

NEXTNATION COMMUNICATION BERHAD
(Company No. 660055-H)
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2009**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2009**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2009 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2008 RM	CURRENT YEAR TO-DATE 31 JANUARY 2009 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2008 RM
Revenue		11,541,028	15,635,796	40,168,549	51,300,345
Operating expenses		(14,290,023)	(13,423,889)	(44,770,560)	(46,290,044)
(Loss)/ profit from operations		(2,748,995)	2,211,907	(4,602,011)	5,010,301
Depreciation and amortisation		(1,266,306)	(1,054,324)	(3,565,062)	(2,805,834)
Finance costs		(263,092)	(105,135)	(607,785)	(186,658)
Interest income		137,138	61,385	190,354	161,359
(Loss)/ profit before taxation		(4,141,255)	1,113,833	(8,584,504)	2,179,168
Taxation	B4	113,610	(317,209)	(80,000)	(457,267)
(Loss)/ profit for the period		(4,027,645)	796,624	(8,664,504)	1,721,901
Attributable to:					
Shareholders of the Company		(3,203,921)	(1,912,666)	(7,809,222)	(1,157,549)
Minority interest		(823,724)	2,709,290	(855,282)	2,879,450
(Loss)/ profit for the period		(4,027,645)	796,624	(8,664,504)	1,721,901
Loss per share attributable to the equity holders of the Company					
- Basic (sen)	B12	(0.77)	(0.47)	(1.88)	(0.29)
- Diluted (sen)		-	-	-	-

(The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 JANUARY 2009 (UNAUDITED) RM	AT 30 APRIL 2008 (AUDITED) RM
Property, plant and equipment	21,399,776	14,791,486
Research and development expenditure	6,951,279	5,913,508
Investment in associate companies	225,240	225,240
Intangible asset	2,585,552	2,945,388
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	531,635	518,000
Amount due from associate company	2,465,861	2,660,031
Current assets		
Trade and other receivables	41,703,244	43,226,757
Tax recoverable	632,227	487,511
Fixed deposits with a licensed bank	80,000	80,000
Cash and bank balances	13,700,361	15,562,865
	<u>56,115,832</u>	<u>59,357,133</u>
Current liabilities		
Trade and other payables	15,068,509	6,046,222
Amount due to associate company	239,230	231,814
Finance payables	522,361	355,634
Term loans	2,387,309	2,871,572
Tax payables	257,661	1,292
Bank overdraft	78,326	967,571
	<u>18,553,396</u>	<u>10,474,105</u>
Net current assets	37,562,436	48,883,028
	<u>73,024,328</u>	<u>77,239,230</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	1,351,798	695,376
Retained profit	18,259,982	26,069,204
	<u>61,191,780</u>	<u>68,344,580</u>
Minority interest	2,089,392	2,944,674
Total equity	63,281,172	71,289,254
Finance payables	945,068	955,352
Term loans	8,798,088	4,994,624
	<u>73,024,328</u>	<u>77,239,230</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	<u>14.72</u>	<u>16.44</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<----- Attributable to Equity Holders of the Company ----->						
	Non-Distributable			Distributable			
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit RM	Total RM		
At 1 May 2008	41,580,000	5,558,840	(4,863,464)	26,069,204	68,344,580	2,944,674	71,289,254
Currency translation differences	-	-	656,422	-	656,422	-	656,422
Net income recognised directly in equity	41,580,000	5,558,840	(4,207,042)	26,069,204	69,001,002	2,944,674	71,945,676
Net loss for the period	-	-	-	(7,809,222)	(7,809,222)	(855,282)	(8,664,504)
At 31 January 2009	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,207,042)</u>	<u>18,259,982</u>	<u>61,191,780</u>	<u>2,089,392</u>	<u>63,281,172</u>
At 1 May 2007	26,820,000	14,918,840	(1,801,022)	34,701,236	74,639,054	410,303	75,049,357
Issue of shares	900,000	4,500,000	-	-	5,400,000	-	5,400,000
Capitalised as bonus issue	13,860,000	(13,860,000)	-	-	-	-	-
Currency translation differences	-	-	(1,761,884)	-	(1,761,884)	-	(1,761,884)
Net income recognised directly in equity	41,580,000	5,558,840	(3,562,906)	34,701,236	78,277,170	410,303	78,687,473
Net profit for the period	-	-	-	(1,157,549)	(1,157,549)	2,879,450	1,721,901
At 31 January 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(3,562,906)</u>	<u>33,543,687</u>	<u>77,119,621</u>	<u>3,289,753</u>	<u>80,409,374</u>

