least on an annual basis. The recoverable amounts of the cash-generating units ("CGU") are determined based on the value-in-use method. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) *Impairment on Receivables*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

6) PROPERTY, PLANT AND EQUIPMENT

GROUP	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Electrical equipment RM	Total RM
2014						
Cost						
As at 1st January 2014	1,718,969	100,557	211,100	653,002	736,145	3,419,773
Additions	15,062	-	-	-	-	15,062
As at 31st December 2014	1,734,031	100,557	211,100	653,002	736,145	3,434,835
Accumulated depreciation						
As at 1st January 2014	1,679,578	98,688	209,803	652,744	656,700	3,297,513
Charge for the year	16,554	464	2,163	30	50,860	70,071
Overprovision in prior year	(2,453)	-	(2,619)	-	-	(5,072)
As at 31st December 2014	1,693,679	99,152	209,347	652,774	707,560	3,362,512
Net book value as at 31st December 2014	40,352	1,405	1,753	228	28,585	72,323
2013						
Cost						
As at 1st January 2013	1,691,662	98,836	211,100	653,002	736,145	3,390,745
Additions	27,307	1,721	-	-	-	29,028
As at 31st December 2013	1,718,969	100,557	211,100	653,002	736,145	3,419,773
Accumulated depreciation						
As at 1st January 2013	1,661,972	98,253	207,577	652,628	526,894	3,147,324
Charge for the year	17,606	435	2,226	116	129,806	150,189
As at 31st December 2013	1,679,578	98,688	209,803	652,744	656,700	3,297,513
Net book value as at 31st December 2013	39,391	1,869	1,297	258	79,445	122,260

NOTES TO THE FINANCIAL STATEMENTS

6) PROPERTY, PLANT AND EQUIPMENT

COMPANY	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Electrical equipment RM	Total RM
2014						
Cost						
As at 1st January 2014	936,068	97,657	189,014	580,713	736,145	2,539,597
Additions	15,062	-	-	-	-	15,062
As at 31st December 2014	951,130	97,657	189,014	580,713	736,145	2,554,659
Accumulated depreciation						
As at 1st January 2014	897,304	95,794	187,769	580,464	656,700	2,418,031
Charge for the year	16,417	464	2,126	30	50,860	69,897
Overprovision in prior year	(2,453)	-	(2,619)	-	-	(5,072)
As at 31st December 2014	911,268	96,258	187,276	580,494	707,560	2,482,856
Net book value as at 31st December 2014	39,862	1,399	1,738	219	28,585	71,803
2013						
Cost						
As at 1st January 2013	908,761	95,936	189,014	580,713	736,145	2,510,569
Additions	27,307	1,721	-	-	-	29,028
As at 31st December 2013	936,068	97,657	189,014	580,713	736,145	2,539,597
Accumulated depreciation						
As at 1st January 2013	880,273	95,359	185,643	580,348	526,894	2,268,517
Charge for the year	17,031	435	2,126	116	129,806	149,514
As at 31st December 2013	897,304	95,794	187,769	580,464	656,700	2,418,031
Net book value as at 31st December 2013	38,764	1,863	1,245	249	79,445	121,566

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets which are still in use with a cost of RM2,883,793 (2013: RM2,883,793) and RM2,384,415 (2013: RM2,006,169) respectively.

7) INTANGIBLE ASSETS

GROUP	Intellectual property RM	Development costs RM	Total RM
2014			
Cost			
As at 1st January 2014	15,000,000	4,864,405	19,864,405
Additions	-	-	-
As at 31st December 2014	15,000,000	4,864,405	19,864,405
Accumulated amortisation			
As at 1st January 2014	1,034,850	3,294,276	4,329,126
Amortisation for the year	-	548,251	548,251
As at 31st December 2014	1,034,850	3,842,527	4,877,377
Accumulated impairment loss			
As at 1st January 2014	-	-	-
Impairment loss for the year	3,959,019	-	3,959,019
As at 31st December 2014	3,959,019	-	3,959,019
Net carrying amount as at 31st December 2014	10,006,131	1,021,878	11,028,009
2013			
Cost			
As at 1st January 2013	15,000,000	4,996,414	19,996,414
Written off	-	(132,009)	(132,009)
As at 31st December 2013	15,000,000	4,864,405	19,864,405
Accumulated amortisation			
As at 1st January 2013	1,034,850	2,555,242	3,590,092
Amortisation for the year	-	739,034	739,034
As at 31st December 2013	1,034,850	3,294,276	4,329,126
Net carrying amount as at 31st December 2013	13,965,150	1,570,129	15,535,279

COMPANY	Intellectual property RM	Development costs RM	Total RM
2014			
Cost			
As at 1st January 2014	15,000,000	3,867,003	18,867,003
Additions	-	-	-
As at 31st December 2014	15,000,000	3,867,003	18,867,003
Accumulated amortisation			
As at 1st January 2014	1,034,850	2,296,874	3,331,724
Amortisation for the year	-	548,251	548,251
As at 31st December 2014	1,034,850	2,845,125	3,879,975
Accumulated impairment loss			
As at 1st January 2014	-	-	-
Impairment loss for the year	3,959,019	-	3,959,019
As at 31st December 2014	3,959,019	-	3,959,019
Net carrying amount as at 31st December 2014	10,006,131	1,021,878	11,028,009

