

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

**UNAUDITED INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 31 JANUARY 2008**

**NEXTNATION COMMUNICATION BERHAD**

Company No. 660055-H  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER  
ENDED 31 JANUARY 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)**

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 JANUARY 2008 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 JANUARY 2007 RM	CURRENT YEAR TO-DATE 31 JANUARY 2008 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 JANUARY 2007 RM
<b>Revenue</b>		<b>15,635,796</b>	<b>28,217,127</b>	<b>51,300,345</b>	<b>78,761,205</b>
Operating expenses		(13,423,889)	(21,947,385)	(46,290,044)	(61,357,679)
<b>Profit from operations</b>		<b>2,211,907</b>	<b>6,269,742</b>	<b>5,010,301</b>	<b>17,403,526</b>
Depreciation and amortisation		(1,054,324)	(592,325)	(2,805,834)	(1,482,718)
Finance costs		(105,135)	(32,005)	(186,658)	(101,574)
Interest income		61,385	88,555	161,359	222,728
<b>Profit before taxation</b>		<b>1,113,833</b>	<b>5,733,967</b>	<b>2,179,168</b>	<b>16,041,962</b>
Taxation	B4	(317,209)	(47,523)	(457,267)	(141,308)
<b>Net profit for the period</b>		<b>796,624</b>	<b>5,686,444</b>	<b>1,721,901</b>	<b>15,900,654</b>
Attributable to:					
Equity holders of the parent		(1,912,666)	6,402,334	(1,157,549)	16,355,308
Minority interest		2,709,290	(715,890)	2,879,450	(454,654)
		<u>796,624</u>	<u>5,686,444</u>	<u>1,721,901</u>	<u>15,900,654</u>
(Loss)/earnings per share attributable to equity holders of the parent					
- Basic (sen)	B12	<u>(0.47)</u>	<u>2.48</u>	<u>(0.29)</u>	<u>6.30</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 12)

**NEXTNATION COMMUNICATION BERHAD**

Company No. 660055-H  
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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER  
ENDED 31 JANUARY 2008**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	AS AT 31 JANUARY 2008 (UNAUDITED) RM	AS AT 30 APRIL 2007 (AUDITED) RM
<b>Property, plant and equipment</b>	6,764,712	5,084,888
<b>Research and development expenditure</b>	7,846,652	5,114,284
<b>Investment in subsidiary company</b>	-	77,276
<b>Investment in associate companies</b>	225,240	225,240
<b>Intangible asset</b>	1,105,149	1,169,013
<b>Goodwill on consolidation</b>	1,302,549	1,302,549
<b>Fixed deposits with a licensed bank</b>	550,000	550,000
<b>Amount due from associate company</b>	2,725,732	2,127,983
<b>Current assets</b>		
Trade and other receivables	49,290,086	61,902,728
Tax recoverable	1,023,802	1,728,457
Cash and cash equivalents	24,615,852	12,604,512
	74,929,740	76,235,697
<b>Current liabilities</b>		
Trade and other payables	7,899,642	14,584,520
Amount due to associate company	228,140	225,240
Finance payables	318,736	194,814
Term loans	2,555,017	127,095
Tax payables	412,983	112,761
	11,414,518	15,244,430
<b>Net current assets</b>	63,515,222	60,991,267
	84,035,256	76,642,500
<b>Financed by:</b>		
<b>Capital and reserves</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	41,580,000	26,820,000
Reserves	1,995,934	13,117,818
Retained profit	33,543,687	34,701,236
	77,119,621	74,639,054
Minority interest	3,289,753	410,303
Total equity	80,409,374	75,049,357
<b>Finance payables</b>	830,183	541,464
<b>Term loans</b>	2,795,699	1,051,679
	84,035,256	76,642,500
<b>Net assets per share attributable to ordinary equity holders of the parent (sen)</b>	18.55	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 THIRD QUARTER  
ENDED 31 JANUARY 2008**

