

NEXTNATION COMMUNICATION BERHAD
(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

REPORTS AND FINANCIAL STATEMENTS

30 APRIL 2009

SJ GRANT THORNTON
Member of Grant Thornton International
CHARTERED ACCOUNTANTS

NEXTNATION COMMUNICATION BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

30 APRIL 2009

CONTENTS	PAGES
• Corporate Information	2
• Directors' Report	3-7
• Statement by Directors and Statutory Declaration	8
• Independent Auditors' Report	9-10
• Balance Sheets	11-12
• Income Statements	13
• Statements of Changes in Equity	14-15
• Cash Flow Statements	16-17
• Notes to the Financial Statements	18-61

Company No: 660055 H

NEXTNATION COMMUNICATION BERHAD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS

Tey Por Yee
See Poh Yee
Yap Siok Teng
Fu Lit Fung
Leou Thiam Lai
Ungku A. Razak Bin Ungku A. Rahman

SECRETARIES

Chua Siew Chuan (MAICSA No.: 0777689)
Tan Ai Ning (MAICSA No.: 7015852)

AUDITORS

SJ Grant Thornton
(Member of Grant Thornton International)
Chartered Accountants
Level 11, Faber Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

REGISTERED OFFICE

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

**PRINCIPAL PLACE OF
BUSINESS**

No. 909, Block F
Phileo Damansara One
No. 9, Jalan 16/11
46350 Petaling Jaya
Selangor Darul Ehsan

BANKERS

Malayan Banking Berhad
HSBC Bank Malaysia Berhad
AmInvestment Services Berhad

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2009.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities of the subsidiaries are set out in Note 14 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the financial year	<u>(7,197,823)</u>	<u>(474,531)</u>
Attributable to:-		
Equity holders of the Company	(6,710,624)	(474,531)
Minority interests	<u>(487,199)</u>	<u>-</u>
	<u>(7,197,823)</u>	<u>(474,531)</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Notes to the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due, except as disclosed in Note 36 to the Financial Statements.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:-

- (a) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The Directors who have held for office since the date of the last report are:-

Tey Por Yee
See Poh Yee
Yap Siok Teng
Fu Lit Fung
Leou Thiam Lai
Ungku A. Razak Bin Ungku A. Rahman

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 30 April 2009 as recorded in the Register of Directors' Shareholding kept by the Company under Section 134 of the Companies Act, 1965 were as follows:-

<u>Direct interest</u>	Number of ordinary shares of RM0.10 each			
	<u>As at</u> <u>01.05.2008</u>	<u>Bought</u>	<u>Sold</u>	<u>As at</u> <u>30.04.2009</u>
Tey Por Yee	10,177,500	-	-	10,177,500
See Poh Yee	5,930,000	-	-	5,930,000
Yap Siok Teng	150,000	-	-	150,000
<u>Deemed interest</u>				
Tey Por Yee*	129,600,000	-	-	129,600,000
See Poh Yee*	129,600,000	-	-	129,600,000

* deemed interest by virtue of his shareholdings in Smart Tower Sdn. Bhd.

Company No: 660055 H

DIRECTORS (CONT'D)

By virtue of Tey Por Yee and See Poh Yee direct and indirect interest in the Company, they also deemed to have interest in the shares of all the subsidiary companies to the extent the Company has an interest under Section 6A of the Companies Act, 1965.

Other than as disclosed above, the Directors at the end of the financial year did not hold any interest in shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of financial year, no arrangements subsisted to which the Group and the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

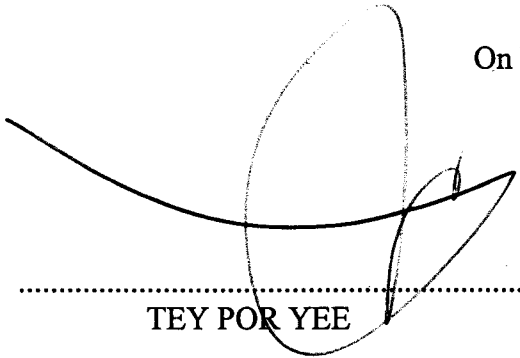
Since the end of previous financial year, no Director has received or become entitled to receive any benefit (except as disclosed in the Notes to the Financial Statement) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

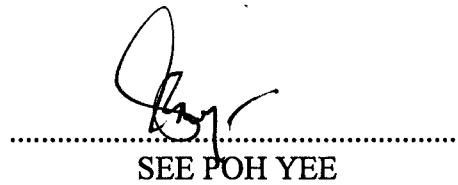
NEXTNATION COMMUNICATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 61 are drawn up in accordance with the provisions of Companies Act, 1965 and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 April 2009 and of the results and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board


.....
TEY POR YEE

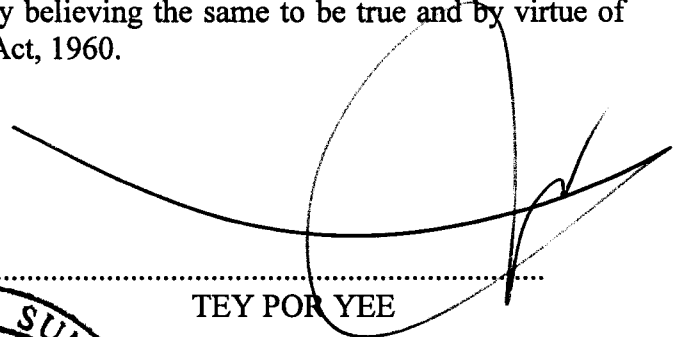

.....
SEE POH YEE

Kuala Lumpur
27 August 2009

STATUTORY DECLARATION

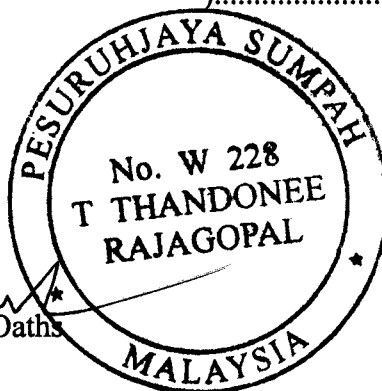
I, Tey Por Yee, being the Director primarily responsible for the financial management of Nextnation Communication Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 61 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
27 August 2009)


.....
TEY POR YEE

Before me:


Commissioner for Oaths



Lot LG 27B, Lower Ground Floor
Wilayah Complex,
2, Jalan Munshi Abdullah
50100 Kuala Lumpur
MALAYSIA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**NEXTNATION COMMUNICATION BERHAD**

(Incorporated in Malaysia)

Company No: 660055 H

SJ Grant Thornton (AF:0737)

Level 11, Faber Imperial Court
Jalan Sultan Ismail,
P. O. Box 12337
50774 Kuala Lumpur, Malaysia

T +6 (03) 2692 4022

F +6 (03) 2691 5229

www.gt.com.my

Report on the Financial Statements

We have audited the financial statements of Nextnation Communication Berhad, which comprise the balance sheets as at 30 April 2009 of the Group and of the Company, the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 61.

Directors' Responsibilities for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No: 660055 H

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2009 and of their financial performance and cash flows for the financial year then ended.