7) INTANGIBLE ASSETS (CONTINUED)

	Intellectual property RM	Development costs RM	Total RM
2013			
Cost			
As at 1st January 2013	15,000,000	3,867,003	18,867,003
Additions	-	-	-
As at 31st December 2013	15,000,000	3,867,003	18,867,003
Accumulated amortisation			
As at 1st January 2013	1,034,850	1,748,623	2,783,473
Amortisation for the year	-	548,251	548,251
As at 31st December 2013	1,034,850	2,296,874	3,331,724
Net carrying amount as at 31st December 2013	13,965,150	1,570,129	15,535,279

The intellectual property is asset with indefinite useful life as there is no foreseeable limit as to the period over which the assets are expected to generate cash inflows to the Group.

Key Assumptions Used in Value-In-Use Calculations

The recoverable amounts of the intellectual property and development costs have been determined based on value in use calculations using cash flow projections from financial budget approved by management covering aperiod of five (5) years. Based on the above impairment assessment, the Group recorded impairment loss of RM3,959,019 on intangible assets on the basis that the carrying value exceeded its recoverable amounts based on value-in-use method.

Sensitivity to Change in Assumptions

Management believes that no reasonable possible changes in any of the key assumptions that would cause the carrying values of the cash-generating unit to materially exceed their recoverable amounts.

8) INVESTMENT IN SUBSIDIARY

	COMPANY	
	2014 RM	2013 RM
Unquoted shares - At cost	100,000	2,561,387
Less: Accumulated impairment loss	(99,999)	(2,561,385)
	1	2

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Equity Interest 2014 %	Equity Interest 2013 %	Principal Activities
Palette System Sdn. Bhd. *	Malaysia	100	100	Dormant
PT Palette Multimedia ^	Indonesia	-	99	Dormant

* The auditors' report of this subsidiary contains an emphasis of matter relating to the appropriateness of the going concern basis of accounting used in the preparation of its financial statements

^ Audited by another firm of auditors

8) INVESTMENT IN SUBSIDIARY (CONTINUED)

The amount owing by/(to) subsidiaries arose mainly from trade transactions, advances given and payments made on behalf which are unsecured, interest-free and repayable on demand.

During the financial year, the Company disposed off its 99% equity interest in PT Palette Multimedia for a total cash consideration of RM1.00.

The effect of the disposal on the financial position of the Group as at the end of the financial year is as folows:

	RM
Net assets disposed off:	
Trade receivables	909
Other receivables and prepaid expenses	5,380
Amount owing by holding company	1,944,550
Other payables and accrued expenses	(29,113)
Amount owing to related companies	(4,504)
Tax liabilities	(1,249)
Net assets disposed off	1,915,973
Loss on disposal to the Group	(1,915,972)
Net proceeds from disposal of subsidiary	1
Less: Cash and bank balances	-
Cash flow on disposal, net of cash and cash equivalents disposed off	1

9) DEFERRED TAXATION

	GROUP AND COMPANY	
	2014	2013
	RM	RM
Deferred tax assets		
Balance as at beginning of the year	50,709	-
Recognised in profit or loss (Note 23)	314,832	50,709
Balance as at end of the year	365,541	50,709
Deferred tax liabilities		
Balance as at beginning of the year	411,662	-
Recognised in profit or loss (Note 23)	(140,972)	411,662
Balance as at end of the year	270,690	411,662
Presented after appropriate offsetting as follows:		
Deferred tax assets / (liabilities) - Net	94,851	(360,953)

The recognised deferred tax assets are made up of unutilised tax losses while the recognised deferred tax liabilities are made up of temporary differences between tax capital allowances and book depreciation of property, plant and equipment.

10) INVENTORIES

	GROUP AND COMPANY	
	2014	2013
	RM	RM
At cost:		
Finished goods	445,846	459,931

11) TRADE RECEIVABLES, PREPAID EXPENSES AND REFUNDABLE DEPOSITS

Trade receivables comprise amounts receivable for services rendered. The credit period granted on services rendered is 30 - 60 days. Other credit terms are assessed and approved on a case-by-case basis.

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Trade receivables	4,577,846	6,295,110	3,646,148	5,361,712
Less: Allowance for doubtful debts	(1,970,846)	(2,139,301)	(1,885,526)	(2,052,856)
Net	2,607,000	4,155,809	1,760,622	3,308,856

Prepaid expenses and refundable deposits consist of:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Prepaid expenses	12,155	1,400	12,155	-
Refundable deposits	423,314	404,064	423,314	399,758
	435,469	405,464	435,469	399,758

The currency profile of trade receivables is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Ringgit Malaysia	2,559,000	2,577,478	1,712,622	1,730,525
United States Dollar	48,000	1,578,331	48,000	1,578,331
	2,607,000	4,155,809	1,760,622	3,308,856

12) DEPOSITS, CASH AND BANK BALANCES

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Cash and bank balances	350,967	704,368	346,840	697,019
Deposits with licensed banks	124,458	66,510	124,458	66,510
	475,425	770,878	471,298	763,529

Short-term deposits of the Group and of the Company with licensed banks have an average maturity period of 12 months. Bank balances are deposits held at call with banks. Deposits of the Group and of the Company earn return at the range from 3.05% to 3.1% (2013: 2.55%) per annum.

