



Palette
MULTIMEDIA BERHAD

(420056-K)

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CORPORATE INFORMATION

BOARD OF DIRECTORS :

Eg Kah Yee (Managing Director)
Eg Kaa Chee (Non-Independent & Non-Executive Director)
Abdul Razak Bin Dato' Haji Ipap (Independent Non-Executive Director)
Chin Foong Ming (Independent Non-Executive Director)
(Resigned on 16 January 2006)
Chuan Wee Tze (Independent Non-Executive Director)
Sukhdev Singh A/L Banta Singh (Executive Director)
(Appointed on 29 May 2006)

COMPANY SECRETARIES :

Lim Seck Wah
(MAICSA NO. 0799845)

M. Chandrasegaran A/L S. Murugasu
(MAICSA NO. 0781031)

REGISTERED OFFICE :

Level 15-2, Faber Imperial Court,
Jalan Sultan Ismail, 50250 Kuala Lumpur.
Tel : 03-2692 4271 Fax : 03-2732 5388

PRINCIPAL PLACE OF BUSINESS:

Level 10, Menara Luxor,
6B Persiaran Tropicana,
Tropicana Golf & Country Resort,
47410 Petaling Jaya, Selangor Darul Ehsan.
Tel : 03-7806 1399 Fax : 03-7806 2599

AUDITOR :

Cheng & Co. (AF 0886)
Chartered Accountants
18-2, Jalan 2/114, Kuchai Business Centre,
Off Jalan Klang Lama, 58200 Kuala Lumpur.
Tel : 03-7984 8988 Fax : 03-7984 4402

R&D OFFICE :

F05, 1st Floor, Block 1,
Century Square, Cyberjaya.

REGISTRAR :

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur.
Tel : 03-2692 4271 Fax : 03-2732 5388

LISTING SPONSOR :

Public Merchant Bank Berhad
25th Floor, Menara Public Bank,
146, Jalan Ampang, 50450 Kuala Lumpur.
Tel : 03-2166 9382 Fax : 03-2166 9386

PRINCIPAL BANKERS :

Public Bank Bhd
HSBC Bank Malaysia Bhd

STOCK EXCHANGE LISTING :

Bursa Malaysia Securities Berhad
MESDAQ Market
(Stock code : 0005)

CORPORATE WEBSITE :

www.palettemm.com

BOARD OF DIRECTORS

MR. EG KAH YEE

Managing Director

Mr. Eg Kah Yee, aged 46, is the founder, Chairman, Managing Director, Chief Executive Officer and Chief Technical Officer of Palette Multimedia Bhd. 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 Fremont, California together with two Venture Capitalists from Taiwan and a few high net-worth individuals from USA.

Presently, he is also an advisor for VC Partner, Inc. California, a venture capitalist and business consulting company. As a business advisor, his role is to provide business advise to the CEO of the VC Partner, Inc. for their Asian business on a part-time basis. Due to his contribution to Institute of Microelectronic of Tsin Hua University, Beijing, a top university in China, he was made an honorable Alumni of the University.

MR. EG KAA CHEE

Non-Independent & Non-Executive Director

Mr. Eg Kaa Chee, aged 42, was appointed as the Director of Palette Multimedia Bhd since 1997. He obtained his LLB from University of Malaya in 1989. He started his legal practice in 1990. He specialized in litigation and conveyancing. He is the senior partner of Rajah Lau & Associates. Presently he is the Legal Advisor for MCA Kepong Division, Persatuan Wu Malaysia, Koh Chow Association Malaysia, numerous companies and non-governmental organizations.

BOARD OF DIRECTORS

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

En. Abdul Razak bin Dato' Hj. Ipap, aged 46, was appointed as the Director of Palette Multimedia Bhd on 1 June 2001. 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.

SUKHDEV SINGH A/L BANTA SINGH **Executive Director**

Mr. Sukhdev Singh, aged 50, was appointed as the Executive Director of Palette Multimedia Bhd 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. 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 the that he was involved in one of Asia's leading IT distribution companies for a number of years. He joined Palette Multimedia as General Manager based in Singapore in 2002. His core interests and speciality 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.

MR. CHUAN WEE TZE **Independent Non-Executive Director**

Mr. Chuan Wee Tze, aged 46, was appointed as the Independent Non-Executive Director on 1 June 2001. Mr. Chuan specializes in the construction of high-tech buildings. He obtained his Diploma in Civil Engineering from Federal Institute of Technology in 1983. He started his career as the site supervisor in Daei Sdn Bhd. He joined YTL Construction in 1985 as a supervisor and later rose to the rank of Project Manager. In 1991, he left YTL to work as Project Manager for Tokyo Construction Pte Ltd, a Company based in Singapore and involved in construction of high-tech buildings. Currently, he is the Project Manager of Shimitsu Construction Pte Ltd, a company based in Singapore and involved in construction of hi-tech warehouse.

Eg Kah Yee and Eg Kaa Chee are brothers.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I hereby present to you the Annual Report of Palette Multimedia Berhad for the year ended 31 December 2005.

OPERATIONS REVIEW

In 2005, the Group continued its effort in building the core business in the wireless space. The Group had successfully completed the first wireless e-lifestyle township project and had also completed a number of wireless outdoor projects related to surveillance, mobile advertisement on the buses, and deployment of wireless hotspots in university campus.

The Group is the first company in Asia that started the Wireless Wizard Certification course and over 180 engineering professionals were certified. The Program was extended to institutes of higher learning so that the institutes can continue to provide the training and certification.

R & D spending continued and the Mobilette™ 3.0 is released. The product had been deployed in schools, hotels, hospitals and university campus. Continuous investment is made to develop Mobilette™ 4.0

The Group had made substantial success in the deployment of wireless solutions in the region including Indonesia, India and Pakistan. The business from Middle East had also increased significantly.

FINANCIAL PERFORMANCE

Turnover

The turnover and net loss of the Group for the financial year ended 31 December 2005 was recorded at approximately RM5.0 million and RM2.7 million respectively. The revenue is lower due to shortage of stocks in the market and also rapid price erosion of wireless products, which is insufficient to cover the overhead costs. The profit margin is lower compared to previous years mainly due to project cost under recognized in prior years. However, the Group has successfully made the transition from largely lower margin hardware based products to higher value added wireless equipment, services and Mobilette™ 3.0 - an in-house developed Next Generation Access Control and Management System.

