

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2009**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2009**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 OCTOBER 2009 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2008 RM	CURRENT YEAR TO-DATE 31 OCTOBER 2009 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2008 RM
Revenue		19,961,791	13,862,429	33,963,986	28,627,521
Operating expenses		(18,250,037)	(15,265,493)	(30,583,673)	(30,480,537)
Profit/ (loss) from operations		1,711,754	(1,403,064)	3,380,313	(1,853,016)
Depreciation and amortisation		(1,235,567)	(1,065,408)	(2,471,363)	(2,298,756)
Finance costs		(206,399)	(171,865)	(394,092)	(344,693)
Interest income		29,365	13,307	73,815	53,216
Profit/ (loss) before taxation		299,153	(2,627,030)	588,673	(4,443,249)
Taxation	B4	5,247	(182)	(175)	(193,610)
Profit/ (loss) for the period		304,400	(2,627,212)	588,498	(4,636,859)
Attributable to:					
Shareholders of the Company		145,837	(2,791,934)	250,491	(4,605,301)
Minority interest		158,563	164,722	338,007	(31,558)
Profit/ (loss) for the period		304,400	(2,627,212)	588,498	(4,636,859)
Profit/ (loss) per share attributable to the equity holders of the Company					
- Basic (sen)	B12	0.04	(0.67)	0.06	(1.11)
- 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 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 OCTOBER 2009 (UNAUDITED) RM	AT 30 APRIL 2009 (AUDITED) RM
Property, plant and equipment	20,440,073	20,743,879
Research and development expenditure	10,921,660	10,410,470
Investment in associate companies	225,240	225,240
Intangible asset	1,809,738	2,292,325
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	545,473	538,503
Amount due from associate company	1,541,147	1,050,024
Current assets		
Trade and other receivables	53,868,856	36,758,652
Tax recoverable	639,140	1,091,195
Fixed deposits with a licensed bank	-	414,252
Cash and bank balances	3,772,296	13,549,552
	58,280,292	51,813,651
Current liabilities		
Trade and other payables	18,497,436	11,660,543
Amount due to associate company	244,450	240,760
Finance payables	361,570	523,649
Term loans	2,764,197	2,133,850
Tax payables	2,280	1,553
	21,869,933	14,560,355
Net current assets	36,410,359	37,253,296
	73,196,239	73,816,286
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	1,317,086	1,065,574
Retained profit	19,609,071	19,358,580
	62,506,157	62,004,154
Minority interest	2,795,482	2,457,475
Total equity	65,301,639	64,461,629
Finance payables	625,847	820,433
Term loans	7,268,753	8,534,224
	73,196,239	73,816,286
Net assets per share attributable to ordinary equity holders of the Company (sen)	15.03	14.91

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

<----- Attributable to Equity Holders of the Company ----->

	Non-Distributable			Distributable		Minority Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit RM	Total RM		
At 1 May 2009	41,580,000	5,558,840	(4,493,266)	19,358,580	62,004,154	2,457,475	64,461,629
Currency translation differences	-	-	251,512	-	251,512	-	251,512
Net income recognised directly in equity	41,580,000	5,558,840	(4,241,754)	19,358,580	62,255,666	2,457,475	64,713,141
Net profit for the period	-	-	-	250,491	250,491	338,007	588,498
At 31 October 2009	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,241,754)</u>	<u>19,609,071</u>	<u>62,506,157</u>	<u>2,795,482</u>	<u>65,301,639</u>
At 1 May 2008	41,580,000	5,558,840	(4,863,464)	26,069,204	68,344,580	2,944,674	71,289,254
Currency translation differences	-	-	(595,087)	-	(595,087)	-	(595,087)
Net income recognised directly in equity	41,580,000	5,558,840	(5,458,551)	26,069,204	67,749,493	2,944,674	70,694,167
Net loss for the period	-	-	-	(4,605,301)	(4,605,301)	(31,558)	(4,636,859)
At 31 October 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(5,458,551)</u>	<u>21,463,903</u>	<u>63,144,192</u>	<u>2,913,116</u>	<u>66,057,308</u>