Deposits, cash and bank balances are all denominated in Ringgit Malaysia.

13) ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of PT Palette Multimedia classified as held for sale in 2013 are as follows:

	GROUP	
	2014 RM	2013 RM
Assets:		
Trade receivables	-	909
Guarantee deposits	-	5,380
Assets classified as held for sale	-	6,289
Liabilities:		
Other payables and accrued expenses	-	29,113
Tax liabilities	-	1,250
Liabilities classified as held for sale	-	30,363

14) SHARE CAPITAL

	No. of ordinary shares		Amount	
	2014	2013	2014 RM	2013 RM
Authorised				
Ordinary shares of RM0.04 (2013: RM0.10) each	1,250,000,000	500,000,000	50,000,000	50,000,000
Issued and fully paid				
Balance as at beginning of year	290,526,500	290,526,500	29,052,650	29,052,650
Capital reduction	-	-	(17,431,590)	-
Balance as at end of year	290,526,500	290,526,500	11,621,060	29,052,650

On 23rd June 2014, the Company amended its Memorandum and Articles of Association to reduce the par value of its ordinary shares of RM0.10 to RM0.04 each and hence, the authorised share capital of the Company was revised from RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each to RM50,000,000 comprising 1,250,000,000 ordinary shares of RM0.04 each.

During the financial year, the Company reduced its share capital from RM29,052,650 comprising 290,526,500 ordinary shares of RM0.10 each to RM11,621,060 comprising 290,526,500 ordinary shares of RM0.04 each by way of cancellation of RM0.06 of the par value of the existing ordinary shares in the Company. The capital reduction was granted via High Court of Malaysia's order dated 25th August 2014.

The shareholders of the Company, via a Members' Circular Resolution dated 7th April 2004, approved the Palette Multimedia Berhad ESOS for the benefit of eligible directors and eligible employees of the Company.

The salient features of the ESOS are as follows:

a) the total number of new shares which may be made available under the scheme shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

b) eligible persons are confirmed employees including executive directors of the Group and have been in the employment of the Group for a period of at least six (6) months of continuous service on or prior to the date of allocation;

14) SHARE CAPITAL (CONTINUED)

c) not more than fifty per cent (50%) of the shares under the ESOS will be granted to the directors and senior management. In addition, not more than twenty-five per cent (25%) of the shares under the ESOS will be granted to any individual staff;

d) the option price shall be determined by the weighted average market price of the shares of the Company for the five (5) market days preceding the date of offer and may be at a discount of not more than ten per cent (10%) or at par value of the shares of the Company, whichever is higher; and

e) The option granted to an option holder under the ESOS are exercisable by the option holder after completing one (1) year's service. The option are exercisable starting one (1) year from the grant date and have a contractual term of ten (10) years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

f) the duration of the scheme shall be ten (10) years from the commencement of the scheme.

The movement in the share options during the financial year are as follows:

Option price RM	Date of offer	Number of options over ordinary shares of RM0.10 each As at 1.1.2014	Granted	Lapsed	As at 31.12.2014
0.10	20.12.2004	16,650,000	-	(16,650,000)	-

The exercise period for the above options lapsed on 5th April 2014.

2013/2018 WARRANTS

On 28th March 2013, the Company made a renounceable rights issue of 145,263,250 warrants at an issue price of RM0.02 per warrant on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in the Company. With effect from 26th August 2014, the exercise price of the 145,263,250 unexercised warrants was adjusted to an exercise price of RM0.04 per share consequential to the Company's capital reduction exercise. The warrants issued are constituted under a Deed Poll executed by the Company.

The salient features of the warrants are as follows:

a) Each warrant entitles the registered holder, at any time during the exercise period to subscribe for one (1) new ordinary share at an exercise price of RM0.10 each, subject to adjustments in accordance with the provisions of the Deed Poll. The exercise price was adjusted to RM0.04 each pursuant to the Company's capital reduction exercise.

b) The exercise price for the warrants is fixed at RM0.10 per new ordinary share of the Company, subject to further adjustments in accordance with the provisions of the Deed Poll. The exercise price was adjusted to RM0.04 each pursuant to the Company's capital reduction exercise.

c) The warrants may be exercisable at any time within five (5) years commencing from and including the date of issue of the warrants and ending 5pm on the expiry date. The expiry date is a day falling immediately before the 5th anniversary of the date of issuance of the warrants and if such date is not a market day, then on the preceding market day.

d) The new ordinary shares to be issued pursuant to the exercise of the warrants upon allotment and issue, rank pari passu in all respect with the existing ordinary shares of the Company except that the new ordinary shares shall not be entitled to any dividend, rights, allotment and/or other distribution that may be declared, made or paid prior to the date of allotment and issuance of the rights shares.

15) RESERVES

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Non Distributable Reserves:				
Share premium	296,261	4,296,261	296,261	4,296,261
Share option	-	13,136	-	13,136
Exchange difference	-	26,348	-	-
Warrants	2,629,421	2,629,421	2,629,421	2,629,421
Accumulated losses	(5,644,545)	(20,253,385)	(6,343,410)	(22,946,451)
	(2,718,863)	(13,288,219)	(3,417,728)	(16,007,633)

Share premium reserve

The reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares net of share issue expenses.

Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options.

Exchange difference reserve

Exchange difference reserve relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency i.e Ringgit Malaysia is recognised directly in other comprehensive income and accumulated in the exchange difference reserve.

Warrants reserve

Warrants reserve represents the proceeds from the issuance of warrants which is non-distributable. The warrants reserve is transferred to the share premium account upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

16) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade and ongoing costs. The average credit period granted to the Group for trade purchases ranges from 30 to 90 days.

Other payables and accrued expenses consist of:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Other payables	2,645,213	225,835	2,615,937	196,559
Accrued expenses	1,416,258	46,324	1,399,525	29,379
	4,061,471	272,159	4,015,462	225,938

16) TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

The currency profile of trade and other payables is as follows:

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Ringgit Malaysia	4,795,737	1,692,973	4,729,311	1,626,309
United States Dollar	29,961	2,398,536	29,961	2,398,536
Singapore Dollar	296	1,122,324	296	1,122,324
Indonesian Rupiah	-	2,400	-	2,400
	4,825,994	5,216,233	4,759,568	5,149,569

Included in trade payables are obligations of the Group to repay their debts but are prolonged as part of the settlement agreement dated 31st December 2014. Hence, the liabilities have been classified as non-current liabilities. The carrying amounts of such payables are reasonable approximation of fair value due to the insignificant impact of discounting.

17) AMOUNT OWING TO DIRECTORS

The amount owing to directors, which arose mainly from expenses paid on behalf and advances given, which is unsecured, interest-free and repayable on demand.

18) BANK BORROWINGS

As at 31st December 2014, the Group has bank and credit facility totalling RM1,500,000 (2013: RM2,890,000) obtained from a licensed bank. The facility bears interest range from 1.50% to 7.35% (2013: 1.50% to 7.10%) per annum above the Bank Negara Malaysia's lending rate and is secured by the following:

i) First party legal charge over properties owned by one of the director of the Company;
ii) Personal guarantee by the director of the Company; and
iii) Corporate guarantee by a company in which certain directors are also the directors of the Company.

19) OTHER OPERATING EXPENSES/(INCOME)

Included in other operating expenses/(income) are the following charges/(credits):

	GROUP		COMPANY	
	2014 RM	2013 RM	2014 RM	2013 RM
Auditors' remuneration				
- Statutory audit	26,000	21,000	20,000	15,000
- Other non-audit services	1,000	1,000	1,000	1,000
Bad debts written off	-	235,136	-	235,136
Deposit written off	5,706	64,121	-	64,121
Exceptional item:				
impairment of intangible assets	3,959,019	132,009	3,959,019	-
Inventories written off	14,880	-	14,880	-
(Gain)/Loss on foreign exchange	62,310	(46,399)	62,310	(46,399)
Loss on disposal of investment in subsidiary	1,915,972	-	-	-
Management fee	45,915	48,174	45,915	48,174
Rental of premises	219,145	159,407	219,145	159,407
Rental of equipment	4,520	5,810	4,520	5,810
Rental of motor vehicle	6,685	9,344	6,685	9,344
Bad debts recovered	-	(52,219)	-	(52,219)
Reversal of impairment loss on trade receivables	(168,455)	(6,399)	(167,330)	-
Reversal of impairment loss on amount owing by subsidiary	-	-	-	(77,988)
Waiver of amount owing to subsidiary	(1,984,777)	-	(1,984,777)	-
Interest income	(1,948)	(19,009)	(1,948)	(19,009)

20) STAFF COSTS

	GROUP 2014 RM	GROUP 2013 RM	COMPANY 2014 RM	COMPANY 2013 RM
Salaries and allowance	903,372	831,306	873,012	787,706
Incentive	53,230	33,960	48,700	31,430
Defined contribution plan	112,838	112,010	108,539	103,474
	1,069,440	977,276	1,030,251	922,610

21) DIRECTORS' REMUNERATION

	GROUP 2014 RM	GROUP 2013 RM	COMPANY 2014 RM	COMPANY 2013 RM
Executive directors:				
Salary and other emoluments				
- current year	158,256	158,256	143,256	158,256
- overprovision in prior year	-	(175,872)	-	(175,872)
Defined contribution plan	19,687	18,587	16,962	18,587
	177,943	971	160,218	971
Non-executive directors:				
Fees	24,000	23,143	24,000	23,143
	201,943	24,114	184,218	24,114

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors 2014	Number of Directors 2013
Executive Directors:		
Below RM50,000	1	1
RM50,000 - RM100,000	-	1
RM100,000 - RM150,000	1	-
Non-Executive Directors:		
Below RM50,000	4	5

22) FINANCE COSTS

	GROUP AND COMPANY 2014 RM	GROUP AND COMPANY 2013 RM
Interest on:		
bankers' acceptances	-	(5,836)
bank overdraft	-	5,598
Exceptional item:		
late payment interest	1,321,812	3,883,282
	1,321,812	3,883,044

23) INCOME TAX EXPENSE/(CREDIT)

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Estimated current tax payable	-	4,752	-	4,752
Deferred tax in respect of:				
Tax assets (Note 9)	(314,832)	(50,709)	(314,832)	(50,709)
Tax liabilities (Note 9)	(140,972)	411,662	(140,972)	411,662
	(455,804)	360,953	(455,804)	360,953
	(455,804)	365,705	(455,804)	365,705

Malaysian income tax is calculated at the statutory tax rate at 25% (2013: 25%) of the estimated taxable profit for the year. The 2015 Budget announced on 10th October 2014 reduced the corporate income tax rate from 25% to 24% effective from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rates.

