

NEXTNATION COMMUNICATION BERHAD

(Company No. 660055-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 JULY 2011**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2011**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JULY 2011	PRECEDING YEAR CORRESPONDING QUARTER 31 JULY 2010	CURRENT YEAR TO-DATE 31 JULY 2011	PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2010
	NOTE	RM	RM	RM	RM
Revenue		14,483,049	15,752,388	14,483,049	15,752,388
Operating expenses		(14,112,254)	(14,297,453)	(14,112,254)	(14,297,453)
Profit from operations		370,795	1,454,935	370,795	1,454,935
Depreciation and amortisation		(872,823)	(1,161,412)	(872,823)	(1,161,412)
Finance costs		(143,955)	(174,257)	(143,955)	(174,257)
Interest income		19,754	20,837	19,754	20,837
Gain on disposal of subsidiary company		3,998,211	-	3,998,211	-
Profit before taxation		3,371,982	140,103	3,371,982	140,103
Taxation	B4	-	(31,404)	-	(31,404)
Profit for the period		3,371,982	108,699	3,371,982	108,699
Other comprehensive gain/ (loss)					
Foreign currency translation		1,189,551	(471,871)	1,189,551	(471,871)
		1,189,551	(471,871)	1,189,551	(471,871)
Total comprehensive income/ (loss) for the period		4,561,533	(363,172)	4,561,533	(363,172)
Profit for the period attributable to:					
Owners of the parent		3,154,765	112,076	3,154,765	112,076
Non-controlling interests		217,216	(3,377)	217,216	(3,377)
Profit for the period		3,371,981	108,699	3,371,981	108,699
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		4,344,316	(370,670)	4,344,316	(370,670)
Non-controlling interests		217,216	7,498	217,216	7,498
Total comprehensive income/ (loss) for the period		4,561,532	(363,172)	4,561,532	(363,172)
Earnings per share attributable to owners of the parent (sen):-					
- Basic (sen)	B13	0.76	0.03	0.76	0.03
- 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 2011 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT 31 JULY 2011 (UNAUDITED) RM	AT 30 APRIL 2011 (AUDITED) RM
ASSETS		
Non-current assets		
Property, plant and equipment	18,431,917	19,167,429
Research and development expenditure	17,966,997	17,984,035
Intangible asset	1,169,013	1,169,013
Investment in associate	146,920	-
Goodwill on consolidation	920,473	920,473
Total non-current assets	<u>38,635,320</u>	<u>39,240,950</u>
Current assets		
Trade and other receivables	47,766,531	43,916,566
Amount due from associate company	1,822,932	1,820,063
Tax recoverable	656,600	826,990
Assets held for sale	3,158,141	6,775,662
Fixed deposits with a licensed bank	562,223	562,223
Cash and bank balances	3,738,152	2,328,645
Total current assets	<u>57,704,579</u>	<u>56,230,149</u>
Total assets	<u><u>96,339,899</u></u>	<u><u>95,471,099</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the parent:		
Share capital	41,580,000	41,580,000
Reserves	88,885	(1,100,666)
Retained earnings	28,152,902	24,998,137
	<u>69,821,787</u>	<u>65,477,471</u>
Non-controlling interests	2,329,395	2,112,179
Total equity	<u>72,151,182</u>	<u>67,589,650</u>
LIABILITIES		
Non-current liabilities		
Finance lease payables	862,200	957,983
Term loans	8,340,466	8,279,689
Total non-current liabilities	<u>9,202,666</u>	<u>9,237,672</u>
Current liabilities		
Trade and other payables	12,453,219	12,158,603
Finance lease payables	377,744	371,722
Term loans	1,294,815	1,837,201
Liabilities directly associate with assets held for sale	-	3,422,433
Bank overdraft	860,273	853,818
Total current liabilities	<u>14,986,051</u>	<u>18,643,777</u>
Total liabilities	<u>24,188,717</u>	<u>27,881,449</u>
