

NEXTNATION COMMUNICATION BERHAD

(Company No. 660055-H)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 APRIL 2006**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 APRIL 2006 RM	PRECEDING YEAR CORRESPONDING QUARTER 30 APRIL 2005 RM	CURRENT YEAR TO-DATE 30 APRIL 2006 RM	PRECEDING YEAR CORRESPONDING PERIOD 30 APRIL 2005 RM
Revenue		17,781,798	-	67,381,254	-
Operating expenses		(12,984,031)	-	(49,350,353)	-
Profit from operations		4,797,767	-	18,030,901	-
Depreciation and amortisation		(393,552)	-	(1,200,200)	-
Finance costs		(7,344)	-	(48,973)	-
Interest income		66,309	-	178,657	-
Realisation of reserve on consolidation		-	-	-	-
Share of results of:- Associate company		-	-	(87,460)	-
Profit before taxation		4,463,180	-	16,872,925	-
Taxation	B4	27,900	-	(57,612)	-
Profit after taxation		4,491,080	-	16,815,313	-
Minority interest		-	-	-	-
Net profit for the period		4,491,080	-	16,815,313	-
Dividend per share (sen)	B11	-	-	-	-
Earnings per share (sen)					
- Basic	B12	1.8	-	6.9	-
- Diluted		-	-	-	-

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Notes to the Interim Financial Report on pages 5 to 15)

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

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AT 30 APRIL 2006	AT 30 APRIL 2005 (AUDITED)
	RM	RM
Property, plant and equipment	3,701,098	2,762,009
Research and development expenditure	3,566,201	1,650,594
Investment in associate company	-	87,461
Amount due from jointly controlled entity	-	412,826
Current assets		
Trade and other receivables	39,637,375	17,065,869
Tax recoverable	1,200	1,200
Cash and cash equivalents	12,962,901	2,815,229
	<u>52,601,476</u>	<u>19,882,298</u>
Current liabilities		
Trade and other payables	7,832,663	7,737,966
Finance payables	92,276	54,570
Term loans	103,728	86,219
Tax payables	1,573	115,000
	<u>8,030,240</u>	<u>7,993,755</u>
Net current assets	44,571,236	11,888,543
	<u>51,838,535</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	17,933,285	6,154,831
Shareholders' equities	<u>50,550,959</u>	<u>15,554,831</u>
Finance payables	385,239	201,212
Term loans	902,337	1,045,390
	<u>51,838,535</u>	<u>16,801,433</u>
Net Assets Per Share (sen)	<u>20</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 15)

NEXTNATION COMMUNICATION BERHADCompany no. 660055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

	Non-Distributable			Distributable	Total RM
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit 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	-	-	3,141	-	3,141
Net profit for the period	-	-	-	16,815,313	16,815,313
Dividend paid: - Interim	-	-	-	(5,040,000)	(5,040,000)
At 30 April 2006	<u>25,200,000</u>	<u>7,417,674</u>	<u>3,141</u>	<u>17,930,144</u>	<u>50,550,959</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 15)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CURRENT YEAR YEAR TO-DATE 30 APRIL 2006	CUMULATIVE QUARTER PRECEDING YEAR CORRESPONDING PERIOD 30 APRIL 2005 (AUDITED)
	RM	RM
Cash flows from operating activities		
Profit before taxation	16,872,925	6,154,831
Adjustments for non-cash flow:		
Non-cash items	1,187,063	(6,172,767)
Finance costs	48,973	-
Interest income	(178,657)	-
Operating profit/(loss) before working capital changes	<u>17,930,304</u>	<u>(17,936)</u>
Changes in working capital:		
Net change in current assets	(22,015,291)	(1,634)
Net change in current liabilities	94,698	19,570
Cash generated used in operations	<u>(3,990,289)</u>	<u>-</u>
Finance costs	(48,973)	-
Interest income	178,657	-
Income tax paid	(171,038)	-
Dividend paid	(5,040,000)	-
Net cash used in operating activities	<u>(9,071,643)</u>	<u>-</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,120,627)	-
Amount due from jointly controlled entity	412,826	-
Investment in associate company	(468,757)	-
Research and development expenditure paid	(2,632,440)	-
Net cash from acquisition of subsidiary company	-	2,815,227
Net cash (used in)/from investing activities	<u>(3,808,998)</u>	<u>2,815,227</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	24,960,000	2
Listing expenses	(1,742,326)	-
Repayment of finance payables	(63,817)	-
Repayment of term loans	(125,544)	-
Net cash used in financing activities	<u>23,028,313</u>	<u>2</u>
Net increase in cash and cash equivalents	10,147,672	2,815,229
Cash and cash equivalents at 1 May 2005	2,815,229	-
Cash and cash equivalents at end of year	<u>12,962,901</u>	<u>2,815,229</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 15)

