

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 31 JULY 2007**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
ENDED 31 JULY 2007**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JULY 2007 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JULY 2006 RM	CURRENT YEAR TO-DATE 31 JULY 2007 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JULY 2006 RM
Revenue		17,796,619	23,450,829	17,796,619	23,450,829
Operating expenses		(16,652,899)	(18,160,576)	(16,652,899)	(18,160,576)
Profit from operations		<u>1,143,720</u>	<u>5,290,253</u>	<u>1,143,720</u>	<u>5,290,253</u>
Depreciation and amortisation		(652,917)	(429,881)	(652,917)	(429,881)
Finance costs		(23,256)	(48,741)	(23,256)	(48,741)
Interest income		28,593	62,831	28,593	62,831
Profit before taxation		<u>496,140</u>	<u>4,874,462</u>	<u>496,140</u>	<u>4,874,462</u>
Taxation	B4	(201,880)	(40,378)	(201,880)	(40,378)
Net profit for the period		<u>294,260</u>	<u>4,834,084</u>	<u>294,260</u>	<u>4,834,084</u>
Attributable to:					
Equity holders of the parent		610,536	4,839,011	610,536	4,839,011
Minority interest		(316,276)	(4,927)	(316,276)	(4,927)
		<u>294,260</u>	<u>4,834,084</u>	<u>294,260</u>	<u>4,834,084</u>
Earnings per share attributable to equity holders of the parent					
- Basic (sen)	B12	<u>0.16</u>	<u>1.92</u>	<u>0.16</u>	<u>1.92</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 2007 and the accompanying Notes to the Interim Financial Report on pages 5 to 13)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 JULY 2007 (UNAUDITED) RM	AT 30 APRIL 2007 (AUDITED) RM
Property, plant and equipment	5,902,258	5,084,888
Research and development expenditure	5,344,169	5,114,284
Investment in subsidiary company	77,276	77,276
Investment in associate companies	225,240	225,240
Intangible asset	1,179,600	1,169,013
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	550,000	550,000
Amount due from associate company	2,558,955	2,127,983
Current assets		
Trade and other receivables	61,702,086	61,902,728
Tax recoverable	1,723,874	1,728,457
Cash and cash equivalents	16,238,943	12,604,512
	<u>79,664,903</u>	<u>76,235,697</u>
Current liabilities		
Trade and other payables	13,900,144	14,584,520
Amount due to associate company	228,510	225,240
Finance payables	178,983	194,814
Term loans	122,043	127,095
Tax payables	312,215	112,761
	<u>14,741,895</u>	<u>15,244,430</u>
Net current assets	64,923,008	60,991,267
	<u>82,063,055</u>	<u>76,642,500</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	41,580,000	26,820,000
Reserves	3,391,801	13,117,818
Retained profit	35,311,772	34,701,236
	<u>80,283,573</u>	<u>74,639,054</u>
Minority interest	94,027	410,303
Total equity	80,377,600	75,049,357
Finance payables	660,820	541,464
Term loans	1,024,635	1,051,679
	<u>82,063,055</u>	<u>76,642,500</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>19.31</u>	<u>27.83</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2007 and the accompanying Notes to the Interim Financial Report on pages 5 to 13)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<-----Attributable to Equity Holders of the Parent----->						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 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
Total recognised income and expense for the period	41,580,000	5,558,840	(2,167,039)	35,311,772	80,283,573	94,027	80,377,600
Acquisition of subsidiary	-	-	-	-	-	-	-
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>
At 1 May 2006	25,200,000	7,417,674	3,141	17,829,216	50,450,031	-	50,450,031
Currency translation differences	-	-	(29,092)	-	(29,092)	-	(29,092)
Net income recognised directly in equity	25,200,000	7,417,674	(25,951)	17,829,216	50,420,939	-	50,420,939
Net profit for the period	-	-	-	4,839,011	4,839,011	(4,927)	4,834,084
Total recognised income and expense for the period	25,200,000	7,417,674	(25,951)	22,668,227	55,259,950	(4,927)	55,255,023
Acquisition of subsidiary	-	-	-	-	-	73,460	73,460
At 31 July 2006	<u>25,200,000</u>	<u>7,417,674</u>	<u>(25,951)</u>	<u>22,668,227</u>	<u>55,259,950</u>	<u>68,533</u>	<u>55,328,483</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 2007 and the accompanying Notes to the Interim Financial Report on pages 5 to 13)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31 JULY 2007	PRECEDING YEAR QUARTER ENDED 31 JULY 2006
	RM	RM
Cash flows from operating activities		
Profit before taxation	496,140	4,874,462
Adjustments for non-cash flow:		
Non-cash items	652,917	402,718
Finance costs	23,256	48,741
Interest income	(28,593)	(62,831)
Operating profit before working capital changes	<u>1,143,720</u>	<u>5,263,090</u>
Changes in working capital:		
Net change in current assets	218,828	(12,585,771)
Net change in current liabilities	<u>(680,462)</u>	<u>3,475,660</u>
Cash generated from/(used in) operations	682,086	(3,847,021)
Finance costs	(23,256)	(48,741)
Interest income	28,593	62,831
Income tax paid	<u>(19,946)</u>	<u>(23,547)</u>
Net cash generated from/(used in) operating activities	<u>667,477</u>	<u>(3,856,478)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(899,743)	(314,132)
Investment in associate company	(411,700)	(406,937)
Research and development expenditure paid	(600,816)	(607,030)
Net cash from acquisition of subsidiary company	-	73,460
Net cash used in investing activities	<u>(1,912,259)</u>	<u>(1,254,639)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	5,400,000	-
Repayment of finance payables	(96,474)	(22,510)
Repayment of term loans	<u>(32,096)</u>	<u>(13,013)</u>
Net cash generated from/(used in) financing activities	<u>5,271,430</u>	<u>(35,523)</u>
Net increase in cash and cash equivalents	4,026,648	(5,146,640)
Cash and cash equivalents at 1 May	12,604,512	12,682,901
Translation differences	<u>(392,217)</u>	<u>-</u>
Cash and cash equivalents at end of period	<u><u>16,238,943</u></u>	<u><u>7,536,261</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 2007 and the accompanying Notes to the Interim Financial Report on pages 5 to 13)

