

NEXTNATION COMMUNICATION BERHAD

(Company No. 660055-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2010**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2010**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 OCTOBER 2010 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2009 RM	CURRENT YEAR TO-DATE 31 OCTOBER 2010 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2009 RM
Revenue		19,742,161	19,961,791	35,494,549	33,963,986
Operating expenses		(18,224,621)	(18,250,037)	(32,522,073)	(30,583,673)
Profit from operations		1,517,540	1,711,754	2,972,476	3,380,313
Depreciation and amortisation		(896,341)	(1,235,567)	(2,057,753)	(2,471,363)
Finance costs		(158,189)	(206,399)	(332,446)	(394,092)
Interest income		36,901	29,365	57,738	73,815
Profit before taxation		499,911	299,153	640,015	588,673
Taxation	B4	14,309	5,247	(17,095)	(175)
Profit for the period		514,220	304,400	622,920	588,498
Other Comprehensive income					
Foreign currency translation		503,731	(310,293)	31,860	251,512
		503,731	(310,293)	31,860	251,512
Total Comprehensive income/ (loss) for the period		1,017,951	(5,893)	654,780	840,010
Attributable to:					
Shareholders of the Company		166,348	145,837	267,550	250,491
Minority interest		347,872	158,563	355,370	338,007
Profit for the period		514,220	304,400	622,920	588,498
Total comprehensive income attributable to:					
Shareholders of the Company		670,079	(164,456)	299,410	502,003
Minority interest		347,872	158,563	355,370	338,007
Total comprehensive income/ (loss) for the period		1,017,951	(5,893)	654,780	840,010
Profit per share attributable to the equity holders of the Company					
- Basic (sen)	B12	0.04	0.04	0.06	0.06
- 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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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ENDED 31 OCTOBER 2010**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT 31 OCTOBER 2010 (UNAUDITED) RM	AT 30 APRIL 2010 (AUDITED) RM
Property, plant and equipment	19,794,449	20,221,349
Research and development expenditure	13,518,242	13,566,105
Intangible asset	1,169,013	1,382,326
Goodwill on consolidation	920,473	920,473
Fixed deposits with a licensed bank	558,189	552,137
Current assets		
Trade and other receivables	59,577,143	52,883,813
Amount due from associate company	1,263,383	1,338,111
Tax recoverable	663,344	665,634
Fixed deposits with a licensed bank	870,000	885,000
Cash and bank balances	1,919,355	4,423,066
	<u>64,293,225</u>	<u>60,195,624</u>
Current liabilities		
Trade and other payables	20,889,979	17,270,891
Finance payables	337,629	359,073
Term loans	2,635,048	2,643,962
Tax payables	625	625
Bank overdraft	892,819	832,142
	<u>24,756,100</u>	<u>21,106,693</u>
Net current assets	39,537,125	39,088,931
	<u>75,497,491</u>	<u>75,731,321</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	1,005,917	974,057
Retained profit	24,113,300	23,845,750
	<u>66,699,217</u>	<u>66,399,807</u>
Minority interest	2,237,022	1,881,652
Total equity	68,936,239	68,281,459
Finance payables	970,803	1,175,245
Term loans	5,590,449	6,274,617
	<u>75,497,491</u>	<u>75,731,321</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	<u>16.04</u>	<u>15.97</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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<----- 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 2010	41,580,000	5,558,840	(4,584,783)	23,845,750	66,399,807	1,881,652	68,281,459
Currency translation differences	-	-	31,860	-	31,860	-	31,860
Net income recognised directly in equity	41,580,000	5,558,840	(4,552,923)	23,845,750	66,431,667	1,881,652	68,313,319
Net profit for the period	-	-	-	267,550	267,550	355,370	622,920
At 31 October 2010	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,552,923)</u>	<u>24,113,300</u>	<u>66,699,217</u>	<u>2,237,022</u>	<u>68,936,239</u>
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>

(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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR TO-DATE 31 OCTOBER 2010	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2009
	RM	RM
Cash flows from operating activities		
Profit before taxation	640,015	588,673
Adjustments for non-cash flow:		
Non-cash items	2,058,812	2,170,067
Finance costs	332,446	394,092
Interest income	(57,738)	(73,815)
Operating profit before working capital changes	<u>2,973,535</u>	<u>3,079,017</u>
Changes in working capital:		
Net change in current assets	(6,460,485)	(16,897,376)
Net change in current liabilities	<u>3,561,556</u>	<u>6,342,490</u>
Cash generated from/ (used in) operations	74,606	(7,475,869)
Finance costs	(332,446)	(394,092)
Interest income	57,738	73,815
Income tax (paid)/ refund	(14,805)	452,608
Net cash used in operating activities	<u>(214,907)</u>	<u>(7,343,538)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,032,651)	(856,206)
Research and development expenditure paid	(374,050)	(1,003,020)
Proceeds from disposal of property, plant and equipment	2,000	287,000
Net cash used in investing activities	<u>(1,404,701)</u>	<u>(1,572,226)</u>
Cash flows from financing activities		
Drawdown of term loan	841,107	-
Repayment of finance payables	(225,886)	(509,666)
Repayment of term loans	(1,640,827)	(952,524)
Net cash used in financing activities	<u>(1,025,606)</u>	<u>(1,462,190)</u>
Net decrease in cash and cash equivalents	(2,645,214)	(10,377,954)
Cash and cash equivalents at 1 May	4,475,924	13,963,804
Translation differences	65,826	186,446
Cash and cash equivalents at end of period	<u><u>1,896,536</u></u>	<u><u>3,772,296</u></u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	1,919,355	3,772,296
Fixed deposit with a licensed bank	870,000	-
Bank overdraft	(892,819)	-
	<u><u>1,896,536</u></u>	<u><u>3,772,296</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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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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 2010.

