

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009
(The figures have not been audited)**

	2009 Current Qtr Ended 31 Dec RM'000	2008 Comparative Qtr Ended 31 Dec RM'000	2009 Cumulative YTD 31 Dec RM'000	2008 Cumulative YTD 31 Dec RM'000
Revenue	1,694	501	3,551	3,693
Cost of sales	(991)	(882)	(1,918)	(2,631)
Gross (loss) / profit	<u>703</u>	<u>(381)</u>	<u>1,633</u>	<u>1,062</u>
Other income	131	18	343	97
Selling and distribution	(42)	(55)	(156)	(198)
Administrative and general expenses	(1,191)	(4,360)	(2,537)	(6,060)
(Loss) / Profit from operations	<u>(399)</u>	<u>(4,778)</u>	<u>(717)</u>	<u>(5,099)</u>
Finance Cost	(6)	(1)	(15)	(22)
(Loss) / Profit before taxation	(405)	(4,779)	(732)	(5,121)
Taxation				
Net (loss) / profit for the financial period	<u>(405)</u>	<u>(4,779)</u>	<u>(732)</u>	<u>(5,121)</u>
Profit or loss attributable to:-				
Minority interest				
Equity holders of the parent	(405)	(4,779)	(732)	(5,121)
	<u>(405)</u>	<u>(4,779)</u>	<u>(732)</u>	<u>(5,121)</u>
EPS - Basic (sen)	(0.14)	(1.64)	(0.25)	(1.76)
- 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 2008 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 2009

(The figures have not been audited)

	As At 31 December 2009 RM'000	As At 31 December 2008 RM'000
Property, Plant and Equipment	639	153
Intangible Assets	18,477	18,332
Cash & Cash Equivalent - Restricted	12,932	12,932
Current Assets		
Inventories	2,364	2,315
Trade and other receivables	7,851	7,738
Cash and Cash Equivalents	231	2,659
	<u>10,446</u>	<u>12,712</u>
Current Liabilities		
Trade and other payables	15,719	16,552
Overdrafts and Short Term Borrowings	604	647
Taxation	1	1
	<u>16,324</u>	<u>17,200</u>
Net Current Assets	(5,878)	(4,488)
	<u>26,170</u>	<u>26,929</u>
Share Capital	29,053	29,053
Reserves	<u>(2,903)</u>	<u>(2,171)</u>
	26,150	26,882
Minority Interest	20	20
Total Equity	<u>26,170</u>	<u>26,902</u>
Long Term Liabilities		
Long Term Borrowings	-	27
	<u>26,170</u>	<u>26,929</u>
Net Assets Per Share Attributable to Equity of Parent (Sen)	9.00	9.25

Note:

The Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the year ended 31 December 2008 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 2009
(The figures have not been audited)**

	12 Months Ended 31/12/2009 RM'000	12 Months Ended 31/12/2008 RM'000
Net Cash Flows From Operating Activities	(1,777)	1,257
Net cash Flows From Investing Activities	(581)	87
Net Cash Flows From Financing Activities	(70)	(929)
Net Change in Cash & Cash Equivalents	<u>(2,428)</u>	<u>415</u>
Cash & Cash Equivalents at Beginning of Financial Period	15,591	15,176
Cash & Cash Equivalents at End of Financial Period	<u>13,163</u>	<u>15,591</u>

Note:

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2008 and the accompanying notes attached to the interim financial statements.

The balance of cash and cash equivalents at end of financial period 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)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

(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 31 December 2009						
At 1 January 2009	29,053	4,296	25	(6,492)	20	26,902
Net profit for the period	0	0	0	(732)	0	(732)
Exchange reserve	0	0	0	0	0	0
Total recognised income and expense for the period	0	0	0	(732)	0	(732)
At 31 December 2009	29,053	4,296	25	(7,224)	20	26,170
Quarter ended 31 December 2008						
At 1 January 2008	29,053	4,296	25	(1,369)	19	32,024
Net profit for the period	0	0	0	(5,121)	(2)	(5,123)
Exchange reserve	0	0	1	0	0	1
Total recognised income and expense for the period	0	0	1	(5,121)	(2)	(5,122)
At 31 December 2008	29,053	4,296	26	(6,490)	17	26,902

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 2008 and the accompanying notes attached to the interim financial statements.