(The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 April 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CURRENT YEAR TO-DATE 31 JANUARY 2009	CUMULATIVE QUARTER PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2008
	RM	RM
Cash flows from operating activities		
(Loss)/ profit before taxation	(8,584,504)	2,179,168
Adjustments for non-cash flow:		
Non-cash items	4,413,604	1,571,865
Finance costs	607,785	186,658
Interest income	(190,354)	(161,359)
Operating (loss)/ profit before working capital changes	<u>(3,753,469)</u>	<u>3,776,332</u>
Changes in working capital:		
Net change in current assets	633,354	13,279,492
Net change in current liabilities	<u>9,244,543</u>	<u>(6,359,068)</u>
Cash generated from operations	6,124,428	10,696,756
Finance costs	(607,785)	(185,550)
Interest income	190,354	161,359
Income tax paid	<u>(175,197)</u>	<u>(186,160)</u>
Net cash generated from operating activities	<u>5,531,800</u>	<u>10,486,405</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,199,097)	(2,236,992)
Investment in associate company	-	(714,002)
Research and development expenditure paid	(1,625,984)	(4,530,271)
Proceeds from disposal of property, plant and equipment	-	13,049
Net cash used in investing activities	<u>(9,825,081)</u>	<u>(7,468,216)</u>
Cash flows from financing activities		
Drawdown of term loan	5,550,200	4,262,475
Proceeds from issuance of share capital	-	5,400,000
Repayment of finance payables	(409,840)	(242,541)
Repayment of term loans	<u>(2,383,324)</u>	<u>(90,532)</u>
Net cash generated from financing activities	<u>2,757,036</u>	<u>9,329,402</u>
Net (decrease)/ increase in cash and cash equivalents	(1,536,245)	12,347,591
Cash and cash equivalents at 1 May	14,675,294	12,604,512
Translation differences	562,986	(336,251)
Cash and cash equivalents at end of period	<u>13,702,035</u>	<u>24,615,852</u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	13,700,361	18,498,365
Fixed deposit with a licensed bank	80,000	7,080,000
Bank overdraft	<u>(78,326)</u>	<u>(962,513)</u>
	<u>13,702,035</u>	<u>24,615,852</u>

(The Unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2009

NOTES TO THE INTERIM FINANCIAL REPORT

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 “Interim Financial Reporting” and Rule 9.22 of the 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 2008.

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 April 2008.

A2. Qualification of financial statements

There was no audit qualification reported in the audited financial statements of the Group for the financial year ended 30 April 2008.

A3. Seasonal or cyclical factors

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

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

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

A5. Material changes in estimates

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

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There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities of the Company 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 loss before taxation of the Group for the financial period ended 31 January 2009 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	14,665,977	25,502,572	-	40,168,549
Loss before tax	6,053,228	2,531,276	-	8,584,504

A9. Valuation of property, plant and equipment

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

A10. Material events subsequent to the end of the quarter

There are no material events subsequent to the quarter ended 31 January 2009.

A11. Changes in composition of the Group

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

A12. Contingent assets or liabilities

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

RM

Contingent liability :

Corporate guarantee granted to a subsidiary company

19,079,989

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A13. Capital commitments

The amount of commitments for the acquisition of properties not provided for in the current quarter under review is as follows:

	RM
Approved and contracted for	<u>2,896,010</u>

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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

For the current quarter ended 31 January 2009, the Group recorded revenue of RM11.5 million as compared to RM13.9 million recorded in the previous quarter ended 31 October 2008. The Group's revenue declined by 16.75% as a result of the current depressed global economic conditions. The reduced spending by both the consumer market and also the telecommunication companies in the form of marketing and infrastructure investments has severely hampered the Group's revenue generation.