Loss After Taxation

The Group recorded a net loss of approximately RM2.7 million in the financial year ended 31 December 2005 compared to a net profit of approximately RM2.9 million in fiscal year 2004. As noted above, the loss was contributed by the lower revenue generated for the financial year ended 31 December 2005, which is insufficient to cover the overhead costs. The loss was also attributable to the stock write down amounting to RM870,000 at the end of financial year. The Group experienced lower revenue as it changed from hardware based products to wireless equipment, which has a slow adoption rate by the market, and are experiencing rapid price erosion.

DIVIDEND

There was no dividend being recommended by the Board of Directors for the financial year ended 31 December 2005 in view of the financial situation.

CORPORATE GOVERNANCE

There were no sanctions and/or penalty imposed on the Company and its subsidiary. Directors or management by the relevant regulatory bodies for the year ended 31 December 2005.

APPRECIATION

On behalf of the Board, I wish to extend my appreciation to all the members of the Board of Directors, business associates, shareholders and customers for their effort, contribution and their continuing support to the Group.

I would also like to take this opportunity once again, to extend my appreciation to the management team and staff for their contribution and dedication to the Group.

Thank you

EG KAH YEE

Chairman

Date : 7 June 2006

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

The Board of Directors confirmed that the Group has complied with the best practices in corporate governance throughout the year ended 31 December 2005.

During the year ended 31 December 2005, 4 Board meetings were held and attendance record is as follows:-

Meetings Attended

Eg Kah Yee	4/4
Eg Kaa Chee	4/4
Abdul Razak Bin Dato' Hj. Ipap	4/4
Chin Foong Ming	4/4
Chuan Wee Tze	4/4

DIRECTORS' REMUNERATION

The aggregate remunerations of Directors for the financial year were categorized as follows:

	Basic Salary RM' 000	Fees RM' 000	Benefits- in-kind RM' 000	Total 2005 RM' 000	Total 2004 RM' 000
Executive	60.0	-	-	60.0	60.0
Non-Executives	-	22.5	-	22.5	39.0
	60.0	22.5	-	82.5	99.2

CONFLICTS OF INTEREST

To date, there has not been any conflict of interest exists between any of the directors and the Company. None of the director has been convicted of any offence in the past 13 years.

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year.

In preparing the financial statements, the Directors have:-

- Selected suitable accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge.

Description of the type of training attended by the Directors for financial year ended 31 December 2005 are as follows :

<u>Name of Directors</u>	<u>No. of Day(s) spent</u>
1. Eg Kah Yee	
• Enhancing the Directors Risk Management	2
• Market manipulation, short selling & securities fraud	2
• Practical aspects in conducting general meeting & public listed companies	1/2
2. Eg Kaa Chee	
• Enhancing the Directors Risk Management	2
• Market manipulation, short selling & securities fraud	2
• Practical aspects in conducting general meeting & public listed companies	1/2
3. Abdul Razak Bin Dato' Haji Ipap	
• Market manipulation, short selling & securities fraud	2
• Managing Strategic Alliances and Corporate Mergers	2
4. Chuan Wee Tze	
Mr. Chuan is not a Malaysian resident and the timing of the courses could not meet with his committed schedules.	

AUDIT COMMITTEE

COMPOSITION AND DESIGNATION OF AUDIT COMMITTEE

1. Abdul Razak Bin Dato' Haji Ipap (Chairman to the Audit Committee)
(Independent Non-Executive Director)
2. Eg Kaa Chee
(Non-Independent & Non-Executive Director)
3. Chuan Wee Tze
(Independent Non-Executive Director)

AUDIT COMMITTEE REPORT

TERM OF REFERENCE OF THE AUDIT COMMITTEE

MEMBERSHIP

The Audit Committee shall be appointed by the Board of Directors from among their number and shall be composed of not fewer than 3 members of whom a majority shall be Independent Non-Executive Directors. A quorum shall be 2 members.

The members of the Audit Committee shall elect a chairman from among their member who is not an executive director or employees of the Company or any related corporation. The chairman elected shall be subjected to endorsement by the Board.

If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the results that the number is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

NOTICE OF MEETING AND ATTENDANCE

The agenda for Audit Committee meetings shall be circulated before each meeting to members of the Committee. The Committee may require the external auditors and any official of the Company to attend any of its meetings as it determined. The external auditors shall have the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Committee when required to do by the Committee.

The Company Secretary of the Company shall be the Secretary of the Committee.

There were four Audit Committee meetings held during the financial year ended 31 December 2005 and the attendance record is as follows:-

	Meetings attended
Chin Foong Ming	4/4
Eg Kaa Chee	4/4
Chuan Wee Tze	4/4

AUDIT COMMITTEE

AUTHORITY

The Audit Committee is authorized to investigate any activity of the Company within its terms of reference and all employees shall be directed to co-operate with any request made by the Committee. The Committee shall be empowered to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.

DUTIES AND RESPONSIBILITIES

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

- to consider the appointment of the external auditors, the audit fees and any question of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit plan and report;
- to discuss problems and reservations arising from the interim and final results, and any matters the external auditors may wish to discuss (in absence of management where necessary);
- to keep under review the effectiveness of internal control systems, and in particular review the external auditors management letter and management's response;
- to review all transactions between the Company and its related company and disclosure on possible conflict of interest in the Company's annual reports with the Audit Committee commenting on all related transactions; and
- to consider other matters, act upon the Board of Directors request to investigate and report on any issues or concerns in regard to management of the Group, as defined.

INTERNAL AUDIT FUNCTIONS

Currently, the Group does not maintain an Internal Audit Department due to the economic scale of the Group is still relatively small. However, periodical audits were carried out by the head quarter based on the internal audit program covering all the units and branches operations.

The audit report findings will be forwarded to Audit Committee for approval together with any recommendation to address the weaknesses found.

A number of minor internal control weaknesses were identified during the year, all of which have been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

INTERNAL CONTROL STATEMENT

RESPONSIBILITY

The Board of Directors recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. 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 objective has been met. These controls are regularly reviewed by the Board and subject to continuous improvement.

RISK MANAGEMENT FRAMEWORK & ASSESSMENT

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

A risk analysis of the Group is conducted on quarterly basis and necessary measures being put up to assess and monitor the impacts on the operation and business. The audit program is being continuous updated at least once a year to accommodate changes in the assessment of risk to ensure that proper direction and focus of the business process is not interrupted.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

- Monthly monitoring of results against budget, with major variances being follow up and management action taken, where necessary;
- Regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilization and operations efficiency;
- Regular visits to operating branches by the member of the Board and senior management; and
- Quarterly performance meeting with all key personnel of the operating branches to address weaknesses found and improve efficiency.