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 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.

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006****A6. Debts and equity securities**

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 30 April 2006 are tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	20,553,604	5,566,852	(8,338,658)	17,781,798
Profit after taxation	6,461,969	(1,974,804)	3,915	4,491,080

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

Save as disclosed below, there were no other material events subsequent to the end of the reporting quarter.

(a) Revision to the Plan for Utilisation of Proceeds Raised Pursuant to the Flotation of Nextnation on the MESDAQ Market to Bursa Malaysia Securities Berhad ("Revised Utilisation")

On 18 May 2006, Public Merchant Bank Berhad ("PMBB") announced on behalf of the Board of Directors of Nextnation ("Board") that the Securities Commission ("SC") had via its letter dated 16 May 2006, approved the Revised Utilisation as stated below.

NEXTNATION COMMUNICATION BERHADCompany no. 660055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

Previously disclosed utilisation schedule			Revised utilisation schedule		
Utilisation	RM'000	%	Utilisation	RM'000	%
Capital expenditures	4,000	16.03	Capital expenditures	1,000	4.01
Working capital	2,060	8.25	Working capital	5,118	20.50
Research and development expenditures	4,800	19.23	Research and development expenditures	4,800	19.23
Advertising and promotions	7,500	30.05	Advertising and promotions	7,500	30.05
Overseas expansion	4,800	19.23	Overseas expansion	4,800	19.23
Estimated listing expenses	1,800	7.21	Estimated listing expenses	1,742	6.98
Total	24,960	100.00	Total	24,960	100.00

(b) **Subscription of shares in Nextnation Qahaar Venture Pte Ltd ("Nextnation Qahaar") and Qahaar Infracom Pte Ltd ("Qahaar Infracom")**

On 19 May 2006, Nextnation Collections Sdn Bhd, an indirect wholly-owned subsidiary of the Company subscribed to 100% of the total equity of Nextnation Qahaar, comprising 1,000,000 ordinary shares of SGD1.00 each. Nextnation Qahaar had subscribed to 100% of the total equity of Qahaar Infracom, a company incorporated in Singapore, comprising 500,000 ordinary shares of SGD1.00 each. Following the aforesaid subscriptions, Nextnation Qahaar and Qahaar Infracom shall be deemed wholly-owned subsidiaries of Nextnation. The principal activities of Nextnation Qahaar are research and development, investment, trading and marketing of communications, information technology and life sciences technologies, while the principal activities of Qahaar Infracom are investment, development, trading and marketing for hardware or software.

(c) **Proposed acquisition of a subsidiary for business expansion in the People's Republic of China ("PRC")**

On 23 May 2006, PMBB, on behalf of the Board, announced that Nextnation, via its subsidiary, Godynamic Investments Limited ("Godynamic"), entered into a conditional subscription agreement with Often Reach Investments Limited ("ORI") and Jumpstart Investments Limited to subscribe for 700 ordinary shares of USD1.00 each at par and 250,000,000 new irredeemable convertible preference shares of USD0.01 each at par in ORI. Upon completion of the subscriptions, Godynamic will have 50% control based on the voting rights in ORI.

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

ORI will establish a wholly-owned foreign enterprise in the PRC to undertake the research, development and the provision of Internet and wireless technologies, wireless value added services and related software, and business ancillary in the PRC.