(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 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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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 TO-DATE 31 OCTOBER 2009	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2008
	RM	RM
Cash flows from operating activities		
Profit/ (loss) before taxation	588,673	(4,443,249)
Adjustments for non-cash flow:		
Non-cash items	2,170,067	3,147,300
Finance costs	394,092	344,693
Interest income	(73,815)	(53,216)
Operating profit/ (loss) before working capital changes	<u>3,079,017</u>	<u>(1,004,472)</u>
Changes in working capital:		
Net change in current assets	(16,897,376)	(2,930,204)
Net change in current liabilities	6,342,490	6,782,046
Cash (used in)/ generated from operations	<u>(7,475,869)</u>	<u>2,847,370</u>
Finance costs	(394,092)	(344,693)
Interest income	73,815	53,216
Income tax refund/ (paid)	452,608	(163,136)
Net cash (used in)/ generated from operating activities	<u>(7,343,538)</u>	<u>2,392,757</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(856,206)	(8,495,469)
Research and development expenditure paid	(1,003,020)	(579,254)
Proceeds from disposal of property, plant and equipment	287,000	-
Net cash used in investing activities	<u>(1,572,226)</u>	<u>(9,074,723)</u>
Cash flows from financing activities		
Drawdown of term loan	-	5,376,725
Repayment of finance payables	(509,666)	(122,882)
Repayment of term loans	(952,524)	(1,434,113)
Net cash (used in)/ generated from financing activities	<u>(1,462,190)</u>	<u>3,819,730</u>
Net decrease in cash and cash equivalents	(10,377,954)	(2,862,236)
Cash and cash equivalents at 1 May	13,963,804	14,675,294
Translation differences	186,446	(828,294)
Cash and cash equivalents at end of period	<u><u>3,772,296</u></u>	<u><u>10,984,764</u></u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	3,772,296	8,934,038
Fixed deposit with a licensed bank	-	2,080,000
Bank overdraft	-	(29,274)
	<u><u>3,772,296</u></u>	<u><u>10,984,764</u></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 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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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 ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

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 2009.

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 April 2009.

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 2009.

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 under review.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities of the Company for the current quarter under review.

A7. Dividend paid

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

A8. Segmental information

The segmental analysis of revenue and profit before taxation of the Group for the financial period ended 31 October 2009 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	19,431,311	19,272,088	(4,739,413)	33,963,986
(Loss)/profit before tax	(856,999)	1,445,672	-	588,673

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 are no material events subsequent to the quarter ended 31 October 2009, except as disclosed below.

a) Disposal of Code Wireless Pte Ltd

On 12 October 2009, Godynamic Investments Ltd (“GIL”), a 51% owned subsidiary of Nextnation Network Sdn Bhd (“NNSB”), a wholly owned subsidiary of the Company had enter into share sale agreement with Fast Wind Investments Limited in relation to the disposal of its wholly-owned subsidiary company, namely Code Wireless Pte Ltd for a purchase consideration of USD 10,000. On 2 November 2009, Code Wireless Pte Ltd ceased to be a subsidiary of GIL upon conclusion of the terms and conditions of the share sale agreement.

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

b) Disposal of Ozura Sdn Bhd

On 20 October 2009, the Company entered into a share sale agreement with Right Grand Limited (“RGL”) in relation to the disposal of the Company’s entire 100% or 100,000 ordinary shares in Ozura Sdn Bhd (“OSB”) for a purchase consideration of RM3,830,000. On 1 December 2009, OSB ceased to be a subsidiary of the Company upon conclusion of the terms and conditions of the share sale agreement.

c) Disposal of Nextnation Qahaar Venture Pte Ltd

On 2 December 2009, the Company announce that Nextnation Collection Sdn. Bhd., (“NCSB”) a wholly-owned subsidiary of the Company will be disposing its entire 100% equity interest in Nextnation Qahaar Venture Pte. Ltd., (“NQVPL”) to Mr. Chew Chwang Hai and Ms. Lim May Ching for a total cash consideration of Singapore Dollar 2 on a willing-buyer-willing-seller basis.

Upon completion of the said disposal, NQVPL shall ceased to be a subsidiary of NCSB and accordingly, Qahaar Infracom Pte. Ltd. (“QIPL”), a wholly-owned subsidiary of NQVPL and Qahaar Telecoms Pte. Ltd., a 20% equity interest entity held by QIPL , shall ceased to be related to the Company.

d) Strike-off Qahaar Telecoms Sdn. Bhd.

On 24 November 2009, Qahaar Telecoms Sdn. Bhd. (“QTSB”), an associate company of Nextnation Communication Berhad had submitted an application to the Companies Commission Of Malaysia (“CCM”) to strike-off the name of QTSB from the register of CCM.

Upon completion of the said striking off, QTSB shall ceased to be an associate company of the Company.

A11. Changes in composition of the Group

There were no changes in the composition of the Group in the current quarter under review.

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A12. Contingent assets or liabilities

Same as disclosed below, the Company does not have any contingent assets or liabilities as at the date of this report.

RM

Contingent liability :

Corporate guarantee granted to a subsidiary company	<u>19,079,989</u>
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A13. Capital commitments

There were no capital commitments as at the date of this report.

