

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:-
- (i) to ascertain that proper action had been in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no know bad debts and no provision for doubtful debts was required; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as show in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:-
- (i) it necessary to write off any debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report of financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, these does not exist:-
- (i) any charge on the assets of the Group or of the Company which 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 or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:-
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events involving the Group and the Company during the financial year are disclosed in Note 27 to the financial statements.

AUDITOR

The auditor, 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: 20 April 2010

BALANCE SHEET

AS AT 31 DECEMBER 2009



	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
NON-CURRENT ASSETS					
Property, plant and equipment	5	638,667	153,152	633,813	145,378
Investment in subsidiaries	6	-	-	2,561,387	2,561,387
Intangible assets	7	18,477,373	18,331,757	17,584,144	17,344,045
Guarantee deposits		7,300	6,360	-	-
Receivables	8	12,931,935	12,931,935	12,931,935	12,931,935
CURRENT ASSETS					
Inventories	9	2,364,322	2,314,941	1,503,497	1,453,705
Trade and other receivables	10	8,480,862	7,738,234	19,575,725	17,955,672
Fixed deposit with licensed banks	11	-	2,567,181	-	2,567,181
Cash and bank balances		227,085	86,599	212,207	10,689
		<u>11,072,269</u>	<u>12,706,955</u>	<u>21,291,429</u>	<u>21,987,247</u>
LESS: CURRENT LIABILITIES					
Trade and other payables	12	16,387,571	16,552,277	17,582,921	17,752,140
Short term borrowings	13	596,021	647,490	596,021	647,490
Provision for taxation		1,695	1,476	-	-
		<u>16,985,287</u>	<u>17,201,243</u>	<u>18,178,942</u>	<u>18,399,630</u>
NET CURRENT (LIABILITIES) /ASSETS		<u>(5,913,018)</u>	<u>(4,494,288)</u>	<u>3,112,487</u>	<u>3,587,617</u>
		<u>26,142,257</u>	<u>26,928,916</u>	<u>36,823,766</u>	<u>36,570,362</u>
Financed by:					
Share capital	14	29,052,650	29,052,650	29,052,650	29,052,650
Share premium	15	4,296,261	4,296,261	4,296,261	4,296,261
Reserves	15	23,846	25,814	13,136	13,136
Accumulated (losses) / Retained profits	15	(7,250,129)	(6,492,733)	3,461,719	3,181,124
Equity attributable to equity holders of the company		<u>26,122,628</u>	<u>26,881,992</u>	<u>36,823,766</u>	<u>36,543,171</u>
Minority shareholders' interest	16	19,629	19,733	-	-
TOTAL EQUITY		<u>26,142,257</u>	<u>26,901,725</u>	<u>36,823,766</u>	<u>36,543,171</u>
Long term and deferred taxation					
Long term borrowings	17	-	27,191	-	27,191
		<u>26,142,257</u>	<u>26,928,916</u>	<u>36,823,766</u>	<u>36,570,362</u>

See the accompanying notes to the financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009



	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
Revenue	18	3,551,761	3,693,868	3,550,623	3,660,810
Cost of sales		(1,935,098)	(2,631,497)	(1,917,224)	(1,911,559)
Gross profit		1,616,663	1,062,371	1,633,399	1,749,251
Other operating income		342,573	96,500	342,573	89,611
Selling and distribution expenses		(142,585)	(197,814)	(55,962)	(125,204)
Administrative and general expenses		(2,525,866)	(6,021,826)	(1,588,400)	(4,965,769)
(Loss) / Profit from operations	19	(709,215)	(5,060,769)	331,610	(3,252,111)
Finance costs	20	(51,015)	(59,835)	(51,015)	(59,835)
(Loss) / Profit before taxation		(760,230)	(5,120,604)	280,595	(3,311,946)
Taxation	21	-	(460)	-	-
Net (loss) / profit for the financial year		<u>(760,230)</u>	<u>(5,121,064)</u>	<u>280,595</u>	<u>(3,311,946)</u>
 (Loss) / Profit attributable to :					
Equity holders of the parent company		(757,396)	(5,123,796)	280,595	(3,311,946)
Minority interest		(2,834)	2,732	-	-
		<u>(760,230)</u>	<u>(5,121,064)</u>	<u>280,595</u>	<u>(3,311,946)</u>
 Earnings per share (sen)					
- basic	22	(0.26)	(1.76)	-	-
- par value of 10 sen per share					
- diluted	22	N/A	N/A	-	-
- par value of 10 sen per share					

See the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009



	Share Capital	Share Premium	Reserves	Accumulated Losses	Equity Attributable To Equity Holders Of The Company	Minority Interest	Total Equity
	RM	RM	RM	RM	RM	RM	RM
Group							
Balance at 1 January 2008	29,052,650	4,296,261	24,659	(1,368,937)	32,004,633	19,123	32,023,756
Foreign exchange difference	-	-	1,155	-	1,155	(2,122)	(967)
Net loss for the financial year	-	-	-	(5,123,796)	(5,123,796)	2,732	(5,121,064)
Balance at 31 December 2008	29,052,650	4,296,261	25,814	(6,492,733)	26,881,992	19,733	26,901,725
Foreign exchange difference	-	-	(1,968)	-	(1,968)	2,730	762
Net loss for the financial year	-	-	-	(757,396)	(757,396)	(2,834)	(760,230)
Balance at 31 December 2009	29,052,650	4,296,261	23,846	(7,250,129)	26,122,628	19,629	26,142,257

	Share Capital	Share Premium	Reserves	Retained Profits	Total
	RM	RM	RM	RM	RM
Company					
Balance at 1 January 2008	29,052,650	4,296,261	13,136	6,493,070	39,855,117
Net loss for the financial year	-	-	-	(3,311,946)	(3,311,946)
Balance at 31 December 2008	29,052,650	4,296,261	13,136	3,181,124	36,543,171
Net profit for the financial year	-	-	-	280,595	280,595
Balance at 31 December 2009	29,052,650	4,296,261	13,136	3,461,719	36,823,766