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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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 2007.

The accounting policies adopted by the Group in this interim financial statements are consistent with those of the audited financial statements for the year ended 30 April 2007 except for the adoption of the new/revised Financial Reporting Standards (“FRS”) 117: Leases and FRS 124: Related Party Disclosures which were effective for the financial period beginning on or after 1 October 2006. The adoption of these FRSs has no financial impact on the financial statements of the Group upon their initial application.

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 2007.

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.

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST 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 except for the following:

- (a) On 18 May 2007, the Company issued 9,000,000 new ordinary shares of RM0.10 each through a private placement at an issue price of RM0.60 per ordinary share amounting to RM5,400,000.
- (b) On 25 May 2007, the Company issued 138,600,000 new ordinary shares of RM0.10 each as bonus issue on the basis of one (1) new share for every two (2) existing ordinary shares held.

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 period ended 31 July 2007 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	8,706,789	9,089,830	-	17,796,619
Profit before tax	885,902	(389,762)	-	496,140

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 2007.

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A11. Changes in composition of the Group

On 3 May 2007, the Company announce that Code Wireless Pte. Ltd., a subsidiary of the Company, had on 24 April 2007 incorporated a wholly-owned subsidiary in India, namely, Nextnation Mobitech India Private Limited ("NMIPL"). The intended business activities of NMIPL is provision of mobile messaging technologies, mobile application platform and mobile application software for wireless communication.

Other than the above, there were no changes in the composition of the Group in 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

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>3,182,080</u>

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
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BURSA SECURITIES FOR THE MESDAQ MARKET****B1. Review of performance****(a) Performance of the current quarter against the preceding quarter**

	4th Quarter 1 February 2007 to 30 April 2007	1st Quarter 1 May 2007 to 31 July 2007	Variance	
	RM'000	RM'000	RM'000	%
Revenue	21,533	17,797	(3,736)	(17.4)
Profit/(Loss) before taxation	(249)	496	745	299.2
Net/(Loss) profit before minority interest	(251)	294	545	217.1

Revenue

The Group recorded a revenue of RM17.8 million in the current quarter as compared to a revenue of RM21.5 million reported in the previous quarter. The decrease of 17.4% was mainly attributed to the Group's continuous internal restructuring and system upgrading schemes. As a result, business transactions and projects with partners had been delayed. The management is positive that the restructuring and upgrading will enable better resources reallocation for the upcoming expansion.