(d) Proposed acquisition of the entire issued and paid up share capital of Euro Tai Solution Sdn Bhd (“Euro Tai”)

On 5 June 2006, the Company announced that its wholly-owned subsidiary, Ozura Sdn Bhd (“Ozura”), proposed to acquire the entire issued and paid-up share capital of Euro Tai, a Multimedia Super Corridor-Status company, comprising 50,000 ordinary shares of RM1.00 each fully paid-up for a total cash consideration of RM50,000. The principal activities of Euro Tai are as follows:

- (i) Research, development and commercialization of solutions and content for the mobile entertainment industry; and
- (ii) Provision of technical support and maintenance services related to item (i) above.

The proposed acquisition is in line with the principal business activities of Ozura, and is expected to complement its existing business and enhance the Group’s position in relation to mobile game engine/solution development.

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

On 19 June 2006, the Company announced that it has, via its subsidiary, Godynamic, entered into a conditional subscription agreement with Guillemard International Limited (“Guillemard”) and High Speed Group Limited (“High Speed”) to subscribe for 59 new ordinary shares of USD1.00 each in Guillemard, representing 62.11% of the entire enlarged issued and paid up share capital of Guillemard, for a total cash consideration of USD854,025 (“Proposed Subscription”). Upon completion of the Proposed Subscription, Godynamic will indirectly hold 60% of the enlarged equity interest in Elasitas. Elasitas is an Indonesian technology enabler for the mobile and Internet industries which focuses on platform development and system integration, provisioning of mobile services and production of creative content and multimedia.

A11. Changes in composition of the Group

There were no changes in the Group composition for the current quarter under review except for setting up of two new wholly-owned subsidiaries, via the subscription of shares in Nextnation Qahaar and Qahaar Infracom as stated in item A10 (b) above.

A12. Contingent assets or liabilities

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

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

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 FOURTH QUARTER
ENDED 30 APRIL 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**

	3 rd Quarter 1 November 2005 to 31 January 2006	4 th Quarter 1 February 2006 to 30 April 2006	Variance	
	RM '000	RM '000	RM'000	%
Revenue	17,592	17,782	190	1.1
Profit before taxation	4,339	4,463	124	2.8
Net profit	4,321	4,491	170	3.8

Revenue

The Group again posted a positive revenue growth for the current quarter. Revenue rose to RM17.78 million in this quarter from RM17.59 million in the previous quarter. The growth was in tandem with the 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's extensive portfolio of technology and services has enabled it to offer its partners and customers better value, and as such bringing up and diversifying 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 revenue.

Profit before taxation and net profit

The Group registered a profit before taxation growth of 2.8% and net profit of 3.8% from the previous quarter to RM4.46 million and RM4.49 million respectively. 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.

NEXTNATION COMMUNICATION BERHADCompany no. 660055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006****B1. Review of performance (Continued)****(b) Performance of the current quarter against the preceding year corresponding quarter**

There is no comparison with the preceding year corresponding quarter's results as this is the Group's fourth quarterly results prepared in accordance with the Listing Requirements of Bursa Securities for the MESDAQ Market.

B2. Current year's prospect

The Directors are of the opinion that the current prospects for the mobile value-added services industry will be challenging in view of the stringent rules imposed by the authority, competitive pricing offered by the content providers and also the increased number of players emerging locally and abroad. However, the Group will continue to focus on its core activities and expansion plan for revenue diversification. Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will continue to be promising in the next financial year.

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
	30.04.2006 RM	30.04.2005 RM	30.04.2006 RM	30.04.2005 RM
Current period's provision	(27,900)	-	57,612	-

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. The tax provision for the current quarter has been adjusted accordingly to reflect the over provision reported in the previous quarter.

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.

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

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.

B7. Status of corporate proposals

Save as disclosed below, there were no other corporate proposals announced but not completed in the current quarter under review:-

- (a) On 10 March 2006, Nextnation proposed to acquire 60% equity interest in Elasitas via Nextnation or its affiliate. Following this, on 19 June 2006, the Company announced that it has, via its subsidiary, Godynamic entered into a conditional subscription agreement with Guillemard and High Speed to subscribe for 59 new ordinary shares of USD1.00 each in Guillemard, representing 62.11% of the entire enlarged issued and paid up share capital of Guillemard. Upon completion of the Proposed Subscription, Godynamic will indirectly hold 60% of the enlarged equity interest in Elasitas.