A numerical reconciliation of income tax expense/(credit) and the product of the accounting loss multiplied by the applicable statutory income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Accounting loss	(7,291,690)	(5,351,607)	(5,297,489)	(5,795,652)
Tax at the applicable statutory income tax rate of 25%	(1,822,923)	(1,337,902)	(1,324,372)	(1,448,913)
Tax effects in respect of:				
Expenses that are not deductible for tax purposes	1,408,550	1,343,899	1,406,596	1,343,230
Income not subject to tax	(59,315)	-	(538,028)	(19,497)
Utilisation of deferred tax assets not recognised previously	-	(131,177)	-	-
Deferred tax assets not recognised	17,884	-	-	-
Underprovision of deferred tax in prior years	-	490,885	-	490,885
Income tax expense/(credit)	(455,804)	365,705	(455,804)	365,705

24) LOSS PER ORDINARY SHARE

Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2014	2013
Loss attributable to owners of the Company (RM)	(6,835,886)	(5,721,389)
Weighted average number of ordinary shares in issue	290,526,500	290,526,500
Basic loss per share (sen)	(2.35)	(1.97)

24) LOSS PER ORDINARY SHARE (CONTINUED)

Diluted

For the purpose of calculating diluted loss per share, the weighted average number of ordinary share in issue during the financial year have been adjusted for the dilutive effects of warrants.

	2014
Loss attributable to owners of the Company (RM)	(6,835,886)
Weighted average number of ordinary shares in issue	290,526,500
Effect of dilution	
- Warrants	29,052,650
Adjusted weighted average number of ordinary shares in issue and issuable	319,579,150
Diluted loss per share (sen)	(2.14)

25) CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash and cash equivalents include deposits, cash and bank balances net of outstanding bank overdraft. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deposits with licensed banks	124,458	66,510	124,458	66,510
Cash and bank balances	350,967	704,368	346,840	697,019
	475,425	770,878	471,298	763,529

26) PERFORMANCE GUARANTEE

	GROUP AND COMPANY	
	2014	2013
	RM	RM
Bank guarantee in respect of tender of project	149,595	624,257

27) SEGMENTAL INFORMATION

No segmental information has been provided on an industry basis and Group's geographical segment as the Group and the Company are principally engaged in development and marketing of information technology related products and services solely in Malaysia.

28) SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel include all the directors of the Group and of the Company.

28) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

a) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions listed below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

	COMPANY	
	2014	2013
	RM	RM
Maintenance service and technical support from subsidiary	-	910,177

b) The remuneration of directors and other members of key management during the year is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
	RM	RM	RM	RM
Executive directors:				
Salary and other emoluments				
- current year	158,256	158,256	143,256	158,256
- overprovision in prior year	-	(175,872)	-	(175,872)
Defined contribution plan	19,687	18,587	16,962	18,587
	177,943	971	160,218	971
Non-executive directors:				
Fees	24,000	23,143	24,000	23,143
	201,943	24,114	184,218	24,114

29) OPERATING LEASE COMMITMENTS

The Group has lease commitments in respect of rental of office premises. The tenure of the minimum lease payments is as follows:

	GROUP	
	2014	2013
	RM	RM
2014	-	219,144
2015	221,693	221,693
2016	112,121	112,121
	333,814	552,958

30) SUPPLEMENTARY INFORMATION

Supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad are as follow:

	GROUP		COMPANY	
Accumulated loss carried forward are analysed as follows:	2014 RM	2013 RM	2014 RM	2013 RM
Realised	(19,487,965)	(35,461,129)	(6,343,410)	(22,585,498)
Unrealised	94,851	(360,953)	-	(360,953)
	(19,393,114)	(35,822,082)	(6,343,410)	(22,946,451)
Add: Consolidation adjustments	13,748,569	15,568,697	-	-
	(5,644,545)	(20,253,385)	(6,343,410)	(22,946,451)

SHAREHOLDING STATISTICS

Shareholding Statistics as at 07 May 2015

Authorised Share Capital	:RM50,000,000.00
Issued and fully paid-up Share Capital	:RM11,621,060.00
Class of Shares	:Ordinary shares of RM0.04 each
Voting Rights	:1 vote per ordinary share

Analysis of Shareholdings
As at 07 May 2015

Size of Holdings	No. of Share holders	% of Share holders	No. of Share Held	% of Share Held
1 to 99	56	2.930	2,632	0.000
100 to 1,000	287	15.018	91,119	0.031
1,001 to 10,000	429	22.448	2,481,150	0.854
10,001 to 100,000	873	45.682	38,396,302	13.216
100,001 to 14,526,324 (*)	263	13.762	138,949,895	47.826
14,526,325 and above (**)	3	0.156	110,605,402	38.070
Total	**1,911**	**100.000**	**290,526,500**	**100.000**

