

NEXTNATION COMMUNICATION BERHAD

**Company no. 660055-H
(Incorporated in Malaysia)**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2005**

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" (formerly known as MASB 26) and Appendix 7A 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 "Company") and its subsidiaries ("Group") for the financial year ended 30 April 2005.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 April 2005.

A2. Qualification of financial statements

There was no audit qualification reported in the audited financial statements of Nextnation and its subsidiaries for the financial year ended 30 April 2005.

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.

A6. Debts and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debts and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares for the current quarter under review.

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There were no dividends paid for the current quarter under review.

A8. Segmental information

The segmental analysis of revenue and profit after taxation of the Group for the current quarter ended 31 July 2005 are tabulated below:

Segment	SOHOMOBILETM RM	SMSJETTM RM	Total RM
Revenue	11,906,537	3,336,159	15,242,696
Profit after taxation	2,136,480	1,668,079	3,804,559

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

Save for the tentative listing of the Company on 26 August 2005 on the MESDAQ Market of Bursa Malaysia Securities Berhad as disclosed below, there are no material events subsequent to the end of the quarter under review.

On 9 August 2005, the Company issued a prospectus for Public Issue of 32,000,000 new ordinary shares of RM0.10 each in Nextnation at an issue price of RM0.78 per new ordinary share in conjunction with the said listing. The Public Issue comprised the following:

- (i) 4,800,000 new ordinary shares of RM0.10 each for application by the eligible directors, employees and business associates of Nextnation and its subsidiaries;
- (ii) 24,000,000 new ordinary shares of RM0.10 each by way of private placement to the identified investors; and
- (iii) 3,200,000 new ordinary shares of RM0.10 each for application by the public.

The Public Issue Shares were fully subscribed on its closing date on 16 August 2005. Upon completion of the Public Issue, the issued and paid-up share capital of the Company increased from RM9,400,000 comprising 94,000,000 ordinary shares of RM0.10 each in Nextnation to RM12,600,000 comprising 126,000,000 ordinary shares of RM0.10 each in Nextnation.

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A10. Material events subsequent to the end of the quarter (Continued)

In addition to the shares issued above, Nextnation implemented a bonus issue of 126,000,000 new ordinary shares of RM0.10 each in Nextnation to all shareholders of Nextnation on the basis of one (1) new ordinary share of RM0.10 each in Nextnation for every one (1) existing ordinary share of RM0.10 each in Nextnation held after the Public Issue. The bonus issue was capitalised from the share premium account arising from the Public Issue.

Upon completion of the bonus issue, the issued and paid-up share capital of Nextnation increased from RM12,600,000 comprising 126,000,000 ordinary shares of RM0.10 each in Nextnation to RM25,200,000 comprising 252,000,000 ordinary shares of RM0.10 each in Nextnation.

The entire enlarged share capital of Nextnation of 252,000,000 ordinary shares of RM0.10 each in Nextnation are expected to be listed on the MESDAQ Market of Bursa Securities on 26 August 2005.

A11. Changes in composition of the Group

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

A12. Contingent assets or liabilities

There were no contingent assets or contingent liabilities for the current quarter under review.

A13. Capital commitments

There were no capital commitments for the current quarter under review.

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BURSA SECURITIES FOR THE MESDAQ MARKET****B1. Review of performance**

For the financial period ended 31 July 2005, the Group recorded revenue and profit before taxation of approximately RM15.2 million and RM3.8 million respectively. Correspondingly, the profit after taxation and minority interest is approximately RM3.8 million.

B2. Comparison with preceding quarter's results

There is no comparison with the preceding quarter's results for the previous financial year as this is the Group's first quarterly results prepared in accordance with the Listing Requirements of Bursa Securities for the MESDAQ Market.

B3. Current year's prospect

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will continue to be promising in the financial year ending 30 April 2006.

B4. 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.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Current year to-date	Preceding year corresponding period
	31.07.2005 RM	31.07.2004 RM	31.07.2005 RM	31.07.2004 RM
Current period's provision	38,270	-	38,270	-

The taxation provision is lower than the statutory tax rate. The disproportionate tax rate was a result of pioneer status enjoyed by one of its subsidiaries, Nextnation Network Sdn. Bhd. ("NN"), thus resulting in its profit being exempted from tax.

Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction. However, no provision for taxation has been made for all foreign subsidiaries as these subsidiaries have yet to generate any chargeable profits.

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B6. Profit/(losses) 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.

B7. 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.

B8. Status of corporate proposal

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this report.

- (a) The tentative listing of and quotation for the entire enlarged issued and paid-up share capital of the Company comprising 252,000,000 shares on the MESDAQ Market of Bursa Malaysia Securities Berhad on 26 August 2005 and the details are disclosed in Note A10 of this interim financial report; and
- (b) There were no proceeds raised during the current quarter under review. The Company will only be listed on the MESDAQ Market of Bursa Securities on 26 August 2005. However, the Company expects to raise RM24.96 million from the Public Issue and proposed to utilise the proceeds in the following manner:

	RM'000
Capital expenditures	4,000
Working Capital	2,060
Research and development expenditures	4,800
Advertising and promotions	7,500
Overseas expansion	4,800
Estimated listing expenses	1,800
Total	24,960

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Save as disclosed below, the Group does not have any loan capital outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 July 2005.

Type of interest bearing secured borrowings	Payable within 12 months RM	Payable after 12 months RM
Hire purchase	55,595	186,929
Term loans	113,909	998,310
Total	169,504	1,185,239

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.

B10. Off balance sheet financial instruments

The Group does not have any off balance sheet financial instruments.

B11. Material litigation

Save as disclosed below, 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.

A legal proceeding vide Kuala Lumpur High Court Civil Suit No. MT4-22-1739-2004 for copyright infringement has been commenced against Celcom (M) Berhad ("Celcom") by Goodsound Music Publishing Sdn. Bhd. and eight (8) others ("Plaintiffs"). In the said suit, the plaintiff alleged that Celcom has converted and reproduced certain songs owned by them collectively and made the same available to the general public in the form of downloadable ringtones from Celcom's website, without any authority, license or permission of the Plaintiffs. Celcom's solicitors, Messrs Bustaman has via a letter dated 9 May 2005 informed NN that Celcom has obtained leave to issue a third party notice against NN in the above legal suit. However, at the date hereof, Celcom has not served any third party notice on NN. NN's solicitors, Messrs Cheang & Ariff via a letter dated 1 August 2005, are of the view that there is no legal basis for Celcom to proceed with a third party proceeding against NN in relation to the above legal suit as NN has never provided any ringtones to Celcom's website. Similarly, the plaintiffs would also have no recourse against NN as NN has, at the material time, provided its services based on valid licenses obtained and has always made the necessary payment according to the terms of various license agreements.

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B12. Dividend

Interim dividend has not been declared.

B13. Earnings per share

The basic earnings per share for the current quarter ended 31 July 2005 has been calculated based on the net profit attributable to ordinary shareholders of the Company of RM3,804,559 divided by the number of ordinary shares of RM0.10 each in issue of 94,000,000 for the quarter ended 31 July 2005.

There were no dilutive ordinary shares in issue during the current quarter under review that gave diluted effect to the earnings per share.