

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007
(The figures have not been audited)

	2007 Current Qtr Ended 30 June RM'000	2006 Comparative Qtr Ended 30 June RM'000	2007 Cumulative YTD 30 June RM'000	2006 Cumulative YTD 30 June RM'000
Revenue	1,273	5,541	4,276	10,740
Cost of sales	(481)	(4,887)	(2,353)	(9,467)
Gross (loss) / profit	<u>792</u>	<u>654</u>	<u>1,923</u>	<u>1,273</u>
Other income	14	3	14	3
Selling and distribution	(36)	(29)	(57)	(50)
Administrative and general expenses	(550)	(474)	(1,092)	(972)
(Loss) / Profit from operations	<u>220</u>	<u>154</u>	<u>788</u>	<u>254</u>
Finance Cost	(26)	(37)	(61)	(73)
(Loss) / Profit before taxation	<u>194</u>	<u>117</u>	<u>727</u>	<u>181</u>
Taxation	0	0	0	0
Net (loss) / profit for the financial period	<u>194</u>	<u>117</u>	<u>727</u>	<u>181</u>
Profit or loss attributable to:-				
Minority interest				
Equity holders of the parent	194	117	727	181
	<u>194</u>	<u>117</u>	<u>727</u>	<u>181</u>
EPS - Basic (sen)	0.18	0.11	0.69	0.17
- Diluted (sen)	N/A	N/A	0.68	N/A

Note:

The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

(The figures have not been audited)

	As At 30 June 2007 RM'000	As At 31 December 2006 RM'000
Property, Plant and Equipment	146	179
Intangible Assets	20,240	20,032
Cash & Cash Equivalent - Restricted	12,932	12,945
Current Assets		
Inventories	3,024	3,115
Debtors	10,623	11,379
Cash and Cash Equivalents	3,367	1,237
	<u>17,014</u>	<u>15,731</u>
Current Liabilities		
Payables	16,336	16,129
Overdrafts and Short Term Borrowings	1,897	3,791
Taxation	1	1
	<u>18,234</u>	<u>19,921</u>
Net Current Assets	(1,220)	(4,190)
	<u>32,098</u>	<u>28,966</u>
Share Capital	28,682	26,400
Reserves	3,203	2,326
	<u>31,885</u>	<u>28,726</u>
Minority Interest	21	21
Total Equity	<u>31,906</u>	<u>28,747</u>
Long Term Liabilities		
Long Term Borrowings	192	219
	<u>32,098</u>	<u>28,966</u>
	-	-
Net Assets Per Share Attributable to Equity of Parent (Sen)	27.79	27.20

Note:

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007
(The figures have not been audited)**

	6 Months Ending 30 JUNE 2007 RM'000	6 Months Ending 30 JUNE 2006 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	727	181
Adjustment for:		
Depreciation	40	119
Amortisation of development cost	38	38
Bad debt Written off		8
Unrealised exchange loss		8
Gain on disposal of property plant & equipment		(3)
Interest income	(14)	(3)
Interest expenses	115	148
Operating profit before working capital changes	906	491
Decrease in inventories	91	760
(Increase)/Decrease in receivables	769	(8,382)
Increase/(Decrease) in payables	207	7,627
	<hr/>	<hr/>
Income generated from/(used in) operations	1,973	496
Interest paid	(115)	(148)
Development cost paid	(246)	(278)
Net cash flow generated from/(used in) operating activities	<hr/> 1,612 <hr/>	<hr/> 70 <hr/>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(7)	
Proceeds from disposal of fixed assets		
Interest income	14	3
	<hr/> 7 <hr/>	<hr/> 3 <hr/>
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in borrowings	(1,894)	(45)
Proceeds from issuance of ESOS	12	
Proceeds from private placement	2,407	
Repayment of term loan	(27)	(38)
	<hr/> 498 <hr/>	<hr/> (83) <hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,117	(10)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	14,182	14,162
CASH AND CASH EQUIVALENTS AT 30 JUNE	<hr/> 16,299 <hr/>	<hr/> 14,152 <hr/>

Note:

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying notes attached to the interim financial statements.

The balance of cash and cash equivalents at 30 June includes the amount of cash and cash equivalents that is restricted to be used, as shown in the interim Balance Sheet

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007
(The figures have not been audited)

	Attributable to Equity Holders of the Parent					Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	Minority Interest RM'000	
Quarter ended 30 June 2007						
At 1 January 2007	26,400	4,123	8	(1,805)	21	28,747
Net profit for the period	0	0	0	727	0	727
Exchange reserve	2,282	136	14	0	0	2,432
Total recognised income and expense for the period	2,282	136	14	727	0	3,159
At 30 June 2007	28,682	4,259	22	(1,078)	21	31,906
Quarter ended 30 June 2006						
At 1 January 2006	26,400	4,123	(144)	(3,530)	22	26,871
Net profit for the period	0	0	0	181	0	181
Exchange reserve	0	0	7	0	0	7
Total recognised income and expense for the period	0	0	7	181	0	188
At 30 June 2006	26,400	4,123	(137)	(3,349)	22	27,059

Note:

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

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SELECTED EXPLANATORY NOTES**1. Accounting Policies and Methods Of Computation**

The interim financial report has been prepared in accordance with FRS 134 (formerly known as MASB 26-Interim Financial Reporting) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for the financial year ended 31 December 2005 other than adoption of the new FRS as mentioned in note 2.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2006.

2. Comparatives

The comparative figures are not affected by the adoption of the FRSs.