The Proposed Subscription is expected to be completed within three (3) months from the execution of the conditional subscription agreement and definitive agreements.

- (b) On 14 March 2006, PMBB, 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 ("Proposed Private Placement"). Further thereto, the Proposed Private Placement was approved by the SC on 24 March 2006.
- (c) On 22 March 2006, PMBB, 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 ("Himo") and Jumpstart.

Following this, on 13 April 2006, PMBB announced, on behalf of the Board, that the Company had on 12 April 2006 entered into a Heads of Agreement with Himo, Jumpstart and ORI in respect of the Company's investment in research, development and the provision of mobile communication, wireless technologies, wireless value added services, Internet and related software and business ancillary thereto in the PRC.

On 23 May 2006, PMBB, on behalf of the Board, announced that Nextnation, via its subsidiary, Godynamic, entered into a conditional subscription agreement with ORI and Jumpstart to subscribe for 700 ordinary shares of USD1.00 each at par and 250,000,000 new irredeemable convertible preference shares of USD0.01 each at par in ORI. Upon completion of the subscriptions, Godynamic will have 50% control based on the voting rights in ORI.

NEXTNATION COMMUNICATION BERHADCompany no. 660055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

ORI will establish a wholly-owned foreign enterprise in the PRC to undertake the research, development and the provision of Internet and wireless technologies, wireless value added services and related software, and business ancillary in the PRC.

The subscription of shares did not require the approval of shareholders of Nextnation or any government authorities in Malaysia.

- (d) On 27 April 2006, PMBB, on behalf of the Board, announced that the Company proposes to implement proposed bonus issue of up to 138,600,000 new ordinary shares of RM0.10 each in Nextnation, to be credited as fully paid-up, on the basis of one (1) bonus share for every two (2) existing ordinary shares of RM0.10 each in Nextnation ("Proposed Bonus Issue").

The Company intends to implement the Proposed Bonus Issue after the completion of the Proposed Private Placement of the Company.

- (e) As at 30 April 2006, the Company has utilised approximately 71.0% of the proceeds raised from the Initial Public Offering on 26 August 2005 in the following manner:

	Proposed Utilisation	Utilised Amount	Utilised Amount	Unutilised Amount
	RM'000	RM'000	%	RM'000
Capital expenditures	1,000	630	2.5	370
Working Capital	5,118	2,060	8.3	3,058
Research and development expenditures	4,800	2,775	11.1	2,025
Advertising and promotions	7,500	7,458	29.9	42
Overseas expansion	4,800	3,044	12.2	1,756
Estimated listing expenses	1,742	1,742	7.0	-
Total	24,960	17,709	71.0	7,251

The unutilized proceeds are kept in the interest earning accounts maintained with approved financial institutions in Malaysia.

- (f) On 5 June 2006, the Company announced that its wholly-owned subsidiary, Ozura, proposes to acquire the entire issued and paid-up share capital of Euro Tai, comprising 50,000 ordinary shares of RM1.00 each fully paid-up for a total cash consideration of RM50,000.

The proposed subscription is expected to be completed within three (3) months from the date of announcement.

NEXTNATION COMMUNICATION BERHADCompany no. 66055-H
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006****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 30 April 2006.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase	92,276	385,239
Term loans	103,728	902,337
Total	196,004	1,287,576

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.

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.

NEXTNATION COMMUNICATION BERHAD

Company no. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2006**

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 30 April 2006 has been calculated based on the net profit attributable to ordinary shareholders of the Company of RM16,815,313 and RM4,491,080 divided by the adjusted weighted average number of ordinary shares of RM0.10 each in issue of 242,619,178 shares and 252,000,000 shares for the cumulative quarter and current quarter ended 30 April 2006 respectively.