

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2010**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2010**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2010 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2009 RM	CURRENT YEAR TO-DATE 31 JANUARY 2010 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2009 RM
Revenue		16,244,350	11,541,028	50,208,336	40,168,549
Operating expenses		(15,908,475)	(14,290,023)	(46,492,149)	(44,770,560)
Profit/ (loss) from operations		335,875	(2,748,995)	3,716,187	(4,602,011)
Depreciation and amortisation		(1,181,609)	(1,266,306)	(3,652,972)	(3,565,062)
Finance costs		(273,428)	(263,092)	(667,520)	(607,785)
Interest income		2,191	137,138	76,006	190,354
Gain on disposal of subsidiary companies		4,326,998	-	4,326,998	-
Profit/ (loss) before taxation		3,210,027	(4,141,255)	3,798,699	(8,584,504)
Taxation	B4	(6,039)	113,610	(6,214)	(80,000)
Profit/ (loss) for the period		3,203,988	(4,027,645)	3,792,485	(8,664,504)
Attributable to:					
Shareholders of the Company		3,524,096	(3,203,921)	3,774,587	(7,809,222)
Minority interest		(320,108)	(823,724)	17,898	(855,282)
Profit/ (loss) for the period		3,203,988	(4,027,645)	3,792,485	(8,664,504)
Profit/ (loss) per share attributable to the equity holders of the Company					
- Basic (sen)	B12	0.85	(0.77)	0.91	(1.88)
- 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 2009 and the accompanying 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 BALANCE SHEETS

	AT 31 JANUARY 2010 (UNAUDITED) RM	AT 30 APRIL 2009 (AUDITED) RM
Property, plant and equipment	20,783,035	20,743,879
Research and development expenditure	8,820,780	10,410,470
Investment in associate companies	-	225,240
Intangible asset	1,595,638	2,292,325
Goodwill on consolidation	733,545	1,302,549
Fixed deposits with a licensed bank	548,958	538,503
Amount due from associate company	1,414,349	1,050,024
Current assets		
Trade and other receivables	64,289,040	36,758,652
Tax recoverable	668,787	1,091,195
Fixed deposits with a licensed bank	-	414,252
Cash and bank balances	3,077,653	13,549,552
	68,035,480	51,813,651
Current liabilities		
Trade and other payables	23,162,708	11,660,543
Amount due to associate company	-	240,760
Finance payables	354,207	523,649
Term loans	2,569,559	2,133,850
Tax payables	2,322	1,553
	26,088,796	14,560,355
Net current assets	41,946,684	37,253,296
	75,842,989	73,816,286
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	1,313,839	1,065,574
Retained profit	23,133,167	19,358,580
	66,027,006	62,004,154
Minority interest	1,906,369	2,457,475
Total equity	67,933,375	64,461,629
Finance payables	1,047,402	820,433
Term loans	6,862,212	8,534,224
	75,842,989	73,816,286
Net assets per share attributable to ordinary equity holders of the Company (sen)	15.88	14.91

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<-----Attributable to Equity Holders of the Company----->						
	Non-Distributable			Distributable			
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit RM	Total RM		Minority Interest RM
At 1 May 2009	41,580,000	5,558,840	(4,493,266)	19,358,580	62,004,154	2,457,475	64,461,629
Currency translation differences	-	-	248,265	-	248,265	-	248,265
Net income recognised directly in equity	41,580,000	5,558,840	(4,245,001)	19,358,580	62,252,419	2,457,475	64,709,894
Net profit for the period	-	-	-	3,205,583	3,205,583	17,898	3,223,481
Increase/ (decrease) arising from change in composition of the Group	-	-	-	569,004	569,004	(569,004)	-
At 31 January 2010	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,245,001)</u>	<u>23,133,167</u>	<u>66,027,006</u>	<u>1,906,369</u>	<u>67,933,375</u>
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>

(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 2009 and the accompanying 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)