3. Audit Report

Other than qualification on the the foreign subsidiary on the appropriateness of preparing the financial statements on a going concern basis, the auditors' report of the Company's annual financial statements for the financial year ended 31 December 2006 was not subject to any other qualification.

4. Segmental Reporting

<u>Geographical segments</u>	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
Revenue	4,276	-		4,276
Inter-Segment Sales	8	-	(8)	-
Total Revenue	4,284	-	(8)	4,276
RESULTS				
Segment Results		-	-	788
Unallotted Corporate Exp.				-
Operating Loss				788
Interest Expense				(61)
Interest Income				-
Profit Before Taxation				727

5. Unusual Items

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

6. Changes In Estimates Of Amount Reported Previously Affecting Current Interim Period

There are no changes in estimates of amount reported that will have a material effect in the current interim period other than those disclosed under note 2.

7. Seasonality or Cyclicity

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

PALETTE MULTIMEDIA BERHAD

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SELECTED EXPLANATORY NOTES

8. Dividends Paid Or Proposed

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

9. Valuation of Property, Plant and Equipment

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

10. Debts and Equity Securities

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

11. Change In The Composition of The Group

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

12. Discontinued Operation

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

13. Capital Commitments

There were no capital commitments for the purchase of any property, plant and equipment or any other expenses that were not accounted for in the financial statements of the quarter under review.

14. Changes In Contingent Liabilities & Assets

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

15. Subsequent Events

There were no material events subsequent to the end of the reporting quarter that have not been reflected in the quarter under review.

Additional Informations As Per Mesdaq Market Listing Requirement

16. Review Of Performance

During the current quarter under review, the Group recorded a net profit attributable to equity holders of parent of RM0.19 million on the back of RM1.27 million revenue representing an increase as compared to a net profit attributable to equity holders of parent of RM0.12 million in the comparative quarter of the preceding year.

17. Material Change In the Profit Before Taxation Compared To The Results of Immediate Preceding Quarter

The Group recorded a profit before tax of RM0.19 million in the current quarter as compared to a net profit before tax of RM0.53 million in the immediate preceding quarter. This representing a decrease of approximately 64% as compared to preceding quarter due to lower revenue recorded.

18. Commentary Of Prospects

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SELECTED EXPLANATORY NOTES

Moving ahead, the Group will continue its focus on R & D and overseas sales and marketing effort. The Group expects to see a continuous growth of wireless adoption in the ASEAN region, the Indian sub-continent and the Middle East countries over the next few years.

19. Profit Forecast

There were no profit forecast announced in the current interim period and financial year to date under review, hence there was no comparison between actual and forecast results.

20. Taxation

The company currently has MSC Status and is in the process of renewing the second term of the pioneer status which is expected to be completed before the end of the current financial year, therefore there is no taxation in the current interim period under review. For its subsidiaries, no taxable profit is expected due to the losses made in prior years.

21. Unquoted Investments / Properties

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

22. Purchase or Disposal of Quoted Securities

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

23. Status of Corporate Proposal

(1) Proposed Private Placement of up to 15% of The Issued and Paid Up Share Capital of The Company ("Proposed Private Placement")

2 tranches of the Private Placement of up to 10% of The Issued and Paid Up Share Capital of The Company have been completed on 2 July 2007 and 11 July 2007 respectively.

24. Group Borrowings and Debt Securities

Group Borrowings denominated in Ringgit Malaysia as at 30 June 2007 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	493	192	685
Unsecured	1,404		1,404
Total	1,897	192	2,089

25. Off Balance Sheet Financial Instruments

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

26. Material Litigation

On the on-going litigation between the Company and Asustek Computer Inc and Bumiputra Commerce Bank Berhad registered under High Court suit no. D4-22-293-04, the Court has adjourned the case management of the above matter to 26th September 2007 in addition to the earlier announcements in previous quarters. There was no pending material litigation as at the date of this announcement other than that mentioned above.

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SELECTED EXPLANATORY NOTES

The disputed amount has been reclassified as non-current asset in accordance to the accounting standard since it is restricted for use until the full judgement of the case is delivered. The Board is in the opinion that the outcome of the judgement will not have any material financial impact to the Group as the restricted cash & cash equivalent will be used to set off the corresponding liabilities if any reflected in the trade payables under the current liabilities.

27. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 30 June 2007.

28. Basic Earnings Per Share**(a) Basic**

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

	<u>Individual Quarter Ended</u>		<u>Cumulative YTD</u>	
	<u>30-Jun-07</u>	<u>30-Jun-06</u>	<u>30-Jun-07</u>	<u>30-Jun-06</u>
Net Profit After Taxation & Minority Interest (RM'000)	194	117	727	181
Weighted average number of ordinary shares in issue ('000)	105,848	105,600	105,848	105,600
Basic Earnings Per Share (sen)	0.18	0.11	0.69	0.17

(b) Diluted

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

	<u>Individual Quarter Ended</u>		<u>Cumulative YTD</u>	
	<u>30-Jun-07</u>	<u>30-Jun-06</u>	<u>30-Jun-07</u>	<u>30-Jun-06</u>
Net Profit After Taxation & Minority Interest (RM'000)	194	117	727	181
Weighted average number of ordinary shares in issue ('000)	105,848	105,600	105,848	105,600
Effects of dilution: Share options ('000)	1,328	-	1,328	-
Adjusted weighted average number of shares in issue and issuable ('000)	107,176	105,600	107,176	105,600
Diluted Earnings Per Share (Sen)	N/A	N/A	0.68	N/A

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2007.