

NEXTNATION COMMUNICATION BERHAD
(Company No. 660055-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2006**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2006**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 OCTOBER 2006 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2005 RM	CURRENT YEAR TO-DATE 31 OCTOBER 2006 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2005 RM
Revenue		27,093,249	16,764,771	50,544,078	32,007,467
Operating expenses		(21,249,718)	(11,893,002)	(39,410,294)	(23,037,330)
Profit from operations		5,843,531	4,871,769	11,133,784	8,970,137
Depreciation and amortisation		(460,512)	(262,656)	(890,393)	(483,661)
Finance costs		(20,828)	(3,814)	(69,569)	(27,274)
Interest income		71,342	54,340	134,173	63,758
Share of results of:-					
Jointly controlled entity		-	(406,891)	-	(425,733)
Associate company		-	(24,627)	-	(26,277)
Profit before taxation		5,433,533	4,228,121	10,307,995	8,070,950
Taxation	B4	(53,407)	(29,642)	(93,785)	(67,912)
Net profit for the period		5,380,126	4,198,479	10,214,210	8,003,038
Attributable to:					
Equity holders of the parent		5,113,963	4,198,979	9,952,974	8,003,038
Minority interest		266,163	-	261,236	-
		5,380,126	4,198,979	10,214,210	8,003,038
Earnings per share attributable to equity holders of the parent					
- Basic (sen)	B12	2.0	1.7	3.9	3.4
- Diluted (sen)		-	-	-	-

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2006 and the accompanying Notes to the Interim Financial Report on pages 5 to 15)

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AT 31 OCTOBER 2006	AT 30 APRIL 2006 (AUDITED)
	RM	RM
Property, plant and equipment	4,522,513	3,701,098
Research and development expenditure	4,235,865	3,566,201
Investment in associate company	-	-
Intangible asset	1,245,854	-
Goodwill on consolidation	2,764,678	-
Fixed deposits with a licensed bank	280,000	280,000
Current assets		
Trade and other receivables	56,564,568	39,639,667
Tax recoverable	1,200	24,976
Cash and cash equivalents	17,372,065	12,682,901
	<u>73,937,833</u>	<u>52,347,544</u>
Current liabilities		
Trade and other payables	14,270,912	7,924,983
Finance payables	95,256	92,276
Term loans	79,088	103,728
Tax payables	56,226	36,249
	<u>14,501,482</u>	<u>8,157,236</u>
Net current assets	59,436,351	44,190,308
	<u>72,485,261</u>	<u>51,737,607</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	26,820,000	25,200,000
Reserves	14,918,840	7,420,815
Retained profit	27,888,740	17,829,216
	<u>69,627,580</u>	<u>50,450,031</u>
Minority interest	1,631,017	-
Total equity	71,258,597	50,450,031
Finance payables	336,866	385,239
Term loans	889,798	902,337
	<u>72,485,261</u>	<u>51,737,607</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>25.96</u>	<u>20.02</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2006 and the accompanying Notes to the Interim Financial Report on pages 5 to 15)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	----- Attributable to Equity Holders of the Parent ----->						
	Non-Distributable			Distributable		Minority Interest RM	Total Equity RM
	Share Capital	Share Premium	Foreign exchange translation	Retained Profit	Total		
RM	RM	RM	RM	RM			
At 1 May 2006	25,200,000	7,417,674	3,141	17,829,216	50,450,031	-	50,450,031
Issue of shares	1,620,000	7,652,000	-	-	9,272,000	-	9,272,000
Placement expenses	-	(150,834)	-	-	(150,834)	-	(150,834)
Currency translation differences	-	-	103,409	-	103,409	-	103,409
Net income recognised directly in equity	26,820,000	14,918,840	106,550	17,829,216	59,674,606	-	59,674,606
Net profit for the period	-	-	-	9,952,974	9,952,974	261,236	10,214,210
Total recognised income and expense for the period	26,820,000	14,918,840	106,550	27,782,190	69,627,580	261,236	69,888,816
Acquisition of subsidiary	-	-	-	-	-	1,369,781	1,369,781
At 31 October 2006	26,820,000	14,918,840	106,550	27,782,190	69,627,580	1,631,017	71,258,597
At 1 May 2005	9,400,000	-	-	6,154,831	15,554,831	-	15,554,831
Issue of shares	15,800,000	21,760,000	-	-	37,560,000	-	37,560,000
Capitalisation as bonus shares	-	(12,600,000)	-	-	(12,600,000)	-	(12,600,000)
Listing expenses	-	(1,742,326)	-	-	(1,742,326)	-	(1,742,326)
Currency translation differences	-	-	998	-	998	-	998
Net income recognised directly in equity	25,200,000	7,417,674	998	6,154,831	38,773,503	-	38,773,503
Net profit for the period	-	-	-	8,003,038	8,003,038	-	8,003,038
Total recognised income and expense for the period	25,200,000	7,417,674	998	14,157,869	46,776,541	-	46,776,541
Dividend paid: - Interim	-	-	-	(5,040,000)	(5,040,000)	-	(5,040,000)
At 31 October 2005	25,200,000	7,417,674	998	9,117,869	41,736,541	-	41,736,541