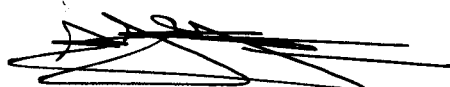
Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:-

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, as disclosed in Note 14 to the Financial Statements.
- c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The auditors' reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174 (3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS



DATO' N. K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/10(J/PH))

Kuala Lumpur
27 August 2009

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 APRIL 2009

	<u>Note</u>	Group		Company	
		<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Share capital	5	41,580,000	41,580,000	41,580,000	41,580,000
Reserves	6	1,065,574	695,376	5,558,840	5,558,840
Retained profits/ (Accumulated losses)		19,358,580	26,069,204	(1,240,273)	(765,742)
Total shareholders' equity		62,004,154	68,344,580	45,898,567	46,373,098
MINORITY INTERESTS		2,457,475	2,944,674	-	-
TOTAL EQUITY		64,461,629	71,289,254	45,898,567	46,373,098
NON-CURRENT LIABILITIES					
Finance lease liabilities	7	820,433	955,352	-	-
Term loans	8	8,534,224	4,994,624	-	-
Total non-current liabilities		9,354,657	5,949,976	-	-
		73,816,286	77,239,230	45,898,567	46,373,098
NON-CURRENT ASSETS					
Property, plant and equipment	9	20,743,879	14,791,486	-	-
Development expenditure	10	10,410,470	5,913,508	-	-
Intangible assets	11	2,292,325	2,945,388	-	-
Goodwill on consolidation	12	1,302,549	1,302,549	-	-
Investment in associate companies	13	225,240	225,240	-	-
Investment in subsidiary companies	14	-	-	9,500,000	9,500,000
Fixed deposits with a licensed bank	15	538,503	598,000	-	-
Amount due from associate company	16	1,050,024	2,660,031	-	-
Total non-current assets		36,562,990	28,436,202	9,500,000	9,500,000
CURRENT ASSETS					
Trade receivables	17	22,314,423	25,172,226	-	-
Other receivables, deposits and prepayments	18	14,444,229	18,054,531	13,875	86,510
Amount due from subsidiary companies	19	-	-	36,373,559	36,797,504
Tax recoverable		1,091,195	487,511	14,492	9,452
Cash and cash equivalents	20	13,963,804	15,562,865	96,812	84,535
Total current assets		51,813,651	59,277,133	36,498,738	36,978,001

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

BALANCE SHEETS AS AT 30 APRIL 2009 (CONT'D)

	<u>Note</u>	Group		Company	
		<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
		RM	RM	RM	RM
CURRENT LIABILITIES					
Trade payables	21	5,585,036	3,170,744	-	-
Other payables and accruals	22	3,148,675	2,871,476	98,028	104,902
Amount due to subsidiary company	19	-	-	2,143	1
Amount due to associate company	16	240,760	231,814	-	-
Amount due to directors	23	2,926,832	4,002	-	-
Finance lease liabilities	7	523,649	355,634	-	-
Term loans	8	2,133,850	2,871,572	-	-
Tax payables		1,553	1,292	-	-
Bank overdraft	20	-	967,571	-	-
		<u>14,560,355</u>	<u>10,474,105</u>	<u>100,171</u>	<u>104,903</u>
Total current liabilities					
NET CURRENT ASSETS		<u>37,253,296</u>	<u>48,803,028</u>	<u>36,398,567</u>	<u>36,873,098</u>
		<u>73,816,286</u>	<u>77,239,230</u>	<u>45,898,567</u>	<u>46,373,098</u>

The accompanying notes form an integral part of the financial statements

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

**INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2009**

	<u>Note</u>	Group		Company	
		<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Revenue	24	54,937,777	65,145,681	-	-
Cost of sales	25	(40,749,318)	(44,898,181)	-	-
Gross profit		14,188,459	20,247,500	-	-
Other income		239,927	1,766,669	345	42,217
Administration expenses		(20,766,691)	(27,360,098)	(474,876)	(481,048)
Loss from operations		(6,338,305)	(5,345,929)	(474,531)	(438,831)
Finance costs	26	(840,989)	(317,578)	-	-
Loss before taxation	27	(7,179,294)	(5,663,507)	(474,531)	(438,831)
Taxation	28	(18,529)	(434,154)	-	4,110
Net loss for the financial year		<u>(7,197,823)</u>	<u>(6,097,661)</u>	<u>(474,531)</u>	<u>(434,721)</u>
Attributable to:-					
Equity holders of the Company		(6,710,624)	(8,632,032)		
Minority interests		<u>(487,199)</u>	<u>2,534,371</u>		
		<u>(7,197,823)</u>	<u>(6,097,661)</u>		
Loss per share attributable to equity holders of the Company (sen):-					
Loss per ordinary share	29	<u>(1.61)</u>	<u>(2.08)</u>		

The accompanying notes form an integral part of the financial statements

NEXTNATION COMMUNICATION BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2009**

	← Attributable to equity holders of the Company →						
	← Non-distributable →			Distributable			
Group	Share capital RM	Share premium RM	Translation reserve RM	Retained profits RM	Total RM		Minority interests RM
Balance at 1 May 2007	26,820,000	14,918,840	(1,801,022)	34,701,236	74,639,054	410,303	75,049,357
Issued during the financial year	900,000	4,500,000	-	-	5,400,000	-	5,400,000
Capitalised as bonus issue	13,860,000	(13,860,000)	-	-	-	-	-
Currency translation difference	-	-	(3,062,442)	-	(3,062,442)	-	(3,062,442)
Net loss for the financial year	-	-	-	(8,632,032)	(8,632,032)	2,534,371	(6,097,661)
Balance at 30 April 2008	41,580,000	5,558,840	(4,863,464)	26,069,204	68,344,580	2,944,674	71,289,254
Currency translation difference	-	-	370,198	-	370,198	-	370,198
Net loss for the financial year	-	-	-	(6,710,624)	(6,710,624)	(487,199)	(7,197,823)
Balance at 30 April 2009	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,493,266)</u>	<u>19,358,580</u>	<u>62,004,154</u>	<u>2,457,475</u>	<u>64,461,629</u>

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2009 (CONT'D)**

Company	<u>Share capital</u> RM	<u>Share premium</u> RM	<u>Accumulated losses</u> RM	<u>Total</u> RM
Balance at 1 May 2007	26,820,000	14,918,840	(331,021)	41,407,819
Issued during the financial year	900,000	4,500,000	-	5,400,000
Capitalised as bonus issue	13,860,000	(13,860,000)	-	-
Net loss for the financial year	<u>-</u>	<u>-</u>	<u>(434,721)</u>	<u>(434,721)</u>
Balance at 30 April 2008	41,580,000	5,558,840	(765,742)	46,373,098
Net loss for the financial year	<u>-</u>	<u>-</u>	<u>(474,531)</u>	<u>(474,531)</u>
Balance at 30 April 2009	<u><u>41,580,000</u></u>	<u><u>5,558,840</u></u>	<u><u>(1,240,273)</u></u>	<u><u>45,898,567</u></u>

