

**NEXTNATION COMMUNICATION BERHAD**

**Company no. 660055-H  
(Incorporated in Malaysia)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER  
ENDED 31 OCTOBER 2005**

**NOTES TO THE INTERIM FINANCIAL REPORT**

**A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (“FRS”) 134 INTERIM FINANCIAL REPORTING**

**A1. Basis of preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 “Interim Financial Reporting” (formerly known as MASB 26) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market.

The interim financial report should be read in conjunction with the latest audited financial statements of Nextnation Communication Berhad (“Nextnation” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 30 April 2005.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 April 2005.

**A2. Qualification of financial statements**

There was no audit qualification reported in the audited financial statements of Nextnation and its subsidiaries for the financial year ended 30 April 2005.

**A3. Seasonal or cyclical factors**

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

**A4. Unusual items affecting assets, liabilities, equity, net income or cash flows**

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

**A5. Material changes in estimates**

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current quarter results.

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### A6. Debts and equity securities

On 9 August 2005, the Company issued a prospectus for Public Issue of 32,000,000 new ordinary shares of RM0.10 each in Nextnation at an issue price of RM0.78 per new ordinary share. The Public Issue comprised the following:

- (i) 4,800,000 new ordinary shares of RM0.10 each for application by the eligible directors, employees and business associates of Nextnation and its subsidiaries;
- (ii) 24,000,000 new ordinary shares of RM0.10 each by way of private placement to the identified investors; and
- (iii) 3,200,000 new ordinary shares of RM0.10 each for application by the public.

The Public Issue Shares were fully subscribed on its closing date on 16 August 2005. Upon completion of the Public Issue, the issued and paid-up share capital of the Company increased from RM9,400,000 comprising 94,000,000 ordinary shares of RM0.10 each in Nextnation to RM12,600,000 comprising 126,000,000 ordinary shares of RM0.10 each in Nextnation.

In addition to the shares issued above, Nextnation implemented a bonus issue of 126,000,000 new ordinary shares of RM0.10 each in Nextnation to all shareholders of Nextnation on the basis of one (1) new ordinary share of RM0.10 each in Nextnation for every one (1) existing ordinary share of RM0.10 each in Nextnation held after the Public Issue. The bonus issue was capitalised from the share premium account arising from the Public Issue.

Upon completion of the bonus issue, the issued and paid-up share capital of Nextnation increased from RM12,600,000 comprising 126,000,000 ordinary shares of RM0.10 each in Nextnation to RM25,200,000 comprising 252,000,000 ordinary shares of RM0.10 each in Nextnation.

The entire enlarged share capital of Nextnation of 252,000,000 ordinary shares of RM0.10 each in Nextnation were listed on the MESDAQ Market of Bursa Securities on 26 August 2005.

Save for the above, there were no other issuance, repurchase, cancellation, resale, and repayment of debt and equity securities for the current quarter under review.

### A7. Dividend paid

During the current quarter under review, the Company had on 30 September 2005 paid an Interim Tax Exempt Dividend of 2 sen per share of the Company for the financial year ending 30 April 2006 amounting to RM5,040,000 to all depositors whose names appear in the Record of Depositors at the close of business on 21 September 2005.

Save as above, there is neither any other declaration of dividend nor dividend being paid for the current quarter under review.

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The segmental analysis of revenue and profit after taxation of the Group for the current quarter ended 31 October 2005 are tabulated below:

<b>Segment</b>	<b>SOHOMOBILE™ RM</b>	<b>SMSJET™ RM</b>	<b>Total RM</b>
<b>Revenue</b>	12,792,077	3,972,694	16,764,771
<b>Profit after taxation</b>	2,410,767	1,787,712	4,198,479

**A9. Valuation of property, plant and equipment**

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

**A10. Material events subsequent to the end of the quarter**

There were no material events subsequent to the end of quarter under review.

**A11. Changes in composition of the Group**

On 13 September 2005, the Company acquired the entire issued and paid up share capital of a dormant company, Ozura Sdn. Bhd. ("Ozura"), comprising two (2) ordinary shares of RM1.00 each fully paid up for a total cash consideration of RM2.00. The intended principal activities of Ozura are mobile game engine/solution developer and provider as well as mobile game developer and publisher

Save for the above, there were no other changes in the composition of the Group for the current quarter under review.

**A12. Contingent assets or liabilities**

There were no contingent assets or contingent liabilities for the current quarter under review.

**A13. Capital commitments**

There were no capital commitments for the current quarter under review.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER  
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BURSA SECURITIES FOR THE MESDAQ MARKET****B1. Review of performance**

For the financial period ended 31 October 2005, the Group recorded revenue and profit before taxation of approximately RM32.0 million and RM8.1 million respectively. Correspondingly, the profit after taxation and minority interest is approximately RM8.0 million.

