

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 JANUARY 2011**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2011 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2010 RM	CURRENT YEAR TO-DATE 31 JANUARY 2011 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2010 RM
Revenue		19,748,599	16,244,350	55,243,148	50,208,336
Operating expenses		(18,621,043)	(15,908,475)	(51,143,117)	(46,492,149)
Profit from operations		1,127,556	335,875	4,100,031	3,716,187
Depreciation and amortisation		(863,855)	(1,181,609)	(2,921,608)	(3,652,972)
Finance costs		(145,104)	(273,428)	(477,550)	(667,520)
Interest income		16,732	2,191	74,470	76,006
Gain on disposal of subsidiary companies		-	4,326,998	-	4,326,998
Profit before taxation		135,329	3,210,027	775,343	3,798,699
Taxation	B4	(2,099)	(6,039)	(19,194)	(6,214)
Profit for the period		133,230	3,203,988	756,149	3,792,485
Other comprehensive loss					
Foreign currency translation		(1,991,449)	(3,247)	(1,959,589)	(320,739)
		(1,991,449)	(3,247)	(1,959,589)	(320,739)
Total comprehensive (loss)/ income for the period		(1,858,219)	3,200,741	(1,203,440)	3,471,746
Profit for the period attributable to:					
Shareholders of the Company		304,300	3,524,096	571,849	3,774,587
Minority interest		(171,070)	(320,108)	184,300	17,898
Profit for the period		133,230	3,203,988	756,149	3,792,485
Total comprehensive income attributable to:					
Shareholders of the Company		(1,687,149)	3,520,849	(1,387,740)	4,022,852
Minority interest		(171,070)	(320,108)	184,300	(551,106)
Total comprehensive (loss)/ income for the period		(1,858,219)	3,200,741	(1,203,440)	3,471,746
Profit per share attributable to the equity holders of the Company					
- Basic (sen)	B12	0.07	0.85	0.14	0.91
- 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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AT 31 JANUARY 2011 (UNAUDITED) RM	AT 30 APRIL 2010 (AUDITED) RM
Property, plant and equipment	19,453,816	20,221,349
Research and development expenditure	13,333,322	13,566,105
Intangible asset	1,169,013	1,382,326
Goodwill on consolidation	920,473	920,473
Fixed deposits with a licensed bank	550,120	552,137
Current assets		
Trade and other receivables	55,973,587	52,883,813
Amount due from associate company	1,446,957	1,338,111
Tax recoverable	642,676	665,634
Fixed deposits with a licensed bank	1,320,000	885,000
Cash and bank balances	2,663,840	4,423,066
	<u>62,047,060</u>	<u>60,195,624</u>
Current liabilities		
Trade and other payables	20,444,085	17,270,891
Finance payables	343,204	359,073
Term loans	2,078,159	2,643,962
Tax payables	625	625
Bank overdraft	848,767	832,142
	<u>23,714,840</u>	<u>21,106,693</u>
Net current assets	38,332,220	39,088,931
	<u>73,758,964</u>	<u>75,731,321</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	(985,532)	974,057
Retained profit	24,417,599	23,845,750
	<u>65,012,067</u>	<u>66,399,807</u>
Minority interest	2,065,952	1,881,652
Total equity	67,078,019	68,281,459
Finance payables	906,645	1,175,245
Term loans	5,774,300	6,274,617
	<u>73,758,964</u>	<u>75,731,321</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	<u>15.64</u>	<u>15.97</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<-----Attributable to Equity Holders of the Company----->						Total Equity RM
	Non-Distributable			Distributable		Minority Interest RM	
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit RM	Total RM		
At 1 May 2010	41,580,000	5,558,840	(4,584,783)	23,845,750	66,399,807	1,881,652	68,281,459
Currency translation differences	-	-	(1,959,589)	-	(1,959,589)	-	(1,959,589)
Net income recognised directly in equity	41,580,000	5,558,840	(6,544,372)	23,845,750	64,440,218	1,881,652	66,321,870
Net profit for the period	-	-	-	571,849	571,849	184,300	756,149
At 31 January 2011	<u>41,580,000</u>	<u>5,558,840</u>	<u>(6,544,372)</u>	<u>24,417,599</u>	<u>65,012,067</u>	<u>2,065,952</u>	<u>67,078,019</u>
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	-	-	-	3,774,587	3,774,587	17,898	3,792,485
Decrease arising from change in composition of the Group	-	-	-	-	-	(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>