Remark : * - Less than 5% of issued shares
** - 5% and above of issued shares

Substantial Shareholders
As at 07 May 2015 (As per the Register of Substantial Shareholders)

No.	Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares Held	%	No. of Shares Held	%
1.	Eg Kah Yee	54,834,052	18.874	2 (1)	0.000
2.	Eg Kaa Chee	2	0.000	54,834,052 (2)	18.874
3.	See Lee Ming	18,524,550	6.376	-	-

Directors' Shareholdings
As at 07 May 2015 (As per the Register of Directors' Shareholding)

No.	Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares Held	%	No. of Shares Held	%
1.	Eg Kah Yee	54,834,052	18.874	2 (1)	0.000
2.	Chuan Tsui Ju	1,575,750	0.542	-	-
3.	Thong Kooi Pin	250	0.000	-	-
4.	Eg Kaa Chee	2	0.000	54,834,052 (2)	18.874
5.	Abdul Razak Bin Dato' Haji Ipap	-	-	-	-
6.	Sukhdev Singh A/L Banta Singh	-	-	-	-

Notes:-
(1) Deemed interested through his brother Eg Kaa Chee
(2) Deemed interested through his brother Eg Kah Yee

SHAREHOLDING STATISTICS

30 Largest Shareholders
As at 07 May 2015

No.	Shareholders	No. of Shares	%
1.	Eg Kah Yee	54,834,052	18.874
2.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)	37,246,800	12.820
3.	See Lee Ming	18,447,800	6.349
4.	Maybank Securities Nominees (Tempatan) Sdn Bhd Maybank Kim Eng Securities Pte Ltd For Lim You Moy	12,000,000	4.130
5.	Lee Kin Hin	7,721,845	2.657
6.	Canvas Technology Pte Ltd	6,037,150	2.078
7.	Lee Kim Soon	4,830,400	1.662
8.	Sim Wee Choon	4,802,700	1.653
9.	Teo Boon Huang Andy	4,101,750	1.411
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ang Yook Chu @ Ang Yoke Fong (8076574)	3,858,100	1.327
11.	Kenanga Nominees (Tempatan) Sdn Bhd For Sim Tzuemn Jye (001)	2,964,500	1.020
12.	Tey Chern Chern	2,625,000	0.903
13.	Kaw Keng Wai	2,544,000	0.875
14.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Voon Sze Lin	2,504,600	0.862
15.	Lim Poh Fong	2,304,500	0.793
16.	Tan Chun Ming	2,000,000	0.688
17.	Maybank Nominees (Tempatan) Sdn Bhd Chua Keng Liang	1,890,600	0.650
18.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yew Hwa Hin (E-BMM)	1,709,500	0.588
19.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Teik Leong	1,665,200	0.573
20.	Chuan Wee Tze	1,600,000	0.550
21.	Chuan Tsui Ju	1,522,500	0.524
22.	Wong Chee Kheong	1,515,000	0.521
23.	Maybank Nominees (Tempatan) Sdn Bhd Faizatul Ikmi Binti Abd Razak	1,400,000	0.481
24.	Ng Geok Lui	1,250,000	0.430
25.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Voon Jye Wah	1,028,800	0.354
26.	Azman Shah Bin Khalidun	1,000,000	0.344
27.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ng Seok Wah (B BRKLANG-CL)	1,000,000	0.344
28.	Loh Sook Mee	1,000,000	0.344
29.	Sua Tien Fong	1,000,000	0.344
30.	Tan Sui Lan	1,000,000	0.344
	TOTAL	**187,404,797**	**64.505**

ANALYSIS OF WARRANTS HOLDINGS

As at 07 May 2015

Issued Size : :145,263,250

No of Warrants Holders : :454 warrants holders

Analysis of Warrants Holdings

As at 07 May 2015

Size of Holdings	No. of Share holders	% of Share holders	No. of Share Held	% of Share Held
1 to 99	17	3.744	825	0.000
100 to 1,000	8	1.762	3,800	0.002
1,001 to 10,000	69	15.198	460,750	0.317
10,001 to 100,000	217	47.797	11,288,450	7.771
100,001 to 7,263,161 (*)	142	31.277	106,032,050	72.993
7,263,162 and above (**)	1	0.220	27,477,375	18.915
Total	**454**	**100.000**	**145,263,250**	**100.000**

Remark : * - Less than 5% of issued warrants
** - 5% and above of issued warrants

Director's Warrants Holdings

As at 07 May 2015 (As per the Register of Substantial Warrants Holding)

No.	Directors	Direct Warrants Holdings		Indirect Warrants Holdings	
		No. of Warrants Held	%	No. of Warrants Held	%
1.	Eg Kah Yee	27,477,375	18,915	-	-
2.	Abdul Razak Bin Dato' Haji Ipap	-	-	-	-
3.	Sukhdev Singh A/L Banta Singh	-	-	-	-
4.	Thong Kooi Pin	-	-	-	-
5.	Chuan Tsui Ju	-	-	-	-
6.	Eg Kaa Chee	-	-	-	-