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009



	Note	Group		Company	
		2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss) / Profit before taxation		(760,230)	(5,120,604)	280,595	(3,311,946)
Adjustments for:					
Amortisation		250,409	171,420	75,050	127,543
Depreciation of property, plant and equipment		181,526	76,350	175,945	70,601
Impairment of intangible assets		-	2,500,000	-	2,500,000
Interest income		(342,573)	(89,543)	(86,413)	(89,543)
Interest expense		7,194	21,787	7,194	21,787
Provision for doubtful debts		668,514	-	522,132	-
Unrealised gain / (loss) on foreign exchange		41	(422)	-	-
Bad debts written off		-	2,135,193	-	1,606,172
Operating profit / (loss) before working capital changes		4,881	(305,819)	974,503	924,614
Decrease / (Increase) in inventories		(49,381)	240,180	(49,792)	(469,294)
Decrease / (Increase) in trade and other receivables		(1,411,142)	10,576,300	(2,142,185)	9,249,868
(Decrease) / Increase in trade and other payables		(164,706)	(8,667,178)	(169,219)	(8,166,584)
Cash (used in) / generated from operations		<u>(1,620,348)</u>	<u>1,843,483</u>	<u>(1,386,693)</u>	<u>1,538,604</u>
Interest paid		(7,194)	(21,787)	(7,194)	(21,787)
Development cost paid		(396,025)	(563,008)	(315,149)	(337,236)
Net cash (used in) / generated from operating activities		<u>(2,023,567)</u>	<u>1,258,688</u>	<u>(1,709,036)</u>	<u>1,179,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(667,041)	(2,760)	(664,380)	(2,480)
Interest income received		342,573	89,543	86,413	89,543
Net cash (used in) / generated from investing activities		<u>(324,468)</u>	<u>86,783</u>	<u>(577,967)</u>	<u>87,063</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of term loans		(70,681)	(65,125)	(70,681)	(65,125)
Net cash used in from financing activities		<u>(70,681)</u>	<u>(65,125)</u>	<u>(70,681)</u>	<u>(65,125)</u>
Net (decrease) / increase in cash and cash equivalents		(2,418,716)	1,280,346	(2,357,684)	1,201,519
Cash and cash equivalents at beginning of financial year		2,073,528	793,182	1,997,618	796,099
Cash and cash equivalents at end of financial year	23	<u>(345,188)</u>	<u>2,073,528</u>	<u>(360,066)</u>	<u>1,997,618</u>

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



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 6 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 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.
- (iii) The principal place of business of the Company is located at Lot 6.04 Level 6 KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.
- (iv) The number of employees of the Group and of the Company as at 31 December 2009 were 20 and 7 (2008: 17 and 6).
- (v) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 April 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards in Malaysia and the provision of the Companies Act 1965.

3. SIGNIFICANT ACCOUNTING POLICIES

- (a) The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.
- (b) The preparation of financial statements in conformity with the applicable Approved Financial Reporting Standards in Malaysia and the provision of the Companies Act 1965 requires the directors to use certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.
- (c) **Basis of consolidation**

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interest represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries's equity since that date.

Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated, Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



(d) **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:

		Rate (%)
Office equipment	-	20
Furniture and fittings	-	20
Computer equipment and software	-	20
Renovation	-	20
Electrical equipment	-	20

(e) **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.

(f) **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.

(g) **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 5-20 years of their expected benefits.

(h) **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 but are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash - generating unit level.

(i) **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



(j) **Trade and other receivables**

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

(k) **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.

(l) **Functional and presentation currency**

The separate financial statements of each entity in the Group are measured using the functional currency which is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional 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:

	2009	2008
	RM	RM
Foreign currency:		
1000 Indonesia Rupiah	0.342	0.318

(m) **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 YEAR ENDED 31 DECEMBER 2009



(n) **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.

(o) **Financing costs**

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

(p) **Employee benefits**

(i) **Short-term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) **Post-employment benefits**

The Group has post-employment benefits schemes in accordance with local conditions and practices in the countries in which it operates. This benefit plan is defined contribution plans.

(iii) **Defined contribution plans**

The Group contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(iv) **Share-based compensation**

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4. CHANGE IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRS

(a) **Adoption of revised FRSs, Amendments to FRSs and Interpretations**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

At the date of authorisation of these financial statements, the following FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:-

FRSs, Amendments to FRSs and Interpretations			Effective for financial periods beginning on or after	
FRS	1 (revised)	First-time Adoption of Financial Reporting Standards	1 July	2010
FRS	3 (revised)	Business Combinations	1 July	2010
FRS	4	Insurance Contracts	1 January	2010
FRS	7	Financial Instruments : Disclosures	1 January	2010
FRS	8	Operating Segments	1 July	2009
FRS	101	Presentation of Financial Statements ((revised 2009)	1 January	2010
FRS	123	Borrowing Costs	1 January	2010
FRS	127	Consolidated and Separate Financial Statements	1 July	2010
FRS	139	Financial Statements : Recognition And Measurement	1 January	2010

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



CHANGE IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRS

(a) Adoption of revised FRSs, Amendments to FRSs and Interpretations

FRSs, Amendments to FRSs and Interpretations (Continued)	Effective for financial periods beginning on or after
Amendment to FRS1 First-time Adoption of Financial Reporting Standards	1 January 2010
Amendment to FRS2 Share-based Payment : Vesting Conditions and Cancellations	1 July 2010
Amendment to FRS5 Non-current Assets Held for Sale And Discontinued Operations	1 July 2010
Amendment to FRS7 Financial Instruments : Disclosures	1 January 2010
Amendment to FRS8 Operating Segments	1 January 2010
Amendment to FRS107 Statement of Cash Flows	1 January 2010
Amendment to FRS108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS110 Events after the Reporting Period	1 January 2010
Amendment to FRS116 Property, Plant and Equipment	1 January 2010
Amendment to FRS117 Leases	1 January 2010
Amendment to FRS118 Revenue	1 January 2010
Amendment to FRS119 Employee Benefits	1 January 2010
Amendment to FRS120 Accounting for Government Grants And Disclosure of Government Assistance	1 January 2010
Amendment to FRS123 Borrowing Costs	1 January 2010
Amendment to FRS127 Consolidated and Separate Financial Statements : Cost of an Investment In a Subsidiary, Jointly Controlled Entity Or Associate	1 July 2010
Amendment to FRS128 Investments in Associates	1 January 2010
Amendment to FRS129 Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS131 Interest in Joint Ventures	1 January 2010
Amendment to FRS132 Financial Instruments : Presentation	1 January 2010
Amendment to FRS134 Interim Financial Reporting	1 January 2010
Amendment to FRS136 Impairment of Assets	1 January 2010
Amendment to FRS138 Intangible Assets	1 July 2010
Amendment to FRS139 Financial Instruments : Recognition And Measurement	1 January 2010
Amendment to FRS140 Investment Property	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting And Impairment	1 January 2010
IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-Cash Assets to Owners	1 July 2010
Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2011

The adoption of the above FRSs, Amendments to FRS and Interpretations upon their effective dates are not expected to have any significant impact on the financial statements of the Group and of the Company. The Group and the Company are exempted from disclosing the possible impact, if any, too the financial statements upon its initial application to FRS 7 and FRS 139.