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

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 subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net loss after taxation	<u>(2,756,559)</u>	<u>(1,667,188)</u>

DIVIDEND

No dividend was paid or declared during the financial year and the directors do not recommend any dividend to be paid for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in authorised capital of the Company;
- (b) there were no changes in issued and paid-up capital of the Company; and
- (c) there were no issue of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that 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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would further require the writing off of bad debts, or additional allowance for doubtful debts in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities 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.

No contingent liability or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve (12) 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 its obligations as and when they fall due.

DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

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 amounts stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

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, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows:

Eg Kah Yee
 Eg Kaa Chee
 Chin Foong Ming (Resigned on 16.01.2006)
 Abdul Razak Bin Dato' Haji Ipap
 Chuan Wee Tze

Pursuant to Articles 67 of the Articles of Association of the Company, Chuan Wee Tze retires by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares in the Company and its related corporations during the financial year are as follows:-

Number of ordinary shares of RM0.25 each in Palette Multimedia Berhad					
		At			At
		1.1.2005	Bought	Sold	31.12.2005
Eg Kah Yee	- Direct interest	51,134,921	348,700	1,348,700	50,134,921
	- Indirect interest (1)	685,579	81,600	-	767,179
Eg Kaa Chee	- Direct interest	477,401	-	-	477,401
	- Indirect interest (2)	51,134,921	348,700	1,348,700	50,134,921
Chin Foong Ming	- Direct interest	100	-	-	100

(1) Deemed interest through his substantial shareholding in Digital Season Sdn. Bhd. and by virtue of his brother Eg Kaa Chee's shareholding.

(2) Deemed interest through his brother, Eg Kah Yee's shareholding.

By virtue of their interests in the Company, Eg Kah Yee and Eg Kaa Chee are deemed to have interests in shares in the subsidiaries to the extent of the Company interest, in accordance with Section 6A of the Companies Act, 1965.

None of the other directors holding office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements, or the fixed salary of a full-time employee of the Company) 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 except for any benefits which may be deemed to arise from transactions entered into the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 22 to the financial statements.

Neither during nor at the end of the financial year was the Group or 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.

SIGNIFICANT EVENTS

The significant events involving the Group and the Company during the financial year are disclosed in Note 25 to the financial statements.

AUDITORS

The auditors, Cheng & Co., have expressed their willingness to continue in office.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

EG KAH YEE

Director

ABDUL RAZAK BIN

DATO' HAJI IPAP

Director

Kuala Lumpur

Date: 19 April 2006

BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
ASSETS					
Property, plant and equipment	4	411,364	462,312	196,436	90,418
Investment in subsidiaries	5	-	-	2,561,387	2,561,387
Intangible assets	6	19,600,464	19,067,980	19,213,331	18,913,184
Guarantee deposits		7,700	8,160	-	-
CURRENT ASSETS					
Inventories	7	3,837,574	4,954,536	1,409,342	1,978,660
Trade and other receivables	8	8,970,401	11,999,756	16,073,625	18,331,939
Fixed deposit with licensed banks	9	1,181,304	1,172,956	1,181,304	1,172,956
Cash and bank balances		12,981,009	13,096,394	12,945,380	12,945,380
		<u>26,970,288</u>	<u>31,223,642</u>	<u>31,609,651</u>	<u>34,428,935</u>
LESS: CURRENT LIABILITIES					
Trade and other payables	10	15,871,664	18,030,270	16,544,058	18,630,478
Short term borrowings	11	4,026,347	2,630,790	4,026,347	2,630,790
Provision for taxation		1,277	1,353	-	-
		<u>19,899,288</u>	<u>20,662,413</u>	<u>20,570,405</u>	<u>21,261,268</u>
NET CURRENT ASSETS		<u>7,071,000</u>	<u>10,561,229</u>	<u>11,039,246</u>	<u>13,167,667</u>
		<u>27,090,528</u>	<u>30,099,681</u>	<u>33,010,400</u>	<u>34,732,656</u>
Financed by:					
Share capital	12	26,400,000	26,400,000	26,400,000	26,400,000
Share premium	13	4,122,965	4,122,965	4,122,965	4,122,965
Reserves	13	(144,309)	53,017	-	-
Accumulated (loss) / Retained profits	13	(3,530,320)	(773,761)	2,267,050	3,934,238
SHAREHOLDERS' EQUITY		<u>26,848,336</u>	<u>29,802,221</u>	<u>32,790,015</u>	<u>34,457,203</u>
Minority shareholders' interest	14	21,807	22,007	-	-
LONG TERM AND DEFERRED TAXATION					
Long term borrowings	15	220,385	275,453	220,385	275,453
		<u>27,090,528</u>	<u>30,099,681</u>	<u>33,010,400</u>	<u>34,732,656</u>

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	16	5,004,977	14,809,757	4,605,743	11,123,164
Cost of sales		(5,268,583)	(9,908,983)	(4,785,553)	(8,200,012)
Gross (loss) / profit		(263,606)	4,900,774	(179,810)	2,923,152
Other income		48,700	250,559	36,338	59,960
Selling and distribution		(208,259)	(148,420)	(126,362)	(36,083)
Administrative and general expenses		(2,175,080)	(2,030,894)	(1,240,382)	(870,943)
(Loss) / Profit from operations	17	(2,598,245)	2,972,019	(1,510,216)	2,076,086
Finance costs	18	(156,972)	(106,061)	(156,972)	(106,061)
(Loss) / Profit before taxation		(2,755,217)	2,865,958	(1,667,188)	1,970,025
Taxation	19	(288)	(2,665)	-	(3,484)
Net (loss) / profit for the financial year		(2,755,505)	2,863,293	(1,667,188)	1,966,541
LESS : Minority interest		(1,054)	(1,234)	-	-
Net (loss) / profit after taxation and minority interest		(2,756,559)	(2,862,059)	(1,667,188)	1,966,541
Earnings per share (sen)					
- basic	20	(2.6)	2.8	-	-
- par value of 25 sen per share					
- diluted	20	(2.6)	2.8	-	-
- par value of 25 sen per share					

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Share Capital	Share Premium	Reserves	Accumulated Losses/ Retained Profits	Total
	RM	RM	RM	RM	RM
Group					
Balance at 1 January 2004	24,000,000	1,770,965	258,345	(3,635,820)	22,393,490
Foreign exchange reserves	-	-	(205,328)	-	(205,328)
Issue of shares	2,400,000	2,352,000	-	-	4,752,000
Net profit for the financial year	-	-	-	2,862,059	2,862,059
Balance at 31 December 2004	26,400,000	4,122,965	53,017	(773,761)	29,802,221
Foreign exchange reserves	-	-	(197,326)	-	(197,326)
Net loss for the financial year	-	-	-	(2,756,559)	(2,756,559)
Balance at 31 December 2004	26,400,000	4,122,965	(144,309)	(3,530,320)	26,848,336