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**ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING
REQUIREMENTS OF BURSA SECURITIES**

B1. Review of performance

(a) Performance of the current quarter against the preceding quarter

For the current quarter ended 31 October 2009, the Group recorded revenue of RM20.0 million as compared to RM14.0 million recorded in the previous quarter ended 31 July 2009. The Group's revenue increased by 42.86% as a result of slight improvement of sales for the Group's products and services. Aggressive marketing effort has also contributed for the increase in revenue.

The Group recorded a profit before taxation of RM0.3 million for the current quarter ended 31 October 2009 as compared to profit before taxation RM0.29 million recorded in the previous quarter ended 31 July 2009. The slight increase in profit before taxation was mainly contributed by the increase in demand for the Group's products and relatively lower administrative expenses.

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

The Group's revenue of RM20.0 million in the current quarter ended 31 October 2009 represents an increase in revenue of RM6.1 million as compared to RM13.9 million reported in the preceding year's corresponding quarter. The increase of 43.88% in revenue was mainly attributed by the improvement of sales for the Group's products and services.

The Group recorded a profit before taxation of RM0.3 million in the current quarter ended 31 October 2009 as compared to a loss before taxation of RM2.6 million recorded for the preceding year corresponding quarter ended 31 October 2008. The improvement in financial performance was mainly attributable from the increase in demand for the Group's products and services. The improvement in financial performance was mainly attributable by relatively lower administrative expenses. Aggressive marketing effort has also contributed for the increase in revenue.

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B2. Next year's prospect

The Group expects to face a difficult business environment in the next financial year given the volatile global economic climate and challenges assailing the global information technology industry. In tandem with slower economic growth, the demand for mobile applications and value added services is expected to be lower. The Board of Directors of Nextnation continues to be concerned with these unprecedented challenges, especially the volatility of the global economy.

Notwithstanding this, the Group will continue during this challenging business environment to focus on its technology, product development, service enhancement, market expansion, and maintaining or securing strategic partnerships. The Group is committed to implement measures that will increase its operational efficiency and mitigate the impact of these external factors to some extent. The Group will also look for new sources of income, including expanding its international footprint and diversifying its earnings base abroad, where appropriate. This however, will only be undertaken with due diligence and professional assessment of the risks involved.

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
	31.10.2009 RM	31.10.2008 RM	31.10.2009 RM	31.10.2008 RM
Current period's provision	5,247	(182)	(5,597)	(193,610)
Overprovision	-	-	5,422	-
Total	5,247	(182)	(175)	(193,610)

Taxation is calculated at the rate prevailing in the respective jurisdictions.

There is minimal taxation despite the fact that the Group incurred losses for the period under review mainly due to tax losses on certain subsidiary companies that cannot be set-off against other companies within the Group.

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

B6. Purchase and disposal of 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 and utilisation of proceeds

There were no corporate proposals announced but not completed as at 23 December 2009, being the last practicable date for the issue of this report.

B8. Borrowings and debt securities

Save as disclosed below, the Group does not have any loan outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 October 2009.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,975,575	7,894,600
Indonesia Rupiah	421,769,166 <i>(equivalent to RM150,192)</i>	-

The above borrowings are in both the Malaysian and Indonesian currencies. 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 as at the date of this report.

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B10. Material litigation

On 22 January 2009, a wholly-owned subsidiary of the Company, Usape Nelson Wireless Sdn Bhd (“Usape” or “Plaintiff”) had serve a writ of summons and statement of claim amounting to RM19,916,823 to Macro Kiosk Berhad (“MKB” or “Defendant”) for breach of partnership agreement entered into between Usape and MKB dated 2 July 2004. On 10 March 2009, the Defendant has entered their statement of defence. The suit is currently in the stage of case management meeting. The Directors of Nextnation are of the opinion that the writ of summons and statement of claims is not expected to have any material financial and operating impact on the Group as at the date of this report. The Group is not engaged in any other material litigation, either as plaintiff or defendant, and the Directors of Nextnation do not have any knowledge of any other proceedings pending or threatened against the Group as at the date of this report.

B11. Dividend

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

B12. Profit/ (loss) Earnings per share

The basic profit/ (loss) per share for the current quarter ended 31 October 2009 has been calculated based on the net profit/ (loss) for the period attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.10.2009	Preceding year corresponding quarter 31.10.2008	Current year to-date 31.10.2009	Preceding year corresponding period 31.10.2008
Net profit/ (loss) for the period attributable to the ordinary equity holder of the Company (RM'000)	146	(2,792)	251	(4,605)
Weighted average number of ordinary shares in issue ('000)	415,800	415,800	415,800	415,800
Basic profit/ (loss) earnings per share attributable to equity holders of the Company (sen)	0.04	(0.67)	0.06	(1.11)