

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2008**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

| | NOTE | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|------|--|---|--|--|
| | | CURRENT YEAR QUARTER 31 OCTOBER 2008 RM | PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2007 RM | CURRENT YEAR TO-DATE 31 OCTOBER 2008 RM | PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2007 RM |
| Revenue | | 13,862,429 | 17,867,930 | 28,627,521 | 35,664,549 |
| Operating expenses | | (15,265,493) | (16,213,257) | (30,480,537) | (32,866,156) |
| (Loss)/ profit from operations | | (1,403,064) | 1,654,673 | (1,853,016) | 2,798,393 |
| Depreciation and amortisation | | (1,065,408) | (1,098,593) | (2,298,756) | (1,751,510) |
| Finance costs | | (171,865) | (58,267) | (344,693) | (81,523) |
| Interest income | | 13,307 | 71,381 | 53,216 | 99,974 |
| (Loss)/ profit before taxation | | (2,627,030) | 569,194 | (4,443,249) | 1,065,334 |
| Taxation | B4 | (182) | 61,822 | (193,610) | (140,058) |
| (Loss)/ profit for the period | | (2,627,212) | 631,016 | (4,636,859) | 925,276 |
| Attributable to: | | | | | |
| Shareholders of the Company | | (2,791,934) | 144,580 | (4,605,301) | 755,116 |
| Minority interest | | 164,722 | 486,436 | (31,558) | 170,160 |
| (Loss)/ profit for the period | | (2,627,212) | 631,016 | (4,636,859) | 925,276 |
| (Loss)/ earnings per share attributable to the equity holders of the Company | | | | | |
| - Basic (sen) | B12 | (0.67) | 0.04 | (1.11) | 0.19 |
| - 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)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008**

CONDENSED CONSOLIDATED BALANCE SHEETS

| | AT 31 OCTOBER 2008 (UNAUDITED) RM | AT 30 APRIL 2008 (AUDITED) RM |
|--|--|--|
| Property, plant and equipment | 22,133,113 | 14,791,486 |
| Research and development expenditure | 6,378,375 | 5,913,508 |
| Investment in associate companies | 225,240 | 225,240 |
| Intangible asset | 2,775,248 | 2,945,388 |
| Goodwill on consolidation | 1,302,549 | 1,302,549 |
| Fixed deposits with a licensed bank | 527,090 | 518,000 |
| Amount due from associate company | 2,365,797 | 2,660,031 |
| Current assets | | |
| Trade and other receivables | 45,295,323 | 43,226,757 |
| Tax recoverable | 620,166 | 487,511 |
| Cash and cash equivalents | 10,984,764 | 14,675,294 |
| | <u>56,900,253</u> | <u>58,389,562</u> |
| Current liabilities | | |
| Trade and other payables | 12,699,549 | 6,046,222 |
| Amount due to associate company | 240,500 | 231,814 |
| Finance payables | 545,257 | 355,634 |
| Term loans | 2,449,381 | 2,871,572 |
| Tax payables | 177,917 | 1,292 |
| | <u>16,112,604</u> | <u>9,506,534</u> |
| Net current assets | 40,787,649 | 48,883,028 |
| | <u>76,495,061</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 | 100,289 | 695,376 |
| Retained profit | 21,463,903 | 26,069,204 |
| | <u>63,144,192</u> | <u>68,344,580</u> |
| Minority interest | 2,913,116 | 2,944,674 |
| Total equity | 66,057,308 | 71,289,254 |
| Finance payables | 1,078,327 | 955,352 |
| Term loans | 9,359,426 | 4,994,624 |
| | <u>76,495,061</u> | <u>77,239,230</u> |
| Net assets per share attributable to ordinary equity holders of the Company (sen) | <u>15.19</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)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008**

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 | Total Equity 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 | - | - | (595,087) | - | (595,087) | - | (595,087) |
| Net income recognised directly in equity | 41,580,000 | 5,558,840 | (5,458,551) | 26,069,204 | 67,749,493 | 2,944,674 | 70,694,167 |
| Net loss for the period | - | - | - | (4,605,301) | (4,605,301) | (31,558) | (4,636,859) |
| At 31 October 2008 | <u>41,580,000</u> | <u>5,558,840</u> | <u>(5,458,551)</u> | <u>21,463,903</u> | <u>63,144,192</u> | <u>2,913,116</u> | <u>66,057,308</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 | - | - | (937,508) | - | (937,508) | - | (937,508) |
| Net income recognised directly in equity | 41,580,000 | 5,558,840 | (2,738,530) | 34,701,236 | 79,101,546 | 410,303 | 79,511,849 |
| Net profit for the period | - | - | - | 755,116 | 755,116 | 170,160 | 925,276 |
| At 31 October 2007 | <u>41,580,000</u> | <u>5,558,840</u> | <u>(2,738,530)</u> | <u>35,456,352</u> | <u>79,856,662</u> | <u>580,463</u> | <u>80,437,125</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)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