	CUMULATIVE QUARTER	
	CURRENT YEAR TO-DATE 31 JANUARY 2010	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2009
	RM	RM
Cash flows from operating activities		
Profit/ (loss) before taxation	3,798,699	(8,584,504)
Adjustments for non-cash flow:		
Non-cash items	(2,127,043)	4,413,604
Finance costs	667,520	607,785
Interest income	(76,006)	(190,354)
Operating profit/ (loss) before working capital changes	2,263,170	(3,753,469)
Changes in working capital:		
Net change in current assets	(29,852,684)	633,354
Net change in current liabilities	21,107,996	9,244,543
Cash (used in)/ generated from operations	(6,481,518)	6,124,428
Finance costs	(667,520)	(607,785)
Interest income	76,006	190,354
Income tax refund/ (paid)	416,963	(175,197)
Net cash (used in)/ generated from operating activities	(6,656,069)	5,531,800
Cash flows from investing activities		
Acquisition of property, plant and equipment	(688,799)	(8,199,097)
Research and development expenditure paid	(1,394,078)	(1,625,984)
Net cash flow from disposal of subsidiary companies	212,079	-
Proceeds from disposal of property, plant and equipment	379,501	-
Net cash used in investing activities	(1,491,297)	(9,825,081)
Cash flows from financing activities		
Drawdown of term loan	-	5,550,200
Repayment of finance payables	(775,416)	(409,840)
Repayment of term loans	(2,188,507)	(2,383,324)
Net cash (used in)/ generated from financing activities	(2,963,923)	2,757,036
Net decrease in cash and cash equivalents	(11,111,289)	(1,536,245)
Cash and cash equivalents at 1 May	13,963,804	14,675,294
Translation differences	225,138	562,986
Cash and cash equivalents at end of period	3,077,653	13,702,035
Cash and cash equivalents comprise of :-		
Cash and bank balances	3,077,653	13,700,361
Fixed deposit with a licensed bank	-	80,000
Bank overdraft	-	(78,326)
	3,077,653	13,702,035

(The Unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the financial year ended 30 April 2009 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2010

NOTES TO THE INTERIM FINANCIAL REPORT

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

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 “Interim Financial Reporting” and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the latest audited financial statements of Nextnation Communication Berhad (“Nextnation” or the “Company”) and its subsidiaries (“Group”) for the financial year ended 30 April 2009.

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 2009.

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 2009.

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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**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 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 profit 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	23,768,555	28,578,241	(2,138,460)	50,208,336
Profit before taxation	3,557,124	241,575	-	3,798,699

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 2010.

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A11. Changes in composition of the Group

Other than as disclosed below, there were no changes in the composition of the Group during the financial period-to-date.

a) Acquisition of additional shareholding in Elasitas Technologies Limited

On 22 January 2010, Godynamic Investments Limited (“GIL”), a 51%-owned subsidiary of Nextnation Network Sdn Bhd (“NNSB”), which in turn is a wholly owned subsidiary of the Company has entered into a Share Sale Agreement with High Speed Group Limited for the further acquisition of 24 ordinary shares of USD1.00 each, representing 25.26% of the issued and paid-up share capital of Elasitas Technologies Limited (“ETL”) at a total consideration of Indonesian Rupiah One Million Six Hundred Thousand (IDR 1,600,000).

Effectively, as at the date, GIL has increased its total shareholdings in ETL to 83 ordinary shares comprising 87.37% of the equity interest in ETL.

b) Acquisition of additional shareholding in PT Elasitas Multi Kreasi

On 21 January 2010, ETL, a 62.11%-owned subsidiary of GIL has entered into a Share Purchase Agreement with minority shareholders, namely High Speed Group Limited to further acquire 100 ordinary shares in PT Elasitas Multi Kreasi (“EMK”)

As at the date, the Company shall hold a total of 99% equity interest in EMK.

c) Disposal of Nextnation Qahaar Venture Pte Ltd

On 2 December 2009, the Company had announced that Nextnation Collection Sdn. Bhd., (“NCSB”) a wholly-owned subsidiary of the Company will be disposing its entire equity interest in Nextnation Qahaar Venture Pte. Ltd., (“NQVPL”) of 1,000,000 ordinary shares of Singapore Dollar 1 each to Mr. Chew Chwang Hai and Ms. Lim May Ching for a total cash consideration of Singapore Dollar 2 on a willing-buyer-willing-seller basis.

The disposal has been completed during the quarter ended 31 January 2010. As such, NQVPL had ceased to be a subsidiary of NCSB and accordingly, Qahaar Infracom Pte. Ltd. (“QIPL”), a wholly-owned subsidiary of NQVPL and Qahaar Telecoms Pte. Ltd., a 20% equity interest entity held by QIPL, had also ceased to be related to the Company.

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d) Strike-off Qahaar Telecoms Sdn. Bhd.