Total equity and liabilities	<u><u>96,339,899</u></u>	<u><u>95,471,099</u></u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	<u><u>16.79</u></u>	<u><u>15.75</u></u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2011 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 owners of the parent ----->						
	Non-Distributable			Distributable			
	Share capital RM	Share premium RM	Translation reserve RM	Retained earnings RM	Total RM	Non- controlling interests RM	Total equity RM
At 1 May 2011	41,580,000	5,558,840	(6,659,506)	24,998,137	65,477,471	2,112,179	67,589,650
Foreign currency translation	-	-	1,189,551	-	1,189,551	-	1,189,551
Profit for the financial period	-	-	-	3,154,765	3,154,765	217,216	3,371,981
Total comprehensive income for the financial period	-	-	1,189,551	3,154,765	4,344,316	217,216	4,561,532
At 31 July 2011	<u>41,580,000</u>	<u>5,558,840</u>	<u>(5,469,955)</u>	<u>28,152,902</u>	<u>69,821,787</u>	<u>2,329,395</u>	<u>72,151,182</u>
At 1 May 2010	41,580,000	5,558,840	(4,672,349)	23,933,316	66,399,807	1,881,652	68,281,459
Foreign currency translation	-	-	(482,746)	-	(482,746)	10,875	(471,871)
Profit for the financial period	-	-	-	112,076	112,076	(3,377)	108,699
Total comprehensive income for the financial period	-	-	(482,746)	112,076	(370,670)	7,498	(363,172)
At 31 July 2010	<u>41,580,000</u>	<u>5,558,840</u>	<u>(5,155,095)</u>	<u>24,045,392</u>	<u>66,029,137</u>	<u>1,889,150</u>	<u>67,918,287</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 2011 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	CURRENT YEAR TO-DATE 31 JULY 2011	CUMULATIVE QUARTER PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2010
	RM	RM
Cash flows from operating activities		
Profit before taxation	3,371,982	140,103
Adjustments for non-cash flow:		
Non-cash items	1,103,008	1,161,412
Finance costs	204,784	174,257
Interest income	(19,754)	(20,837)
Operating profit before working capital changes	<u>4,660,020</u>	<u>1,454,935</u>
Changes in working capital:		
Net change in current assets	(3,477,012)	(4,756,105)
Net change in current liabilities	<u>465,006</u>	<u>3,461,503</u>
Cash generated from operations	<u>1,648,014</u>	<u>160,333</u>
Finance costs	(204,784)	(174,257)
Interest income	19,754	20,837
Income tax refund	<u>-</u>	<u>(58,833)</u>
Net cash from/(used in) operating activities	<u>1,462,984</u>	<u>(51,920)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(127,065)	(580,481)
Research and development expenditure paid	(215,662)	(343,064)
Proceeds from disposal of property, plant and equipment	<u>2,850</u>	<u>-</u>
Net cash used in investing activities	<u>(339,877)</u>	<u>(923,545)</u>
Cash flows from financing activities		
Drawdown of term loan	-	476,102
Drawdown of finance payables	-	(139,405)
Repayment of finance payables	(109,536)	-
Repayment of term loans	<u>(728,187)</u>	<u>(994,633)</u>
Net cash used in financing activities	<u>(837,723)</u>	<u>(657,936)</u>
Net increase/(decrease) in cash and cash equivalents	285,383	(1,633,401)
Cash and cash equivalents at 1 May	2,037,050	4,475,924
Translation differences	<u>1,117,670</u>	<u>(469,136)</u>
Cash and cash equivalents at end of period	<u><u>3,440,103</u></u>	<u><u>2,373,387</u></u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	3,738,152	2,157,185
Fixed deposit with a licensed bank	562,223	1,068,000
Bank overdraft	<u>(860,273)</u>	<u>(851,798)</u>
	<u><u>3,440,102</u></u>	<u><u>2,373,387</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 2011 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST 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 2011.