	Share Capital	Share Premium	Reserves	Accumulated Losses/ Retained Profits	Total
	RM	RM	RM	RM	RM
Company					
Balance at 1 January 2004	24,000,000	1,770,965	-	1,967,697	27,738,662
Issuance of shares	2,400,000	2,352,000	-	-	4,752,000
Net profit for the financial year	-	-	-	1,966,541	1,966,541
Balance at 31 December 2004	26,400,000	4,122,965	-	3,934,238	34,457,203
Net loss for the financial year	-	-	-	(1,667,188)	(1,667,188)
Balance at 31 December 2005	26,400,000	4,122,965	-	2,267,050	32,790,015

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / Profit before taxation		(2,755,217)	2,865,958	(1,667,188)	1,970,025
Adjustments for:					
Amortisation		75,050	80,210	75,050	75,050
Bad debts written off		10,439	9,721	10,439	-
Depreciation of property, plant and equipment		272,513	367,247	95,842	189,874
Gain on disposal of property, plant and equipment		(2,000)	(250)	(2,000)	-
Interest income		(8,348)	(21,019)	(8,348)	(19,579)
Interest expense		156,972	106,061	126,362	106,061
Property, plant and equipment written off		-	23,184	-	-
Unrealised gain on foreign exchange		(198,196)	(228,510)	-	-
Operating (loss) / profit before working capital changes		(2,448,787)	3,202,602	(1,369,843)	2,321,431
Decrease in inventories		1,116,962	2,426,940	569,318	436,977
Decrease in trade and other receivables		3,018,916	10,474,766	2,247,875	16,878,639
Decrease in trade and other payables		(2,158,606)	(6,402,280)	(2,086,420)	(9,911,293)
Cash (used in) / generated from operations		(471,515)	9,702,028	(639,070)	9,725,754
Interest paid		(156,972)	(106,061)	(126,362)	(106,061)
Taxation paid		(288)	(3,551)	-	(3,484)
Development cost paid		(606,544)	(717,080)	(375,169)	(562,284)
Net cash (used in) / generated from operating activities		(1,235,319)	8,875,336	(1,140,601)	9,053,925
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(222,555)	(18,501)	(201,888)	(4,538)
Proceeds from disposal of property, plant and equipment		2,000	250	2,000	-
Interest income received		8,348	21,019	8,348	19,579
Net cash (used in) / generated from investing activities		(212,207)	2,768	(191,540)	15,041
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	4,752,000	-	4,752,000
Repayment of term loans		(51,863)	(48,094)	(51,863)	(48,094)
Advance from directors		-	13,463	-	13,463
Net cash (used in) / generated from financing activities		(51,863)	4,717,369	(51,863)	4,717,369
Net (decrease) / increase in cash and cash equivalents		(1,499,389)	13,595,473	(1,384,004)	13,786,335
Cash and cash equivalents at beginning of financial year		11,688,697	(1,906,776)	11,537,683	(2,248,652)
Cash and cash equivalents at end of financial year	21	10,189,308	11,688,697	10,153,679	11,537,683

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

1. GENERAL INFORMATION

- (i) The Company is principally involved in investment holding, design, development and marketing of information technology related products and services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.
- (ii) The registered office of the Company is located at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur.
- (iii) The principal place of business of the Company is located at Level 10, Menara Luxor, 6B, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.
- (iv) The number of employees of the Group and of the Company as at 31 December 2005 were 24 and 5 (2004: 26 and 8).

2. BASIS OF ACCOUNTING

(a) Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with applicable approved accounting standards in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the period are included from the date of acquisition or up to the date of disposal. All significant intercompany balances and transactions are eliminated in the preparation of the consolidated financial statements.

(b) Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and less any impairment losses.

The straight line method is used to write off the cost of the following assets over the term of its estimated useful lives at the following principal annual rates:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(c) **Impairment of assets**

The carrying amount of the Group's assets, other than assets arising from inventories and financial assets (other than investments in subsidiaries and associates) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversed is recognised in the income statement.

(d) **Investments in subsidiaries**

Investments in subsidiaries are held on a long term basis and are stated at cost. Provision for any permanent diminution in value is only made if the directors are of the opinion that the diminution is permanent.

(e) **Research and development cost**

Research and development costs are expensed in the period in which they are incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Other development expenditure is recognised as an expense when incurred.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the product or process is available for sale or use to which they relate on the straight line basis over a period of twenty (20) years of their expected benefits. This is a departure from the MASB 4, Research and Development costs, which requires amortisation over a period not exceeding five years.

(f) **Treatment of Intellectual Property (IP) and Licence Right**

IP and Licence Right have been capitalised as permanent items as they have indefinite life pursuant to the agreement for continuous technical upgrading support from the vendor. Therefore, the IP and Licence Right have not been amortised. This is a departure from the International Accounting Standards (IAS) 38: Intangible Assets, which requires amortisation over the best estimate of their useful life.

(g) **Inventories**

Inventories include computer equipment and software products purchased for resale. Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out method and comprises the original purchase price plus cost incurred in bringing the inventories to their present location.

(h) **Trade and other receivables**

Trade and other receivables are stated at cost less allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(i) **Revenue recognition**

Revenue from the sale of goods is recognised when significant risk and rewards of ownership are transferred to the buyer (generally on delivery, satisfactory installation and acceptance) and if any on performance of services. Other operating income mainly consist of interest income, trade interest income and research and development income.

(j) **Foreign currency**

(i) **Foreign currency transaction**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) **Financial statements of foreign operations**

The assets and liabilities of foreign operations are translated in Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average rates. Foreign exchange differences arising on translation are included in the foreign exchange reserve in shareholders' equity.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2005	2004
	RM	RM
Foreign currency:		
1000 Indonesia Rupiah	0.385	0.408

(k) **Income Tax**

The tax expense in the income statement represents the aggregate amounts of current tax and deferred tax included in the determination of net profit or loss for the year.

On the balance sheet date deferred tax liability is recognised for taxable temporary differences while a deferred tax asset is only recognised for deductible temporary differences, unutilised tax losses and unutilised tax credits to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences, tax losses and tax credits can be utilised.

No deferred tax is recognised for temporary differences arising from :

- (i) goodwill for which amortization is not deductible for tax purposes, or
- (ii) negative goodwill which is treated as deferred income, or
- (iii) the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted at the balance sheet date that are expected to apply to the period when the asset is realised or when the liability settled.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, whether in the same or a different period, directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) **Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred.