(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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	CURRENT YEAR TO-DATE 31 JANUARY 2011	CUMULATIVE QUARTER PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2010
	RM	RM
Cash flows from operating activities		
Profit before taxation	775,343	3,798,699
Adjustments for non-cash flow:		
Non-cash items	2,922,667	(2,127,043)
Finance costs	477,550	667,520
Interest income	(74,470)	(76,006)
Operating profit before working capital changes	<u>4,101,090</u>	<u>2,263,170</u>
Changes in working capital:		
Net change in current assets	(2,587,319)	(29,852,684)
Net change in current liabilities	3,173,194	21,107,996
Cash generated from/ (used in) operations	<u>4,686,965</u>	<u>(6,481,518)</u>
Finance costs	(477,550)	(667,520)
Interest income	74,470	76,006
Income tax refund	3,764	416,963
Net cash from/(used in) operating activities	<u>4,287,649</u>	<u>(6,656,069)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,429,709)	(688,799)
Research and development expenditure paid	(402,249)	(1,394,078)
Net cash flow from disposal of subsidiary companies	-	212,079
Proceeds from disposal of property, plant and equipment	2,000	379,501
Net cash used in investing activities	<u>(1,829,958)</u>	<u>(1,491,297)</u>
Cash flows from financing activities		
Drawdown of term loan	1,086,273	-
Drawdown of finance payables	54,751	-
Repayment of finance payables	(339,220)	(775,416)
Repayment of term loans	(2,761,676)	(2,188,507)
Net cash used in financing activities	<u>(1,959,872)</u>	<u>(2,963,923)</u>
Net increase/(decrease) in cash and cash equivalents	497,819	(11,111,289)
Cash and cash equivalents at 1 May	4,475,924	13,963,804
Translation differences	<u>(1,838,670)</u>	<u>225,138</u>
Cash and cash equivalents at end of period	<u>3,135,073</u>	<u>3,077,653</u>
Cash and cash equivalents comprise of :-		
Cash and bank balances	2,663,840	3,077,653
Fixed deposit with a licensed bank	1,320,000	-
Bank overdraft	(848,767)	-
	<u>3,135,073</u>	<u>3,077,653</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 2010 and the accompanying Notes to the Interim Financial Report on pages 5 to 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2011

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 2010.

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 2010.

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 2010.

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.

A6. Debts and equity securities

There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities of the Company for the current quarter under review.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011****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 2011 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	23,050,411	34,449,781	(2,257,044)	55,243,148
Profit/(Loss) before taxation	1,580,277	(804,934)	-	775,343

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 2011.

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.

Strike-off Qahaar Telecoms Sdn. Bhd.

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

QTSB has been struck off and dissolved following the publication of the notices of striking off pursuant to Section 308(4) of the Companies Act 1965 in the Gazette which was obtained by Nextnation on 18 October 2010.

NEXTNATION COMMUNICATION BERHAD

**Company No. 66055-H
(Incorporated in Malaysia)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

A12. Contingent assets or liabilities

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

	RM
<u>Contingent liability :</u>	
Corporate guarantee granted to a subsidiary company	<u>7,852,459</u>

A13. Capital commitments

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

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2011

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 2011, the Group recorded revenue of RM19.7 million which is fairly consistent with the revenue recorded in the previous quarter ended 31 October 2010. The Group's revenue increased by 0.03% as a result of slight improvement of sales of the Company's products and services.