(The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 April 2006 and the accompanying Notes to the Interim Financial Report on pages 5 to 15)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31 OCTOBER 2006	PRECEDING YEAR QUARTER ENDED 31 OCTOBER 2005
	RM	RM
Cash flows from operating activities		
Profit before taxation	10,307,995	8,070,950
Adjustments for non-cash flow:		
Non-cash items	1,089,893	486,355
Finance costs	69,569	27,274
Interest income	(134,173)	(63,758)
Operating profit before working capital changes	<u>11,333,284</u>	<u>8,520,821</u>
Changes in working capital:		
Net change in current assets	(15,537,587)	(4,507,654)
Net change in current liabilities	<u>6,157,515</u>	<u>(160,818)</u>
Cash generated from operations	1,953,212	3,852,349
Finance costs	(69,569)	(27,274)
Interest income	134,173	63,758
Income tax paid	(47,263)	(112,512)
Dividend paid	-	(5,040,000)
Net cash generated from/(used in) operating activities	<u>1,970,553</u>	<u>(1,263,679)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(666,710)	(487,378)
Reversal of share of asset of jointly controlled entity	97,051	-
Intangible asset paid	(1,245,854)	-
Amount due from jointly controlled entity	-	(615,829)
Investment in associate company	(827,789)	37,955
Research and development expenditure paid	(1,226,566)	(1,179,107)
Net cash from acquisition of subsidiary company	<u>(2,450,114)</u>	<u>-</u>
Net cash used in investing activities	<u>(6,319,982)</u>	<u>(2,244,359)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	9,272,000	24,960,000
Placement expenses	(150,834)	-
Listing expenses	-	(1,742,326)
Repayment of finance payables	(45,393)	(26,772)
Repayment of term loans	<u>(37,180)</u>	<u>(58,319)</u>
Net cash generated from financing activities	<u>9,038,593</u>	<u>23,132,583</u>
Net increase in cash and cash equivalents	4,689,164	19,624,545
Cash and cash equivalents at 1 May	12,682,901	2,815,229
Cash and cash equivalents at end of year	<u>17,372,065</u>	<u>22,439,774</u>

(The Unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2006 and the accompanying Notes to the Interim Financial Report on pages 5 to 15)

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2006

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” and Rule 9.22 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 2006.

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the year ended 30 April 2006 except for the adoption of the following new or revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments: Disclosures and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

The following new or revised FRS has been adopted earlier in the audited financial statements for the year ended 30 April 2006:

FRS 131	Interests in Joint Ventures
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The adoption of FRS 3, 108, 110, 116, 121, 127, 128, 132, 133, 136 and 138 does not have significant impact on the Group. The principal effects of the changes in the accounting policies resulting from the adoption of the other new or revised FRSs are disclosed below:-

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A1. Basis of preparation (Cont'd)

FRS 101 Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the minority interest. In the consolidated balance sheet, minority interest is now presented within total equity whereas in the consolidated income statement, minority interest is presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity.

FRS 101 also requires disclosure in the statement of changes in equity for total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest. The current quarter's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current quarter's presentation.

A2. Qualification of financial statements

There was no audit qualification reported in the audited financial statements of the Group for the financial year ended 30 April 2006.

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.