| | CUMULATIVE QUARTER | |
|--|---|--|
| | CURRENT YEAR TO-DATE 31 OCTOBER 2008 | PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2007 |
| | RM | RM |
| Cash flows from operating activities | | |
| (Loss)/ profit before taxation | (4,443,249) | 1,065,334 |
| Adjustments for non-cash flow: | | |
| Non-cash items | 3,147,300 | 1,752,258 |
| Finance costs | 344,693 | 81,523 |
| Interest income | (53,216) | (99,974) |
| Operating (loss)/ profit before working capital changes | <u>(1,004,472)</u> | <u>2,799,141</u> |
| Changes in working capital: | | |
| Net change in current assets | (2,930,204) | 5,976,182 |
| Net change in current liabilities | <u>6,782,046</u> | <u>(6,176,593)</u> |
| Cash generated from operations | 2,847,370 | 2,598,730 |
| Finance costs | (344,693) | (81,523) |
| Interest income | 53,216 | 99,974 |
| Income tax paid | <u>(163,136)</u> | <u>(33,924)</u> |
| Net cash generated from operating activities | <u>2,392,757</u> | <u>2,583,257</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (8,495,469) | (1,997,829) |
| Investment in associate company | - | (613,240) |
| Research and development expenditure paid | (579,254) | (3,796,220) |
| Proceeds from disposal of property, plant and equipment | - | 400 |
| Net cash used in investing activities | <u>(9,074,723)</u> | <u>(6,406,889)</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 | (122,882) | (117,286) |
| Repayment of term loans | <u>(1,434,113)</u> | <u>(64,501)</u> |
| Net cash generated from financing activities | <u>3,819,730</u> | <u>5,218,213</u> |
| Net (decrease)/ increase in cash and cash equivalents | (2,862,236) | 1,394,581 |
| Cash and cash equivalents at 1 May | 14,675,294 | 12,604,512 |
| Translation differences | <u>(828,294)</u> | <u>(129,281)</u> |
| Cash and cash equivalents at end of period | <u>10,984,764</u> | <u>13,869,812</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)

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 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 under review.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 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 October 2008 is tabulated below:

| Segment | Malaysia RM | Other Countries RM | Elimination RM | Total RM |
|--------------------------------------|------------------------|-------------------------------|---------------------------|---------------------|
| Revenue | 9,896,712 | 18,730,809 | - | 28,627,521 |
| (Loss)/ profit before tax | (4,497,363) | 54,114 | - | (4,443,249) |

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 October 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

19,079,989

NEXTNATION COMMUNICATION BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 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>2,896,010</u> |

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 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 October 2008, the Group recorded revenue of RM13.9 million as compared to RM14.8 million recorded in the previous quarter ended 31 July 2008. The Group's revenue declined by 6.11% 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 generated loss before taxation of RM2.6 million for the current quarter ended 31 October 2008 as compared to a loss before taxation of RM1.8 million recorded in the previous quarter ended 31 July 2008. The higher loss incurred was mainly due to lower revenue generated, while maintaining a similar fixed cost structure. In addition, the Group has also provided for doubtful debts amounting to RM848,500 during the quarter.

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

The Group's revenue of RM13.9 million in the current quarter ended 31 October 2008 represents a decrease in revenue of RM4.0 million as compared to RM17.9 million reported for the preceding year's corresponding quarter. The decrease of 22.42% 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. Confidence level is very low amongst the Group's users or customers, and most of them adopt a conservative stand and wait and see attitude before spending.

The Group generated a loss before taxation of RM2.6 million in the current quarter ended 31 October 2008 as compared to profit before taxation of RM0.6 million recorded for the preceding year corresponding quarter ended 31 October 2007. The deterioration in financial performance was mainly attributable to the decrease in revenue, while the fixed cost structure remains similar.

The Group generated a revenue and loss before taxation of RM 28.6 million and RM 4.4 million respectively for the six months period ended 31 October 2008 as compared to a revenue and profit before taxation of RM 35.7 million and RM 1.1 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.

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(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2008

B2. Next year's prospect

The Group expects to face a difficult business environment in the coming 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 implementing 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 |
| | 31.10.2008 RM | 31.10.2007 RM | 31.10.2008 RM | 31.10.2007 RM |
| Current period's provision | (182) | (89,167) | (193,610) | (291,047) |
| Overprovision | - | 150,989 | - | 150,989 |
| Total | (182) | 61,822 | (193,610) | (140,058) |

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

There is minimal taxation despite the fact that the Group incurred losses for the period under review mainly due to tax losses on certain subsidiary companies that cannot be set-off against other companies within the Group.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008****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 but not completed as at 30 December 2008, 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 October 2008.

| Secured borrowings | Payable within 12 months | Payable after 12 months |
|---------------------------|--|--|
| Denominated in | | |
| Malaysian Ringgit | 2,708,050 | 10,294,784 |
| Indonesia Rupiah | 881,809,231 <i>(equivalent to RM 286,588)</i> | 439,904,615 <i>(equivalent to RM 142,969)</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. 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.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008****B11. Dividend**

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

B12. (Loss) / earnings per share

The basic loss per share for the current quarter ended 31 October 2008 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 31.10.2008 | Preceding year corresponding quarter 31.10.2007 | Current year to-date 31.10.2008 | Preceding year corresponding period 31.10.2007 |
| Net (loss)/ profit for the period attributable to the ordinary equity holder of the Company (RM'000) | (2,792) | 145 | (4,605) | 755 |
| Weighted average number of ordinary shares in issue ('000) | 415,800 | 396,890 | 415,800 | 396,890 |
| Basic (loss)/ earnings per share attributable to equity holders of the Company (sen) | (0.67) | 0.04 | (1.11) | 0.19 |