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Group					
Net book value					
At 1 January 2005	362,648	5,861	28,387	65,416	462,312
Additions	10,271	-	24,935	187,349	222,555
Depreciation charge	(174,922)	(4,067)	(15,605)	(77,919)	(272,513)
Capitalised to development cost	-	-	(990)	-	(990)
At 31 December 2005	197,997	1,794	36,727	174,846	411,364
At 31 December 2005					
Cost	1,613,341	98,403	205,190	525,775	2,442,709
Accumulated depreciation	(1,416,308)	(96,609)	(167,500)	(350,928)	(2,031,345)
Net book value	197,033	1,794	37,690	174,847	411,364
At 31 December 2004					
Cost	1,603,071	98,403	188,755	338,426	2,228,655
Accumulated depreciation	(1,240,423)	(92,542)	(160,368)	(273,010)	(1,766,343)
Net book value	362,648	5,861	28,387	65,416	462,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment and software RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Company					
Net book value					
At 1 January 2005	31,600	4,868	13,299	40,651	90,418
Additions	9,111	-	18,056	174,721	201,888
Depreciation charge	(20,058)	(3,321)	(9,142)	(63,321)	(95,842)
Capitalised to Development costs	-	-	(28)	-	(28)
At 31 December 2005	20,653	1,547	22,185	152,051	196,436
At 31 December 2005					
Cost	833,381	94,638	169,577	450,536	1,548,132
Accumulated depreciation	(812,728)	(93,091)	(147,392)	(298,485)	(1,351,696)
Net book value	20,653	1,547	22,185	152,051	196,436
At 31 December 2004					
Cost	824,270	94,638	160,022	275,815	1,354,745
Accumulated depreciation	(792,670)	(89,770)	(146,723)	(235,164)	(1,264,327)
Net book value	31,600	4,868	13,299	40,651	90,418

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2005	2004
	RM	RM
Unquoted shares, at cost	2,561,387	2,561,387
	<u>2,561,387</u>	<u>2,561,387</u>

Details of the subsidiaries companies are as follows:-

Name of Company	Country of incorporation	Group's effective interest	Principal activities
Palette System Sdn. Bhd.	Malaysia	100%	Development and marketing IT product.
PT Palette Multimedia*	Indonesia	99%	Development and marketing IT product.

*Audited by another firm of auditors

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

6. INTANGIBLE ASSETS

Group

Cost at 1 January 2005

Additions during the year

Cost at 31 December 2005

Less : Cumulative Amortisation

At 1 January 2005

Charge for the year

At 31 December 2005

Balance at 31 December 2005

Balance at 31 December 2004

Amortisation at 31 December 2004

	Intangible assets RM	Development cost RM	Total RM
Cost at 1 January 2005	17,000,000	2,218,080	19,218,080
Additions during the year	-	607,534	607,534
Cost at 31 December 2005	<u>17,000,000</u>	<u>2,825,614</u>	<u>19,825,614</u>
Less : Cumulative Amortisation			
At 1 January 2005	-	(150,100)	(150,100)
Charge for the year	-	(75,050)	(75,050)
At 31 December 2005	-	(225,150)	(225,150)
Balance at 31 December 2005	<u>17,000,000</u>	<u>2,600,464</u>	<u>19,600,464</u>
Balance at 31 December 2004	<u>17,000,000</u>	<u>2,067,980</u>	<u>19,067,980</u>
Amortisation at 31 December 2004	<u>-</u>	<u>75,050</u>	<u>75,050</u>

INTANGIBLE ASSETS

Company

Cost at 1 January 2005

Additions during the year

Cost at 31 December 2005

Less : Cumulative Amortisation

At 1 January 2005

Charge for the year

At 31 December 2005

Balance at 31 December 2005

Balance at 31 December 2004

Amortisation at 31 December 2004

	Intangible assets RM	Development cost RM	Total RM
Cost at 1 January 2005	17,000,000	2,063,284	19,063,284
Additions during the year	-	375,197	375,197
Cost at 31 December 2005	<u>17,000,000</u>	<u>2,438,481</u>	<u>19,438,481</u>
Less : Cumulative Amortisation			
At 1 January 2005	-	(150,100)	(150,100)
Charge for the year	-	(75,050)	(75,050)
At 31 December 2005	-	(225,150)	(225,150)
Balance at 31 December 2005	<u>17,000,000</u>	<u>2,213,331</u>	<u>19,213,331</u>
Balance at 31 December 2004	<u>17,000,000</u>	<u>1,913,184</u>	<u>18,913,184</u>
Amortisation at 31 December 2004	<u>-</u>	<u>75,050</u>	<u>75,050</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

7. INVENTORIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At costs:				
Hardware	3,836,569	4,949,895	1,409,342	1,978,660
Software	1,005	4,641	-	-
	<u>3,837,574</u>	<u>4,954,536</u>	<u>1,409,342</u>	<u>1,978,660</u>

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	7,713,837	10,579,244	4,418,583	6,773,855
Other receivables	173,210	424,603	173,210	232,047
Deposits	1,078,834	994,439	1,066,248	982,753
Prepayments	4,520	1,470	-	-
Amount due from subsidiaries	-	-	10,415,584	10,343,284
	<u>8,970,401</u>	<u>11,999,756</u>	<u>16,073,625</u>	<u>18,331,939</u>

The amount due from subsidiaries, principally trade transactions which is unsecured, non- interest bearing and have no fixed terms of repayment.

9. FIXED DEPOSIT WITH LICENSED BANKS

Included in fixed deposit of the Group and of the Company are amounts in total of RM1,000,000 (2004: RM1,000,000) pledged to the licensed banks for banking facilities extended to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	15,593,707	17,799,734	14,348,280	16,485,766
Accrued expenses	263,484	216,063	211,726	160,660
Amount due to subsidiaries	-	-	1,969,579	1,969,579
Amount due to directors	14,473	14,473	14,473	14,473
	<u>15,871,664</u>	<u>18,030,270</u>	<u>16,544,058</u>	<u>18,630,478</u>

The amount due to subsidiaries principally trade transactions which are unsecured, and have no fixed terms of repayment. The amount due to directors are unsecured, interest free and have no fixed terms of repayment.

