

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(The figures have not been audited)**

	<b>2007 Current Qtr Ended 31 Dec RM'000</b>	<b>2006 Comparative Qtr Ended 31 Dec RM'000</b>	<b>2007 Cumulative YTD 31 Dec RM'000</b>	<b>2006 Cumulative YTD 31 Dec RM'000</b>
Revenue	886	2,020	7,634	17,922
Cost of sales	<u>(791)</u>	<u>(1,138)</u>	<u>(4,676)</u>	<u>(13,884)</u>
<b>Gross (loss) / profit</b>	<b>95</b>	<b>882</b>	<b>2,958</b>	<b>4,038</b>
Other income	16	0	43	37
Selling and distribution	(63)	(25)	(222)	(97)
Administrative and general expenses	<u>(825)</u>	<u>(465)</u>	<u>(2,255)</u>	<u>(2,087)</u>
<b>(Loss) / Profit from operations</b>	<b>(777)</b>	<b>392</b>	<b>524</b>	<b>1,891</b>
Finance Cost	(12)	(36)	(93)	(168)
<b>(Loss) / Profit before taxation</b>	<b>(789)</b>	<b>356</b>	<b>431</b>	<b>1,723</b>
Taxation	<u>(2)</u>	<u>0</u>	<u>(2)</u>	<u>0</u>
<b>Net (loss) / profit for the financial period</b>	<b><u>(791)</u></b>	<b><u>356</u></b>	<b><u>429</u></b>	<b><u>1,723</u></b>
Profit or loss attributable to:-				
Minority interest				
Equity holders of the parent	(791)	356	429	1,723
	<u>(791)</u>	<u>356</u>	<u>429</u>	<u>1,723</u>
EPS - Basic (sen)	(0.27)	0.34	0.15	1.63
- Diluted (sen)	N/A	N/A	N/A	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 31 DECEMBER 2007**

(The figures have not been audited)

	As At 31 December 2007 RM'000	As At 31 December 2006 RM'000
<b>Property, Plant and Equipment</b>	228	179
<b>Intangible Assets</b>	20,439	20,032
<b>Cash &amp; Cash Equivalent - Restricted</b>	12,932	12,945
<b>Current Assets</b>		
Inventories	2,555	3,115
Debtors	27,394	11,379
Cash and Cash Equivalents	2,229	1,237
	<u>32,178</u>	<u>15,731</u>
<b>Current Liabilities</b>		
Payables	32,159	16,129
Overdrafts and Short Term Borrowings	1,436	3,791
Taxation	4	1
	<u>33,599</u>	<u>19,921</u>
<b>Net Current Assets</b>	<b>(1,421)</b>	<b>(4,190)</b>
	<u>32,178</u>	<u>28,966</u>
<b>Share Capital</b>	29,053	26,400
<b>Reserves</b>	2,941	2,326
	<u>31,994</u>	<u>28,726</u>
<b>Minority Interest</b>	21	21
<b>Total Equity</b>	<u>32,015</u>	<u>28,747</u>
<b>Long Term Liabilities</b>		
Long Term Borrowings	163	219
	<u>32,178</u>	<u>28,966</u>
	-	-
Net Assets Per Share Attributable to Equity of Parent (Sen)	11.01	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 31 DECEMBER 2007  
(The figures have not been audited)**

	<b>12 Months Ending 31 DEC 2007 RM'000</b>	<b>12 Months Ending 31 DEC 2006 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	429	1,723
Adjustment for:		
Depreciation	92	238
Amortisation of development cost	75	75
Bad debt Written off		
Unrealised exchange loss		153
Gain on disposal of property plant & equipment		
Interest income	(40)	(27)
Interest expenses	179	168
Operating profit before working capital changes	<u>735</u>	<u>2,330</u>
Decrease in inventories	560	722
(Increase)/Decrease in receivables	(16,002)	(2,401)
Increase/(Decrease) in payables	16,033	258
	<u>1,326</u>	<u>909</u>
Income generated from/(used in) operations	1,326	909
Interest paid	(179)	(168)
Development cost paid	(482)	(506)
Net cash flow generated from/(used in) operating activities	<u>665</u>	<u>235</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(141)	(6)
Proceeds from disposal of fixed assets		
Interest income	40	27
	<u>(101)</u>	<u>21</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	(2,355)	(179)
Proceeds from issuance of ESOS	12	
Proceeds from private placement	2,814	
Repayment of term loan	(56)	(57)
	<u>415</u>	<u>(236)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	979	20
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	14,182	14,162
<b>CASH AND CASH EQUIVALENTS AT 31 DEC</b>	<u>15,161</u>	<u>14,182</u>