(b) Intangible assets

Acquired license rights are shown at historical cost. License rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of license rights over their estimated useful lives (2-5 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



5. PROPERTY, PLANT AND EQUIPMENT

Group	Computer equipment and software RM	Furniture and fitting RM	Office equipment RM	Renovation RM	Electrical equipment RM	Total RM
Net book value						
At 1 January 2009	10,160	550	9,103	133,339	-	153,152
Additions	34,906	-	-	-	632,135	667,041
Depreciation charge	(9,062)	(140)	(7,710)	(63,455)	(101,159)	(181,526)
At 31 December 2009	36,004	410	1,393	69,884	530,976	638,667
At 31 December 2009						
Cost	1,658,103	98,238	199,968	653,001	632,135	3,241,445
Accumulated depreciation	(1,622,099)	(97,828)	(198,575)	(583,117)	(101,159)	(2,602,778)
Net book value	36,004	410	1,393	69,884	530,976	638,667
At 31 December 2008						
Cost	1,623,197	98,238	199,968	653,001	-	2,574,404
Accumulated depreciation	(1,613,037)	(97,688)	(190,865)	(519,662)	-	(2,421,252)
Net book value	10,160	550	9,103	133,339	-	153,152
Company						
Net book value						
At 1 January 2009	7,324	544	7,604	129,906	-	145,378
Additions	32,245	-	-	-	632,135	664,380
Depreciation charge	(7,539)	(140)	(6,177)	(60,930)	(101,159)	(175,945)
At 31 December 2009	32,030	404	1,427	68,976	530,976	633,813
At 31 December 2009						
Cost	875,202	95,338	178,382	580,713	632,135	2,361,770
Accumulated depreciation	(843,172)	(94,934)	(176,955)	(511,737)	(101,159)	(1,727,957)
Net book value	32,030	404	1,427	68,976	530,976	633,813
At 31 December 2008						
Cost	842,957	95,338	178,382	580,713	-	1,697,390
Accumulated depreciation	(835,633)	(94,794)	(170,778)	(450,807)	-	(1,552,012)
Net book value	7,324	544	7,604	129,906	-	145,378

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Unquoted shares, at cost	2,561,387	2,561,387
	<u>2,561,387</u>	<u>2,561,387</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



6. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiary companies are as follows:-

Name of Company	Country of Incorporation	Group's Effective Interest		Principal Activities
		2009	2008	
Palette System Sdn. Bhd.	Malaysia	100%	100%	Development and marketing IT product.
PT Palette Multimedia*	Indonesia	99%	99%	Selling hardware and IT consulting

*Audited by another firm of auditors

7. INTANGIBLE ASSETS

	Intellectual Property and License Right RM	Development cost RM	Total RM
Group			
Cost at 1 January 2009	14,500,000	4,378,427	18,878,427
Additions during the year	-	396,025	396,025
Reclassification	-	-	-
Impairment of intangible assets	-	-	-
Cost at 31 December 2009	<u>14,500,000</u>	<u>4,774,452</u>	<u>19,274,452</u>
Less : Cumulative Amortisation			
At 1 January 2009	-	(546,670)	(546,670)
Charge for the year	-	(250,409)	(250,409)
At 31 December 2009	-	(797,079)	(797,079)
Balance at 31 December 2009	<u>14,500,000</u>	<u>3,977,373</u>	<u>18,477,373</u>
Balance at 31 December 2008	<u>14,500,000</u>	<u>3,831,757</u>	<u>18,331,757</u>
Amortisation at 31 December 2008	<u>-</u>	<u>171,420</u>	<u>171,420</u>
	Intellectual Property and License Right RM	Development Cost RM	Total RM
Company			
Cost at 1 January 2009	14,500,000	3,346,838	17,846,838
Additions during the year	-	315,149	315,149
Cost at 31 December 2009	<u>14,500,000</u>	<u>3,661,987</u>	<u>18,161,987</u>
Less : Cumulative Amortisation			
At 1 January 2009	-	(502,793)	(502,793)
Charge for the year	-	(75,050)	(75,050)
At 31 December 2009	-	(577,843)	(577,843)
Balance at 31 December 2009	<u>14,500,000</u>	<u>3,084,144</u>	<u>17,584,144</u>
Balance at 31 December 2008	<u>14,500,000</u>	<u>2,844,045</u>	<u>17,344,045</u>
Amortisation at 31 December 2008	<u>-</u>	<u>127,543</u>	<u>127,543</u>

Included in development cost of the Group and of the Company are directors' remuneration capitalised during the financial year amounting to RM168,185.00 (2008: RM151,881.87) and RM138,185.00 (2008: RM121,881.87) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



8. RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-current assets				
Cash at bank	12,931,935	12,931,935	12,931,935	12,931,935

This amount held by the Company is not available for use by the Group. [Refer Note 27].

9. INVENTORIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
At costs:				
Hardware	2,358,687	2,309,306	1,503,497	1,453,705
Software	5,635	5,635	-	-
	<u>2,364,322</u>	<u>2,314,941</u>	<u>1,503,497</u>	<u>1,453,705</u>

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables	7,243,011	6,046,846	5,779,161	4,581,983
Les: Provision for doubtful debts	(668,514)	-	(522,132)	-
Trade receivables - Net	<u>6,574,497</u>	<u>6,046,846</u>	<u>5,257,029</u>	<u>4,581,983</u>
Other receivables	445,497	282,679	375,497	282,679
Deposits	1,459,468	1,403,309	1,450,382	1,394,223
Prepayments	1,400	5,400	-	-
Amount due from subsidiaries	-	-	12,492,817	11,696,787
	<u>8,480,862</u>	<u>7,738,234</u>	<u>19,575,725</u>	<u>17,955,672</u>

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

11. FIXED DEPOSIT WITH LICENSED BANKS

Included in fixed deposit of the Group and of the Company are amounts in total of RM- (2008:RM1,000,000) pledged to the licensed banks for banking facilities extended to the Group and the Company.

12. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade payables	16,105,317	16,276,910	15,381,368	15,550,587
Accrued expenses	267,781	260,894	202,303	202,303
Amount due to subsidiaries	-	-	1,984,777	1,984,777
Amount due to directors	14,473	14,473	14,473	14,473
	<u>16,387,571</u>	<u>16,552,277</u>	<u>17,582,921</u>	<u>17,752,140</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. The trade payables above include an amount of RM11,087,183.25 which is involved in dispute as per Note 27.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



13. SHORT TERM BORROWINGS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current:				
Bank overdraft (secured)	-	580,252	-	580,252
Bankers' acceptance	572,273	-	572,273	-
Current portion of:				
Long term loan (Note 17)	23,748	67,238	23,748	67,238
	<u>596,021</u>	<u>647,490</u>	<u>596,021</u>	<u>647,490</u>

The bankers' acceptance facilities are secured by way of personal guarantee by the Company directors.

14. SHARE CAPITAL

	Group 2009 RM	and	Company 2008 RM
Ordinary shares of RM0.10 each			
Authorised:	<u>50,000,000</u>		<u>50,000,000</u>
Issued and fully paid - up :	<u>29,052,650</u>		<u>29,052,650</u>

Employee Share Option Scheme

The Company implemented an Employee Share Option Scheme ("ESOS") which came into effect on 7 April 2004 for a period of ten years. The ESOS is governed by the by-laws which were approved by the shareholders.

Share options are granted to directors and to selected employees. The exercise price under the ESOS is the average of the mean market quotation of the shares of the Company as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceeding the offer date, or the par value of the shares of the Company of RM0.25, whichever is the higher.

Options are conditional on the employee completing one year's service (the vesting period). The options are exercisable starting one year from the grant date and have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The persons whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows :-

	<u>Year ended 31.12.2009</u>			<u>Year ended 31.12.2008</u>	
	Average exercise price RM / share	Options		Average exercise price RM / share	Options
At beginning of year	0.10	18,625,000	At beginning of year	0.10	18,625,000
Lapsed	-	-	Lapsed	-	-
At end of the year	<u>0.10</u>	<u>18,625,000</u>	At end of the year	<u>0.10</u>	<u>18,625,000</u>

The options outstanding at year end has exercise prices of RM 0.10.

Options granted during the period will expire on 5 April, 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



15. SHARE PREMIUM AND RESERVES

	Group		and Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
(a) Share premium			<u>4,296,261</u>	<u>4,296,261</u>
(b) ESOS reserves				
	2009	2008	2009	2008
	RM	RM	RM	RM
Options granted	<u>13,136</u>	<u>13,136</u>	<u>13,136</u>	<u>13,136</u>
(c) Foreign exchange reserves				
	2009	2008	2009	2008
	RM	RM	RM	RM
At January 1	12,678	11,523	-	-
Currency translation difference	(1,968)	1,155	-	-
At December 31	<u>10,710</u>	<u>12,678</u>	<u>-</u>	<u>-</u>
(d) Accumulated losses / Retained profits	<u>(7,250,129)</u>	<u>(6,492,733)</u>	<u>3,461,719</u>	<u>3,181,124</u>

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

16. MINORITY SHAREHOLDERS' INTEREST

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

17. LONG TERM BORROWINGS

	Group and Company	
	2009	2008
	RM	RM
Current:		
Term Loan (Note 13)	23,748	67,238
Non-current:		
Long term loan	-	27,191
	<u>23,748</u>	<u>94,429</u>

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

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

18. REVENUE

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Sale of goods	<u>3,551,761</u>	<u>3,693,868</u>	<u>3,550,623</u>	<u>3,660,810</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



19. (LOSS) / PROFIT FROM OPERATIONS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
The following items have been charged/(credited) in arriving at (loss) / profit from operations:				
Audit fee	13,000	13,000	8,000	8,000
Amortisation	250,409	171,420	75,050	127,543
Bad debts written off	-	2,135,193	-	1,606,172
Director's remuneration	186,185	169,882	156,185	139,882
Depreciation of property, plant and equipment	181,526	76,350	175,945	70,601
Foreign exchange loss - Realised	4,871	35,692	4,871	35,692
Impairment of intangible assets	-	2,500,000	-	2,500,000
Interest expenses	7,194	21,787	7,194	21,787
Inventories written off	-	475,737	-	-
Provision for doubtful debts	688,514	-	522,132	-
Rental expenses	143,437	119,744	143,437	119,744
Interest income	(86,413)	(89,543)	(86,413)	(89,543)
Directors' remuneration:				
Fees	18,000	18,000	18,000	18,000
Salary	168,185	151,882	138,185	121,882
	<u>186,185</u>	<u>169,882</u>	<u>156,185</u>	<u>139,882</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	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-executive directors				
Below RM50,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Executive director				
Below RM50,000	-	-	1	1
RM50,000 - RM100,000	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>

20. FINANCE COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Bankers' acceptance interest	3,319	12,356	3,319	12,356
Bank interest charges	43,821	38,048	43,821	38,048
Term loan interest	3,875	9,431	3,875	9,431
	<u>51,015</u>	<u>59,835</u>	<u>51,015</u>	<u>59,835</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



21. TAXATION

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Tax charge for the financial year				
Foreign Tax	-	460	-	-
	<u>-</u>	<u>460</u>	<u>-</u>	<u>-</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. The extension of Pioneer Status for the Company has been approved by authorities concerned for another five year period from the date of expiry of the first five year period (30 September 2005) in accordance with the Bill of Guarantees provided to all MSC Malaysia Status companies.