**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	-	-	(1,761,884)	-	(1,761,884)	-	(1,761,884)
Net income recognised directly in equity	41,580,000	5,558,840	(3,562,906)	34,701,236	78,277,170	410,303	78,687,473
Net profit for the period	-	-	-	(1,157,549)	(1,157,549)	2,879,450	1,721,901
Total recognised income and expense for the period	41,580,000	5,558,840	(3,562,906)	33,543,687	77,119,621	3,289,753	80,409,374
At 31 January 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(3,562,906)</u>	<u>33,543,687</u>	<u>77,119,621</u>	<u>3,289,753</u>	<u>80,409,374</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	-	-	405,059	-	405,059	-	405,059
Net income recognised directly in equity	26,820,000	14,918,840	408,200	17,829,216	59,976,256	-	59,976,256
Net profit for the period	-	-	-	16,355,308	16,355,308	(454,654)	15,900,654
Total recognised income and expense for the period	26,820,000	14,918,840	408,200	34,184,524	76,331,564	(454,654)	75,876,910
Acquisition of subsidiary	-	-	-	-	-	1,369,781	1,369,781
At 31 January 2007	<u>26,820,000</u>	<u>14,918,840</u>	<u>408,200</u>	<u>34,184,524</u>	<u>76,331,564</u>	<u>915,127</u>	<u>77,246,691</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 THIRD QUARTER  
ENDED 31 JANUARY 2008**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)**

	<b>CUMULATIVE QUARTER</b>	
	<b>CURRENT YEAR QUARTER ENDED 31 JANUARY 2008</b>	<b>PRECEDING YEAR QUARTER ENDED 31 JANUARY 2007</b>
	<b>RM</b>	<b>RM</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	2,179,168	16,041,962
Adjustments for non-cash flow:		
Non-cash items	1,571,865	2,006,101
Finance costs	186,658	101,574
Interest income	(161,359)	(222,728)
Operating profit before working capital changes	<u>3,776,332</u>	<u>17,926,909</u>
Changes in working capital:		
Net change in current assets	13,279,492	(25,769,107)
Net change in current liabilities	(6,359,068)	11,833,516
Cash generated from operations	<u>10,696,756</u>	<u>3,991,318</u>
Finance costs	(185,550)	(101,574)
Interest income	161,359	222,728
Income tax paid	(186,160)	(124,018)
<b>Net cash generated from operating activities</b>	<u>10,486,405</u>	<u>3,988,454</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(2,236,992)	(988,768)
Investment in associate company	(714,002)	(1,178,916)
Research and development expenditure paid	(4,530,271)	(2,142,245)
Proceeds from disposal of property, plant and equipment	13,049	-
Reversal of share of asset of jointly controlled entity	-	97,051
Intangible asset paid	-	(1,195,822)
Net cash from acquisition of subsidiary company	-	(2,345,028)
<b>Net cash used in investing activities</b>	<u>(7,468,216)</u>	<u>(7,753,728)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	5,400,000	9,272,000
Repayment of finance payables	(242,541)	(78,446)
Repayment of term loans	(90,532)	(38,448)
Drawdown of term loans	4,262,475	-
Placement expenses	-	(150,834)
<b>Net cash generated from financing activities</b>	<u>9,329,402</u>	<u>9,004,272</u>
<b>Net increase in cash and cash equivalents</b>	12,347,591	5,238,998
<b>Cash and cash equivalents at 1 May</b>	12,604,512	12,682,901
<b>Translation differences</b>	(336,251)	-
<b>Cash and cash equivalents at end of period</b>	<u>24,615,852</u>	<u>17,921,899</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 JANUARY 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 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 JANUARY 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 period ended 31 January 2008 is tabulated below:

<b>Segment</b>	<b>Malaysia RM</b>	<b>Other Countries RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>	24,307,239	26,993,106	-	51,300,345
<b>Profit before tax</b>	4,342,567	(2,163,399)	-	2,179,168

**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 January 2008.

**A11. Changes in composition of the Group**

On 30 January 2008, Godynamic Investments Limited, a subsidiary of the Company, had entered into share sale agreements to acquire 95,000 ordinary shares of Indonesian Rupiah 1,000 each, representing 95% of the total issued and paid-up share capital of PT Galaksi Publishindo ("PTGP") in the Republic of Indonesia. The intended business activities of PTGP are provision of entertainment services, printing and publishing services.