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 31 December includes the amount of cash and cash equivalents that is restricted to be used, as shown in the interim Balance Sheet

## PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

### 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>	<u>Malaysia RM'000</u>	<u>Indonesia RM'000</u>	<u>Elimination RM'000</u>	<u>Consolidated RM'000</u>
<b>REVENUE</b>				
Revenue	7,634	-		7,634
Inter-Segment Sales	10	-	(10)	-
<b>Total Revenue</b>	<b>7,644</b>	<b>-</b>	<b>(10)</b>	<b>7,634</b>
<b>RESULTS</b>				
Segment Results		-	-	524
Unallotted Corporate Exp.				-
Operating Loss				524
Interest Expense				(93)
Interest Income				-
<b>Profit Before Taxation</b>				<b>431</b>

#### 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

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**SELECTED EXPLANATORY NOTES**

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

**8. Dividends Paid Or Proposed**

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

**9. Valuation of Property, Plant and Equipment**

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

**10. Debts and Equity Securities**

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

**11. Change In The Composition of The Group**

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

**12. Discontinued Operation**

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

**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 loss attributable to equity holders of parent of RM0.79 million on the back of RM0.89 million revenue representing a decrease as compared to a net profit attributable to equity holders of parent of RM0.36 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 loss before tax of RM0.79 million in the current quarter as compared to a net profit before tax of RM0.49 million in the immediate preceding quarter. This representing a decrease of approximately 261.22% as compared to preceding quarter due to lower revenue recorded.

## PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

### SELECTED EXPLANATORY NOTES

#### 18. Commentary Of Prospects

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 10% 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.

*(2) Memorandum of Understanding between TT dotCom Sdn Bhd and Palette Multimedia Berhad*

The company has on 30th August 2007, entered into a Memorandum of Understanding with TT dotCom Sdn Bhd to provide high bandwidth internet access service for wired and wireless networks within the Damansara Perdana area and Jaya 33 building in Petaling Jaya.

For the purpose of the joint services to be offered in Damansara Perdana, Palette will charge a rate of RM25,000 per month on a flat basis to TIME for the provision of 2nd and 3rd line support.

There is no material development pertaining to the Memorandum of Understanding between TT dotCom Sdn Bhd and Palette Multimedia Berhad.

#### 24. Group Borrowings and Debt Securities

Group Borrowings denominated in Ringgit Malaysia as at 31 December 2007 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	845	163	1,008
Unsecured	591		591

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**SELECTED EXPLANATORY NOTES**

<b>Total</b>	<u>1,436</u>	<u>163</u>	<u>1,599</u>
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**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 4th March 2008 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.

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 31 December 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>31-Dec-07</u>	<u>31-Dec-06</u>	<u>31-Dec-07</u>	<u>31-Dec-06</u>
Net Profit After Taxation & Minority Interest (RM'000)	(791)	356	429	1,723
Weighted average number of ordinary shares in issue ('000)	290,527	105,600	290,527	105,600
Basic Earnings Per Share (sen)	(0.27)	0.34	0.15	1.63

**(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>31-Dec-07</u>	<u>31-Dec-06</u>	<u>31-Dec-07</u>	<u>31-Dec-06</u>
Net Profit After Taxation & Minority Interest (RM'000)	(791)	356	429	1,723
Weighted average number of ordinary shares in issue ('000)	290,527	105,600	290,527	105,600
Effects of dilution: Share options ('000)	2,613	-	2,613	-
Adjusted weighted average number of shares in issue and issuable ('000)	293,140	105,600	293,140	105,600
Diluted Earnings Per Share (Sen)	N/A	N/A	N/A	N/A

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**SELECTED EXPLANATORY NOTES**

**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 28 February 2008.



**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007**

(The figures have not been audited)

	----- Attributable to Equity Holders of the Parent -----					Total Equity RM'000
	Share Capital RM'000	<-- Non-Distributable -->  Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	Minority Interest RM'000	
<b><u>Quarter ended 31 December 2007</u></b>						
At 1 January 2007	26,400	4,123	8	(1,805)	21	28,747
Net profit for the period	0	0	0	429	0	429
Exchange reserve	2,653	173	13	0	0	2,839
Total recognised income and expense for the period	2,653	173	13	429	0	3,268
At 31 December 2007	29,053	4,296	21	(1,376)	21	32,015
<b><u>Quarter ended 31 December 2006</u></b>						
At 1 January 2006	26,400	4,123	(144)	(3,530)	22	26,871
Net profit for the period	0	0	0	1,724	(1)	1,723
Exchange reserve	0	0	153	0	0	153
Total recognised income and expense for the period	0	0	153	1,724	(1)	1,876
At 31 December 2006	26,400	4,123	9	(1,806)	21	28,747

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.