A6. Debts and equity securities

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

A7. Dividend paid

There was no dividend paid during the current quarter under review.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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The segmental analysis of revenue and profit after taxation of the Group for the current quarter ended 31 October 2006 are tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	16,948,873	13,430,276	(3,285,900)	27,093,249
Net profit for the period	3,654,708	1,859,866	(134,448)	5,380,126

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

Save as disclosed below, there were no other material events subsequent to the end of the reporting quarter that have not been reflected in the current quarter under review.

(a) Incorporation of a subsidiary, Vinamob Venture Company Limited, in Vietnam

On 6 December 2006, the Company announced that its subsidiary, Godynamic Investments Limited (“Godynamic”), had on 30 November 2006 incorporated a wholly-owned subsidiary in the Socialist Republic of Vietnam, namely Vinamob Venture Company Limited (“VVCL”) and the Certificate of Investment was received from Hanoi People’s Committee on 5 December 2006.

The intended investment capital is USD100,000 and to be paid within sixteen (16) months from the issuance date of the Certificate of Investment.

The intended business activities of VVCL are research and development of information technology, Internet and wireless Internet; design, produce and provide value-added products and services for mobile and information technology.

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A10. Material events subsequent to the end of the quarter (Cont'd)

(b) Aquisition of 100% equity interest in Vision Phoenix Group Limited, British Virgin Islands ("VPGL") ("Acquisition of VPGL")

Further to the announcement made on 18 December 2006 in relation to the Acquisition of VPGL by the Company's subsidiary, Godynamic, the Company announced on 20 December 2006 that Godynamic has acquired one (1) ordinary share at par value of USD1 in VPGL, representing the entire issued and paid-up capital of VPGL for a cash consideration of USD1 and VPGL has now become a wholly-owned subsidiary of Godynamic.

VPGL is currently dormant. However, VPGL will be the holding company of a wholly-owned foreign entity to be incorporated in the People's Republic of China ("WOFE") for the provision of the next generation mobile video streaming technology and high capacity value-added telecommunication services. The WOFE will be the first in the China market using Nextnation's MINDCEP™ technology to provide mobile video streaming service platform, broadband and other applications and services at rapid speed and high quality to customers.

A11. Changes in composition of the Group

Save as disclosed below, there were no other changes in the composition of the Group in the current quarter under review.

- (a) The Company announced on 6 December 2006 that Godynamic, a wholly-owned subsidiary of the Company, has incorporated a subsidiary in Socialist Republic of Vietnam, namely VVCL, as stated in A10(a) above.
- (b) The Company announced on 20 December 2006 that Godynamic, a wholly-owned subsidiary of the Company, has acquired VPGL as stated in A10(b) above.

A12. Contingent assets or liabilities

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

A13. Capital commitments

Capital commitment for the current quarter under review contracted but not provided for in this interim financial report is for business expansion in the People's Republic of China with reference to item B7 (b) below.

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BURSA SECURITIES FOR THE MESDAQ MARKET****B1. Review of performance****(a) Performance of the current quarter against the preceding quarter**

	1st Quarter 1 May 2006 to 31 July 2006	2nd Quarter 1 August 2006 to 31 October 2006	Variance	
	RM '000	RM '000	RM'000	%
Revenue	23,451	27,093	3,642	15.5
Profit before taxation	4,874	5,433	559	11.5
Net profit	4,834	5,380	546	11.3

Revenue

The Group's revenue was up by 15.5% to RM27.1 million in the current quarter compared to the previous quarter of RM23.5 million. The growth and increase in revenue was driven by the Group's wider customer base in regional markets, its improved mix of mobile value-added services, and the booming mobile industry itself due to increasing mobile phone penetration, advancement of mobile technology and the changing market trend.

Profit before taxation and net profit

The Group registered a profit before tax ("PBT") of RM5.4 million and profit after tax ("PAT") of RM5.4 million, representing an increase of 11.5% and 11.3% respectively from the previous quarter. The increase was due to growth in demand for its products and services in overseas markets and an improvement in its overall portfolio of services, partially offset by its start-up and operating costs in overseas business.

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

The Group's revenue of RM27.1 million in the current quarter represents a 61.3% increase over the RM16.8 million recorded for the preceding year corresponding quarter. PBT and PAT for the current quarter increased by 28.5% and 28.1% respectively compared to the previous year corresponding quarter. The better results reflect the Company's good progress in reaching out to a wider customer base.

