

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 OCTOBER 2007**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 OCTOBER 2007 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2006 RM	CURRENT YEAR TO-DATE 31 OCTOBER 2007 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2006 RM
Revenue		17,867,930	27,093,249	35,664,549	50,544,078
Operating expenses		(16,213,257)	(21,249,718)	(32,866,156)	(39,410,294)
Profit from operations		1,654,673	5,843,531	2,798,393	11,133,784
Depreciation and amortisation		(1,098,593)	(460,512)	(1,751,510)	(890,393)
Finance costs		(58,267)	(20,828)	(81,523)	(69,569)
Interest income		71,381	71,342	99,974	134,173
Profit before taxation		569,194	5,433,533	1,065,334	10,307,995
Taxation	B4	61,822	(53,407)	(140,058)	(93,785)
Net profit for the period		631,016	5,380,126	925,276	10,214,210
Attributable to:					
Equity holders of the parent		144,580	5,113,963	755,116	9,952,974
Minority interest		486,436	266,163	170,160	261,236
		631,016	5,380,126	925,276	10,214,210
Earnings per share attributable to equity holders of the parent					
- Basic (sen)	B12	0.04	2.02	0.19	3.90
- 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 2007 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 SECOND QUARTER
ENDED 31 OCTOBER 2007**

CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 OCTOBER 2007 (UNAUDITED) RM	AT 30 APRIL 2007 (AUDITED) RM
Property, plant and equipment	6,774,937	5,084,888
Research and development expenditure	7,856,401	5,114,284
Investment in subsidiary company	-	77,276
Investment in associate companies	225,240	225,240
Intangible asset	1,141,281	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	2,741,223	2,127,983
Current assets		
Trade and other receivables	56,172,075	61,902,728
Tax recoverable	1,587,984	1,728,457
Cash and cash equivalents	13,869,812	12,604,512
	71,629,871	76,235,697
Current liabilities		
Trade and other payables	9,166,423	14,584,520
Amount due to associate company	230,590	225,240
Finance payables	317,917	194,814
Term loans	118,705	127,095
Tax payables	246,679	112,761
	10,080,314	15,244,430
Net current assets	61,549,557	60,991,267
	82,141,188	76,642,500
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	41,580,000	26,820,000
Reserves	2,820,310	13,117,818
Retained profit	35,456,352	34,701,236
	79,856,662	74,639,054
Minority interest	580,463	410,303
Total equity	80,437,125	75,049,357
Finance payables	708,496	541,464
Term loans	995,567	1,051,679
	82,141,188	76,642,500
Net assets per share attributable to ordinary equity holders of the parent (sen)	19.21	27.83

(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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	<----- Attributable to Equity Holders of the Parent ----->				Total RM	Minority Interest RM	Total Equity RM
	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit 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	-	-	(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
Total recognised income and expense for the period	41,580,000	5,558,840	(2,738,530)	35,456,352	79,856,662	580,463	80,437,125
Acquisition of subsidiary	-	-	-	-	-	-	-
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>
At 1 May 2006	25,200,000	7,417,674	3,141	17,829,216	50,450,031	-	50,450,031
Issue of shares	1,620,000	7,652,000	-	-	9,272,000	-	9,272,000
Placement expenses	-	(150,834)	-	-	(150,834)	-	(150,834)
Currency translation differences	-	-	103,409	-	103,409	-	103,409
Net income recognised directly in equity	26,820,000	14,918,840	106,550	17,829,216	59,674,606	-	59,674,606
Net profit for the period	-	-	-	9,952,974	9,952,974	261,236	10,214,210
Total recognised income and expense for the period	26,820,000	14,918,840	106,550	27,782,190	69,627,580	261,236	69,888,816
Acquisition of subsidiary	-	-	-	-	-	1,369,781	1,369,781
At 31 October 2006	<u>26,820,000</u>	<u>14,918,840</u>	<u>106,550</u>	<u>27,782,190</u>	<u>69,627,580</u>	<u>1,631,017</u>	<u>71,258,597</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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31 OCTOBER 2007	PRECEDING YEAR QUARTER ENDED 31 OCTOBER 2006
	RM	RM
Cash flows from operating activities		
Profit before taxation	1,065,334	10,307,995
Adjustments for non-cash flow:		
Non-cash items	1,752,258	1,089,893
Finance costs	81,523	69,569
Interest income	(99,974)	(134,173)
Operating profit before working capital changes	<u>2,799,141</u>	<u>11,333,284</u>
Changes in working capital:		
Net change in current assets	5,976,182	(15,537,587)
Net change in current liabilities	<u>(6,176,593)</u>	<u>6,157,515</u>
Cash generated from/(used in) operations	2,598,730	1,953,212
Finance costs	(81,523)	(69,569)
Interest income	99,974	134,173
Income tax paid	<u>(33,924)</u>	<u>(47,263)</u>
Net cash generated from/(used in) operating activities	<u>2,583,257</u>	<u>1,970,553</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,997,829)	(666,710)
Investment in associate company	(613,240)	(827,789)
Research and development expenditure paid	(3,796,220)	(1,226,566)
Proceeds from disposal of property, plant and equipment	400	-
Reversal of share of asset of jointly controlled entity	-	97,051
Intangible asset paid	-	(1,245,854)
Net cash from acquisition of subsidiary company	-	(2,450,114)
Net cash used in investing activities	<u>(6,406,889)</u>	<u>(6,319,982)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	5,400,000	9,272,000
Repayment of finance payables	(117,286)	(45,393)
Repayment of term loans	(64,501)	(37,180)
Placement expenses	-	(150,834)
Net cash generated from/(used in) financing activities	<u>5,218,213</u>	<u>9,038,593</u>
Net increase in cash and cash equivalents	1,394,581	4,689,164
Cash and cash equivalents at 1 May	12,604,512	12,682,901
Translation differences	<u>(129,281)</u>	<u>-</u>
Cash and cash equivalents at end of period	<u>13,869,812</u>	<u>17,372,065</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 12)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2007