22. EARNINGS PER SHARE

	2009	Group 2008
Earnings per ordinary share of RM0.10 each is calculated as follows :-		
Basic :-		
Net (loss) for the year attributable to equity holders of the parent company	(757,396)	(5,123,796)
Basic earnings per share	(0.26) sen	(1.76) sen
Issued ordinary shares at December 31,	<u>290,526,500</u>	<u>290,526,500</u>

23. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposit with licensed banks	-	2,567,181	-	2,567,181
Cash at bank	221,923	81,437	212,207	10,689
Cash on hand	5,162	5,162	-	-
Deposits, cash and bank balances	<u>227,085</u>	<u>2,653,780</u>	<u>212,207</u>	<u>2,577,870</u>
Bank overdrafts	-	(580,252)	-	(580,252)
Bankers' acceptance	(572,273)	-	(572,273)	-
	<u>(345,188)</u>	<u>2,073,528</u>	<u>(360,066)</u>	<u>1,997,618</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009



24. 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:

	2009	2008
	RM	RM
Subsidiary Company		
Palette System Sdn. Bhd.		
Sale of goods	1,030	5,864
Purchases of goods	-	461
	<u>12,492,817</u>	<u>11,696,787</u>
Significant outstanding balances at the balance sheet date, arising from:		
Sale and purchases of goods and services and advances	<u>12,492,817</u>	<u>11,696,787</u>
PT Palette Multimedia		
Significant outstanding balances at the balance sheet date, arising from:		
Sale and purchases of goods	<u>(1,984,777)</u>	<u>(1,984,777)</u>
Director		
Palette Computer Sdn. Bhd.		
in which Abdul Razak Bin Dato' Haji Ipap (Director of the Company), is a director		
Sale of goods	<u>3,816</u>	<u>108,849</u>
Significant outstanding balances at the balance sheet date, arising from:		
Sale and purchases of goods	<u>(15,199)</u>	<u>122,432</u>
Director		
Palette Internet Sdn. Bhd.		
in which Eg Kah Yee, and Eg Kaa Chee (Director of the Company), is a director		
Significant outstanding balances at the balance sheet date, arising from:		
Sale of goods and services	<u>2,182</u>	<u>2,182</u>
Director		
Key ASIC Berhad		
in which Eg Kah Yee (Director of the Company), is a director		
Significant outstanding balances at the balance sheet date, arising from:		
Sale of goods and services and advances	<u>1,529</u>	<u>1,529</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 YEAR ENDED 31 DECEMBER 2009



25. FINANCIAL INSTRUMENTS

(a) 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.

(b) 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.

(c) Credit risk

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

(d) 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.

(e) 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.

(f) 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.

26. SEGMENTAL INFORMATION

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

	Revenue		(Loss) / Profit before tax	
	2009 RM	2008 RM	2009 RM	2008 RM
Major segment by country				
- Revenue from external customer				
Malaysia	3,551,761	3,693,868	(755,402)	(5,114,911)
Indonesia	-	-	(4,828)	(5,693)
- Inter segment				
Malaysia	1,030	6,326	-	-
	<u>3,552,791</u>	<u>3,700,194</u>	<u>(760,230)</u>	<u>(5,120,604)</u>
Eliminations	<u>(1,030)</u>	<u>(6,326)</u>	<u>-</u>	<u>-</u>
	<u>3,551,761</u>	<u>3,693,868</u>	<u>(760,230)</u>	<u>(5,120,604)</u>

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.

27. 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 RM 3.6 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 RM 12,944,815.39 which is involved in this dispute has been reflected in the Company's receivables in non-current assets.

28. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to confirm with the current financial year's presentation.

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 17 to 34 are drawn up in accordance with applicable Approved Financial Reporting 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 2009 and of the results of its operation and cash flows of the Group and of the Company for the year ended on that date.

SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS

EG KAH YEE
Director

ABDUL RAZAK BIN DATO' HAJI IPAP
Director

Kuala Lumpur,
Date: 20 April 2010

STATUTORY DECLARATION

I, **SUKHDEV SINGH A/L BANTA SINGH**, I/C No: 551111-04-5203, 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 17 to 34, 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 the above named
SUKHDEV SINGH A/L BANTA SINGH
at Kuala Lumpur in the Federal Territory
on this 20 April 2010

Before me

SUKHDEV SINGH A/L BANTA SINGH
Director

LEONG SEE KEONG
No. W494
Commissioner for Oaths

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Palette Multimedia Berhad, which comprise the balance sheet as at 31 December, 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 34.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error ; selecting and applying appropriate accounting policies ; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December, 2009 and their performance and cash flow for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :-

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all subsidiaries of which we have not acted as auditors which are indicated in Note 6 to the financial statements.
- (c) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) Other than the qualification on the foreign subsidiary on the appropriateness of preparing the financial statements on a going concern basis, the audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHENG & CO.

Firm No: AF-0886
Chartered Accountants (Malaysia)
18-2, Jalan 2/114, Kuchai Business Centre,
Off Jalan Klang Lama, 58200 Kuala Lumpur.

YAP PENG BOON

Partner
No. Kelulusan 2118/12/10(J)

Kuala Lumpur,
Date: 20 April 2010

SHAREHOLDING STATISTICS



Shareholding Statistics as at 29 April 2010

Authorised Share Capital	:	RM50,000,000.00
Issued and fully paid-up Share Capital	:	RM29,052,650.00
Class of Shares	:	Ordinary shares of RM0.10 each
Voting Rights	:	1 vote per ordinary share

Analysis of Shareholdings

As at 29 April 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares Held
1 to 99 Shares	28	1.154	1,327	0.000
100 to 1,000 Shares	272	11.211	89,172	0.030
1,001 to 10,000 Shares	547	22.547	3,252,550	1.119
10,001 to 100,000 Shares	1,185	48.845	48,291,502	16.622
100,001 to 14,526,324 Shares (*)	393	16.199	184,679,647	63.567
14,526,325 and above (**)	1	0.041	54,212,302	18.660
Total	2,426	100.000	290,526,500	100.000

Remark : * - Less than 5% of issued shares
 ** - 5% and above of issued shares

30 Largest Shareholders

29 April 2010

No.	Shareholders	No. of Shares	%
1.	Eg Kah Yee	54,212,302	18.660
2.	Ng Geok Lui	9,334,600	3.212
3.	HDM Nominees (Tempatan) Sdn Bhd - Pledged securities account for Chee Pei Pei (M14)	5,056,250	1.740
4.	Teo Kin Swee	5,041,750	1.735
5.	ACE Partner Group Limited	4,916,700	1.692
6.	TA Nominees (Tempatan) Sdn Bhd - Pledged securities account for Lee Chee Ming	4,080,100	1.404
7.	Ng Geok Lui	3,794,850	1.306