Other than the above, there were no other 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 JANUARY 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>6,038,690</u>

**NEXTNATION COMMUNICATION BERHAD**Company No. 66055-H  
(Incorporated in Malaysia)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER  
ENDED 31 JANUARY 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**

	<b>3rd Quarter 1 November 2007 to 31 January 2008</b>	<b>2nd Quarter 1 August 2007 to 31 October 2007</b>	<b>Variance</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	15,636	17,868	(2,232)	(12.5)
Profit before taxation	1,114	569	545	95.8
Net profit before minority interest	797	631	166	26.3

**Revenue**

The Group recorded revenue of RM15.6 million in the current quarter as compared to a revenue of RM17.9 million reported in the previous quarter. The decrease of 12.5% in revenue was mainly due to shift of focus on products and services which yield higher profit margin.

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

The Group generated PBT and profit after tax before minority interest of RM1.1 million and RM0.8 million respectively for the current quarter as compared to RM0.5 million and RM0.6 million respectively in the previous quarter. The increase of 95.8% and 26.3% respectively was mainly due to improved operational margin via products and services profitability focus and costs streamlining.

**NEXTNATION COMMUNICATION BERHAD**

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

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

The Group's revenue of RM15.6 million in the current quarter represents a decrease of 44.7% over the RM28.2 million reported for the preceding year corresponding quarter. The decrease was mainly due to continuous system migrations and enhancements by several mobile operators resulted in delay of mobile application and service projects in the short-term.

The Group's PBT of RM1.1 million in the current quarter represents a decline of 80.6% over the RM5.7 million for the preceding year corresponding quarter. The decline was mainly attributable to the decrease in revenue and higher operating expenses incurred by the overseas subsidiaries.

**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
	31.01.2008 RM	31.01.2007 RM	31.01.2008 RM	31.01.2007 RM
Current period's provision	(315,980)	47,523	(456,038)	141,308
Underprovision	(1,229)	-	(1,229)	-
<b>Total</b>	<b>(317,209)</b>	<b>47,523</b>	<b>(457,267)</b>	<b>141,308</b>

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Company No. 660055-H  
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## UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 JANUARY 2008

### **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) Save as disclosed below, there were no other corporate proposals announced but not completed as at 26 March 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.

**NEXTNATION COMMUNICATION BERHAD**

Company No. 660055-H  
(Incorporated in Malaysia)

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

**B7. Status of corporate proposals and Utilisation of Proceeds (Cont'd)****(b) Utilisation of proceeds for the Proposed Private Placement (Cont'd)**

The details of the utilisation of the proceeds raised from the issuance of the Placement Shares up to 31 January 2008 are as follows:

	<b>Proposed Utilisation</b>	<b>Utilised Amount</b>	<b>Utilised Amount</b>	<b>Unutilised Amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>
Working capital	14,512	11,011*	75.9	3,501
Private placement expenses	160	151	94.4	9
<b>Total</b>	<b>14,672</b>	<b>11,162</b>	<b>76.1</b>	<b>3,510</b>

\* As at 31 January 2008, the proceeds raised from private placement was solely utilised for operating costs incurred.

**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 January 2008.

<b>Type of interest bearing secured borrowings</b>	<b>Payable within 12 months</b>	<b>Payable after 12 months</b>
	<b>RM</b>	<b>RM</b>
Hire purchase		
- Malaysia	185,691	712,983
- Indonesia	133,044	117,200
Term loans		
- Malaysia	2,555,017	2,795,699
<b>Total</b>	<b>2,873,752</b>	<b>3,625,882</b>

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.

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

**B12. Earnings per share**

The basic earnings per share for the current quarter ended 31 January 2008 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 31.01.2008	Preceding year corresponding quarter 31.01.2007	Current year to-date 31.01.2008	Preceding year corresponding period 31.01.2007
Net profit for the period attributable to the ordinary equity holder of the parent (RM'000)	(1,913)	6,402	(1,158)	16,355
Weighted average number of ordinary shares in issue ('000)	403,193	257,754	403,193	259,609
Basic (loss)/earnings per share attributable to equity holders of the parent (sen)	(0.47)	2.48	(0.29)	6.30