The accompanying notes from an integral part of the financial statements

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2009**

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(7,179,294)	(5,663,507)	(474,531)	(438,831)
Adjustments for:-				
Amortisation of development expenditure	814,699	1,818,559	-	-
Amortisation of intangible assets	871,310	625,163	-	-
Depreciation	3,082,897	1,513,480	-	-
Loss on disposal of subsidiary company	-	312,944	-	-
Loss on disposal of property, plant and equipment	-	29,424	-	-
Interest expense	840,989	317,578	-	-
Interest income	(108,815)	(184,856)	(345)	(42,217)
Allowance for doubtful debts	845,132	-	-	-
Allowance for doubtful debts no longer required	-	(1,389,912)	-	-
Operating loss before working capital changes	(833,082)	(2,621,127)	(474,876)	(481,048)
Changes in working capitals :-				
Receivables	5,602,467	19,830,214	72,635	12,715
Payables	2,691,491	(9,980,875)	(6,874)	28,844
Directors	2,922,830	(92,271)	-	-
Subsidiary companies	-	-	426,087	(5,790,014)
Associate company	1,618,953	(532,048)	-	-
Net cash generated from/(used in) operations	12,002,659	6,603,893	16,972	(6,229,503)
Tax paid	(674,327)	(1,099,084)	(5,040)	(2,509)
Tax refund	52,375	-	-	-
Interest paid	(840,989)	(317,578)	-	-
Interest received	108,815	184,856	345	42,217
Net cash generated from/(used in) operating activities	10,648,533	5,372,087	12,277	(6,189,795)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiary company	-	-	-	(2)
Development expenditure paid	(5,311,661)	(2,617,783)	-	-
Purchase of property, plant and equipment (Note 9)	(8,327,467)	(10,507,519)	-	-
Purchase of intangible assets	-	(2,579,625)	-	-
Proceed from disposal of property, plant and equipment	-	199,938	-	-
Placement of fixed deposit	-	(80,000)	-	-
Withdrawal of fixed deposits	80,000	32,000	-	-
Net cash used in investing activities	(13,559,128)	(15,552,989)	-	(2)

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 APRIL 2009 (CONT'D)**

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	5,400,000	-	5,400,000
Repayment of finance payables	(519,844)	(460,948)	-	-
Drawdown of term loans	5,550,200	7,146,182	-	-
Repayment of term loans	<u>(2,906,386)</u>	<u>(458,760)</u>	-	-
Net cash generated from financing activities	<u>2,123,970</u>	<u>11,626,474</u>	-	<u>5,400,000</u>
CASH AND CASH EQUIVALENTS				
Net changes	(786,625)	1,445,572	12,277	(789,797)
At beginning of the financial year	14,595,294	12,604,512	84,535	874,332
Translation difference	<u>155,135</u>	<u>545,210</u>	-	-
At end of the financial year (Note 20)	<u><u>13,963,804</u></u>	<u><u>14,595,294</u></u>	<u><u>96,812</u></u>	<u><u>84,535</u></u>

The accompanying notes form an integral part of the financial statements

NEXTNATION COMMUNICATION BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 30 APRIL 2009

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards (“FRSs”) issued by Malaysian Accounting Standards Board (“MASB”).

2. FINANCIAL RISK MANAGEMENT POLICIES

The Group’s financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group business whilst managing its risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group’s guidelines are not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

2.1 Foreign currency risk

Certain subsidiary companies are exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denominated in a currency other than the respective functional currencies of the Group activities. The Group’s guidelines are to minimize the exposure of overseas operating activities to transaction risk by matching local currency income against local currency costs.

2.2 Interest rate risk

The Group’s has exposure to interest rates risk as it is required to pay interest to finance payables and term loans.

2.3 Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on going basis.

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material. The Group does not required collateral in respect of financial assets.

2.4 Liquidity and cash flow risks

The cash flows of the Group is basically supported by the shareholders’ equity.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (“RM”) which is the Company’s functional currency.

3.2 Adoption of new and revised Financial Reporting Standards (“FRSs”)

(a) The amendments to published standards and IC Interpretations to existing standards effective for the Group and the Company for the financial period beginning on or after 1 May 2008 are as follows:-

- | | |
|-------------------------|--|
| 1) Amendment to FRS 121 | - The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation |
| 2) IC Interpretation 1 | - Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| 3) IC Interpretation 2 | - Members’ Shares in Co-operative Entities and Similar Instruments |
| 4) IC Interpretation 5 | - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| 5) IC Interpretation 6 | - Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| 6) IC Interpretation 7 | - Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies |
| 7) IC Interpretation 8 | - Scope of FRS 2 |
| 8) FRS 107 | - Cash flow Statements |
| 9) FRS 111 | - Construction Contracts |
| 10) FRS 112 | - Income Taxes |
| 11) FRS 118 | - Revenue |

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new and revised Financial Reporting Standards (“FRSs”) (cont’d)

(a) The amendments to published standards and IC Interpretations to existing standards effective for the Group and the Company for the financial period beginning on or after 1 May 2008 are as follows (cont’d):-

- 12) FRS 120 - Accounting for Government Grants and Disclosure of Government Assistance
- 13) FRS 134 - Interim Financial Reporting
- 14) FRS 137 - Provisions, Contingent Liabilities and Contingent Assets

(b) The following are the standards, amendments to FRSs and IC Interpretations which are not yet effective and have not been early adopted by the Group and the Company:-

- 1) FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 will be effective for accounting period beginning on or after 1 January 2010.

This new standard established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non financial items. Hedge accounting is permitted only under strict circumstances.

The Group and the Company is exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS 139.

- 2) FRS 4 - Insurance Contracts
- 3) FRS 7 - Financial Instruments: Disclosures
- 4) FRS 8 - Operating Segments
- 5) FRS 123 - Borrowing Costs
- 6) Amendments to FRS 1 First time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Adoption of new and revised Financial Reporting Standards (“FRSs”) (cont’d)

(b) The following are the standards, amendments to FRSs and IC Interpretations which are not yet effective and have not been early adopted by the Group and the Company (cont’d):-

- 7) Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations
- 8) IC Interpretation 9 - Reassessment of Embedded Derivatives
- 9) IC Interpretation 10 - Interim Financial Reporting and Impairment
- 10) IC Interpretation 11 - FRS 2 – Group and Treasury Share Transactions
- 11) IC Interpretation 13 - Customer Loyalty Programmes
- 12) IC Interpretation 14 - FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The above standards, amendments to FRSs and IC Interpretations shall be effective for accounting period beginning on or after 1 January 2010 except for FRS 8 Operating Segments, which shall apply to accounting period beginning on or after 1 July 2009.

The initial application of the above standards, amendments to FRSs and IC Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

(c) The effects of changes in accounting policies arising from adoption of revised FRSs are as follows:-

Initial application of the above Amendments and FRS 107, 111, 118, 120, 134 and 137 did not result in significant changes to the accounting policies of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual result may differ from these estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of goodwill

The Group determines whether goodwill is impaired at least once annually. This requires the estimation of the value in use of the cash-generating units to which goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unabsorbed business losses and recognised capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income taxes

The Group is exposed to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Significant Accounting Estimates and Judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their useful life. Management estimated the useful life of these assets to be within 5 to 50 financial years. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

Management estimates the useful lives of telecommunication equipment to be 10 years. These are common life expected applied in the telecommunication industry. In addition, the estimation of the useful lives of telecommunication equipment is based on internal technical evaluation and experience with similar assets.

Amortisation of development expenditure

Development expenditure is amortised by reference to the number of units sale of the related product over the total estimated unit sale for a period of 10 financial years. Changes in the technological development and market demand could impact economical useful life of the assets, therefore future amortisation charges could be revised.

Impairment of investment in subsidiaries and recoverability of amount owing to subsidiaries

The Company reviews its investment in subsidiaries for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. Costs of investments in subsidiaries which have ceased operations were impaired up to net assets of the subsidiaries. The impairment made on investment in subsidiaries entails an allowance for doubtful debts to be made to the amount owing by these subsidiaries.

Significant judgement is required in the estimation of the present value of future cash flows generated by the subsidiaries, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumption could significantly affect the results of the Company's test for impairment of investment in subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies.

All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

Acquisition of subsidiary companies is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 3.9.

Any excess of the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income on the date of acquisition.

Minority interest represents the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement.