Profit before taxation and net profit before minority interest

The Group generated profit before tax and profit after tax before minority interest of RM0.5 million and RM0.3 million respectively for the current quarter as compared to loss before tax and loss after tax before minority interest of RM0.2 million each in the previous quarter. The increase of 299.2% and 217.1% respectively was mainly due to the absence of allowance for doubtful debts made in the previous quarter.

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B1. Review of performance (Cont'd)

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

The Group's revenue of RM17.8 million in the current quarter represents a decrease of 24.1% over the RM23.5 million reported for the preceding year corresponding quarter. The decrease was mainly due to the delay in business transactions and projects as a result of the on-going restructuring process. The lower profits before tax and profit after tax before minority interest recorded for the current quarter was mainly due to the decrease in revenue and increasing operating costs for the wider geographical regions participation. In addition, the restructuring process incurred higher technical expenses.

B2. Current year's prospect

The Group will continue to focus on its technology, products development, service enhancement, market expansion, and maintaining strategic partnerships. The Board expects increasing positive contribution from the Group's overseas operations in order to support business expansion. Barring any unforeseen circumstances, the Board expects a satisfactory performance for the remaining financial year.

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
	31.07.2007 RM	31.07.2006 RM	31.07.2007 RM	31.07.2006 RM
Current period's provision	201,880	40,378	201,880	40,378

Malaysian income tax is calculated at the Malaysian statutory tax rate of the estimated assessable profit for the period. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

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B4. Taxation (Cont'd)

For the current quarter ended 31 July 2007, there are foreign income tax provisions in respect of PT. Semesta Tirta Antara Raya and PT. Elasitas Multi Kreasi, companies incorporated in Indonesia. There is no provision for taxation for the Group's other overseas subsidiaries as they are in net loss positions.

The effective tax rate is higher than the statutory tax rate in Malaysia principally due to higher tax rate in other jurisdiction and losses of certain subsidiaries which cannot be set off against taxable profit made by other subsidiaries.

B5. 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.

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

- (a) Save as disclosed below, there were no other corporate proposals announced but not completed as at 24 September 2007, being the last practicable date for the issue of this report:-

Subscription of shares in Often Reach Investments Limited ("Often Reach") by Godynamic Investment Limited ("Godynamic"), a subsidiary of Nextnation

PIVB had, on behalf of Nextnation, announced on 22 March 2006, 13 April 2006, 23 May 2006 and 22 August 2006, amongst other, that Godynamic will subscribe for 700 new ordinary shares of USD1.00 each at par ("Subscription of Ordinary Shares") and 250,000,000 new irredeemable convertible preference shares of USD0.01 each at par ("Subscription of ICPS") in Often Reach for 50% control in Often Reach based on the voting rights in Often Reach for the Group's business expansion in the People's Republic of China.

The Subscription of Ordinary Shares was completed on 16 August 2006. Subsequently, Often Reach had undergone a share split exercise, where one (1) ordinary share of USD 1 each was splitted into one hundred (100) ordinary shares of USD 0.01 each. As a result, Godynamic owned 70,000 ordinary shares of USD 0.01 each in Often Reach.

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On 9 July 2007, the Board has decided to terminate the collaboration due to certain long term business issues that could not be agreed upon. On 15 August 2007, the Group had completed the terms and conditions for the termination.

(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 on 22 September 2006, 10 October 2006 and 18 May 2007, respectively.

The details of the utilisation of the proceeds raised from the issuance of the Placement Shares up to 31 July 2007 are as follows:

	Proposed Utilisation	Utilised Amount	Utilised Amount	Unutilised Amount
	RM'000	RM'000	%	RM'000
Working capital	14,512	10,808	74.5	3,704
Private placement expenses	160	151	94.4	9
Total	14,672	10,959	74.7	3,713

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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 2007.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase		
- Malaysia	135,032	570,684
- Indonesia	43,951	90,136
Term loans		
- Malaysia	122,043	1,024,635
Total	301,026	1,685,455

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 BERHADCompany No. 66055-H
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The basic earnings per share for the current quarter ended 31 July 2007 has been calculated based on the net profit 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 31.07.2007	Preceding year corresponding quarter 31.07.2006	Current year to-date 31.07.2007	Preceding year corresponding period 31.07.2006
Net profit for the period attributable to the ordinary equity holder of the parent (RM'000)	611	4,839	611	4,839
Weighted average number of ordinary shares in issue ('000)	377,980	252,000	377,980	252,000
Basic earnings per share attributable to equity holders of the parent (sen)	0.16	1.92	0.16	1.92