SHAREHOLDING STATISTICS



8.	Ooi Bee Eng	3,450,000	1.187
9.	Sow Ban Leong	3,014,100	1.037
10.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged securities account for Sew Chooi Lan (CEB)	2,866,200	0.986
11.	Goh King Wang	2,501,000	0.860
12.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited for Teo Hoo Seng	2,500,000	0.860
13.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited for Teo Cheng Tuan Donald	2,500,000	0.860
14.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited for Tan See Tee	2,371,750	0.816
15.	Kan Shee Hoa	2,370,000	0.815
16.	Public Nominees (Tempatan) Sdn Bhd - Pledged securities account for Yew Hwa Hin (E-BMM)	2,359,500	0.812
17.	RHB Nominees (Asing) Sdn Bhd - UOB Kay Hian Private Limited for Tan Tiong Beng	2,250,000	0.774
18.	JF APEX Nominees (Tempatan) Sdn Bhd - Pledged securities account for Voon Sze Lin	2,235,700	0.769
19.	Ong Hock Siong @ Benny Ong Hock Siong	2,192,250	0.754
20.	Ng Dee Voo	1,777,900	0.611
21.	Lee Nyet Har	1,729,600	0.595
22.	Chin Lai Hong	1,709,700	0.588
23.	Chuan Tsui Ju	1,522,500	0.524
24.	Lau Hui Kon	1,324,100	0.455
25.	See Lee Ming	1,259,600	0.433
26.	Jyuo-Min Shyu	1,250,000	0.430
27.	Ng Hong Yee	1,195,300	0.411
28.	Tan Ooi Chai	1,194,500	0.411
29.	Eg Kaa Chee	1,193,502	0.410
30.	Lee Kin Hin	1,140,745	0.392
Total		132,344,499	45.553

Substantial Shareholders

As at 29 April 2010 (As per the Register of Substantial Shareholders)

No.	Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares Held	%	No. of Shares Held	%
1	Eg Kah Yee	54,834,052	18.874	1,193,502 ⁽¹⁾	0.411
2.	Eg Kaa Chee	1,193,502	0.411	54,834,052 ⁽²⁾	18.874

Directors' Shareholdings

As at 29 April 2010 (As per the Register of Directors' Shareholding)

No.	Directors	Direct Shareholdings		Indirect Shareholdings	
		No. of Shares Held	%	No. of Shares Held	%
1	Eg Kah Yee	54,834,052	18.874	1,193,502 ⁽¹⁾	0.411
2.	Eg Kaa Chee	1,193,502	0.411	54,834,052 ⁽²⁾	18.874
3.	Abdul Razak Bin Dato' Haji Ipap	-	-	-	-
4.	Sukhdev Singh A/L Banta Singh	-	-	-	-
5.	Thong Kooi Pin	250	0.000	-	-

Notes:-

- (1) Deemed interested through his brother Eg Kaa Chee
- (2) Deemed interested through his brother Eg Kah Yee

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held at Greens 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 18 June 2010 at 9.00 a.m. to transact the following business:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Director's and Auditor's thereon. **(Please refer to Explanatory Note 1)**
2. To approve the payment of Directors' fees for the financial year ended 31 December 2009. **(Resolution 1)**
3. To re-elect Eg Kaa Chee who retires pursuant to Article 119 of the Company's Articles of Association. **(Resolution 2)**
4. To re-elect Abdul Razak Bin Dato' Haji Ipap who retires pursuant to Article 119 of the Company's Articles of Association. **(Resolution 3)**
5. To re-appoint Messrs Cheng & Co. as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 4)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, with or without modifications, as Ordinary/Special Resolutions of the Company:-

6. **ORDINARY RESOLUTION**
AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES **(Resolution 5)**
"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company be and are hereby empowered to allot and issue shares in the Company at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting."
7. **SPECIAL RESOLUTION**
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION **(Resolution 6)**
"THAT the amendments to the Articles of Association of the Company as set out in the Appendix I attached be and are hereby approved and adopted.
THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities."
8. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

By Order of the Board

NG YEN HOONG (LS No. 008016)
LOO CHOON KEOW (MAICSA No. 7039252)
Company Secretaries

Kuala Lumpur
27 May 2010

Notes :-

- (i) *A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote in his/her stead. A proxy need not be a member of the Company.*
- (ii) *Where a member is an authorized 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.*
- (iii) *If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its attorney duly authorized.*
- (iv) *The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.*

EXPLANATORY NOTE ON SPECIAL BUSINESS

1. **Item 1 of Agenda**

This item is meant for discussion only as the provision of Section 169(1) of the Companies Act, does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda is not put forward for voting.

2. **ORDINARY RESOLUTION**

Resolution Pursuant To Section 132D Of The Companies Act, 1965

The Ordinary Resolution proposed under Resolution 5 is the renewal of the mandate obtained from the members at the last Annual General Meeting (“the previous mandate”). The previous mandate was not utilised and accordingly no proceeds were raised.

The Ordinary Resolution proposed under Resolution 5, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company’s future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

3. **SPECIAL RESOLUTION**

Proposed Amendments to the Articles of Association

The Special Resolution proposed under Resolution 6, if passed, will authorize the Directors to amend the Articles of Association of the Company. The Proposed Amendments are for purpose of facilitate some administrative issues.

