

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

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 APRIL 2008**

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER
ENDED 30 APRIL 2008**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30 APRIL 2008 RM	PRECEDING YEAR CORRESPONDING QUARTER 30 APRIL 2007 RM	CURRENT YEAR TO-DATE 30 APRIL 2008 RM	PRECEDING YEAR CORRESPONDING PERIOD 30 APRIL 2007 RM
Revenue		13,246,669	21,548,871	64,547,014	100,310,076
Operating expenses		(20,120,163)	(21,000,206)	(66,410,208)	(82,357,885)
(Loss) / profit from operations		(6,873,494)	548,665	(1,863,194)	17,952,191
Depreciation and amortisation		(1,112,019)	(677,798)	(3,917,853)	(2,160,516)
Finance costs		(147,303)	(66,016)	(333,961)	(167,590)
Interest income		47,976	12,236	209,335	234,964
(Loss) / profit before taxation		(8,084,840)	(182,913)	(5,905,673)	15,859,049
Taxation	B4	62,751	(30,709)	(394,516)	(172,017)
Net (loss) / profit for the period		(8,022,089)	(213,622)	(6,300,189)	15,687,032
Attributable to:					
Equity holders of the parent		(8,629,910)	516,712	(8,571,818)	16,872,020
Minority interest		607,821	(730,334)	2,271,629	(1,184,988)
		(8,022,089)	(213,622)	(6,300,189)	15,687,032
(Loss)/earnings per share attributable to equity holders of the parent					
- Basic (sen)	B12	<u>(2.12)</u>	<u>0.20</u>	<u>(2.11)</u>	<u>6.45</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)

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

	AS AT 30 APRIL 2008 (UNAUDITED) RM	AS AT 30 APRIL 2007 (AUDITED) RM
Property, plant and equipment	14,785,029	5,084,888
Research and development expenditure	7,689,883	5,114,284
Investment in subsidiary company	-	77,276
Investment in associate companies	225,240	225,240
Intangible asset	1,078,511	1,169,013
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	580,000	550,000
Amount due from associate company	3,327,394	2,127,983
Current assets		
Trade and other receivables	41,947,493	61,902,728
Tax recoverable	1,087,616	1,728,457
Cash and cash equivalents	14,165,855	12,604,512
	<u>57,200,964</u>	<u>76,235,697</u>
Current liabilities		
Trade and other payables	6,173,751	14,584,520
Amount due to associate company	231,814	225,240
Finance payables	379,457	194,814
Term loans	2,818,721	127,095
Tax payables	-	112,761
	<u>9,603,743</u>	<u>15,244,430</u>
Net current assets	47,597,221	60,991,267
	<u>76,585,827</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	11,445	13,117,818
Retained profit	26,129,418	34,701,236
	<u>67,720,863</u>	<u>74,639,054</u>
Minority interest	2,681,932	410,303
Total equity	70,402,795	75,049,357
Finance payables	956,919	541,464
Term loans	5,226,113	1,051,679
	<u>6,183,032</u>	<u>1,593,143</u>
Net assets per share attributable to ordinary equity holders of the parent (sen)	<u>16.29</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 12)

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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	-	-	(3,746,373)	-	(3,746,373)	-	(3,746,373)
Net income recognised directly in equity	41,580,000	5,558,840	(5,547,395)	34,701,236	76,292,681	410,303	76,702,984
Net profit for the year	-	-	-	(8,571,818)	(8,571,818)	2,271,629	(6,300,189)
Total recognised income and expense for the year	41,580,000	5,558,840	(5,547,395)	26,129,418	67,720,863	2,681,932	70,402,795
At 30 APRIL 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(5,547,395)</u>	<u>26,129,418</u>	<u>67,720,863</u>	<u>2,681,932</u>	<u>70,402,795</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	-	-	(1,804,163)	-	(1,804,163)	-	(1,804,163)
Net income recognised directly in equity	26,820,000	14,918,840	(1,801,022)	17,829,216	57,767,034	-	57,767,034
Net profit for the year	-	-	-	16,872,020	16,872,020	(1,184,988)	15,687,032
Total recognised income and expense for the year	26,820,000	14,918,840	(1,801,022)	34,701,236	74,639,054	(1,184,988)	73,454,066
Acquisition of subsidiary	-	-	-	-	-	1,595,291	1,595,291
At 30 APRIL 2007	<u>26,820,000</u>	<u>14,918,840</u>	<u>(1,801,022)</u>	<u>34,701,236</u>	<u>74,639,054</u>	<u>410,303</u>	<u>75,049,357</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)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR
	QUARTER ENDED	QUARTER ENDED
	30 APRIL 2008	30 APRIL 2007
	RM	RM
Cash flows from operating activities		
(Loss) / profit before taxation	(5,905,673)	15,859,049
Adjustments for non-cash flow:		
Non-cash items	2,683,885	3,551,226
Finance costs	333,961	167,590
Interest income	<u>(209,335)</u>	<u>(234,964)</u>
Operating (loss) / profit before working capital changes	<u>(3,097,162)</u>	<u>19,342,901</u>
Changes in working capital:		
Net change in current assets	18,885,247	(23,167,656)
Net change in current liabilities	<u>(9,316,001)</u>	<u>1,902,815</u>
Cash generated / (used) from operations	6,472,084	(1,921,940)
Finance costs	(333,961)	(167,590)
Interest income	209,335	234,964
Income tax paid	<u>(950,620)</u>	<u>(1,798,986)</u>
Net cash generated from / (used in) operating activities	<u>5,396,838</u>	<u>(3,653,552)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10,301,157)	(1,533,087)
Investment in associate company	-	(225,240)
Research and development expenditure paid	(5,086,564)	(2,807,798)
Proceeds from disposal of property, plant and equipment	13,049	26,714
Investment in subsidiary company	-	(77,276)
Placement of fixed deposits	(30,000)	(270,000)
Net cash from acquisition of subsidiary company	-	927,630
Net cash used in investing activities	<u>(15,404,672)</u>	<u>(3,959,057)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	5,400,000	9,272,000
Repayment of finance payables	(508,759)	(119,097)
Repayment of term loans	(118,704)	(1,027,291)
Drawdown of term loans	6,984,765	1,200,000
Placement expenses	-	(150,834)
Net cash generated from financing activities	<u>11,757,302</u>	<u>9,174,778</u>
Net increase in cash and cash equivalents	1,749,468	1,562,169
Cash and cash equivalents at 1 May	12,604,512	12,682,901
Translation differences	<u>(188,125)</u>	<u>(1,640,558)</u>
Cash and cash equivalents at end of period	<u>14,165,855</u>	<u>12,604,512</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