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

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

The interim financial statements of the Group are prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 : Interim Financial Reporting and in accordance to the requirements of Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

The accounting policies and methods of computation adopted in this interim financial report are consistent with those adopted in the most recent annual financial statements.

2. 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 2008 was not subject to any other qualification.

3. Segmental Reporting

<u>Geographical segments</u>	Malaysia RM'000	Indonesia RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
Revenue	3,551	-		3,551
Inter-Segment Sales	1	-	(1)	-
Total Revenue	3,552	-	(1)	3,551
RESULTS				
Segment Results		-	-	(803)
Unallotted Corporate Exp.				-
Operating Loss				(803)
Interest Expense				(15)
Interest Income				86
Profit Before Taxation				(732)

4. Unusual Items

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

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

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

6. Seasonality or Cyclicity

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

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

SELECTED EXPLANATORY NOTES

7. Dividends Paid Or Proposed

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

8. Valuation of Property, Plant and Equipment

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

9. Debts and Equity Securities

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

10. Change In The Composition of The Group

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

11. Discontinued Operation

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

12. Capital Commitments

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

13. Changes In Contingent Liabilities & Assets

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

14. Subsequent Events

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 ACE Market Listing Requirement

15. Review Of Performance

During the current quarter under review, the Group recorded a net profit attributable to equity holders of parent of RM0.41 million on the back of RM1.69 million revenue representing a decrease in loss as compared to a net loss attributable to equity holders of parent of RM4.78 million in the comparative quarter of the preceding year mainly due to higher revenue recorded in the current quarter and the provision being made to the receivables and impairment on the value of the intangible assets in the comparative quarter of the preceding year.

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

The Group recorded a loss before tax of RM0.41 million in the current quarter as compared to a net profit before tax of RM0.42 million in the immediate preceding quarter. This representing a decrease in profit of approximately 197.62%.

17. Commentary Of Prospects

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

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.

18. 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.

19. Taxation

The company currently has MSC Status and the extension of Pioneer Status for the Company has been approved by authorities concerned for another five year period from the date of the expiry of the first five year period (30 September 2005) in accordance to the Bill of Guarantees provided to all MSC Malaysia Status Companies, 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.

20. Unquoted Investments / Properties

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

21. Purchase or Disposal of Quoted Securities

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

22. Status of Corporate Proposal

(1) 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.

23. Group Borrowings and Debt Securities

Group Borrowings denominated in Ringgit Malaysia as at 31 December 2009 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	32	-	32
Unsecured	572	-	572
Total	604	-	604

24. Off Balance Sheet Financial Instruments

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

PALETTE MULTIMEDIA BERHAD

(Company No.: 420056-K)

SELECTED EXPLANATORY NOTES

25. 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 fixed 4 March 2010 for further mention of the above matter 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. The disputed amount reflected in the payables owing to Asustek Computer Inc is RM11.09 million.

26. Dividends Payable

The Board of Directors does not recommend any interim dividends for the current quarter ended 31 December 2009.

27. 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-09</u>	<u>31-Dec-08</u>	<u>31-Dec-09</u>	<u>31-Dec-08</u>
Net Profit After Taxation & Minority Interest (RM'000)	(405)	(4,779)	(732)	(5,121)
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic Earnings Per Share (sen)	(0.14)	(1.64)	(0.25)	(1.76)

(b) Diluted

There is no dilution effect on the earning per share during the quarter and cumulative year to date since the exercise price of the outstanding options is higher than the weighted average market price of share traded.

28. 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 25 February 2010.