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 2011.

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 2011.

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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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 July 2011 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	4,149,286	10,736,537	(402,774)	14,483,049
Profit before taxation	2,599,304	957,186	(184,508)	3,371,982

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 July 2011.

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 year-to-date.

a) Disposal of 40% equity interest in PT Nextnation Prisma ("PTNP")

On 4 May 2011, Nextnation Interactive Sdn. Bhd. ("NI"), a wholly-owned subsidiary of Nextnation entered into a Management Buyout ("MBO") Agreement to dispose its 40% equity interest, representing 40,000 ordinary shares of PTNP to Hendra Widjaja and Rafli bin Ridwan for a total consideration of RM3,553,700.00. Upon completion of the disposal, PTNP shall become an associate company of NI.

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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

Contingent liability :

Corporate guarantee granted to a subsidiary company	<u>6,982,582</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 July 2011, the Group recorded revenue of RM14.5 million as compared to RM17.1 million which recorded in the previous quarter ended 30 April 2011. The Group's revenue decreased by 15.20% as a result of the lower demand for the Group's products and services. The reduced spending by both the consumer market and also the telecommunication companies in the form of marketing has severely hampered the Group's revenue for the current quarter under review.

The Group recorded a profit before taxation of RM3.4 million for the current quarter ended 31 July 2011 as compared to profit before taxation of RM0.4 million recorded in the previous quarter ended 30 April 2011. The increase in profit before taxation was mainly contributed by the gain from a disposal of a subsidiary company amounted to RM4.0 million.

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

The Group's revenue of RM14.5 million in the current quarter ended 31 July 2011 represents an decrease in revenue of RM1.3 million as compared to RM15.8 million reported in the preceding year's corresponding quarter. The decrease of 8.22% in revenue was mainly attributed by the slight decline in sales for the Group's products and services.

The Group recorded a profit before taxation of RM3.4 million in the current quarter ended 31 July 2011 as compared to profit before taxation of RM0.1 million recorded for the preceding year corresponding quarter ended 31 July 2010 mainly due to the gain on disposal of a subsidiary company that was recorded in the current quarter.

B2. Next year's prospect

Moving forward, the Management's priority is to continue to penetrate into existing markets and to explore opportunities through development of new technology, products and services. As such, the Group will continue to emphasise on investment in the area of research and development and development of new technologies in the platform and mobile content business. Furthermore, the Group has also taken steps to implement stringent cost control in order to achieve greater operational efficiency and effectiveness. With all these strategies planned out and government's ICT-friendly policies, we are optimistic that the Group is well-positioned for a steady growth performance in the coming financial year.

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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
	31.07.2011 RM	31.07.2010 RM	31.07.2011 RM	31.07.2010 RM
Current period's provision	-	31,404	-	31,404
Underprovision	-	-	-	-
Total	-	31,404	-	31,404

B5. Profit/ (loss) on sales of unquoted investment and/or properties

Profit on disposal of unquoted investments in the Group of RM4.0 million which was reflected in the current quarter under review and current financial year to-date's financial statements was related to the disposal of a subsidiary company as detailed in Note A11.

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.

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Save as disclosed below, there were no corporate proposals announced but no completed as at 27 September 2011, being the latest practicable date for the issue of this report.

a) Disposal of two (2) units of retail lots and four (4) units of office lots

On 30 May 2011, Nextnation Network Sdn. Bhd. ("NN"), a wholly-owned subsidiary of the Company, had entered into six (6) sets of Sale and Purchase Agreements ("SPAs") with the following Purchasers to dispose of two (2) units of retail lots and four (4) units of office lots of Block B, Setia Walk together with Accessory Parcel erected in the Master Land held under HS(D) 252736 PT 5978 (formerly known as Geran 53924 Lot 53578), Pekan Kinrara, District of Petaling, State of Selangor for a total cash consideration of RM4,500,000:

- i) Stickerportal Sdn. Bhd.;
- ii) Avidco Asia Pacific Sdn. Bhd.;
- iii) Neo Khoo Chuan;
- iv) Leong Wai Kuan; and
- v) Sim Kian Boon and Tan Suet Leng.

The disposals of the abovementioned properties are expected to be completed once the Certificate of Fitness is issued by the developer. The sale proceeds will be utilised for working capital of the Group in the next twelve (12) months.

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 July 2011.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,206,753	6,674,340
Indonesia Rupiah	931,654,337 <i>(equivalent to RM326,079)</i>	7,223,786,148 <i>(equivalent to RM2,528,326)</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.

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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. Realised and unrealised profits

	As at 31.07.2011 RM	As at 30.04.2011 RM
Total accumulated losses of the Company and its subsidiary companies:		
- Realised	(2,782,275)	(5,944,425)
- Unrealised	-	(735,785)
	(2,782,275)	(6,680,210)
Total share of accumulated losses from the associate company:		
- Realised	(617,569)	(866,647)
	(3,399,844)	(7,546,857)
Less: Consolidation adjustments	31,552,746	32,544,994
Total retained profits as per Statement of Financial Position	28,152,902	24,998,137

B11. 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.

On 30 April 2010, all cause papers were filed in the High Court and preparations for a full trial were completed. The trial was held on 23 & 24 February 2011.

On 14 April 2011, the Court dismissed the Plaintiff's claims for loss of profit and exemplary damages on the grounds that there were no sufficient evidence provided by witness and documents on the said claims. Usape is currently still awaiting for the official written judgement to be issued by the High Court in order to further analyse and determine the next course of legal recourse pertaining to this case.

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

B13. Earnings per share

The basic earnings per share for the current quarter ended 31 July 2011 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 31.07.2011	Preceding year corresponding quarter 31.07.2010	Current year to-date 31.07.2011	Preceding year corresponding period 31.07.2010
Net profit for the period attributable to the ordinary equity holder of the Company (RM'000)	3,155	112	3,155	112
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)	0.76	0.03	0.76	0.03