ANALYSIS OF WARRANTS HOLDINGS

30 Largest Warrants Holders
As at 07 May 2015

No.	Warrants holders	No. of Warrants	%
1.	Eg Kah Yee	27,477,375	18.915
2.	Lum Yin Mui	6,980,000	4.805
3.	Tey Chern Chern	6,500,000	4.474
4.	Su An Lee	5,323,300	3.664
5.	Kaw Keng Wai	4,578,900	3.152
6.	Chong Ah Moi	3,780,000	2.602
7.	Yee Kong Siong	3,600,000	2.478
8.	See Lee Ming	3,053,450	2.102
9.	Canvas Technology Pte Ltd	2,940,575	2.024
10.	Yee Seng Keng	2,735,000	1.882
11.	Maybank Nominees (Tempatan) Sdn Bhd Chua Keng Liang	2,491,200	1.714
12.	Yee Kong Way	2,300,000	1.583
13.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledge Securities Account For Vincent Phua Chee Ee	2,000,200	1.376
14.	Chuan Hooi Chai	2,000,000	1.376
15.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledge Securities Account For Ng Geok Wah (B BRKLANG-CL)	2,000,000	1.376
16.	Tony Chew	1,810,000	1.246
17.	Ng Yew Choy	1,749,800	1.204
18.	Ooi Phuay Gim	1,562,025	1.075
19.	Pek Kiam Kek	1,290,000	0.888
20.	Boon Kim Yu	1,142,200	0.786
21.	Low Chew Thiam	1,082,700	0.745
22.	Azizi Bin Mohd Yusof	1,000,000	0.688
23.	Fok Sai Loi	1,000,000	0.688
24.	Ng Eng Howe	1,000,000	0.688
25.	Public Invest Nominees (Asing) Sdn Bhd Exempt An For Phillip Securities Pte Ltd (Clients)	1,000,000	0.688
26.	Soin Ching Hin	1,000,000	0.688
27.	Yu Kim Lung	1,000,000	0.688
28.	Tan Wah Kiong	915,300	0.630
29.	Muhamad Ali Bin Abd Rajab	905,000	0.623
30.	Teo Ah Seng	858,100	0.590
	TOTAL	**95,075,125**	**65.450**

ANNEXURE A

Eg Kah Yee
1234, Jalan Timur 17
Jinjang Utara
52000 Kuala Lumpur

Date: 18 May 2015

The Directors
PALETTE MULTIMEDIA BERHAD
Level 18 The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

RE: NOTICE OF NOMINATION OF MESSRS MORISON ANUARUL AZIZAN CHEW AS AUDITORS IN PLACE OF THE RETIRING AUDITORS, MESSRS STYL ASSOCIATES

Pursuant to Section 172(11) of the Companies Act 1965, I, being the a shareholder of Palette Multimedia Berhad ("the Company"), hereby give notice of my intention to nominate Messrs Morison Anuarul Azizan Chew for appointment as Auditors of the Company in place of the retiring auditors, Messrs STYL Associates and propose the following Ordinary Resolution for tabling at the forthcoming Annual General Meeting of the Company:

"THAT Messrs Morison Anuarul Azizan Chew, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs STYL Associates, and to hold office until the conclusion of the next Annual General Meeting AND THAT the Directors be authorised to fix their remuneration."

Yours faithfully

____
EG KAH YEE

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at Greens II, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 June 2015 at 9.00 a.m. to transact the following business:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors' and Auditors' thereon. (Please see Explanatory Note 1)

2. To approve the payment of Directors' Fees for the financial year ended 31 December 2014. (Resolution 1)

3. To re-elect Eg Kah Yee who retires pursuant to Article 119 of the Company's Articles of Association. (Resolution 2)

4. To re-elect Thong Kooi Pin who retires pursuant to Article 119 of the Company's Articles of Association. (Resolution 3) (Please see Explanatory Note 2)

5. To appoint Auditors and to authorise the Directors to fix their remuneration. (Resolution 4)

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A" has been received by the Company for the nomination of Messrs Morison Anuarul Azizan Chew who have given their consent to act, for appointment as Auditors, and of the intention to move the following motion to be passed as an Ordinary Resolution:-

   "THAT Messrs Morison Anuarul Azizan Chew, having consented to act, be and are hereby appointed as Auditors of the Company in place of the retiring auditors, Messrs STYL Associates, and to hold office until conclusion of the next Annual General Meeting AND THAT the Directors be authorised to fix their remuneration."

Special Business

To consider and, if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolutions of the Company:-

6. **ORDINARY RESOLUTION I**
   AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES (Resolution 5) (Please see Explanatory Note 3)

   "THAT subject always to the Companies Act 1965, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares

Special Business (Continued)

issued pursuant to this Resolution does not exceed 10% of the nominal value of the issued and paid-up share capital (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued on the Bursa Securities AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. **ORDINARY RESOLUTION II** (Resolution 6)
CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR (Please see Explanatory Note 4)

THAT, subject to the passing of Resolution 3, approval be and is hereby given for Thong Kooi Pin who has served as an Independent Non-Executive Director of the Company since 18 December 2006 and will reach the nine years term limit on 17 December 2015, to continue to act as an Independent Non-Executive Director of the Company."