11. SHORT TERM BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current:				
Bank overdraft (Secured)	1,232,005	1,463,653	1,232,005	1,463,653
Bankers' acceptance	2,741,000	1,117,000	2,741,000	1,117,000
Current portion of:				
Long term loan (Note 15)	53,342	50,137	53,342	50,137
	<u>4,026,347</u>	<u>2,630,790</u>	<u>4,026,347</u>	<u>2,630,790</u>

The bankers' acceptance facilities are secured by way of personal guarantee by the Company directors. The bank overdraft of the Group and of the Company are secured by way of fixed deposit pledged to the licensed banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

12. SHARE CAPITAL

	Group / Company	
	2005 RM	2004 RM
Ordinary shares of RM0.25 each AUTHORISED	<u>50,000,000</u>	<u>50,000,000</u>
ISSUED AND FULLY PAID-UP		
At beginning of financial year	26,400,000	24,000,000
Private placement of 96,000,000 ordinary shares of RM0.25 each	<u>-</u>	<u>2,400,000</u>
At end of financial year	<u>26,400,000</u>	<u>26,400,000</u>

13. SHARE PREMIUM AND RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable reserves				
(a) Share premium				
At 1 January 2005/2004	4,122,965	1,770,965	4,122,965	1,770,965
Issuance of share capital	<u>-</u>	<u>2,352,000</u>	<u>-</u>	<u>2,352,000</u>
At 31 December 2005/2004	<u>4,122,965</u>	<u>4,122,965</u>	<u>4,122,965</u>	<u>4,122,965</u>
(b) Foreign exchange reserves				
At 1 January 2005/2004	53,017	258,345	-	-
Currency translation difference	<u>(197,326)</u>	<u>(205,328)</u>	<u>-</u>	<u>-</u>
At 31 December 2005/2004	<u>(144,309)</u>	<u>53,017</u>	<u>-</u>	<u>-</u>
(b) Accumulated (loss) / Retained profits	<u>(3,530,320)</u>	<u>(773,761)</u>	<u>2,267,050</u>	<u>3,934,238</u>

Movements in retained profits are disclosed in the statement of changes in equity.

14. MINORITY SHAREHOLDERS' INTEREST

This consist of the minority shareholders' proportion of share capital and reserve of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

15. LONG TERM BORROWINGS

	Group / Company	
	2005	2004
	RM	RM
Current:		
Term Loan (Note 11)	53,342	50,137
Non-current:		
Long term loan	<u>220,385</u>	<u>275,453</u>
	<u>273,727</u>	<u>325,590</u>

The term loan bear interest at 8.30% to 10.05% per annum and are secured as follows:

- (a) By way of third party, second and third loan agreement of RM500,000 each and existing Deed of Assignment over the landed properties.
- (b) To additionally guaranteed by the Company directors.
- (c) To be corporate guaranteed by Palette Corporation Sdn. Bhd.

The loan is repayable as follow:

	Group / Company	
	2005	2004
	RM	RM
Current:	53,342	50,137
Within two years:	109,165	101,280
Within two to five years:	111,220	174,173
	<u>273,727</u>	<u>325,590</u>

16. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sale of goods	5,004,977	14,590,215	4,605,743	11,123,164
PC rental	-	219,542	-	-
	<u>5,004,977</u>	<u>14,809,757</u>	<u>4,605,743</u>	<u>11,123,164</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

17. (LOSS) / PROFIT FROM OPERATIONS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
The following items have been charged/(credited) in arriving at (loss) / profit from operations:				
Audit fee	18,576	17,000	6,000	7,000
Amortisation of development cost	75,050	80,210	75,050	75,050
Bad debts written off	10,439	9,721	10,439	-
Directors' remuneration	82,500	99,000	52,500	39,000
Depreciation of property, plant and equipment	272,513	367,247	95,842	189,874
Interest expenses	156,972	106,061	156,972	106,061
Inventories written off	870,724	-	613,624	-
Leasing charges	-	360	-	-
Property, plant and equipment written off	-	23,184	-	-
Rental expenses	198,458	205,257	172,558	136,888
Gain on disposal of property, plant and equipment	(2,000)	(250)	(2,000)	-
Net on exchange gain - Realised	(8,375)	(196,290)	(8,375)	(7,381)
Interest income	(8,348)	(21,019)	(8,348)	(19,579)
(a) Directors' remuneration:				
Fees	22,500	39,000	22,500	39,000
Salary	60,000	60,000	30,000	-
	<u>82,500</u>	<u>99,000</u>	<u>52,500</u>	<u>39,000</u>

The details of emoluments for the directors of the Group and of the Company received/receivable for the financial year by category and in bands of RM50,000 are as follows:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-executive directors				
Below RM50,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Executive director				
Below RM50,000	-	1	1	1
RM50,000 - RM100,000	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

18. FINANCE COSTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Bankers' acceptance interest	134,279	79,600	134,279	79,600
Term loan interest	22,693	26,461	22,693	26,461
	<u>156,972</u>	<u>106,061</u>	<u>156,972</u>	<u>106,061</u>

19. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax charge for the financial year				
Malaysia -Underprovision in previous year	288	3,484	-	3,484
Overseas -Current	-	(819)	-	-
	<u>288</u>	<u>2,665</u>	<u>-</u>	<u>3,484</u>

The effective tax rate of the Group is lower than that of the statutory tax rate mainly due to the non provision of income tax by a subsidiary which has unabsorbed business losses carried forward during the financial year and the Company which has been granted an income tax free period of up to five years as a result of it being awarded the Multimedia Super Corridor ("MSC") status on 6 October 2000.

20. EARNINGS PER SHARE

Basic earnings per share for the financial year is arrived at dividing the Group's loss after taxation of RM2,756,559 [2004: RM2,862,059] by the weighted average number of 105,600,000 (2004: 104,000,000) ordinary shares of RM0.25 each in issue during the financial year.

21. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalent comprise the followings:-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Fixed deposit with licensed banks	1,181,304	1,172,956	1,181,304	1,172,956
Cash at bank	12,976,454	13,093,227	12,945,380	12,945,380
Cash on hand	4,555	3,167	-	-
Deposits, cash and bank balances	<u>14,162,313</u>	<u>14,269,350</u>	<u>14,126,684</u>	<u>14,118,336</u>
Bank overdrafts	(1,232,005)	(1,463,653)	(1,232,005)	(1,463,653)
Bankers' acceptance	<u>(2,741,000)</u>	<u>(1,117,000)</u>	<u>(2,741,000)</u>	<u>(1,117,000)</u>
	<u>10,189,308</u>	<u>11,688,697</u>	<u>10,153,679</u>	<u>11,537,683</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

22. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions.

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in the financial statements. The balances are without fixed repayment terms and interest unless stated otherwise.

