

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 JULY 2008**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JULY 2008 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JULY 2007 RM	CURRENT YEAR TO-DATE 31 JULY 2008 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2007 RM
Revenue		14,765,092	17,796,619	14,765,092	17,796,619
Operating expenses		(15,215,043)	(16,652,899)	(15,215,043)	(16,652,899)
(Loss)/ Profit from operations		(449,951)	1,143,720	(449,951)	1,143,720
Depreciation and amortisation		(1,233,348)	(652,917)	(1,233,348)	(652,917)
Finance costs		(172,828)	(23,256)	(172,828)	(23,256)
Interest income		39,909	28,593	39,909	28,593
(Loss)/ Profit before taxation		(1,816,218)	496,140	(1,816,218)	496,140
Taxation	B4	(193,428)	(201,880)	(193,428)	(201,880)
Net (loss)/ profit for the period		(2,009,646)	294,260	(2,009,646)	294,260
Attributable to:					
Equity holders of the parent		(1,813,365)	610,536	(1,813,365)	610,536
Minority interest		(196,281)	(316,276)	(196,281)	(316,276)
		<u>(2,009,646)</u>	<u>294,260</u>	<u>(2,009,646)</u>	<u>294,260</u>
(Loss)/ Earnings per share attributable of the parent of the parent					
- Basic (sen)	B12	<u>(0.44)</u>	<u>0.16</u>	<u>(0.44)</u>	<u>0.16</u>
- Diluted (sen)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 JULY 2008 (UNAUDITED) RM	AT 30 APRIL 2008 (AUDITED) RM
Property, plant and equipment	21,723,748	14,791,486
Research and development expenditure	6,144,327	5,913,508
Investment in associate companies	225,240	225,240
Intangible asset	2,745,870	2,945,388
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	522,545	518,000
Amount due from associate company	2,751,656	2,660,031
Current assets		
Trade and other receivables	43,055,586	43,226,757
Tax recoverable	605,119	487,511
Cash and cash equivalents	16,085,074	14,675,294
	<u>59,745,779</u>	<u>58,389,562</u>
Current liabilities		
Trade and other payables	10,848,832	6,046,222
Amount due to associate company	238,530	231,814
Finance payables	512,259	355,634
Term loans	2,549,598	2,871,572
Tax payables	195,983	1,292
	<u>14,345,202</u>	<u>9,506,534</u>
Net current assets	45,400,577	48,883,028
	<u>80,816,512</u>	<u>77,239,230</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	41,580,000	41,580,000
Reserves	1,435,172	695,376
Retained profit	24,255,839	26,069,204
	<u>67,271,011</u>	<u>68,344,580</u>
Minority interest	2,748,393	2,944,674
Total equity	70,019,404	71,289,254
Finance payables	1,122,068	955,352
Term loans	9,675,040	4,994,624
	<u>80,816,512</u>	<u>77,239,230</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>16.18</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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	-----> Attributable to Equity Holders of the Parent <-----<					Minority Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Non-Distributable	Distributable		
	RM	RM	RM	Retained Profit RM	Total RM	RM	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	-	-	739,796	-	739,796	-	739,796
Net income recognised directly in equity	41,580,000	5,558,840	(4,123,668)	26,069,204	69,084,376	2,944,674	72,029,050
Net loss for the period	-	-	-	(1,813,365)	(1,813,365)	(196,281)	(2,009,646)
At 31 July 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(4,123,668)</u>	<u>24,255,839</u>	<u>67,271,011</u>	<u>2,748,393</u>	<u>70,019,404</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	-	-	(366,017)	-	(366,017)	-	(366,017)
Net income recognised directly in equity	41,580,000	5,558,840	(2,167,039)	34,701,236	79,673,037	410,303	80,083,340
Net profit for the period	-	-	-	610,536	610,536	(316,276)	294,260
At 31 July 2007	<u>41,580,000</u>	<u>5,558,840</u>	<u>(2,167,039)</u>	<u>35,311,772</u>	<u>80,283,573</u>	<u>94,027</u>	<u>80,377,600</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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31 JULY 2008	PRECEDING YEAR QUARTER ENDED 31 JULY 2007
	RM	RM
Cash flows from operating activities		
(Loss)/ Profit before taxation	(1,816,218)	496,140
Adjustments for non-cash flow:		
Non-cash items	1,467,261	652,917
Finance costs	172,828	23,256
Interest income	(39,909)	(28,593)
Operating (loss)/ profit before working capital changes	<u>(216,038)</u>	<u>1,143,720</u>
Changes in working capital:		
Net change in current assets	(158,912)	218,828
Net change in current liabilities	4,833,102	(680,462)
Cash generated from operations	<u>4,458,152</u>	<u>682,086</u>
Finance costs	(172,828)	(23,256)
Interest income	39,909	28,593
Income tax paid	(148,100)	(19,946)
Net cash generated from operating activities	<u>4,177,133</u>	<u>667,477</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,144,511)	(899,743)
Investment in associate company	-	(411,700)
Research and development expenditure paid	(517,198)	(600,816)
Net cash used in investing activities	<u>(7,661,709)</u>	<u>(1,912,259)</u>
Cash flows from financing activities		
Drawdown of term loan	5,376,725	-
Proceeds from issuance of share capital	-	5,400,000
Repayment of finance payables	(112,139)	(96,474)
Repayment of term loans	(1,018,284)	(32,096)
Net cash generated from financing activities	<u>4,246,302</u>	<u>5,271,430</u>
Net increase in cash and cash equivalents	761,726	4,026,648
Cash and cash equivalents at 1 May	14,675,294	12,604,512
Translation differences	<u>648,054</u>	<u>(392,217)</u>
Cash and cash equivalents at end of period	<u><u>16,085,074</u></u>	<u><u>16,238,943</u></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 12)

NEXTNATION COMMUNICATION BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

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 results.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008****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.