Subsidiary companies are consolidated using the purchase method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unimpaired balance of goodwill on acquisition and exchange differences.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Subsidiary companies

A subsidiary company is a company in which the Group or the Company has the power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Investment in subsidiary companies, which is eliminated on consolidation, is stated at cost less any impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

On disposal of such investments, the differences between net disposal and their carrying amount is charged or credited to the income statements.

3.6 Associate company

An associate company is a company in which the Group or the Company has a long term equity interest of between 20 to 50 percent and is in the position to exercise significant influence over its financial and operating policies through management participation but not to exert control over those policies.

Investment in associate companies are accounted for in the consolidated financial statements using equity accounting which involves recognising in the income statement the Group's share of the results of associate companies based on audited or management financial statements of the associate companies. The Group's investments in associate companies are carried in the balance sheet at an amount that reflects its share of the net assets of the associate companies. Equity accounting is discontinued when the carrying amount of the investment in an associate company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate company.

Investment in associate companies is stated at cost in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the associate companies is assessed and written down immediately to their recoverable amount

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on the straight line method in order to write off the cost of each asset over its estimated useful life.

The principal annual depreciation rates used by the Group are as follows:-

Freehold buildings	2 %
Telecommunication equipment	10 %
Motor vehicles	20 %
Furniture and fittings	20 %
Office equipment	20 %
Renovation	20 %

Freehold land with an infinite life is not depreciated.

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

Previously, telecommunication equipment is depreciated for 20% per annum. During the financial year, the Group revised the depreciation policy for telecommunication equipment to depreciate on the straight line basis for 10% per annum. The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge for the Group has decreased by RM1,063,496 for the current financial year.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Property, plant and equipment and depreciation (cont'd)

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

3.8 Capital work-in-progress

Capital work-in-progress consists of buildings and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction or installation until the property, plant and equipment are ready for their intended use.

Capital work-in-progress are not depreciated as these assets are not available for intended use.

3.9 Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary company and associate company at the date of acquisition.

Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet while goodwill arising on the acquisition of associate company is included within the carrying amount of investment in associate company.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:-

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Goodwill (cont'd)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and, whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

An impairment loss recognised for goodwill should not be reversed in subsequent period. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed off, the goodwill associated with the operations disposed off is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed off in these circumstances are measured based on the relative values of the operations disposed off and portion of the cash-generating unit retained.

3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite useful life is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

The patents, trade marks and licenses are stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of patent, trade mark and licenses over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Intangible assets (cont'd)

Gain or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

3.11 Development expenditure

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Development expenditure of the Group comprises of direct cost and overhead costs incurred in the development of software platform and real-time multiplayer mobile game.

Previously, the development cost is amortised for a period of 5 years. During the financial year, the Group has revised the amortisation policy for development expenditure to amortise on the straight line basis over the period of 10 years. The revision was accounted for prospectively as a change in accounting estimates and as a result, the amortisation charge for the Group has decreased by RM1,870,132 for the current financial year.

The carrying amount of development expenditure are reviewed annually and written down immediately to their recoverable amount where an indication of impairment exists, in accordance with FRS 136.

3.12 Assets acquired under lease agreements

Accounting by lessees

Finance leases

Lease of property, plant and equipment acquired under hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy.

Outstanding obligations due under hire purchase arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase are allocated to income statement over the period of respective agreements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Interest-bearing borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

Borrowing costs incurred to finance the construction of property, plant and equipment is capitalised as part of the cost of those assets during the period of time that is required to complete and prepare the assets for its intended use.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

3.14 Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax expenses is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions

Provisions are recognised when there is a present obligation legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the balance sheet, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the balance sheet date are classified as non-current asset.

3.17 Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Employee benefits (cont'd)

(ii) Defined contribution plan

The Company and its subsidiary companies make contributions to the countries' statutory pension schemes as provided by the laws of the countries in which it has operations. In particular, the Malaysian incorporated companies contribute to the Employee Provident Fund ("EPF"), a defined contribution plan regulated and managed by the Government of Malaysia, which applies to the majority of the employees.

The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

3.18 Foreign currency transactions and balances

The financial statements are presented in Malaysia Ringgit, which is also the functional currency of the holding company.

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date.

The assets and liabilities of the foreign entities, including goodwill and fair value adjustments arising on the acquisitions, are translated to Ringgit Malaysia at the closing rates at the balance sheet date. The operating results are translated to Ringgit Malaysia at the exchange rates at the average rates during the financial year.

Gains and losses resulting from settlement of such transactions and conversion of monetary assets and liabilities, whether realised or unrealised, are included in the income statement as they arise.

Financial statements of foreign consolidated subsidiary companies are translated at year-end exchange rates with respect to the assets and liabilities. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on and after 1 January 2006 are treated as assets and liabilities of the foreign entity and translated at the closing rate at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Foreign currency transactions and balances (cont'd)

On disposal of a foreign entity, the cumulative amount of exchange differences deferred in equity relating to that foreign entity is recognised in the income statement as a component of the gain or loss on disposal.

All other foreign exchange differences are taken to the income statement in the financial year in which they arise.

3.19 Revenue recognition

(a) Sale of goods or services

Revenue from sale of goods is recognised upon delivery of products and customer acceptance, if any, or performance of services, and after eliminating sales within the Group.

(b) Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrued to the Group.

3.20 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An allowance is made for doubtful debts based on a review of all outstanding amounts at the period end.

3.21 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. Intangible asset with indefinite useful life such as goodwill is tested for impairment annually at financial year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years.

All reversals of impairment losses are recognised as income immediately in the income statement unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.24 Segmental results

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangible assets and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. The majority of the segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include tax recoverable and deferred income taxes.

3.25 Intersegment transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at an arm's length transactions. These transfers are eliminated on consolidation.

4. **PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Company is principally an investment holding company. The principal activities of the subsidiaries are set out in Note 14 to the Financial Statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market (formerly known as MESDAQ Market) of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Level 7, Menara Milenium, Jalan Damansara, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur and the principal place of business is located at No. 909, Block F, Phileo Damansara One, No. 9, Jalan 16/11, 46350 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 August 2009.

5. **SHARE CAPITAL**

	Group and Company	
	<u>2009</u>	<u>2008</u>
	RM	RM
Authorised:-		
Ordinary shares of RM0.10 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:-		
Ordinary shares of RM0.10 each		
At beginning of financial year	41,580,000	26,820,000
Issued during the financial year	<u>-</u>	<u>14,760,000</u>
At end of financial year	<u>41,580,000</u>	<u>41,580,000</u>

6. **RESERVES**

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	RM	RM	RM	RM
<u>Non-distributable:-</u>				
<u>Share premium</u>				
At beginning of financial year	5,558,840	14,918,840	5,558,840	14,918,840
Arises from private placement	-	4,500,000	-	4,500,000
Capitalised as bonus issue	<u>-</u>	<u>(13,860,000)</u>	<u>-</u>	<u>(13,860,000)</u>
At end of financial year	<u>5,558,840</u>	<u>5,558,840</u>	<u>5,558,840</u>	<u>5,558,840</u>

6. **RESERVES (CONT'D)**

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
<u>Non-distributable:-</u>				
<u>Translation reserve</u>				
At beginning of financial year	(4,863,464)	(1,801,022)	-	-
Foreign currency translation differences	<u>370,198</u>	<u>(3,062,442)</u>	<u>-</u>	<u>-</u>
At end of financial year	<u>(4,493,266)</u>	<u>(4,863,464)</u>	<u>-</u>	<u>-</u>
	<u>1,065,574</u>	<u>695,376</u>	<u>5,558,840</u>	<u>5,558,840</u>

7. **FINANCE LEASE LIABILITIES**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Minimum lease payment		
- not later than 1 year	593,337	421,133
- later than 1 year but not later than 5 years	815,925	1,015,443
- later than 5 years	<u>78,388</u>	<u>24,880</u>
	1,487,650	1,461,456
Future finance charges on finance lease	<u>(143,568)</u>	<u>(150,470)</u>
Present value of finance lease liabilities	<u>1,344,082</u>	<u>1,310,986</u>
Present value of finance lease liabilities		
- not later than 1 year	523,649	355,634
- later than 1 year but not later than 5 years	747,150	930,968
- later than 5 years	<u>73,283</u>	<u>24,384</u>
	<u>1,344,082</u>	<u>1,310,986</u>
Analysed as:-		
Due within 12 months	523,649	355,634
Due after 12 months	<u>820,433</u>	<u>955,352</u>
	<u>1,344,082</u>	<u>1,310,986</u>

8. **TERM LOANS – SECURED**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Term loan I repayable over 120 equal monthly installment of RM14,400 commencing from March 2007	959,994	1,060,069
Term loan II repayable over 240 equal monthly installment of RM11,171 commencing from March 2008	1,544,358	1,583,864
Term loan III repayable over 240 equal monthly installment of RM11,171 commencing from March 2008	1,544,358	1,583,864
Term loan IV repayable over 45 equal monthly installment of RM222,222 with three (3) months grace period from the first drawdown	6,461,301	3,638,399
Term loan V repayable over 240 equal monthly installment of RM17,880 commencing on the first day of the first month after full release	158,063	-
	<u>10,668,074</u>	<u>7,866,196</u>
Repayable as follows:-		
Current	2,133,850	2,871,572
Non-current	<u>8,534,224</u>	<u>4,994,624</u>
	<u>10,668,074</u>	<u>7,866,196</u>
Repayment terms:-		
- not later than 1 year	2,133,850	2,871,572
- between 1 to 2 years	2,645,446	1,170,292
- between 2 to 5 years	3,268,748	957,892
- later than 5 years	<u>2,620,030</u>	<u>2,866,440</u>
	<u>10,668,074</u>	<u>7,866,196</u>

8. TERM LOANS – SECURED (CONT'D)

Term loans of the Group are secured by:-

- (a) lien on fixed deposit of the subsidiary company;
- (b) deed of assignment in favor of the bank on certain landed properties of the subsidiary company;
- (c) charge on certain landed properties of the subsidiary company;
- (d) first party open monies charge; and
- (e) corporate guarantee from the Company.

The borrowings bear interest at rates ranging from 5.65% to 7.00% (2008: 3.85% to 7.00%) per annum. The repayment terms of term loans vary from monthly to quarterly.

9. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold buildings</u> RM	<u>Office equipment</u> RM	<u>Furniture and fittings</u> RM	<u>Motor vehicles</u> RM	<u>Renovation</u> RM	<u>Telecommu- ication equipment</u> RM	<u>Capital work in progress</u> RM	Total <u>2009</u> RM	Total <u>2008</u> RM
Group Cost									
At beginning of financial year	5,863,519	8,575,643	456,844	2,174,208	761,469	-	-	17,831,683	6,698,477
Additions	496,874	7,106,183	59,226	693,059	48,327	-	634,802	9,038,471	11,543,175
Translation differences	(4,700)	(17,573)	(21,586)	21,132	16,001	-	-	(6,726)	(158,750)
Disposal	-	-	-	-	-	-	-	-	(251,219)
Reclassification	-	(11,750,377)	-	-	-	11,750,377	-	-	-
At end of financial year	6,355,693	3,913,876	494,484	2,888,399	825,797	11,750,377	634,802	26,863,428	17,831,683
Accumulated depreciation									
At beginning of financial year	133,608	1,735,097	176,545	560,893	434,054	-	-	3,040,197	1,613,589
Charge for the financial year	152,018	1,655,607	95,619	604,508	183,466	391,679	-	3,082,897	1,513,480
Translation differences	(452)	(7,827)	(4,573)	5,525	3,782	-	-	(3,545)	(65,015)
Disposal	-	-	-	-	-	-	-	-	(21,857)
Reclassification	-	(868,906)	-	-	-	868,906	-	-	-
At end of financial year	285,174	2,513,971	267,591	1,170,926	621,302	1,260,585	-	6,119,549	3,040,197
Net book value									
2009	6,070,519	1,399,905	226,893	1,717,473	204,495	10,489,792	634,802	20,743,879	-
2008	5,729,911	6,840,546	280,299	1,613,315	327,415	-	-	-	14,791,486
Depreciation charge for financial year ended 2008	63,313	823,807	86,007	364,449	175,904	-	-	-	1,513,480

9. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

During the financial year, the Group made the following cash payments to purchase property, plant and equipment.

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Purchase of property, plant and equipment	9,038,471	11,543,175
Finance by hire purchase and lease arrangements	(552,940)	(1,035,656)
Finance by term loan	<u>(158,063)</u>	<u>-</u>
Cash payments on purchase of property, plant and equipment	<u>8,327,467</u>	<u>10,507,519</u>

As at 30 April 2009, the net carrying amount of the Group's property, plant and equipment under finance lease are as follows:-

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Motor vehicles	<u>1,524,780</u>	<u>1,613,315</u>

Net book value of motor vehicles of the Group which are held in trust by the Directors of the subsidiary companies amounted to RM286,937 (2008: RM451,969).

Freehold building of the Group with carrying amount of RM5,783,924 (2008: RM5,240,298) are pledged to a licensed bank for banking facilities granted to a subsidiary company (Note 8).

Title deeds of freehold buildings with net book value amounted to RM3,767,589 (2008: RM3,844,741) as yet to be transferred to the Group.

10. **DEVELOPMENT EXPENDITURE**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
At beginning of financial year	5,913,508	5,114,284
Incurred during the financial year	<u>5,311,661</u>	<u>2,617,783</u>
	11,225,169	7,732,067
Less: Amortisation during the financial year	<u>(814,699)</u>	<u>(1,818,559)</u>
At end of financial year	<u><u>10,410,470</u></u>	<u><u>5,913,508</u></u>

Included in the development expenditure are Directors' other emoluments of the Directors of the Company and its subsidiary company who were involved in the development activities amounting to RM314,271 (2008: RM361,580).

11. **INTANGIBLE ASSETS**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
At beginning of financial year	2,945,388	1,169,013
Additions	-	2,579,625
Exchange translation differences	<u>218,248</u>	<u>(178,087)</u>
	3,163,636	3,570,551
Less: Amortisation during the financial year	<u>(871,310)</u>	<u>(625,163)</u>
At end of financial year	<u><u>2,292,326</u></u>	<u><u>2,945,388</u></u>

The intangible assets of the Group are an exclusive perpetual license in the content management solution known as "AlChemist" and an exclusive license to use Emotion Spy together with any and all of the trade marks, copyright, patents and other intellectual property rights used or subsisting in or in connection with the Emotion Spy for a period of three years.

12. **GOODWILL ON CONSOLIDATION**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
At beginning/ end of financial year	<u>1,302,549</u>	<u>1,302,549</u>

The goodwill represents the excess of the purchase consideration paid for the shares in the subsidiary companies over the Group's interest in the fair value of the identifiable net assets of the subsidiary companies acquired. For purposes of impairment testing, the carrying amount of goodwill is allocated to the Group's respective cash generating units which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the goodwill is based in value-in-cash calculations, using pre-tax cash flow projections based on financial budgets covering a period of 5 years.

The key assumptions used in value in use calculations are:-

Revenue annual growth rate	10% - 30%
Expenses annual increment rate	5% - 20%
Pre-tax discount rate	10%

The above key assumptions were based in past performance and its expectations of future trends in the industry and expected market developments. The discount rate used is pre-tax and reflect the risks relating to the cash generating units and is estimated based on the current market assessment if time-value of money. The key assumptions are sensitive to the changes in percentage point in the discount rate used and future planned revenue not materialising.

The Directors do not expect any reasonable possible changes in key assumptions to have a significant impact on the carrying value of goodwill to exceed its recoverable amount.

13. **INVESTMENT IN ASSOCIATE COMPANIES**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Unquoted shares, at cost	318,953	318,953
Share of results of associate company	<u>(93,713)</u>	<u>(93,713)</u>
	<u>225,240</u>	<u>225,240</u>
Represented by:-		
Share of net assets	<u>225,240</u>	<u>225,240</u>

13. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

Group

Details of the associate companies are as follow:-

<u>Name of Company</u>	<u>% Effective interest</u>		<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>2009</u>	<u>2008</u>		
	%	%		
Held by Godynamic Investments Limited				
Siamtouch Wireless Ltd.	49	49	Mobile application service provider	Thailand
Held by Qahaar Infracom Pte. Ltd.				
Qahaar Telecoms Pte. Ltd.	20	20	Investment, development, trading and marketing for hardware and software	Singapore

14. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>Company</u>	
	<u>2009</u>	<u>2008</u>
	RM	RM
Unquoted shares, at cost	9,500,000	9,500,000

Details of the subsidiary companies are as follows:-

<u>Name of Company</u>	<u>% Effective interest</u>				<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company</u>		<u>Subsidiary companies</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
	%	%	%	%		
Nextnation Network Sdn. Bhd.	100	100	-	-	Programming services, software development, internet consulting and provision of information technology services	Malaysia

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows (cont'd):-

<u>Name of Company</u>	% Effective interest				<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company</u>		<u>Subsidiary companies</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
	%	%	%	%		
Ozura Sdn. Bhd.	100	100	-	-	Mobile game engine/solution developer and provider as well as mobile game developer and publisher	Malaysia
Nextnation Techcity Sdn. Bhd.	100	100	-	-	Property investment	Malaysia
Held by Nextnation Network Sdn. Bhd.						
Nextnation Collections Sdn. Bhd.	-	-	100	100	Development and distribution of retail mobile application solutions	Malaysia
Usape Nelson Wireless Sdn. Bhd.	-	-	100	100	Content aggregator	Malaysia
Godynamic Investments Limited	-	-	51	51	Investment holding	British Virgin Island
Nextnation Interactive Sdn. Bhd.	-	-	100	100	Provision of business development and strategic partnership activities	Malaysia
Taffu Media Sdn. Bhd.	-	-	100	100	Provision of media advertising, publishing and printing services	Malaysia
Dubaitech Marketing Sdn. Bhd.	-	-	100	100	Content aggregator	Malaysia
Kotaemas Edaran Sdn. Bhd.	-	-	100	100	Content aggregator	Malaysia

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows (cont'd):-

<u>Name of Company</u>	% Effective interest				<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company</u>		<u>Subsidiary companies</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
	%	%	%	%		
Held by Taffu Media Sdn. Bhd.						
Pudong Oversea Capital Sdn. Bhd.	-	-	100	100	Provision of media advertising, publishing and printing services	Malaysia
Divamas Promotions Sdn. Bhd.	-	-	100	100	Provision of media advertising, publishing and printing services	Malaysia
Nextnation Services Sdn. Bhd. (formerly known as Gang Media Sdn. Bhd.)	-	-	100	100	Company secretarial services	Malaysia
Held by Nextnation Interactive Sdn. Bhd.						
PT Nextnation Prisma*	-	-	80	80	Provision of business development and strategic partnership activities	Indonesia
Held by Nextnation Collections Sdn. Bhd.						
Nextnation Qahaar Venture Pte Ltd*	-	-	100	100	Research and development, investment, trading and marketing of communication information technology and life sciences technologies	Singapore
Held by Nextnation Qahaar Venture Pte Ltd						
Qahaar Infracom Pte Ltd*	-	-	100	100	Investment, development, trading and marketing for hardware and software	Singapore

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows (cont'd):-

<u>Name of Company</u>	% Effective interest				<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company</u>		<u>Subsidiary companies</u>			
	<u>2009</u> %	<u>2008</u> %	<u>2009</u> %	<u>2008</u> %		
Held by Godynamic Investments Limited						
Code Wireless Pte Ltd*	-	-	100	100	Mobile application service provider	Singapore
Elasitas Technologies Limited	-	-	62	62	Investment holding	British Virgin Island
Vision Phoenix Group Limited	-	-	100	100	Mobile application service provider	British Virgin Island
Vinamob Venture Company Limited*	-	-	100	100	Mobile application service provider	Vietnam
PT Semesta Tirta Antara Raya*	-	-	84	84	Mobile application service provider	Indonesia
PT Flower Star Media*	-	-	84	84	Mobile application service provider	Indonesia
PT Galaksi Publishindo* @	-	-	-	95	Mobile application service provider	Indonesia
Held by Code Wireless Pte Ltd						
Ozura Pte Ltd*	-	-	100	100	Games and content development, aggregation and distribution	Singapore
Nextnation Mobitech India Pte Ltd*#	-	-	100	100	Mobile messaging technologies, mobile application platform and software provider	India

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows (cont'd):-

<u>Name of Company</u>	% Effective interest				<u>Principal activities</u>	<u>Country of incorporation</u>
	<u>Company</u>		<u>Subsidiary companies</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>		
	%	%	%	%		

Held by Elasitas Technologies Limited

PT Elasitas Multi Kreasi*	-	-	97	97	Mobile application service provider	Indonesia
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* Companies not audited by SJ Grant Thornton.

Not required to be audited in country of incorporation.

@ During the financial year, the Group had terminated the share sale agreement on acquisition of a subsidiary, PT Galaksi Publishindo. The effect of the deemed disposal was not disclosed in the financial statements as the Directors are in the opinion that the effect is immaterial.

15. FIXED DEPOSITS WITH A LICENSED BANK

Group

- (i) Fixed deposits amounting to RM Nil (2008: RM80,000) are held in trust by Director of subsidiary company and have been pledged to a licensed bank for banking facilities granted to subsidiary company.
- (ii) Fixed deposits amounting to RM538,503 (2008: RM518,000) have been pledged to a licensed bank for banking facilities to the subsidiary company in accordance with Note 8(a) to the Financial Statements.

16. AMOUNT DUE FROM/ (TO) ASSOCIATE COMPANIES

Amount due from/ (to) associate companies are unsecured, bear no interest and are repayable upon demand.

17. **TRADE RECEIVABLES**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Trade receivables	23,159,555	25,172,226
Less: Allowance for doubtful debts	<u>(845,132)</u>	<u>-</u>
	<u>22,314,423</u>	<u>25,172,226</u>

The currency exposure profile of the trade receivables are as follows:-

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Ringgit Malaysia	9,346,443	13,838,595
Indonesia Rupiah	11,799,800	5,935,755
Singapore Dollar	10	85,976
Vietnam Dong	398,879	227,392
US Dollar	<u>769,291</u>	<u>5,084,508</u>
	<u>22,314,423</u>	<u>25,172,226</u>

The normal credit terms granted by the Group to the trade receivables ranging from 30 days to 90 days.

18. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Other receivables	12,631,845	15,450,814	-	-
Deposits	741,254	906,363	-	-
Prepayments	<u>1,071,130</u>	<u>1,697,354</u>	<u>13,875</u>	<u>86,510</u>
	<u>14,444,229</u>	<u>18,054,531</u>	<u>13,875</u>	<u>86,510</u>

Included in other receivables, deposits and prepayments of the Group are advances amounted to RM8,645,050 (2008:RM11,700,000) for an investment in a joint research and development project for a financial transaction system.

19. **AMOUNT DUE FROM/ (TO) SUBSIDIARY COMPANIES**

Amount due from/ (to) subsidiary companies are unsecured, bear no interest and have no fixed terms of repayment.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Cash and bank balances	13,549,552	15,562,865	96,812	84,535
Deposit with licensed bank	414,252	-	-	-
Bank overdraft	-	(967,571)	-	-
	<u>13,963,804</u>	<u>14,595,294</u>	<u>96,812</u>	<u>84,535</u>

The currency exposure profile of cash and cash equivalents are as follows:-

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Ringgit Malaysia	10,459,359	11,679,819	96,812	84,535
Indonesia Rupiah	1,444,847	2,242,505	-	-
Singapore Dollar	210,283	162,854	-	-
Vietnam Dong	231,909	23,316	-	-
US Dollar	1,617,406	486,800	-	-
	<u>13,963,804</u>	<u>14,595,294</u>	<u>96,812</u>	<u>84,535</u>

The bank overdraft has been secured by way of security as disclosed in Note 8 to the Financial Statements.

Interest rate is charged at 1.50% per annum above the bank's Base Lending Rate.

21. TRADE PAYABLES

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Trade payables	<u>5,585,036</u>	<u>3,170,744</u>

The currency exposure profile of the trade payables is as follows:-

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Ringgit Malaysia	966,820	961,831
Indonesia Rupiah	4,617,795	113,975
Singapore Dollar	421	35,071
US Dollar	-	2,059,867
	<u>5,585,036</u>	<u>3,170,744</u>

The normal credit terms granted by the trade payables range from 30 days to 90 days.

22. **OTHER PAYABLES AND ACCRUALS**

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	RM	RM	RM	RM
Accruals	2,299,404	2,067,496	63,400	55,862
Other payables	<u>849,271</u>	<u>803,980</u>	<u>34,628</u>	<u>49,040</u>
	<u>3,148,675</u>	<u>2,871,476</u>	<u>98,028</u>	<u>104,902</u>

23. **AMOUNT DUE TO DIRECTORS**

The amount due to Directors is unsecured, bear no interest and has no fixed term of repayment.

24. **REVENUE**

	Group	
	<u>2009</u>	<u>2008</u>
	RM	RM
Service rendered	54,937,777	65,002,293
Sale of goods	<u>-</u>	<u>143,388</u>
	<u>54,937,777</u>	<u>65,145,681</u>

25. **COST OF SALES**

	Group	
	<u>2009</u>	<u>2008</u>
	RM	RM
Cost of service rendered	40,749,318	44,651,775
Sale of goods	<u>-</u>	<u>246,406</u>
	<u>40,749,318</u>	<u>44,898,181</u>

26. **FINANCE COSTS**

	Group	
	<u>2009</u>	<u>2008</u>
	RM	RM
Interest expenses on:-		
- bank overdraft	44,574	-
- bank term loans	708,094	203,168
- hire purchase	<u>88,321</u>	<u>114,410</u>
	<u>840,989</u>	<u>317,578</u>

27. LOSS BEFORE TAXATION

Loss before taxation has been determined after charging:-

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Allowance for doubtful debts	845,132	-	-	-
Amortisation of :-				
- intangible assets	871,310	625,163	-	-
- development expenditure	814,699	1,818,559	-	-
Auditors' remuneration				
SJ Grant Thornton				
- statutory audits				
- current year	70,000	80,644	13,000	13,000
- underprovision in prior year	6,225	13,600	-	1,000
- other services	3,000	-	3,000	-
Other external auditors				
- statutory audits				
- current year	55,581	31,882	-	-
- underprovision in prior year	480	-	-	-
Depreciation of property, plant and equipment (Note 9)	3,082,897	1,513,480	-	-
Directors' remuneration				
- Fees	101,195	81,053	94,000	75,540
- Other emoluments	835,051	380,290	11,000	7,200
Loss on disposal of property, plant and equipment	-	29,424	-	-
Loss on disposal of subsidiary company	-	312,944	-	-
Rental of:-				
- premises	521,202	498,590	-	-
- others	10,133	578	-	-
And crediting:-				
Allowance for doubtful debts no longer required	-	1,389,912	-	-
Interest income	108,815	184,856	345	42,217
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27. **LOSS BEFORE TAXATION (CONT'D)**

The details of Directors' remuneration of the Group and of the Company are as follows:-

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Directors of the Group				
<u>Executive Directors</u>				
- Salaries, bonus and allowances	736,000	338,870	-	-
- Contribution to defined contribution plan	86,760	33,600	-	-
- Other benefits	1,291	620	-	-
	<u>824,051</u>	<u>373,090</u>	<u>-</u>	<u>-</u>
<u>Non-Executive Directors</u>				
- Fees	101,195	81,053	94,000	75,540
- Meeting allowance	11,000	7,200	11,000	7,200
	<u>112,195</u>	<u>88,253</u>	<u>105,000</u>	<u>82,740</u>

28. **TAXATION**

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Current year provision:-				
- Malaysian income tax	-	44,900	-	-
- Foreign income tax	18,639	388,025	-	-
	<u>18,639</u>	<u>432,925</u>	<u>-</u>	<u>-</u>
(Over)/under provision in prior year:-				
- Malaysian income tax	(110)	1,229	-	(4,110)
	<u>18,529</u>	<u>434,154</u>	<u>-</u>	<u>(4,110)</u>

28. TAXATION (CONT'D)

Malaysian income tax is calculated at the statutory rate of 25% (2008: 26%) of the estimated taxable profits for the fiscal year. The computation of deferred tax as at 30 April 2009 has reflected these changes

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

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

A numerical reconciliation between the average effective tax rate and the statutory tax rate are as follows:-

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Loss before taxation	<u>(7,179,294)</u>	<u>(5,663,507)</u>	<u>(474,531)</u>	<u>(438,831)</u>
Income tax at rate of 25% (2008: 26%)	(1,794,824)	(1,472,512)	(118,633)	(114,096)
Income not subject to tax	-	(672,744)	-	-
Non-allowable expenses	923,917	2,550,059	118,633	114,096
Tax saving as a result of first RM500,000 taxable income taxed at 20%	-	(10,086)	-	-
Different of tax rate in other country	285,815	(411,700)	-	-
Deferred tax assets not recognised in the financial statements	<u>603,731</u>	<u>449,908</u>	<u>-</u>	<u>-</u>
Current financial year tax expenses	18,639	432,925	-	-
(Over)/under provision in previous financial year	<u>(110)</u>	<u>1,229</u>	<u>-</u>	<u>(4,110)</u>
Total tax expenses	<u>18,529</u>	<u>434,154</u>	<u>-</u>	<u>(4,110)</u>

29. **LOSS PER ORDINARY SHARE**

Group

(a) Basic

Basic loss per ordinary share for the financial year is calculated by dividing the loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Net loss for the financial year	<u>(6,710,624)</u>	<u>(8,632,032)</u>
Weighted average number of ordinary shares in issue (unit)	<u>415,800,000</u>	<u>415,430,137</u>
Basic loss per share (sen)	<u>(1.61)</u>	<u>(2.08)</u>

(b) Diluted

During the financial year, there were no dilutive ordinary shares in issue that gave diluted effect to the earnings per share.

30. **EMPLOYEES BENEFIT EXPENSES**

	Group	
	<u>2009</u> RM	<u>2008</u> RM
Staff costs (including Directors' remuneration)		
- charged to income statements	8,483,077	7,847,134
- included in research and development expenditure	<u>2,256,710</u>	<u>2,617,783</u>
	<u>10,739,787</u>	<u>10,464,917</u>

31. **CONTINGENT LIABILITY**

	Company	
	<u>2009</u> RM	<u>2008</u> RM
Corporate guarantee granted to a subsidiary Company	<u>19,079,989</u>	<u>16,382,080</u>

32. **CAPITAL COMMITMENT**

	Group	
	<u>2009</u>	<u>2008</u>
	RM	RM
Authorised and contracted for:-		
- purchase of office equipment	-	4,301,380
- purchase of properties	2,539,199	3,054,710
	<u>2,539,199</u>	<u>7,356,090</u>

33. **RELATED PARTY DISCLOSURE**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the related party are subject to common control or common significant influences. Related parties may be individuals or other entities.

The Group has a related party relationship with its Directors and other key management personnel.

Transactions with Key Management Personnel

Key Management Personnel Compensation

The remuneration of Directors and other members of key management personnel during the financial year are as follows:-

	Group	
	<u>2009</u>	<u>2008</u>
	RM	RM
Salaries and other short-term employee benefits	1,968,969	1,347,430
Post-employment benefits:-		
Defined contribution plan	232,937	143,604
	<u>2,201,906</u>	<u>1,491,034</u>

Other members of key management personnel comprise person other than the Directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

33. **RELATED PARTY DISCLOSURE (CONT'D)**

The outstanding balances arising from the related party transaction are as follows:-

	Group		Company	
	<u>2009</u> RM	<u>2008</u> RM	<u>2009</u> RM	<u>2008</u> RM
Receivable from associate company	1,050,024	2,660,031	-	-
Receivables from subsidiary companies	-	-	36,373,559	36,797,504
	<u>1,050,024</u>	<u>2,660,031</u>	<u>36,373,559</u>	<u>36,797,504</u>
Payable to associate company	240,760	231,814	-	-
Payable to subsidiary companies	-	-	2,143	1
	<u>240,760</u>	<u>231,814</u>	<u>2,143</u>	<u>1</u>

34. **FINANCIAL INSTRUMENTS**

(a) Interest rate risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective average interest rates on classes of financial assets and financial liabilities are as follows:-

	Less than	1 to 5	More than	<u>Total</u> RM	Effective interest rate during the financial year
	1 financial	financial	5 financial		
	<u>Year</u> RM	<u>years</u> RM	<u>years</u> RM		
<u>Group</u>					
<u>2009</u>					
<u>Financial asset</u>					
Fixed deposits with a licensed bank	414,252	-	538,503	952,755	2.60% to 2.90%
<u>Financial liabilities</u>					
Finance payables	523,649	747,150	73,283	1,344,082	2.49% to 4.10%
Term loans	2,133,850	5,914,194	2,620,030	10,668,074	5.65% to 7.00%

34. **FINANCIAL INSTRUMENTS (CONT'D)**

(a) Interest rate risk (cont'd)

	Less than 1 financial <u>year</u> RM	1 to 5 financial <u>years</u> RM	More than 5 financial <u>years</u> RM	<u>Total</u> RM	Effective interest rate during the financial <u>year</u>
Group <u>2008</u> <u>Financial asset</u> Fixed deposits with a licensed bank	80,000	-	518,000	598,000	3.50% to 7.00%
<u>Financial liabilities</u> Bank overdraft	967,571	-	-	967,571	8.25% 2.65% to
Finance payables	355,634	930,968	24,384	1,310,986	4.87% 3.85% to
Term loans	2,871,572	2,735,351	2,259,273	7,866,196	7.00%

(b) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. The Group seeks to maintain strict control over its outstanding receivables via a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by credit control committee.

The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, Singapore, Thailand, Indonesia and China, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

34. **FINANCIAL INSTRUMENTS (CONT'D)**

(c) Fair values

The carrying amounts of financial assets and liabilities of the Group at the balance sheet date approximated their fair values.

35. **SEGMENTAL REPORTING**

The Group operates predominantly in one business segment and they operate in two geographical areas of the world as follows:-

<u>2009</u>	<u>Malaysia</u> RM	<u>Overseas</u> RM	<u>Eliminations</u> RM	<u>Consolidated</u> RM
Revenue				
External	46,474,449	20,357,784	(11,894,456)	54,937,777
Result				
Segment result	(4,839,418)	(4,038,814)	2,300,000	(6,578,232)
Interest income	58,275	181,652	-	239,927
Loss from operations	(4,781,143)	(3,857,162)	2,300,000	(6,338,305)
Finance costs	(805,966)	(35,023)	-	(840,989)
Loss before taxation				(7,179,294)
Taxation				(18,529)
Loss for the financial year				(7,179,823)
Assets				
Segment assets	390,474,417	20,577,331	(323,766,302)	87,285,446
Tax recoverable	586,117	505,078	-	1,091,195
Consolidated total assets				88,376,641
Liabilities				
Segment liabilities	296,751,937	55,531,256	(328,368,181)	23,915,012
Other information				
Capital expenditure	8,125,407	913,064	-	9,038,471
Depreciation	2,221,627	861,270	-	3,082,897
Amortisation of intangible assets	-	871,310	-	871,310
Amortisation of development expenditure	814,699	-	-	814,699

35. **SEGMENTAL REPORTING (CONT'D)**

The Group operates predominantly in one business segment and they operate in two geographical areas of the world as follows (cont'd):-

	<u>Malaysia</u> RM	<u>Overseas</u> RM	<u>Eliminations</u> RM	<u>Consolidated</u> RM
<u>2008</u>				
Revenue				
External	56,216,503	34,738,215	(25,809,037)	65,145,681
Result				
Segment result	(1,024,395)	(4,506,390)	-	(5,530,785)
Interest income	90,221	94,635	-	184,856
Loss from operations	(934,174)	(4,411,755)	-	(5,345,929)
Finance costs	(291,426)	(26,152)	-	(317,578)
Loss before taxation				(5,663,507)
Taxation				(434,154)
Loss for the financial year				(6,097,661)
Assets				
Segment assets	108,025,389	23,506,893	(44,306,458)	87,225,824
Tax recoverable	458,805	28,706	-	487,511
Consolidated total assets				87,713,335
Liabilities				
Segment liabilities	15,233,243	49,955,706	(48,764,868)	16,424,081
Other information				
Capital expenditure	10,042,716	1,500,459	-	11,543,175
Depreciation	938,389	575,091	-	1,513,480
Amortisation of intangible assets	-	625,163	-	625,163
Amortisation of development expenditure	1,818,559	-	-	1,818,559

36. MATERIAL LITIGATION

On 22 January 2009, a wholly-owned subsidiary of the Company, Usape Nelson Wireless Sdn. Bhd. (“Usape”), had serve a writ of summons and statement of claim amounting to RM19,916,823 to Marco 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 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 date of this report.