Significant transaction with related parties are as follows:

Subsidiary Company	2005 RM	2004 RM
Palette System Sdn. Bhd.		
Sale of goods and services	381,231	730,419
Purchases of goods and services	296,655	1,214,003
Charges on R&D income	-	-
	<u> </u>	<u> </u>
Significant outstanding balances at the balance sheet date, arising from:		
Sale and purchases of goods and services and advances	<u>10,415,584</u>	<u>10,343,284</u>
PT Palette Multimedia		
Significant outstanding balances at the balance sheet date, arising from:		
Sale and purchases of goods and services	<u>(1,969,579)</u>	<u>(1,969,579)</u>
Director		
Palette Computer Sdn. Bhd.		
in which Abdul Razak Bin Dato' Haji Ipap (Director of the Company), is a director		
Sale of goods and services	<u>594,686</u>	<u>279,870</u>
Significant outstanding balances at the balance sheet date, arising from:		
Sale of goods and services	<u>225,516</u>	<u>(46,155)</u>
Palette Internet Sdn. Bhd.		
in which Eg Kah Yee, and Eg Kaa Chee (Director of the Company), is a director		
Sale of goods and services	<u>-</u>	<u>-</u>
Significant outstanding balances at the balance sheet date, arising from:		
Sale of goods and services	<u>2,182</u>	<u>2,182</u>

The above transaction has been entered into in the normal course of business and have been established under mutually agreed term arranged with the related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

23. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its market, credit, liquidity and cash flow, and currency risk.

Market risk

The Group has in place policies to manage its competitive risks from its competitors in providing better services. Hence the Group regularly takes part in various research to develop better and more attractive packages or products.

Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on a going basis.

Liquidity and cash flow risk

Prudent liquidity management requires the Group to minimise the mismatch of financial assets and liabilities and to maintain sufficient funds for contingent funding requirement of working capital. Due to the dynamic nature of business, the Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Currency risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by a subsidiary other than its functional currency. The Group policy is to minimise the exposure of overseas operating subsidiary to transaction risk by matching local currency income against local currency costs.

Fair values

The carrying amounts of the financial assets and liabilities of the Group and the Company, approximate their fair value due to the relatively short term maturities of these balances.

There is no disclosure of fair value for the investment in the subsidiaries as this is excluded from MASB 24 - Financial Instruments : Disclosure and Presentation.

24. SEGMENTAL INFORMATION

Segment information is presented in report of the Group's geographical segment. Inter-segment pricing is determined based on negotiated terms.

	Revenue		Profit/(Loss) before tax	
	2005 RM	2004 RM	2005 RM	2004 RM
Major segment by country				
- Revenue from external customer				
Malaysia	5,004,977	14,598,310	(2,860,579)	2,743,363
Indonesia	-	211,447	105,362	122,595
- Inter segment				
Revenue from Malaysia	677,886	1,944,422	-	-
Revenue from Indonesia	-	-	-	-
	5,682,863	16,754,179	(2,755,217)	2,865,958
Eliminations	(677,886)	(1,944,422)	-	-
	5,004,977	14,809,757	(2,755,217)	2,865,958

No segment information provided on an industry basis as the Group and the Company is principally engaged in the development and marketing of information technology related products and services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

25. SIGNIFICANT EVENTS

On 14 May 2004, the Company filed a legal suit at the High Court of Kuala Lumpur for defects of goods valued at RM3.6 million against a supplier of the Company, which is a public listed company in Taiwan, specialising in manufacturing computer and multimedia related products. A sum of RM12,944,815.39 which is involved in this dispute has been reflected in the Company's bank balances.

26. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous year.

STATEMENT BY DIRECTORS

We, **EG KAH YEE** and **ABDUL RAZAK BIN DATO' HAJI IPAP**, being two of the directors of **PALETTE MULTIMEDIA BERHAD**, do hereby state that, in our opinion, the financial statements as set out on pages 15 to 33 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results of its operation and cash flows of the Group and of the Company for the year ended on that date.

EG KAH YEE

Director

ABDUL RAZAK BIN

DATO' HAJI IPAP

Director

Kuala Lumpur,
Date: 19 April 2006

STATUTORY DECLARATION

I, **EG KAH YEE**, being the director primarily responsible for the financial management of **PALETTE MULTIMEDIA BERHAD**, do solemnly and sincerely declare that the financial statements as set out on pages 15 to 33, are to the best of my knowledge and belief, 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
EG KAH YEE, I/C No: 600713-10-6737
at Kuala Lumpur in the Federal Territory
on 19 April 2006

Before me

Ong Kah Chong
No. W145
Commissioner for Oaths

EG KAH YEE

Director

REPORT OF THE AUDITORS

CHENG & CO.

Firm No : AF - 0886

Chartered Accountants (Malaysia)

18-2, Jalan 2/114, Kuchai Business Centre, Off Jalan Klang Lama, 58200 Kuala Lumpur.

REPORT OF THE AUDITORS TO THE MEMBERS OF

PALETTE MULTIMEDIA BERHAD

(Incorporated in Malaysia)

Company No: 420056-K

We have audited the financial statements as set out on pages 15 to 33. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company at 31 December 2005 and their results and cash flows for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries 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.

Other than the qualification on the stocks value on the local subsidiary and the qualification on the foreign subsidiary on the appropriateness of preparing the financial statements on a going concern basis. The auditor's report on the financial statements of the subsidiaries were not subjected to any qualification and did not include any comment made under subsection 3 of section 174 of the Companies Act, 1965.

CHENG & CO.

Firm No: AF-0886

Chartered Accountants (Malaysia)

DR PAUL CHENG CHAI LIOU

No. Kelulusan 1561/03/07 (J)

Kuala Lumpur,

Date: 19 April 2005

AGENDA

NOTICE IS HEREBY GIVEN that the Nineth Annual General Meeting of the Company will be held at Tiara 3 (Level 2), The Royale Bintang Kuala Lumpur, 17-21, Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 29 June 2006 at 3.00 p.m. for the following purposes:-

AGENDA

- 1) To receive and adopt the Audited Financial Statements of the Company and its group for the financial year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- 2) To approve the payment of Directors' Fees for the financial year ended 31 December 2005. **(Resolution 2)**
- 3) To re-elect the following Directors retiring in accordance with the Company's Articles of Association and being eligible, offers themselves for re-election :
 - i) Sukhdev Singh A/L Banta Singh (Article 72) **(Resolution 3)**
 - ii) Chuan Wee Tze (Article 67) **(Resolution 4)**
- 4) To re-appoint Messrs Cheng & Co. as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions :-

- 5) **ORDINARY RESOLUTION**
AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF COMPANIES ACT, 1965
"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company 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 and upon such terms and conditions and for such purposes as the directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being excluding the number of ordinary shares arising from the exercise of Employees' Share Option Scheme (ESOS), and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
(Resolution 6)
- 6) To transact any other business which may properly be transacted at an Annual General Meeting of which due notice shall have been given.