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 July 2008 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	5,593,484	9,171,608	-	14,765,092
Loss before tax	(1,272,536)	(543,682)	-	(1,816,218)

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 were no material events subsequent to the quarter ended 31 July 2008.

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 liabilities as at the date of this report.

	RM
Corporate guarantee granted to a subsidiary company	<u>16,382,080</u>

NEXTNATION COMMUNICATION BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008**

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>3,054,710</u>

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 JULY 2008

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 July 2008, the Group recorded a revenue of RM14.8 million as compared to RM13.8 million recorded in the previous quarter. The higher revenue by 7.24% was mainly attributed to the increase in marketing efforts.

The Group generated loss before taxation of RM1.82 million for the current quarter ended 31 July 2008 as compared to a loss before taxation of RM7.80 million recorded in the previous quarter ended 30 April 2008. The improved results were mainly due to the prudent steps taken by the management in cost savings and streamlining in operations during the current quarter under review.

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

The Group's revenue of RM14.8 million in the current quarter ended 31 July 2008 represents a decrease in revenue of RM3.0 million as compared to RM17.8 million reported for the preceding year corresponding quarter. The decrease was mainly attributed to lower sales, caused by a delay in system and infrastructure upgrade undertaken by the Group.

The Group generated a loss before taxation of RM1.82 million in the current quarter ended 31 July 2008 as compared to profit before taxation of RM0.50 million recorded for the preceding year corresponding quarter ended 31 July 2007. The deterioration in financial performance was mainly attributable to the decrease in revenue and higher operational cost for existing products and services compared to the preceding year corresponding quarter.

B2. Next year's prospect

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 Board expects positive contribution from the Group's overseas operations within the next 2 years. Barring any unforeseen circumstances, the Board expects a better performance for the financial year ending 2009.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008****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
	31.07.2008 RM	31.07.2007 RM	31.07.2008 RM	31.07.2007 RM
Current period's provision	193,428	201,880	193,428	201,880
Underprovision	-	-	-	-
Total	193,428	201,880	193,428	201,880

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

The effective tax rate is lower than the statutory tax rate in Malaysia principally due to disproportionate tax rate as a result of pioneer status enjoyed by one of its subsidiaries, Nextnation Network Sdn. Bhd. thus resulting in its profit being exempted from tax.

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.

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008****B7. Status of corporate proposals and utilisation of proceeds**

- (a) Save as disclosed below, there were no other corporate proposals announced but not completed as at 29 September 2008, being the last practicable date for the issue of this report:-

Acquisition of one (1) six-storey shop office

On 11 January 2008, Nextnation Network Sdn. Bhd (“NNSB”), a wholly-owned subsidiary of the Company had entered into sale and purchase agreements with Bandar Setia Alam Sdn. Bhd. to acquire a six-storey shop offices situated at Setia Walk at Unit No. Block B-09 held under Geran 53924 Lot 53578 Pekan Kinrara District of Petaling State of Selangor Darul Ehsan (“the Property”) for a total cash consideration of RM3,174,011. NNSB is currently in the midst of finalising the bank borrowing for the acquisition of the Property.

(b) Utilisation of proceeds for the Proposed Private Placement

The Company had on 22 September 2006, 10 October 2006 and 18 May 2007 completed the private placements of 10,000,000, 6,200,000 and 9,000,000 new ordinary shares of RM0.10 each in Nextnation, respectively (collectively, “Placement Shares”), and the Placement Shares have been listed on the MESDAQ Market of Bursa Securities on 22 September 2006, 10 October 2006 and 18 May 2007, respectively.

The Company has fully utilised the proceeds raised from the issuance of the Placement Shares and the details of the utilisation of the proceeds up to 31 July 2008 are as follows:

	Proposed Utilisation	Utilised Amount		Unutilised Amount
	RM'000	RM'000	%	RM'000
Working capital	14,512	14,512	100	NIL
Private placement expenses	160	160	100	NIL
Total	14,672	14,672	100	NIL

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2008****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 July 2008.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase		
- Malaysia	248,291	920,409
- Indonesia	263,968	201,659
Term loans		
- Malaysia	2,549,598	9,675,040
Total	3,061,857	10,797,108

All the above borrowings are in Malaysian currency except for the borrowing from Indonesia which is in Indonesian Rupiah (“IDR”). 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. Changes in material litigation

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.

B11. 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 FIRST QUARTER
ENDED 31 JULY 2008****B12. (Loss) / earnings per share**

The basic loss per share for the current quarter ended 31 July 2008 has been calculated based on the net loss for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.07.2008	Preceding year corresponding quarter 31.07.2007	Current year to-date 31.07.2008	Preceding year corresponding period 31.07.2007
Net (loss)/ profit for the period attributable to the ordinary equity holder of the parent (RM'000)	(1,813)	611	(1,813)	611
Weighted average number of ordinary shares in issue ('000)	415,800	377,980	415,800	377,980
Basic (loss)/ earnings per share attributable to equity holders of the parent (sen)	(0.44)	0.16	(0.44)	0.16