

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2010  
(The figures have not been audited)**

	<b>2010 Current Qtr Ended 31 Mar RM'000</b>	<b>2009 Comparative Qtr Ended 31 Mar RM'000</b>	<b>2010 Cumulative YTD 31 Mar RM'000</b>	<b>2009 Cumulative YTD 31 Mar RM'000</b>
Revenue	431	579	431	579
Cost of sales	<u>(203)</u>	<u>(358)</u>	<u>(203)</u>	<u>(358)</u>
<b>Gross (loss) / profit</b>	<b>228</b>	<b>221</b>	<b>228</b>	<b>221</b>
Other income	-	10	-	10
Selling and distribution	(28)	(20)	(28)	(20)
Administrative and general expenses	<u>(567)</u>	<u>(460)</u>	<u>(567)</u>	<u>(460)</u>
<b>(Loss) / Profit from operations</b>	<b>(367)</b>	<b>(249)</b>	<b>(367)</b>	<b>(249)</b>
Finance Cost	-	(3)	-	(3)
<b>(Loss) / Profit before taxation</b>	<b>(367)</b>	<b>(252)</b>	<b>(367)</b>	<b>(252)</b>
Taxation				
<b>Net (loss) / profit for the financial period</b>	<b>(367)</b>	<b>(252)</b>	<b>(367)</b>	<b>(252)</b>
Foreign currency translation	2	-	2	-
<b>Total comprehensive income</b>	<b><u>(365)</u></b>	<b><u>(252)</u></b>	<b><u>(365)</u></b>	<b><u>(252)</u></b>
Profit or loss attributable to:-				
Minority interest	-	-	-	-
Equity holders of the parent	<u>(367)</u>	<u>(252)</u>	<u>(367)</u>	<u>(252)</u>
	<b><u>(367)</u></b>	<b><u>(252)</u></b>	<b><u>(367)</u></b>	<b><u>(252)</u></b>
Total comprehensive income attributable to:-				
Minority interest	-	-	-	-
Equity holders of the parent	<u>(365)</u>	<u>(252)</u>	<u>(365)</u>	<u>(252)</u>
	<b><u>(365)</u></b>	<b><u>(252)</u></b>	<b><u>(365)</u></b>	<b><u>(252)</u></b>
EPS - Basic (sen)	(0.13)	(0.09)	(0.13)	(0.09)
- Diluted (sen)	N/A	N/A	N/A	N/A

Note:

**The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.**

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010**

(The figures have not been audited)

	As At 31 March 2010 RM'000	As At 31 December 2009 RM'000
<b>Property, Plant and Equipment</b>	595	639
<b>Intangible Assets</b>	18,488	18,477
<b>Cash &amp; Cash Equivalent - Restricted</b>	12,932	12,932
<b>Current Assets</b>		
Inventories	2,225	2,364
Debtors	7,995	8,481
Cash and Cash Equivalents	509	234
	<u>10,729</u>	<u>11,079</u>
<b>Current Liabilities</b>		
Payables	15,860	16,388
Overdrafts and Short Term Borrowings	1,104	596
Taxation	1	1
	<u>16,965</u>	<u>16,985</u>
<b>Net Current Assets</b>	<b>(6,236)</b>	<b>(5,906)</b>
	<u>25,779</u>	<u>26,142</u>
Share Capital	29,053	29,053
Share Premium	4,296	4,296
Retained Earnings	(7,617)	(7,250)
Other Reserves	27	25
	<u>25,759</u>	<u>26,124</u>
Minority Interest	20	20
<b>Total Equity</b>	<u>25,779</u>	<u>26,144</u>
<b>Long Term Liabilities</b>		
Long Term Borrowings	-	-
	<u>25,779</u>	<u>26,144</u>
	-	-
Net Assets Per Share Attributable to Equity of Parent (Sen)	8.87	8.99

Note:

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 MARCH 2010  
(The figures have not been audited)**

	<b>3 Months Ended 31/03/2010 RM'000</b>	<b>3 Months Ended 31/03/2009 RM'000</b>
Net Cash Flows From Operating Activities	(233)	(937)
Net cash Flows From Investing Activities	508	10
Net Cash Flows From Financing Activities	-	293
Net Change in Cash & Cash Equivalents	<u>275</u>	<u>(634)</u>
Cash & Cash Equivalents at Beginning of Financial Period	13,166	15,591
Cash & Cash Equivalents at End of Financial Period	<u>13,441</u>	<u>14,957</u>

Note:

**The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2009 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 MARCH 2010  
(The figures have not been audited)**

	Attributable to Equity Holders of the Parent ----->					Total Equity RM'000
	<-- Non-Distributable -->		Distributable			
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Minority Interest RM'000	
<b>Quarter ended 31 March 2010</b>						
At 1 January 2010	29,053	4,296	25	(7,250)	20	26,144
Total comprehensive income	0	0	2	(367)	0	(365)
At 31 March 2010	29,053	4,296	27	(7,617)	20	25,779
<b>Quarter ended 31 March 2009</b>						
At 1 January 2009	29,053	4,296	25	(6,492)	20	26,902
Total comprehensive income	0	0	0	(252)	0	(252)
At 31 March 2009	29,053	4,296	25	(6,744)	20	26,650

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 2009 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 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. 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 2009.

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 2009 was not subject to any other qualification.

**3. Segmental Reporting**

<u>Geographical segments</u>	<u>Malaysia</u> RM'000	<u>Indonesia</u> RM'000	<u>Elimination</u> RM'000	<u>Consolidated</u> RM'000
<b>REVENUE</b>				
Revenue	431	-		431
Inter-Segment Sales	-	-	-	-
<b>Total Revenue</b>	<b>431</b>	<b>-</b>	<b>-</b>	<b>431</b>
<b>RESULTS</b>				
Segment Results		-	-	(367)
Unallotted Corporate Exp.				-
Operating Loss				(367)
Interest Expense				-
Interest Income				-
<b>Profit Before Taxation</b>				<b>(367)</b>

**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 Mesdaq Market Listing Requirement**

**15. Review Of Performance**

During the current quarter under review, the Group recorded a net loss attributable to equity holders of parent of RM0.37 million on the back of RM0.43 million revenue representing a decrease as compared to a net profit attributable to equity holders of parent of RM0.25 million in the comparative quarter of the preceding year mainly due to lower revenue recorded in the current quarter.

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

The Group recorded a loss before tax of RM0.37 million in the current quarter as compared to a net loss before tax of RM0.41 million in the immediate preceding quarter. This representing a decrease in losses of approximately 9.76%.

**PALETTE MULTIMEDIA BERHAD**

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**SELECTED EXPLANATORY NOTES****17. 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.

**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 March 2010 are as follows:-

	Short Term RM '000	Long Term RM '000	Total RM '000
Secured	5	-	5
Unsecured	1,099	-	1,099
<b>Total</b>	<b>1,104</b>	<b>-</b>	<b>1,104</b>

**24. Off Balance Sheet Financial Instruments**

**PALETTE MULTIMEDIA BERHAD**

(Company No.: 420056-K)

**SELECTED EXPLANATORY NOTES**

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

**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 4th June 2010 for clarification / decision 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 March 2010.

**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-Mar-10</u>	<u>31-Mar-09</u>	<u>31-Mar-10</u>	<u>31-Mar-09</u>
Net Profit After Taxation & Minority Interest (RM'000)	(367)	(252)	(367)	(252)
Weighted average number of ordinary shares in issue ('000)	290,527	290,527	290,527	290,527
Basic Earnings Per Share (sen)	(0.13)	(0.09)	(0.13)	(0.09)

(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 20 May 2010.