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.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007****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 period ended 31 October 2007 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	16,573,557	19,090,992	-	35,664,549
Profit before tax	3,231,285	(2,165,951)	-	1,065,334

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 October 2007.

A11. Changes in composition of the Group

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.

NEXTNATION COMMUNICATION BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007**

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>

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007****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**

	2nd Quarter 1 August 2007 to 31 October 2007	1st Quarter 1 May 2007 to 31 July 2007	Variance	
	RM'000	RM'000	RM'000	%
Revenue	17,868	17,797	71	0.4
Profit before taxation	569	496	73	14.7
Net profit before minority interest	631	294	337	114.6

Revenue

The Group recorded a revenue of RM17.9 million in the current quarter as compared to a revenue of RM17.8 million reported in the previous quarter. The slight increase of 0.4% was mainly attributed to higher revenue achieved by overseas subsidiaries.

Profit before taxation ("PBT") and net profit before minority interest

The Group generated PBT and profit after tax before minority interest of RM0.6 million for the current quarter as compared to RM0.5 million and RM0.3 million respectively in the previous quarter. The increase of 14.7% and 114.6% respectively was mainly due to operating expenses streamlining and adjustment of overprovision for taxation in the previous quarter.

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007**

B1. Review of performance (Cont'd)**(b) Performance of the current quarter against the preceding year corresponding quarter**

The Group's revenue of RM17.9 million in the current quarter represents a decrease of 34.1% over the RM27.1 million reported for the preceding year corresponding quarter. The decrease was mainly due to on-going internal upgrading process together with system migrations conducted by several mobile operators.

The Group's PBT of RM0.6 million in the current quarter represents a decline of 89.5% over the RM5.4 million for the preceding year corresponding quarter. The decline was mainly attributable to the decrease in revenue, losses made by certain overseas subsidiaries in emerging market, and higher expenses incurred on upgrading and technology investment for the development of enhanced platforms.

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 positive contribution from the Group's overseas operations. 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
	31.10.2007 RM	31.10.2006 RM	31.10.2007 RM	31.10.2006 RM
Current period's provision	(89,167)	(53,407)	(140,058)	(93,785)
Overprovision	150,989	-	-	-
Total	61,822	(53,407)	(140,058)	(93,785)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2007

B4. Taxation (Cont'd)

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.

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.

B7. Status of corporate proposals and Utilisation of Proceeds

(a) There were no other corporate proposals announced but not completed as at 17 December 2007, being the last practicable date for the issue of this report.

(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 October 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

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007****B8. Borrowings and debt securities**

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 October 2007.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase		
- Malaysia	137,058	535,659
- Indonesia	180,859	172,837
Term loans		
- Malaysia	118,705	995,567
Total	436,622	1,704,063

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
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2007****B12. Earnings per share**

The basic earnings per share for the current quarter ended 31 October 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 31.10.2007	Preceding year corresponding quarter 31.10.2006	Current year to-date 31.10.2007	Preceding year corresponding period 31.10.2006
Net profit for the period attributable to the ordinary equity holder of the parent (RM'000)	145	5,114	755	9,953
Weighted average number of ordinary shares in issue ('000)	396,890	253,671	396,890	255,314
Basic earnings per share attributable to equity holders of the parent (sen)	0.04	2.02	0.19	3.90