Please refer to Appendix I for full details of the Proposed Amendments

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To amend Article 2	“Approved Market Place” Means a stock exchange which is specified to be an approved market pursuant to an exemption order made under Section 62A of the Securities Industry (Central Depositories) Act 1991.	Deleted
To amend Article 2	“Bursa Securities” Means Bursa Malaysia Securities Exchange Berhad (Company No. 635998-W)	“Bursa Securities” Means Bursa Malaysia Securities Berhad (Company No. 635998-W)
To amend Article 2	“Depositor” Means holder of security account	“Depositor” Means a holder of a securities account established by the Depository.
To amend Article 2	“the Exchange” Means Kuala Lumpur Stock Exchange and includes, if appropriate, any stock exchange to the official list whereof the Company is admitted and on which the shares of the Company are quoted.	“the Exchange” Means “Bursa Malaysia Securities Berhad (635998 W) or such other exchange on which the Company’s shares are quoted.”
To amend Article 2	“Listing Requirements” Means listing requirements of Kuala Lumpur Stock Exchange, including any amendment thereto that may be made from time to time.	“Listing Requirements” Means the Listing Requirements of Bursa Malaysia Securities Berhad including any amendment thereto that may be made from time to time.
To amend Article 2	“Securities” Means “Shall have the same meaning given in Section 2 of the Securities Commission Act 1993.”	“Securities” Means “Shall have the meaning given in Section 2 of the Capital Markets and Services Act, 2007.”

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD (Continued)

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To amend Article 21	<p>Every share certificate shall be sealed in accordance with these Articles and Section 100 of the Act and shall comply with the requirements of these Articles, Such Section and the applicable MMLR and (where applicable) the Depositories Act, and the Rules.</p> <p>Subject to the provisions of the Act, the Depositories Act and the Rules , if any shares Certificates shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of Indemnity (if required) being given by the shareholder, transferee, person entitled or purchaser or by a MESDAQ Market Member, whether on its own account or on behalf of its client, as the Directors of the Company shall require, and (in the case of defacement or wearing out) on delivery of the old certificate and in any case on payment of such sum not exceeding RM3.00 or such sum as shall from time to time be fixed by the Bursa Securities. In case of destruction, loss or theft, a shareholder or persons entitled to such renewed certificate shall also bear the loss and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss.</p>	<p>Every certificate shall be issued under the Seal and bear the signatures or the autographic signatures of one Director and the Secretary or a second Director or such other person as may be authorised by the Directors, and shall specify the shares to which it relates, and the amount paid up thereon provided that the Directors may by resolution determine that such signature, or either of them, shall be dispensed with or shall be affixed by such other person as may be authorised by the Directors or some method or system of mechanical signature.</p> <p>Subject to the provisions of the Act, the Depositories Act and the Rules, if any shares Certificates shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of Indemnity (if required) being given by the shareholder, transferee, person entitled or purchaser or by the Exchange, whether on its own account or on behalf of its client, as the Directors of the Company shall require, and (in the case of defacement or wearing out) on delivery of the old certificate and in any case on payment of such sum not exceeding RM3.00 or such sum as shall from time to time be fixed by the Bursa Securities. In case of destruction, loss or theft, a shareholder or persons entitled to such renewed certificate shall also bear the loss and pay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss.</p>
To amend Article 37	<p>The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise) to a person of whom they do not approve. Subject to the Act, the MMLR, the Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.</p>	<p>The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise) to a person of whom they do not approve. Subject to the Act, the Listing Requirements, the Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.</p>

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD (Continued)

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To amend Article 38	Subject to the MMLR and the Rules, the transfer of any securities may be suspended at such time and for such period(s) as the Directors may from time to time determine.	Subject to the Listing Requirements and the Rules, the transfer of any securities may be suspended at such time and for such period(s) as the Directors may from time to time determine.
To amend Article 47	<p>(1)Where</p> <p>(a) the securities of the Company are listed on an Approved Market Place; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such securities,</p> <p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (“Foreign Register”), to the register of holders maintained by the registrar of the Company in Malaysia (“Malaysian Register”) subject to the following conditions:</p> <p>(i) there shall be no change in the ownership of such securities; and</p> <p>(ii) the transmission shall be executed by causing such securities to be credited directly into the Securities Account of such securities holder.</p> <p>(2)For the avoidance of doubt, the Company where it fulfils the requirements of paragraph (a) and (b) of Article 31(1) shall not allow any transmission of securities from the Malaysian Register into the Foreign Register.</p>	<p>(1)Where</p> <p>(a) the securities of the Company are listed on another stock exchange; and</p> <p>(b) the Company is exempted from compliance with Section 14 of the Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,</p> <p>the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Registrar of the Company in the jurisdiction of the other stock exchange (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the Registrar of the Company in Malaysia (hereinafter referred to as “the Malaysian Register”) and vice versa provided that there shall be no change in the ownership of such securities.</p> <p>(2) Deleted</p>
To amend Article 56	Subject to the provision of the Act, and the requirements of the Listing Requirements and/or any other relevant authorities, the Company may from time to time, with the sanction of the Members in general meeting acquire by purchase in good faith and in the best interests of the Company, the Company’s own shares through the MESDAQ Market on which the shares are quoted provided always that the Company is solvent at the date of purchase of the Company’s shares and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased.	The Company may, subject to and in accordance with the provisions of the Act, the rules, regulations and orders made pursuant to the Act, the conditions, restrictions and limitations expressed in these Articles and the Listing Requirements and any other relevant authority, purchase its own shares and make payments in respect of the purchase of its own shares. Shares in the Company so purchased by the Company shall be dealt with as provided by the Act and the Listing Requirements and/or other relevant authority.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD (Continued)

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To amend Article 70	Every notice convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen (14) days before the meeting or at least twenty days (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special businesses. At least fourteen (14) days’ notice, or twenty-one (21) days’ notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such meeting shall be given by advertisement in the daily newspaper in the National or English language press and in writing to each stock exchange upon which the Company is listed including the MESDAQ Market.	Every notice convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least fourteen (14) days before the meeting or at least twenty days (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special businesses. At least fourteen (14) days’ notice, or twenty-one (21) days’ notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such meeting shall be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and and in writing to each stock exchange upon which the Company is listed.
To amend Article 71	Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given by advertisement in one (1) daily newspaper in the National or English language and in writing to the stock exchange on which the Company is listed, all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Depository in accordance with the Rules or as the Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in the daily newspaper through which such advertisement is made.	Subject to these Articles and to any restrictions imposed on any shares, every notice calling a general meeting shall be given in writing to all the Members, to all persons entitled to a share (who have produced such evidence as may from time to time be required by the Depository in accordance with the Rules or as the Depository may determine) in consequence of the death, bankruptcy or mental disorder of a Member or by operation of law and to the Directors and auditors of the Company. A notice by advertisement under this Article shall be deemed given on the day on which the advertisement appears in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper through which such advertisement is made.
To insert new Article 96A after Article 96	No Provision	A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy’s authority.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD (Continued)