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 2010.

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 2010.

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.

A6. Debts and equity securities

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

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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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 2010 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	14,681,723	22,446,498	(1,633,672)	35,494,549
(Loss)/ Profit before taxation	(249,593)	889,608	-	640,015

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 2010.

A11. Changes in composition of the Group

Other than as disclosed below, there were no changes in the composition of the Group during the financial period-to-date.

Strike-off Qahaar Telecoms Sdn. Bhd.

On 24 November 2009, Qahaar Telecoms Sdn. Bhd. ("QTSB"), an associated 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.

QTSB has been struck off and dissolved following the publication of the notices of striking off pursuant to Section 308(4) of the Companies Act 1965 in the Gazette which was obtained by NCB on 18 October 2010.

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A12. Contingent assets or liabilities

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

	RM
<u>Contingent liability :</u>	
Corporate guarantee granted to a subsidiary company	<u>8,225,496</u>

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 2010, the Group recorded revenue of RM19.7 million as compared to RM15.8 million recorded in the previous quarter ended 31 July 2010. The Group's revenue increased by 25.32% as a result of improvement of sales for the Company's products and services. Aggressive marketing effort has also positively contributed to the Group's revenue for the current quarter under review.

The Group recorded a profit before taxation of RM0.5 million for the current quarter ended 31 October 2010 as compared to profit before taxation of RM0.1 million recorded in the previous quarter ended 31 July 2010. The increase in profit before taxation was mainly contributed by the increase in demand for the Group's products and relatively lower amortisation and finance costs.

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

The Group's revenue of RM19.7 million in the current quarter ended 31 October 2010 represents an decrease in revenue of RM0.2 million as compared to RM20.0 million reported in the preceding year's corresponding quarter. The decrease of 1.1% in revenue was mainly attributed by the slight decrease in sales for the Company's products and services.

The Group recorded a profit before taxation of RM0.5 million in the current quarter ended 31 October 2010 as compared to profit before taxation of RM0.3 million recorded for the preceding year corresponding quarter ended 31 October 2009. The improvement in financial performance was mainly attributable by relatively lower amortisation and finance cost.

B2. Current year's prospect

Looking into the future, the Management foresees a rapid growth in the wireless application and mobile solutions industry. As such the Group will continue to penetrate into existing markets, and also explore opportunities by using its expertise and business network to expand into new ones. The Group will continue to emphasize on investment in the area of research and development of new technologies in the platform and mobile content business in order to support the latest mobile devices and technology, and roll-out new and innovative products and services.

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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
	31.10.2010 RM	31.10.2009 RM	31.10.2010 RM	31.10.2009 RM
Current period's provision	14,309	5,247	(17,095)	(5,597)
Overprovision	-	-	-	5,422
Total	14,309	5,247	(17,095)	(175)

B5. Profit/ (loss) 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.

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 by the Company for the current quarter under review.

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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 2010.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,895,187	6,445,023
Indonesia Rupiah	222,672,413 <i>(equivalent to RM77,490)</i>	333,991,379 <i>(equivalent to RM116,229)</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.

B10. Material litigation

On 22 January 2009, a wholly-owned subsidiary of the Company, Usape Nelson Wireless Sdn Bhd ("Usape" or "Plaintiff") served a Writ of Summons and Statement of Claim amounting to RM19,916,823 to Macro Kiosk Berhad ("MKB" or "Defendant") for breach of a Partnership Agreement entered into between Usape and MKB, dated 2 July 2004. On 10 March 2009, the Defendant entered their Statement of Defence. The Plaintiff later filed an application for interim payment on 21 July 2009 to seek the Court's order for the Defendant to pay RM1,028,017.07 prior to the full disposal of the trial. The Plaintiff's application was allowed by the Court on 13 January 2010 and the interim payment of RM1,028,017.07 has been made by the Defendant accordingly.

The Defendant recently amended its Statement of Defence and the Plaintiff is required to file a reply to the amended Statement of Defence. As at 30 April 2010, all cause papers have been filed in the High Court and preparations for a full trial have been completed. The suit is currently at the stage of case management, scheduled for 19 January 2011. The full trial date is set to be heard before YA Dato' Tengku Maimun from 21-25 February 2011.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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The Directors of Nextnation are of the opinion that the suit is not expected to have any material adverse impact on the Group's financial and operational status as at the date of this report.

Save for the above, 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. Earnings per share

The basic earnings per share for the current quarter ended 31 October 2010 has been calculated based on the net profit 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 31.10.2010	Preceding year corresponding quarter 31.10.2009	Current year to-date 31.10.2010	Preceding year corresponding period 31.10.2009
Net profit for the period attributable to the ordinary equity holder of the Company (RM'000)	166	146	268	251
Weighted average number of ordinary shares in issue ('000)	415,800	415,800	415,800	415,800
Basic profit earnings per share attributable to equity holders of the Company (sen)	0.04	0.04	0.06	0.06