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The Group remains focused on research and development initiatives, regional market expansion, delivering valued products and services, and developing strong partnerships with business partners. The Group also expects revenue contributions from its new operations in overseas markets and an increase in staff strength to support the business expansion. Barring any unforeseen circumstances, the Directors expect an encouraging performance for the remaining financial year.

B3. 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.

B4. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	31.10.2006 RM	31.10.2005 RM	31.10.2006 RM	31.10.2005 RM
Current period's provision	53,407	29,642	93,785	67,912

Malaysian income tax is calculated at the Malaysian statutory tax rate of the estimated assessable profit for the period. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

For the current quarter ended 31 October 2006, the foreign income tax provision is in respect of PT. Elasitas Multi Kreasi. There is no provision for taxation for other oversea subsidiaries as they are in a net loss position.

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

B5. 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.

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B6. 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.

B7. Status of corporate proposals

Save as disclosed below, there were no other corporate proposals announced but not completed in the current quarter under review:-

(a) Proposed private placement of up to ten percent (10%) of the existing and paid-up share capital of the Company

Public Merchant Bank Berhad (“PMBB”), on behalf of Nextnation, announced on 14 March 2006 that Nextnation proposed to implement a private placement of up to 10% of the existing issued and paid-up share capital of the Company comprising 25,200,000 new ordinary shares of RM0.10 each (“Placement Shares”) (“Proposed Private Placement”), and the Proposed Private Placement has been approved by the Securities Commission (“SC”) via its letter dated 24 March 2006. On 21 September 2006, PMBB on behalf of the Board of Nextnation, announced that the SC had, vide its letter dated 20 September 2006, approved Nextnation's application for the extension of time of six (6) months from 24 September 2006 to 23 March 2007 for Nextnation to implement the Proposed Private Placement. The first tranche of 10,000,000 and second tranche of 6,200,000 of the Placement Shares have been issued and listed on the MESDAQ Market of Bursa Malaysia Securities Berhad (“MESDAQ Market”) on 22 September 2006 and 10 October 2006 respectively. The balance of 9,000,000 Placement Shares is expected to be placed out within the extended time period.

(b) Subscription of shares in Often Reach Investments Limited (“Often Reach”) by Godynamic, a subsidiary of Nextnation

PMBB, on behalf of Nextnation, announced on 22 March 2006, 13 April 2006, 23 May 2006 and 22 August 2006 that Godynamic will subscribe for 700 new ordinary shares of USD1.00 each at par (“Subscription of Ordinary Shares”) and 250,000,000 new irredeemable convertible preference shares of USD0.01 each at par (“Subscription of ICPS”) in Often Reach for 50% control in Often Reach based on the voting rights in Often Reach for business expansion in the People's Republic of China. The Subscription of Ordinary Shares has been completed but the Subscription of ICPS is still pending.

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- (c) **Proposed bonus issue of up to 138,600,000 new ordinary shares of RM0.10 each in Nextnation (“Bonus Shares”), to be credited as fully paid-up, on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM0.10 each in Nextnation (“Nextnation Shares”) held on an entitlement date to be determined and announced later (“Proposed Bonus Issue”)**

On 27 April 2006, PMBB, on behalf of the Board, announced that the Company proposed to implement the Proposed Bonus Issue. The Company intends to implement the Proposed Bonus Issue after the completion of the Proposed Private Placement of the Company.

On 3 November 2006, PMBB, on behalf of the Board, further announced that Bursa Securities had via its letter dated 31 October 2006, approved the Company’s application to seek waiver/modification of Rule 6.25(3) of the Listing Requirements of Bursa Securities for the MESDAQ Market whereby the available reserves for the capitalisation for the Proposed Bonus Issue must be confirmed by the external auditors of Nextnation to be adequate to cover the entire Proposed Bonus Issue based on Nextnation’s latest audited financial statements as well as its latest quarterly report. The approval was given as Nextnation will have sufficient share premium for the Proposed Bonus Issue after the Proposed Private Placement. Following that, Bursa Malaysia Securities Berhad had, vide its letter dated 15 November 2006, approved in-principal the listing of and quotation for up to 138,600,000 Bonus Shares arising from the Proposed Bonus Issue.