By Order of the Board

LIM SECK WAH (MAICSA NO. 0799845)
M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)
Company Secretaries

Date : 7 June 2006
Kuala Lumpur

AGENDA

NOTES:-

1.	A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2.	Where a member is an authorised 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.
3.	Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4.	If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.
5.	The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
6.	Explanatory Notes on Special Business :-
	<p>Ordinary Resolution 6</p> <p>The effect of the resolution under item 5 of the agenda, if passed, will give the flexibility and authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to and not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.</p>

SHAREHOLDING STATISTICS

Shareholding Statistics as at 17 May 2006

Authorised Share Capital	:	RM50,000,000.00
Issued and fully paid-up Share Capital	:	RM26,400,000.00
Class of Shares	:	Ordinary shares of RM0.25 each
Voting Rights	:	1 vote per ordinary share

Analysis of Shareholdings

As at 17 May 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares Held
Less than 100 Shares	4	0.267	100	0.000
100 to 999 Shares	292	19.467	51,500	0.049
1,000 to 4,999 Shares	458	30.533	958,200	0.907
5,000 to 10,000 Shares	416	27.733	3,152,000	2.985
10,001 to 100,000 Shares	278	18.533	9,198,800	8.711
100,001 to 1,000,000 Shares	44	2.933	15,781,579	14.945
Above 1,000,000 Shares	8	0.534	76,457,821	72.403
Total	1,500	100.000	105,600,000	100.000

30 Largest Shareholders

As at 17 May 2006 (As per the Register of Members)

No.	Shareholders	No. of Shares	%
1.	Eg Kah Yee	50,134,921	47.476
2.	Lembaga Tabung Haji	11,603,800	10.988
3.	Employees Provident Fund Board	6,974,300	6.605
4.	HDM Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chee Pei Pei	2,073,500	1.964
5.	ACE Partner Group Limited	1,965,700	1.862
6.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged securities account for Eg Kah Yee	1,348,700	1.277
7.	Yap Pin Ho	1,224,000	1.159

SHAREHOLDING STATISTICS

8.	RHB Nominees (Tempatan) Sdn Bhd - Pledged securities account for Lee Kin Hin	1,132,900	1.073
9.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Teo Hoo Seng	1,000,000	0.947
10.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Teo Cheng Tuan Donald	1,000,000	0.947
11.	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustees Berhad for Hidden Treasures Fund	983,000	0.931
12.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Tan See Tee	948,700	0.898
13.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Tan Tiong Beng	900,000	0.852
14.	Chuan Tsui Ju	630,300	0.597
15.	Tsao Tony An-Pang	541,700	0.513
16.	Jyuo-Min Shyu	500,000	0.474
17.	Eg Kaa Chee	477,401	0.452
18.	HLG Nominees (Tempatan) Sdn Bhd - Pledged securities account for Oan Choon Kiat	456,100	0.432
19.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Ng Ser Miang	450,000	0.426
20.	TA Nominees (Tempatan) Sdn Bhd - Pledged securities account for Tan Ser Lay	446,000	0.422
21.	Lee Kin Hin	422,800	0.400
22.	Teo Kin Swee	416,000	0.394
23.	Leong Vee Cheong	409,800	0.388
24.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Tan Kah Hock	400,000	0.379
25.	Muhammad Syafiq Baljit Bin Abdullah	393,000	0.372
26.	Halipah Binti Md Amin	376,000	0.356
27.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Pte Ltd for Low Hui Goh	350,000	0.331
28.	Woo Wing Kong	294,400	0.279
29.	Digital Season Sdn Bhd	289,778	0.274
30.	Mayban Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chai Nyuk Kiong	260,000	0.246
Total		88,402,800	83.714

SHAREHOLDING STATISTICS

Substantial Shareholders

As at 17 May 2006 (As per the Register of Members and Pursuant to Section 69E of the Companies Act, 1965)

No.	Shareholders	No. of Shares Held			
		Direct	%	Indirect	%
1.	Eg Kah Yee *	51,483,621	48.753	767,179	0.726
2.	Lembaga Tabung Haji	11,603,800	10.988	0	0.000
3.	Employees Provident Fund Board	6,974,300	6.604	0	0.000
4.	Eg Kaa Chee **	477,401	0.452	51,483,621	48.753

* Deemed interest through his shareholding in Digital Season Sdn Bhd and by virtue of his brother, Eg Kaa Chee's shareholding.

** Deemed interest by virtue of his brother's (Eg Kah Yee) shareholdings.

Directors' Shareholdings

As at 17 May 2006 (As per the Register of Directors' Shareholding)

No.	Director	No. of Shares Held			
		Direct	%	Indirect	%
1.	Eg Kah Yee *	51,483,621	48.753	767,179	0.726
2.	Eg Kaa Chee **	477,401	0.452	51,483,621	48.753

* Deemed interest through his shareholding in Digital Season Sdn Bhd and by virtue of his brother, Eg Kaa Chee's shareholding.

** Deemed interest by virtue of his brother's (Eg Kah Yee) shareholdings.

No. of ordinary shares held

FORM OF PROXY

(Before completing this form please refer to the notes below)

I/We..... I/C No./Co. No./CDS A/C No.
(Full name in block letters)

of.....
(Full address)

being a member/members of PALETTE MULTIMEDIA BHD hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address **No. of shares to be represented by proxy**

1.....
.....
2.....
.....

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 Ninth Annual General Meeting of the Company to be held at Tiara 3 (Level 2), The Royale Bintang Kuala Lumpur, 17-21, Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 29 June 2006 at 3.00p.m. My/our proxy/proxies is to vote as indicated below:-

	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1				
Ordinary Resolution 2				
Ordinary Resolution 3				
Ordinary Resolution 4				
Ordinary Resolution 5				
Ordinary Resolution 6				

(Please indicate with a “✓” or “X” in the space provided 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).

Dated this.....day of.....2006
Signature/Common Seal

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member is an authorised nominee as defined under the Securities Industries (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.
3. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.
5. The Form of Proxy must be deposited at the Registered Office of the Company at Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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STAMP

Company Secretary

Mega Corporate Services Sdn Bhd
Level 15-2, Faber Imperial Court
Jalan Sultan Ismail,
P. O Box 12337
50774 Kuala Lumpur.
Tel : 03-2692 4271 Fax : 03-2732 5388

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