8. **ORDINARY RESOLUTION III** (Resolution 7)
PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING NATURE (Please see Explanatory Note 5)

THAT pursuant to Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("ACE Listing Requirements"), the Company and its subsidiaries ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 1.4 of the Circular to Shareholders dated 27 May 2015 ("Related Party") provided that such transactions and/or arrangements are:-

(a) necessary for the day-to-day operations;
(b) are undertaken in the ordinary course of business at arm's length basis and are on normal commercial terms which are not more favourable to the Related Party than those generally available to the public; and
(c) are not detrimental to the minority shareholders of the Company,

(collectively known as "Shareholders' Mandate");

AND THAT such approval, shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or
(b) the expiration of the period within the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever is earlier;

ORDINARY RESOLUTION III (CONTINUED)

AND THAT the estimated aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during a financial year will be disclosed, in accordance with the ACE Listing Requirements, in the Annual Report of the Company for the said financial year;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

By Order of the Board

WONG WAI FOONG [MAICSA 7001358]
JOANNE TOH JOO ANN [LS 0008574]
Company Secretaries

Kuala Lumpur
Dated 27 May 2015

NOTES:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote in his/her stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

(ii) A member may appoint up to two (2) proxies to attend on the same occasion.

(iii) Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(iv) Where a member is an exempt authorized nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

(v) A member who appoints more than one proxy shall specify the proportion of his shareholdings to be represented by each proxy.

(vi) If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney duly authorized.

(vii) The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

(viii) Only members whose names appear in the Record of Depositors as at 11 June 2015 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on their behalf.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. ***Item 1 of Agenda***
This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. ***Re-election of Director***
The Board has undertaken an annual assessment on the independence of Thong Kooi Pin who is seeking for re-election pursuant to Article 119 of the Articles of Association of the Company at the forthcoming Eighteenth Annual General Meeting. The annual assessment has been disclosed in the Corporate Governance statement of the Company's 2014 Annual Report.

3. ***ORDINARY RESOLUTION I***
Resolution Pursuant To Section 132D of The Companies Act, 1965
The Ordinary Resolution proposed under Resolution 5 is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and accordingly no proceeds were raised.

   The Ordinary Resolution proposed under Resolution 5, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

4. ***ORDINARY RESOLUTION II***
Continuing In Office as Independent Non-Executive Director

   Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine years.

   The Board of Directors has assessed the independence of Thong Kooi Pin and recommended he to continue to act as Independent Non-executive Director of the Company based on the following:-

   (a) He has not developed, established or maintained any significant personal or social relationship whether direct or indirect with the Executive Director, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as an Independent Non-Executive Director.

   (b) He was not offered or granted any options by the Company. Other than Directors' fees and allowances paid which had been the norm and been duly disclosed in the annual reports, no other incentives or benefits of whatsoever nature had been paid to him that would cause biases in his objective and independent judgement during Board deliberation.

5. ***ORDINARY RESOLUTION III***
Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature

   The Ordinary Resolution, proposed under Resolution 7, if passed, will allow the Group to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms and which are not detrimental to the interests of the minority shareholders.

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FORM OF PROXY

Palette
MULTIMEDIA BERHAD
(420056-K)

No. of shares held	

I/We ....
(Full Name in Capital Letters and NRIC/ Co. No.)

of ....
(Full Address)

being a member(s) of **PALETTE MULTIMEDIA BERHAD** ("Company") hereby appoint ....

.... NRIC No. ....
(Full Name in Capital Letters)

of ....

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Greens II, Main Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 18 June 2015 at 9.00 a.m. and at any adjournment thereof.

AGENDA				
ORDINARY BUSINESS				
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.			
	RESOLUTION	**RESOLUTION**	***FOR**	***AGAINST**
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2014.	1		
3.	To re-elect Eg Kah Yee who retires pursuant to Article 119 of the Company's Articles of Association.	2		
4.	To re-elect Thong Kooi Pin who retires pursuant to Article 119 of the Company's Articles of Association.	3		
5.	To appoint Messrs Morison Anuarul Azizan Chew as Auditors of the Company and to authorise the Directors to fix their remuneration.	4		
SPECIAL BUSINESS				
6.	Authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	5		
7.	Continuing in Office as Independent Non-Executive Director	6		
8.	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature.	7		

(Please indicate with an "X" in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

....
Signature of Shareholder(s) or Common Seal

Signed this .... day of 2015

Contact No.: ....

NOTES:-

(i) *A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote in his/her stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*

(ii) *A member may appoint up to two (2) proxies to attend on the same occasion.*

(iii) *Where a member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

(iv) *Where a member is an exempt authorized nominee as defined under the Securities Industries (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account") there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

(v) *A member who appoints more than one proxy shall specify the proportion of his shareholdings to be represented by each proxy.*

(vi) *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney duly authorized.*

(vii) *The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.*

(viii) *Only members whose names appear in the Record of Depositors as at 11 June 2015 will be entitled to attend and vote at the meeting or appoint proxy(ies) to attend and/or vote on their behalf.*

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Company Secretary

Palette Multimedia Berhad (420056-K)

Level18,The Gardens North Tower, Mid Valley City,

Lingkaran Syed Putra, 59200 Kuala Lumpur.

Tel:03-2264 8888 Fax: 03-228 22733

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www.palettemm.com

Palette Multimedia Bhd (420056-K)

Lot 6.04, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia