

NEXTNATION COMMUNICATION BERHAD

(Company No. 660055-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2006**

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CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2006 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2005 RM	CURRENT YEAR TO-DATE 31 JANUARY 2006 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2005 RM
Revenue		17,591,989	-	49,599,456	-
Operating expenses		(13,328,992)	-	(36,366,322)	-
Profit from operations		4,262,997	-	13,233,134	-
Depreciation and amortisation		(322,987)	-	(806,648)	-
Finance costs		(14,355)	-	(41,629)	-
Interest income		48,590	-	112,348	-
Reversal of share of result of:- Jointly controlled entity		425,733	-	-	-
Share of results of:- Associate company		(61,183)	-	(87,460)	-
Profit before taxation		4,338,795	-	12,409,745	-
Taxation	B4	(17,600)	-	(85,512)	-
Profit after taxation		4,321,195	-	12,324,233	-
Minority interest		-	-	-	-
Net profit for the period		4,321,195	-	12,324,233	-
Dividend per share (sen)	B11	-	-	-	-
Earnings per share (sen)					
- Basic	B12	1.7	-	5.1	-
- Diluted		-	-	-	-

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 12)

As this is the third quarterly report being drawn up, there are no comparative figures for the preceding year corresponding quarter.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2006**

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AT 31 JANUARY 2006	AT 30 APRIL 2005 (AUDITED)
	RM	RM
Property, plant and equipment	3,500,291	2,762,009
Research and development expenditure	3,291,974	1,650,594
Investment in associate company	-	87,461
Amount due from jointly controlled entity	-	412,826
Current assets		
Trade and other receivables	30,603,649	17,065,869
Tax recoverable	1,200	1,200
Cash and cash equivalents	20,409,906	2,815,229
	<u>51,014,755</u>	<u>19,882,298</u>
Current liabilities		
Trade and other payables	10,154,487	7,737,966
Finance payables	90,680	54,570
Term loans	105,082	86,219
Tax payables	48,344	115,000
	<u>10,398,593</u>	<u>7,993,755</u>
Net current assets	40,616,162	11,888,543
	<u>47,408,427</u>	<u>16,801,433</u>
Financed by:		
Capital and reserves		
Share capital	25,200,000	9,400,000
Share premium	7,417,674	-
Reserves	13,440,062	6,154,831
Shareholders' equities	<u>46,057,736</u>	<u>15,554,831</u>
Finance payables	410,779	201,212
Term loans	939,912	1,045,390
	<u>47,408,427</u>	<u>16,801,433</u>
Net Assets Per Share (sen)	<u>18</u>	<u>17</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 12)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Non-Distributable			Distributable	Total RM
	Share Capital	Share Premium	Foreign exchange translation	Retained Profit	
	RM	RM	RM	RM	
At 1 May 2005	9,400,000	-	-	6,154,831	15,554,831
Issue of shares	15,800,000	21,760,000	-	-	37,560,000
Capitalisation as bonus shares	-	(12,600,000)	-	-	(12,600,000)
Listing expenses	-	(1,742,326)	-	-	(1,742,326)
Current translation differences	-	-	998	-	998
Net profit for the period	-	-	-	12,324,233	12,324,233
Dividend paid:					
- Interim	-	-	-	(5,040,000)	(5,040,000)
At 31 January 2006	<u>25,200,000</u>	<u>7,417,674</u>	<u>998</u>	<u>13,439,064</u>	<u>46,057,736</u>

(The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 12)

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

	CURRENT YEAR QUARTER ENDED 31 JANUARY 2006	PRECEDING YEAR QUARTER ENDED 31 JANUARY 2005 (AUDITED)
	RM	RM
Cash flows from operating activities		
Profit before taxation	12,409,745	-
Adjustments for non-cash flow:		
Non-cash items	792,175	-
Finance costs	41,629	-
Interest income	(112,348)	-
Operating profit before working capital changes	<u>13,131,201</u>	-
Changes in working capital:		
Net change in current assets	(13,549,459)	-
Net change in current liabilities	<u>2,416,523</u>	-
Cash generated from operations	1,998,265	-
Finance costs	(41,629)	-
Interest income	112,348	-
Income tax paid	(152,168)	-
Dividend paid	<u>(5,040,000)</u>	-
Net cash used in operating activities	<u><u>(3,123,184)</u></u>	-
Cash flows from investing activities		
Acquisition of property, plant and equipment	(684,995)	-
Amount due from jointly controlled entity	339,733	-
Investment in associate company	99,138	-
Research and development expenditure paid	<u>(2,127,199)</u>	-
Net cash used in investing activities	<u><u>(2,373,323)</u></u>	-
Cash flows from financing activities		
Proceeds from issuance of share capital	24,960,000	-
Listing expenses	(1,742,326)	-
Repayment of finance payables	(39,874)	-
Repayment of term loans	<u>(86,616)</u>	-
Net cash used in financing activities	<u><u>23,091,184</u></u>	-
Net increase in cash and cash equivalents	17,594,677	-
Cash and cash equivalents at 1 May 2005	2,815,229	-
Cash and cash equivalents at end of period	<u><u>20,409,906</u></u>	-

(The Unaudited Condensed Consolidated Cash Flows Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 12) .

As this is the third quarterly report being drawn up, there are no comparative figures for the preceding year corresponding quarter.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2006

NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD ("FRS") 134 INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 "Interim Financial Reporting" (formerly known as MASB 26) and Appendix 7A of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial report should be read in conjunction with the latest audited financial statements of Nextnation Communication Berhad ("Nextnation" or the "Company") and its subsidiaries ("Group") for the financial year ended 30 April 2005.

The new accounting standard adopted in these interim financial statements is FRS No. 131: Interest in Joint Ventures. The adoption of FRS No. 131 has not given rise to any adjustments to the opening balance of retained profits of the prior and current year or significant changes to the comparatives.

Save as above, the accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 April 2005.

A2. Qualification of financial statements

There was no audit qualification reported in the audited financial statements of Nextnation and its subsidiaries for the financial year ended 30 April 2005.

A3. Seasonal or cyclical factors

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter under review.

A5. Material changes in estimates

There were no changes in the nature and amount of estimates reported in prior financial years that have a material effect in the current quarter results.

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

A7. Dividend paid

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

A8. Segmental information

The segmental analysis of revenue and profit after taxation of the Group for the current quarter ended 31 January 2006 are tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	17,930,385	3,081,604	(3,420,000)	17,591,989
Profit after taxation	6,891,776	(2,566,656)	(3,925)	4,321,195

A9. Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A10. Material events subsequent to the end of the quarter**Proposed acquisition of 60% equity interest in PT Elasitas Multi Kreasi ("Elasitas"), Jakarta, Indonesia**

On 10 March 2006, the Company announced that Elasitas had accepted its Letter of Intent for the Company or its affiliate to acquire part of the existing ordinary shares of Elasitas from the existing shareholders and to subscribe for the new ordinary shares of Elasitas so that the Company or through its affiliate will hold 60% of the enlarged equity interest in Elasitas, subject to other terms and conditions to be agreed upon, for a total cash consideration of IDR7.5 billion.

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A10. Material events subsequent to the end of the quarter (Continued)

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

On 14 March 2006, Public Merchant Bank Berhad on behalf of the Board of Directors of Nextnation ("Board") announced that the Company proposed to implement a private placement of up to 25,200,000 new ordinary shares of RM0.10 each in Nextnation, representing ten percent (10%) of the existing issued and paid-up share capital of the Company. Further thereto, the Proposed Private Placement was approved by the Securities Commission on 24 March 2006.

Memorandum of Understanding between Nextnation, Beijing Himo Tech Co., Ltd and Jumpstart Investments Limited

On 22 March 2006, Public Merchant Bank Berhad on behalf of the Board announced that the Company had on 21 March 2006, entered into a Memorandum of Understanding with Beijing Himo Tech Co., Ltd, a company established in the People's Republic of China ("PRC"), and Jumpstart Investments Limited, a company incorporated in the British Virgin Islands, for the purpose of collaborating in relation to the research, development and the provision of Internet and wireless technologies and wireless value added services and related software and business ancillary thereto in the PRC.

A11. Changes in composition of the Group

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

A12. Contingent assets or liabilities

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

A13. Capital commitments

There were no capital commitments for the current quarter under review.

NEXTNATION COMMUNICATION BERHADCompany no. 660055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2006****ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA SECURITIES FOR THE MESDAQ MARKET****B1. Review of performance****(a) Performance of the current quarter against the preceding quarter**

	2nd Quarter 1 August 2005 to 31 October 2005	3rd Quarter 1 November 2005 to 31 January 2006	Variance	Variance
	RM '000	RM '000	RM'000	%
Revenue	16,765	17,592	827	4.9
Profit before taxation	4,228	4,339	111	2.6
Net profit	4,198	4,321	123	2.9

Revenue

The Group continued to achieve a positive revenue growth in this quarter. Revenue rose to RM17.59 million in this quarter from RM16.77 million in the previous quarter, a result of continued favourable response and sustained demand for the Group's products and services from its partners and customers as well as the uptrend growth of the mobile data services amongst mobile subscribers in both local and overseas markets.

In addition, the Group has also diversified its revenue stream in providing wireless value-added services platform to overseas business partners which has further contributed to the Group's revenue.

In line with the Group's business expansion plans, the Group has commercialized its mobile multimedia platform and solutions in other countries and thus has also contributed to the increase in revenue.

Profit before taxation and net profit

The Group registered a profit before taxation growth of 2.6% and net profit of 2.9% from the previous quarter to RM4.34 million and RM4.32 million respectively, a result of higher revenue. The improvement of profit before taxation and net profit margins in Malaysia was mainly attributed to higher yields in margins in the provision of the abovementioned platform.

The earnings for the Group for this quarter included the start-up costs in other countries.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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There is no comparison with the preceding year corresponding quarter's results as this is the Group's third quarterly results prepared in accordance with the Listing Requirements of Bursa Securities for the MESDAQ Market.

B2. Current year's prospect

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will continue to be promising in the financial year ending 30 April 2006.

B3. Variance of actual profit from forecast profit

The Group has not published or issued any profit forecast for the current period and financial year to-date.

B4. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	31.01.2006 RM	31.01.2005 RM	31.01.2006 RM	31.01.2005 RM
Current period's provision	17,600	-	85,512	-

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

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

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

B6. Quoted securities

There was no purchase or disposal of quoted securities by the Group for the current quarter under review and financial year to-date.

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B7. Status of corporate proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this report.

Proposed acquisition of 60% equity interest in PT Elasitas Multi Kreasi (“Elasitas”), Jakarta, Indonesia

On 10 March 2006, the Company announced that Elasitas had accepted its Letter of Intent for the Company or its affiliate to acquire part of the existing ordinary shares of Elasitas from the existing shareholders and to subscribe for the new ordinary shares of Elasitas so that the Company or through its affiliate will hold 60% of the enlarged equity interest in Elasitas, subject to other terms and conditions to be agreed upon, for a total cash consideration of IDR7.5 billion.

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

On 14 March 2006, Public Merchant Bank Berhad on behalf of the Board announced that the Company proposed to implement a private placement of up to 25,200,000 new ordinary shares of RM0.10 each in Nextnation, representing ten percent (10%) of the existing issued and paid-up share capital of the Company. Further thereto, the Proposed Private Placement was approved by the Securities Commission on 24 March 2006.

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As at 31 January 2006, the Company has utilised approximately 50.9% of the proceeds raised from the Initial Public Offering on 26 August 2005 in the following manner:

	Proposed Amount	Utilised Amount	Utilised Amount	Unutilised Amount
	RM'000	RM'000	%	RM'000
Capital expenditures	4,000	630	2.5	3,370
Working Capital	2,060	2,060	8.3	-
Research and development expenditures	4,800	1,358	5.4	3,442
Advertising and promotions	7,500	5,161	20.7	2,339
Overseas expansion	4,800	1,759	7.0	3,041
Estimated listing expenses	1,800	1,742	7.0	58
Total	24,960	12,710	50.9	12,250

B8. Borrowings and debt securities

Save as disclosed below, the Group does not have any loan capital outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 January 2006.

Type of interest bearing secured borrowings	Payable within 12 months RM	Payable after 12 months RM
Hire purchase	90,680	410,779
Term loans	105,082	939,912
Total	195,762	1,350,691

All the above borrowings are in Malaysian currency. There has been no default on payment of either interest and/or principal sum, in respect of the abovementioned borrowings throughout the past one (1) financial year.

B9. Off balance sheet financial instruments

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

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B10. Material litigation

Save as disclosed below, the Group is not engaged in any material litigation, either as plaintiff or defendant, and the Directors do not have any knowledge of any proceedings pending or threatened against the Group as at the date of this report.

A legal proceeding vide Kuala Lumpur High Court Civil Suit No. MT4-22-1739-2004 for copyright infringement has been commenced against Celcom (M) Berhad ("Celcom") by Goodsound Music Publishing Sdn. Bhd. and eight (8) others ("Plaintiffs"). In the said suit, the plaintiff alleged that Celcom has converted and reproduced certain songs owned by them collectively and made the same available to the general public in the form of downloadable ringtones from Celcom's website, without any authority, license or permission of the Plaintiffs. Celcom's solicitors, Messrs Bustaman has via a letter dated 9 May 2005 informed NN that Celcom has obtained leave to issue a third party notice against NN in the above legal suit. However, at the date hereof, Celcom has not served any third party notice on NN. NN's solicitors, Messrs Cheang & Ariff via a letter dated 1 August 2005, are of the view that there is no legal basis for Celcom to proceed with a third party proceeding against NN in relation to the above legal suit as NN has never provided any ringtones to Celcom's website. Similarly, the plaintiffs would also have no recourse against NN as NN has, at the material time, provided its services based on valid licenses obtained and has always made the necessary payment according to the terms of various license agreements.

B11. Dividend

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

B12. Earnings per share

The basic earnings per share for the current quarter ended 31 January 2006 has been calculated based on the net profit attributable to ordinary shareholders of the Company of RM12,324,233 and RM4,321,195 divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue of 239,594,203 shares and 252,000,000 shares for the cumulative quarter and current quarter ended 31 January 2006 respectively.