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**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH
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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 financial year ended 30 April 2007.

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 FOURTH
QUARTER ENDED 30 APRIL 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 year ended 30 April 2008 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	30,666,374	33,880,640	-	64,547,014
Loss before tax	(657,216)	(5,248,457)	-	(5,905,673)

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 30 April 2008.

A11. Changes in composition of the Group

On 16 April 2008, Nextnation acquired the remaining one (1) subscriber's share, representing 50% equity interest in Nextnation Techcity Sdn Bhd, for a cash consideration of RM1.00, making it a 100% wholly-owned subsidiary.

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.

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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>2,856,610</u>

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**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

Revenue

For the current quarter ending 30 April 2008, the Group recorded revenue of RM13.2 million as compared to RM15.6 million recorded in the previous quarter. The lower revenue by 15.38% was mainly attributed to lower sales, caused by delay in system and infrastructure upgrade.

(Loss) / profit before taxation and net (loss) /(profit) before minority interest

The Group generated loss before taxation and loss after tax before minority interest of RM8.08 million and RM8.02 million respectively for the current quarter as compared to profit before taxation of RM1.65 million and profit after tax before minority interest of RM0.80 million respectively recorded in the previous quarter. The losses recorded were mainly due to lower revenue generated and higher operational cost for existing products and services.

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

The Group's revenue of RM13.2 million in the current quarter represents a decrease over the RM21.5 million reported for the preceding year corresponding quarter. The decrease was mainly attributed to lower sales, caused by delay in system and infrastructure upgrades.

The Group's loss before taxation of RM8.08 million in the current quarter deteriorated compared to loss before taxation of RM0.18 million for the preceding year corresponding quarter. The deterioration was mainly attributable to the decrease in revenue and higher operational cost for existing products and services.

B2. Next year's prospect

The Group will continue during this challenging business environment 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 within 2 years in the next future. Barring any unforeseen circumstances, the Board expects a better performance for the financial year ending 2009.

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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
	30.04.2008 RM	30.04.2007 RM	30.04.2008 RM	30.04.2007 RM
Current period's provision	62,751	(30,709)	(393,287)	(172,017)
Underprovision	-	-	(1,229)	-
Total	62,751	(30,709)	(394,516)	(172,017)

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.

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- (a) Save as disclosed below, there were no other corporate proposals announced but not completed as at 27 June 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.

The details of the utilisation of the proceeds raised from the issuance of the Placement Shares up to 30 April 2008 are as follows:

	Proposed Utilisatio	Utilised Amount	Utilised Amount	Unutilised Amount
	RM’000	RM’000	%	RM’000
Working capital	14,512	13,070*	90.1	1,442
Private placement expenses	160	151	94.4	9
Total	14,672	13,221	90.1	1,451

* As at 30 April 2008, the proceeds raised from private placement was solely utilised for operating costs incurred.

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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 30 April 2008.

Type of interest bearing secured borrowings	Payable within 12 months	Payable after 12 months
	RM	RM
Hire purchase		
- Malaysia	232,883	865,612
- Indonesia	146,574	91,307
Term loans		
- Malaysia	2,818,721	5,226,113
Total	3,198,178	6,183,032

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.

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The basic loss per share for the current quarter ended 30 April 2008 has been calculated based on the net loss 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 30.04.2008	Preceding year corresponding quarter 30.04.2007	Current year to-date 30.04.2008	Preceding year corresponding period 30.04.2007
Net (loss) / profit for the period attributable to the ordinary equity holder of the parent (RM'000)	(8,630)	517	(8,572)	16,872
Weighted average number of ordinary shares in issue ('000)	406,293	261,704	406,293	261,704
Basic (loss)/earnings per share attributable to equity holders of the parent (sen)	(2.12)	0.20	(2.11)	6.45