**B2. Comparison with preceding quarter's results****(a) Comparison of the current quarter against the preceding quarter**

	<b>1<sup>st</sup> Quarter 1 May 2005 to 31 Jul 2005</b>	<b>2<sup>nd</sup> Quarter 1 August 2005 to 31 October 2005</b>	<b>Variance</b>	<b>Variance</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM'000</b>	<b>%</b>
Revenue	15,243	16,765	1,522	10.0
Profit before taxation	3,843	4,228	385	10.0
Net profit	3,805	4,198	393	10.3

**Revenue**

The Group posted an increase in revenue of 10% from RM15.2 million in its first quarter to RM16.8 million in its second quarter. The positive growth was attributed to the continued favourable response and sustained demand for the Group's products and services from its partners and customers and the uptrend growth of the mobile data services amongst mobile subscribers in Malaysia.

**Profit before taxation and net profit**

Profit before taxation and net profit increased in line with the revenue growth.

**(b) Comparison of the current quarter against the preceding year corresponding quarter**

There is no comparison with the preceding year corresponding quarter's results as this is the Group's second quarterly results prepared in accordance with the Listing Requirements of Bursa Securities for the MESDAQ Market.

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The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will continue to be promising in the financial year ending 30 April 2006.

**B4. Variance of actual profit from forecast profit**

The Group has not published or issued any profit forecast for the current period and financial year to-date.

**B5. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	31.10.2005 RM	31.10.2004 RM	31.10.2005 RM	31.10.2004 RM
Current period's provision	29,642	-	67,912	-

The taxation provision is lower than the statutory tax rate. The disproportionate tax rate was a result of pioneer status enjoyed by one of its subsidiaries, Nextnation Network Sdn. Bhd. ("NN"), thus resulting in its profit being exempted from tax.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. However, no provision for taxation has been made for all foreign subsidiaries as these subsidiaries have yet to generate any chargeable profits.

**B6. Profit/(losses) on sales of unquoted investment and/or properties**

There were no disposals of unquoted investments and/or properties by the Group for the current quarter under review and financial year to-date.

**B7. Quoted securities**

There was no purchase or disposal of quoted securities by the Group for the current quarter under review and financial year to-date.

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Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this report.

The listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 252,000,000 shares on the MESDAQ Market of Bursa Securities was completed on 26 August 2005 and the details are disclosed in Note A6 of this interim financial report. The Company has raised RM24.96 million from the Public Issue and as at 31 October 2005, the Company has utilised approximately 35.3% of the proceeds raised in the following manner:

	<b>Proposed Amount</b>	<b>Utilised Amount</b>	<b>Utilised Amount</b>	<b>Unutilised Amount</b>
	RM'000	RM'000	%	RM'000
Capital expenditures	4,000	487	2.0	3,513
Working Capital	2,060	2,060	8.3	-
Research and development expenditures	4,800	1,179	4.7	3,621
Advertising and promotions	7,500	2,625	10.5	4,875
Overseas expansion	4,800	700	2.8	4,100
Estimated listing expenses	1,800	1,742	7.0	58
<b>Total</b>	<b>24,960</b>	<b>8,793</b>	<b>35.3</b>	<b>16,167</b>

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Save as disclosed below, the Group does not have any loan capital outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 October 2005.

<b>Type of interest bearing secured borrowings</b>	<b>Payable within 12 months RM</b>	<b>Payable after 12 months RM</b>
Hire purchase	56,621	172,389
Term loans	111,588	961,703
<b>Total</b>	<b>168,209</b>	<b>1,134,092</b>

All the above borrowings are in Malaysian currency. There has been no default on payment of either interest and/or principal sum, in respect of the abovementioned borrowings throughout the past one (1) financial year.

**B10. Off balance sheet financial instruments**

The Group does not have any off balance sheet financial instruments.

**B11. Material litigation**

Save as disclosed below, the Group is not engaged in any material litigation, either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

A legal proceeding vide Kuala Lumpur High Court Civil Suit No. MT4-22-1739-2004 for copyright infringement has been commenced against Celcom (M) Berhad (“Celcom”) by Goodsound Music Publishing Sdn. Bhd. and eight (8) others (“Plaintiffs”). In the said suit, the plaintiff alleged that Celcom has converted and reproduced certain songs owned by them collectively and made the same available to the general public in the form of downloadable ringtones from Celcom’s website, without any authority, license or permission of the Plaintiffs. Celcom’s solicitors, Messrs Bustaman has via a letter dated 9 May 2005 informed NN that Celcom has obtained leave to issue a third party notice against NN in the above legal suit. However, at the date hereof, Celcom has not served any third party notice on NN. NN’s solicitors, Messrs Cheang & Ariff via a letter dated 1 August 2005, are of the view that there is no legal basis for Celcom to proceed with a third party proceeding against NN in relation to the above legal suit as NN has never provided any ringtones to Celcom’s website. Similarly, the plaintiffs would also have no recourse against NN as NN has, at the material time, provided its services based on valid licenses obtained and has always made the necessary payment according to the terms of various license agreements.

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**B12. Dividend**

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Save as above, there is neither any other declaration of dividend nor dividend being paid for the current quarter under review.

**B13. Earnings per share**

The basic earnings per share for the current quarter ended 31 October 2005 has been calculated based on the net profit attributable to ordinary shareholders of the Company of RM8,003,038 and RM4,198,479 divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue of 233,391,304 shares and 246,782,609 shares for the cumulative quarter and current quarter ended 31 October 2005 respectively.