- (d) **Memorandum of Understanding between Nextnation and Tawasul Telecom Co. LLC**

On 3 October 2006, the Company announced that it has signed a Memorandum of Understanding with Tawasul Telecom Co. LLC (“TT”), for the purpose of collaborating with each other in relation to research, development and the provision of Internet and wireless technologies and wireless value-added services, and related software and business ancillary thereto in countries where Nextnation and TT are currently operating their business.

- (e) **Proposed acquisition of the entire issued and paid-up share capital of Euro Tai Solution Sdn. Bhd. (“Euro Tai”) (“Proposed Acquisition of Euro Tai”)**

Further to the announcement made on 5 June 2006 in relation to the Proposed Acquisition of Euro Tai, the Board of Directors of Nextnation announced on 4 September 2006 that there is a change of corporate structure to the Proposed Acquisition of Euro Tai, whereby Nextnation will directly acquire the entire issued and paid-up share capital of Euro Tai, comprising 50,000 ordinary shares of RM1.00 each fully paid-up for a total cash consideration of RM50,000 instead of via its wholly-owned subsidiary, Ozura Sdn. Bhd. The Proposed Acquisition of Euro Tai is expected to be completed within three (3) months from the date of the announcement on 4 September 2006.

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Further to the announcement made on 5 June 2006 and 4 September 2006 in relation to the Company's proposed acquisition of the entire issued and paid-up share capital of Euro Tai, the Company announced on the 18 December 2006 that the Company and the vendors have mutually agreed to a further extension of three (3) months (from 4 December 2006 to 3 March 2007) for the fulfilment of the conditions precedent for the Proposed Acquisition.

(f) Utilisation of proceeds from Initial Public Offering ("IPO") and Private Placement

As at 31 October 2006, the Company has utilised approximately 96.8% of the proceeds raised from the IPO on 26 August 2005 in the following manner:

	Proposed Utilisation	Utilised Amount	Utilised Amount	Unutilised Amount
	RM'000	RM'000	%	RM'000
Capital expenditures	1,000	1,000	100.0	-
Working Capital	5,118	5,118	100.0	-
Research and development expenditures	4,800	4,000	83.3	800
Advertising and promotions	7,500	7,500	100.0	-
Overseas expansion	4,800	4,800	100.0	-
Estimated listing expenses	1,742	1,742	100.0	-
Total	24,960	24,160	96.8	800

The unutilised proceeds are kept in the interest earning accounts maintained with approved financial institutions in Malaysia.

Apart from the IPO proceeds, the Company had on 22 September 2006 and 10 October 2006 completed private placements of 10,000,000 and 6,200,000 ordinary share of RM0.10 each respectively, representing approximately six percent (6%) of the issued and paid-up share capital of the Company ("Placement Shares") in total and the Placement Shares have been listed on the MESDAQ Market on 22 September 2006 and 10 October 2006 respectively.

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The details of the utilisation of the Private Placement proceeds up to 31 October 2006 are as follows:

	Proposed Utilisation	Utilised Amount	Utilised Amount	Unutilised Amount
	RM'000	RM'000	%	RM'000
Working capital	9,112	1,467	16.1	7,645
Private placement expenses	160	151	94.4	9
Total	9,272	1,618	17.4	7,654

B8. Borrowings and debt securities

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 2006.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase	95,256	336,866
Term loans	79,088	889,798
Total	174,344	1,226,664

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.

B9. Off balance sheet financial instruments

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

B10. Changes in material litigation

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.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2006****B11. Dividend**

There is no dividend declared for the current quarter under review.

B12. Earnings per share

The basic earnings per share for the current quarter ended 31 October 2006 has been calculated based on the net profit for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issued during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.10.2006	Preceding year corresponding quarter 31.10.2005	Current year to-date 31.10.2006	Preceding year corresponding period 31.10.2005
Net profit for the period attributable to the ordinary equity holder of the parent (RM'000)	5,114	4,198	9,953	8,003
Weighted average number of ordinary shares in issue ('000)	253,671	246,783	255,314	233,391
Basic earnings per share attributable to equity holders of the parent (sen)	2.0	1.7	3.9	3.4