The Group recorded a profit before taxation of RM0.1 million for the current quarter ended 31 January 2011 as compared to profit before taxation of RM0.5 million recorded in the previous quarter ended 31 October 2010. The decrease in profit before taxation was mainly due to the slight increase in cost of the Group's products.

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

The Group's revenue of RM19.7 million in the current quarter ended 31 January 2011 represents an increase in revenue of RM3.5 million as compared to RM16.2 million reported in the preceding year's corresponding quarter. The increase of 21.57% in revenue was mainly attributed to the increase in sales of the Company's products and services.

The Group recorded a profit before taxation of RM0.1 million in the current quarter ended 31 January 2011 as compared to profit before taxation of RM3.2 million recorded for the preceding year corresponding quarter ended 31 January 2010 mainly due to the gain on disposal of subsidiary companies that was recorded in the preceding year's corresponding quarter.

B2. Current year's prospect

Looking into the future, the Management foresees a rapid growth in the wireless application and mobile solutions industry. As such, the Group will continue to penetrate into existing markets, and also explore opportunities by using its expertise and business network to expand into new markets. The Group will continue to emphasize on investment in the area of research and development of new technologies in the platform and mobile content business in order to support the latest mobile devices and technology, and roll-out new and innovative products and services.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

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
	31.01.2011 RM	31.01.2010 RM	31.01.2011 RM	31.01.2010 RM
Current period's provision	(2,099)	(11,461)	(19,194)	(11,636)
Overprovision	-	5,422	-	5,422
Total	(2,099)	(6,039)	(19,194)	(6,214)

B5. Profit/ (loss) 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. 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 by the Company for the current quarter under review.

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011**

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 2011.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	3,185,608	6,563,020
Indonesia Rupiah	256,128,000 <i>(equivalent to RM84,522)</i>	357,348,000 <i>(equivalent to RM117,925)</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.

B10. Realised and unrealised profits

	As at 31.01.2011 RM	As at 31.10.2010 RM
Total retained profits of the Company and its subsidiaries:		
- Realised profit	24,490,308	24,186,009
- Unrealised profit	-	-
	24,490,308	24,186,009
Less: Consolidation adjustments	(72,709)	(72,709)
Total retained profits as per Statement of Financial Position	24,417,599	24,113,300

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 JANUARY 2011

B11. Material litigation

On 22 January 2009, a wholly-owned subsidiary of the Company, Usape Nelson Wireless Sdn Bhd (“Usape” or “Plaintiff”) served a Writ of Summons and Statement of Claim amounting to RM19,916,823 to Macro Kiosk Berhad (“MKB” or “Defendant”) for breach of a Partnership Agreement entered into between Usape and MKB, dated 2 July 2004. On 10 March 2009, the Defendant entered their Statement of Defence. The Plaintiff later filed an application for interim payment on 21 July 2009 to seek the Court’s order for the Defendant to pay RM1,028,017.07 prior to the full disposal of the trial. The Plaintiff’s application was allowed by the Court on 13 January 2010 and the interim payment of RM1,028,017.07 has been made by the Defendant accordingly.

On 30 April 2010, all cause papers were filed in the High Court and preparations for a full trial were completed. The trial was held on 23 & 24 February 2011. The Court’s decision on the trial is set to be announced on 14 April 2011.

The Directors of Nextnation are of the opinion that the suit is not expected to have any material adverse impact on the Group’s financial and operational status as at the date of this report.

Save for the above, 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.

B12. Dividend

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

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER
ENDED 31 JANUARY 2011****B13. Earnings per share**

The basic earnings per share for the current quarter ended 31 January 2011 has been calculated based on the net profit 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 31.01.2011	Preceding year corresponding quarter 31.01.2010	Current year to-date 31.01.2011	Preceding year corresponding period 31.01.2010
Net profit for the period attributable to the ordinary equity holder of the Company (RM'000)	304	3,524	572	3,775
Weighted average number of ordinary shares in issue ('000)	415,800	415,800	415,800	415,800
Basic profit earnings per share attributable to equity holders of the Company (sen)	0.07	0.85	0.14	0.91