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To insert new Article 147A after Article 147	No Provision	The office of the Secretary shall be vacated if the secretary resigns by notice in writing to the company, left at the registered office and copies sent to all the directors for the time being at their last known residential addresses. Where a Secretary gives notice of resignation to the directors, the Secretary shall cease to act as Secretary with immediate effect, and unless provided in the terms of engagement, within the stipulated time.
To amend Article 168	A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all of any of them shall be sent (at least twenty-one (21) days before the general meeting at which they are to be laid) to all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual report, audited accounts, the Directors’ and auditors’ reports shall not exceed four (4) months. The required number of copies of each of these documents shall at the same time be sent to each stock exchange on which the Company is listed. Nothing in this Article shall require the Company to send to any Member whose address the Company is not aware a copy of these documents but any Member who is entitled but has not been sent a copy of these documents may collect such documents at the office of the company at no charge.	A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all of any of them shall be sent (at least twenty-one (21) days before the general meeting at which they are to be laid) to all other persons entitled to receive notices of general meetings under the Act or these Articles. The interval between the close of a financial year of the Company and the issue of the annual report, audited accounts, the Directors’ and auditors’ reports shall not exceed four (4) months. The required number of copies of each of these documents shall at the same time be sent to each the Exchange on which the Company is listed. ‘Nothing in this Article shall require the Company to send to any Member whose address the Company is not aware a copy of these documents but any Member who is entitled but has not been sent a copy of these documents may collect such documents at the office of the company at no charge.. For avoidance of doubt, the Company shall be entitled to send the copy of every balance sheet, profit and loss account (including every document required by law to be annexed thereto and the auditors’ report to the members via CD-ROM or other electronic means).
To delete Article 187	“ALTERATIONS OF ARTICLES” The Company shall not add to, amend or delete any of their existing Articles which have previously been approved by Bursa Securities unless prior written approval has been sought and obtained from Bursa Securities for such addition, amendment or deletion.	

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING



APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF PALETTE MULTIMEDIA BERHAD (Continued)

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

Article No.	Existing Provision	Amended Provision
To renumber existing Article 188 to Article 187	The Company shall comply with the provisions of the relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any directive or requirement imposed by Bursa Securities, the Central Depository and other appropriate authorities, to the extent required by law, notwithstanding any provisions in these Articles to the contrary.	
To renumber existing Article 189 to Article 188 and the new Article 188 be amended	<p>Effects of the Listing Requirements</p> <p>(1) Notwithstanding anything contained in these articles, if the Listing Requirements prohibit an act being done, the act shall no be done.</p> <p>(2) Nothing contained in these articles prevents an act being done that the Listing Requirements require to be done.</p> <p>(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(4) If the Listing Requirements require these articles to contain a provision and they do not contain such a provision, these articles are deemed to contain such provision.</p> <p>(5) If the Listing Requirements require these articles not to contain a provision and they contain such a provision, these articles are deemed not to contain such provision.</p> <p>(6) If any provision of these articles is or become inconsistent with the Listing Requirements, these articles are deemed not to contain that provision to the extent of the inconsistency.</p> <p>(7) For the purpose of this article, unless the context otherwise requires, “Listing Requirements” means the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market including any amendments to the Listing Requirements that may be made from time to time.</p>	<p>Effects of the Listing Requirements</p> <p>(1) Notwithstanding anything contained in these articles, if the Listing Requirements prohibit an act being done, the act shall no be done.</p> <p>(2) Nothing contained in these articles prevents an act being done that the Listing Requirements require to be done.</p> <p>(3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(4) If the Listing Requirements require these articles to contain a provision and they do not contain such a provision, these articles are deemed to contain such provision.</p> <p>(5) If the Listing Requirements require these articles not to contain a provision and they contain such a provision, these articles are deemed not to contain such provision.</p> <p>(6) If any provision of these articles is or become inconsistent with the Listing Requirements, these articles are deemed not to contain that provision to the extent of the inconsistency.</p> <p>(7) For the purpose of this article, unless the context otherwise requires, “Listing Requirements” means the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market including any amendments to the Listing Requirements that may be made from time to time.</p>
To renumber existing Article 190 to Article 189	Where any amendment is made by the Exchange to the provisions of this Chapter, a company must make corresponding amendments to its articles of association to reflect the said amendment unless its articles include the provision in Rule 7.36 or its equivalent.	

FROM OF PROXY



Number of shares held:	
------------------------	--

I/We _____ (Full Name in Capital Letters) NRIC/Company No. _____
of _____ (Full Address)
a member/members of **PALETTE MULTIMEDIA BERHAD** hereby appoint _____
of _____ or failing whom,
_____ of _____

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 Thirteenth Annual General Meeting of the Company to be held at Greens 1, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 18 June 2010 at 9.00 a.m. and at any adjournment thereof.

AGENDA			
ORDINARY BUSINESS			
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.		
	RESOLUTION	RESOLUTION	*FOR *AGAINST
2.	To approve the payment of Directors' Fees for the financial year ended 31 December 2009.	1	
3.	To re-elect Eg Kaa Chee who retires pursuant to Article 119 of the Company's Articles of Association.	2	
4.	To re-elect Abdul Razak Bin Dato' Haji Ippap who retires pursuant to Article 119 of the Company's Articles of Association.	3	
5.	To appoint Messrs Cheng & Co. as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	4	
SPECIAL BUSINESS			
6.	Authority to the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	5	
7.	Proposed Amendments to the Articles of Association	6	

(Please indicate with an " X " in the space provided above 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).

Signature of Shareholder(s) or Common Seal _____ Signed this _____ day of _____ 2010

Notes:-

- (i) 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.
- (ii) Where a member is an authorized 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.
- (iii) If the appointer is a corporation, this form must be executed under its Common Seal or under the hand of its attorney duly authorized.
- (iv) **The Form of Proxy must be deposited at the Registered Office of the Company at Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.**

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STAMP

Company Secretary

Palette Multimedia Berhad (420056-K)

Level 18, The Gardens North Tower, Mid Valley City,
Lingkaran Syed Putra, 59200 Kuala Lumpur.

Tel : 03-2264 8888 Fax : 03-2282 2733

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www.palettemm.com