On 24 November 2009, Qahaar Telecoms Sdn. Bhd. (“QTSB”), an associated company of Nextnation Communication Berhad had submitted an application to the Companies Commission Of Malaysia (“CCM”) to strike-off the name of QTSB from the register of CCM.

At the end of the said striking off, QTSB shall cease to be an associate company of the Company.

e) Disposal of Code Wireless Pte Ltd

On 12 October 2009, GIL, a 51% -owned subsidiary of NNSB, which in turn is a wholly owned subsidiary of the Company had entered into a share sale agreement with Fast Wind Investments Limited in relation to the disposal of the entire equity investment in its wholly-owned subsidiary company, namely Code Wireless Pte Ltd, of 1,000 ordinary shares of Singapore Dollar 1 each for a purchase consideration of USD 10,000. On 2 November 2009, Code Wireless Pte Ltd ceased to be a subsidiary of GIL upon conclusion of the terms and conditions of the aforesaid share sale agreement.

A12. Contingent assets or liabilities

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

RM

Contingent liability :

Corporate guarantee granted to a subsidiary company	<u>19,079,989</u>
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A13. Capital commitments

There were no capital commitments as at the date of this report.

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ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of performance

(a) Performance of the current quarter against the preceding quarter

For the current quarter ended 31 January 2010, the Group recorded revenue of RM16.2 million as compared to RM20.0 million recorded in the previous quarter ended 31 October 2009. The Group's revenue declined by 18.62% as a result of the lower demand for the Company's products and services. The reduced spending by both the consumer market and also the telecommunication companies in the form of marketing has severely hampered the Group's revenue generation.

The Group recorded a profit before taxation of RM3.2 million for the current quarter ended 31 January 2010 as compared to profit before taxation RM0.3 million recorded in the previous quarter ended 31 October 2009. The increase in profit before taxation was mainly contributed by the gain from the disposal of subsidiary companies amounted to RM4.3 million.

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

The Group's revenue of RM16.2 million in the current quarter ended 31 January 2010 represents an increase in revenue of RM4.7 million as compared to RM11.5 million reported in the preceding year's corresponding quarter. The increase of 40.75% in revenue was mainly attributed by the improvement of sales for the Group's products and services.

The Group recorded a profit before taxation of RM3.2 million in the current quarter ended 31 January 2010 as compared to a loss before taxation of RM4.0 million recorded for the preceding year corresponding quarter ended 31 January 2009. The improvement in financial performance was mainly attributable from the increase in demand for the Group's products and services, the relatively lower administrative expenses and the gain from the disposal of subsidiary companies. Aggressive marketing effort has also contributed for the increase in revenue.

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B2. Next year's prospect

The Group expects to face a difficult business environment in the next financial 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 of Nextnation 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, product 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
	31.01.2010 RM	31.01.2009 RM	31.01.2010 RM	31.01.2009 RM
Current period's provision	(11,461)	-	(11,636)	(80,000)
Overprovision	5,422	113,610	5,422	-
Total	(6,039)	113,610	(6,214)	(80,000)

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

The Group's provision for taxation for the financial period under review reflected a lower effective tax rate compared to the statutory tax rate. This was mainly due to the availability of tax losses on certain subsidiary companies that can be set-off against other companies within the Group.

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Profit on disposal of unquoted investments in the Group of RM4.3 million was reflected in current quarter under review and current financial year to-date's financial statements. The details of the disposed unquoted investments can refer to Note A11 (a) to (e).

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 25 March 2010, 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 2010.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,840,712	7,909,614
Indonesia Rupiah	227,545 <i>(equivalent to RM83,054)</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 suit is currently in the stage of case management meeting. The Directors of Nextnation 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. The Group is not engaged in any other material litigation, either as plaintiff or defendant, and the Directors of Nextnation 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. Profit/ (loss) per share

The basic profit/ (loss) per share for the current quarter ended 31 January 2009 has been calculated based on the net profit/ (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 31.01.2010	Preceding year corresponding quarter 31.01.2009	Current year to-date 31.01.2010	Preceding year corresponding period 31.01.2009
Net profit/ (loss) for the period attributable to the ordinary equity holder of the Company (RM'000)	3,524	(3,204)	3,775	(7,809)
Weighted average number of ordinary shares in issue ('000)	415,800	415,800	415,800	415,800
Basic profit/ (loss) earnings per share attributable to equity holders of the Company (sen)	0.85	(0.77)	0.91	(1.88)