The Group recorded loss before taxation of RM4.1 million for the current quarter ended 31 January 2009 as compared to a loss before taxation of RM2.6 million recorded in the previous quarter ended 31 October 2008. The higher loss incurred was mainly due to lower revenue generated, while maintaining a similar fixed cost structure especially technical and staff cost.

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

The Group's revenue of RM11.5 million in the current quarter ended 31 January 2009 represents a decrease in revenue of RM4.1 million as compared to RM15.6 million reported for the preceding year's corresponding quarter. The decrease of 26.19% in revenue was mainly attributed to the lower demand for the Company's products and services from both the consumer and also the corporate clients due to the current global financial crisis. Cost conscious awareness due to economic meltdown has resulted in lower demand from the Group's users or customers, and most of them adopt a conservative stand and wait and see attitude before spending.

The Group recorded a loss before taxation of RM4.1 million in the current quarter ended 31 January 2009 as compared to profit before taxation of RM1.1 million recorded for the preceding year corresponding quarter ended 31 January 2008. The deterioration in financial performance was mainly attributable to the decrease in revenue, while the fixed cost structure remains similar.

The Group recorded a revenue and loss before taxation of RM40.2 million and RM8.6 million respectively for the nine months period ended 31 January 2009 as compared to a revenue and profit before taxation of RM51.3 million and RM2.2 million respectively in the preceding year's corresponding period. The deterioration in revenue and financial performance was mainly attributable to lower demand for the Company's products and services as a result of the current market condition.

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B2. Current year's prospect

The Group expects to face a difficult business environment in the current year given the volatile global economic climate and challenges assailing the global information technology industry. In tandem with slower economic growth, the demand for mobile applications and value added services is expected to be lower. The Board of Directors continues to be concerned with these unprecedented challenges, especially the volatility of the global economy.

Notwithstanding this, the Group will continue during this challenging business environment to focus on its technology, products development, service enhancement, market expansion, and maintaining or securing strategic partnerships. The Group is committed to implement measures that will increase its operational efficiency and mitigate the impact of these external factors to some extent. The Group will also look for new sources of income, including expanding its international footprint and diversifying its earnings base abroad, where appropriate. This however, will only be undertaken with due diligence and professional assessment of the risks involved.

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
	31.1.2009 RM	31.1.2008 RM	31.1.2009 RM	31.1.2008 RM
Current period's provision	-	(315,980)	(193,610)	(456,038)
Overprovision/ (underprovision)	113,610	(1,229)	113,610	(1,229)
Total	113,610	(317,209)	(80,000)	(457,267)

Taxation is calculated at the rate prevailing in the respective jurisdictions.

There was a provision for taxation of RM193,610 despite the fact that the Group incurred losses for the nine months period ended 31/1/2009 mainly due to tax losses on certain subsidiary companies that cannot be set-off against other companies within the Group.

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

B6. Purchase and disposal of quoted securities

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

B7. Status of corporate proposals and utilisation of proceeds

There were no corporate proposals announced but not completed as at 30 March 2009, being the last practicable date for the issue of this report.

B8. Borrowings and debt securities

Save as disclosed below, the Group does not have any loan outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 January 2009.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,654,326	9,666,814
Indonesia Rupiah	819,279,874 <i>(equivalent to RM255,344)</i>	240,068,962 <i>(equivalent to RM76,342)</i>

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

B9. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

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B10. Material litigation

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

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

B11. Dividend

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

B12. Loss per share

The basic loss per share for the current quarter ended 31 January 2009 has been calculated based on the net loss for the period attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.1.2009	Preceding year corresponding quarter 31.1.2008	Current year to-date 31.1.2009	Preceding year corresponding period 31.1.2008
Net loss for the period attributable to the ordinary equity holder of the Company (RM'000)	(3,204)	(1,913)	(7,809)	(1,158)
Weighted average number of ordinary shares in issue ('000)	415,800	403,193	415,800	403,193
Basic loss per share attributable to equity holders of the Company (sen)	(0.77)	(0.47)	(1.88)	(0.29)