

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

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

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	NOTE	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 OCTOBER 2008 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 OCTOBER 2007 RM	CURRENT YEAR TO-DATE 31 OCTOBER 2008 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2007 RM
Revenue		13,862,429	17,867,930	28,627,521	35,664,549
Operating expenses		(15,265,493)	(16,213,257)	(30,480,537)	(32,866,156)
(Loss)/ profit from operations		(1,403,064)	1,654,673	(1,853,016)	2,798,393
Depreciation and amortisation		(1,065,408)	(1,098,593)	(2,298,756)	(1,751,510)
Finance costs		(171,865)	(58,267)	(344,693)	(81,523)
Interest income		13,307	71,381	53,216	99,974
(Loss)/ profit before taxation		(2,627,030)	569,194	(4,443,249)	1,065,334
Taxation	B4	(182)	61,822	(193,610)	(140,058)
(Loss)/ profit for the period		(2,627,212)	631,016	(4,636,859)	925,276
Attributable to:					
Shareholders of the Company		(2,791,934)	144,580	(4,605,301)	755,116
Minority interest		164,722	486,436	(31,558)	170,160
(Loss)/ profit for the period		(2,627,212)	631,016	(4,636,859)	925,276
(Loss)/ earnings per share attributable to the equity holders of the Company					
- Basic (sen)	B12	(0.67)	0.04	(1.11)	0.19
- 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 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	AT 31 OCTOBER 2008 (UNAUDITED) RM	AT 30 APRIL 2008 (AUDITED) RM
Property, plant and equipment	22,133,113	14,791,486
Research and development expenditure	6,378,375	5,913,508
Investment in associate companies	225,240	225,240
Intangible asset	2,775,248	2,945,388
Goodwill on consolidation	1,302,549	1,302,549
Fixed deposits with a licensed bank	527,090	518,000
Amount due from associate company	2,365,797	2,660,031
Current assets		
Trade and other receivables	45,295,323	43,226,757
Tax recoverable	620,166	487,511
Cash and cash equivalents	10,984,764	14,675,294
	<u>56,900,253</u>	<u>58,389,562</u>
Current liabilities		
Trade and other payables	12,699,549	6,046,222
Amount due to associate company	240,500	231,814
Finance payables	545,257	355,634
Term loans	2,449,381	2,871,572
Tax payables	177,917	1,292
	<u>16,112,604</u>	<u>9,506,534</u>
Net current assets	40,787,649	48,883,028
	<u>76,495,061</u>	<u>77,239,230</u>
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the Company		
Share capital	41,580,000	41,580,000
Reserves	100,289	695,376
Retained profit	21,463,903	26,069,204
	<u>63,144,192</u>	<u>68,344,580</u>
Minority interest	2,913,116	2,944,674
Total equity	66,057,308	71,289,254
Finance payables	1,078,327	955,352
Term loans	9,359,426	4,994,624
	<u>76,495,061</u>	<u>77,239,230</u>
Net assets per share attributable to ordinary equity holders of the Company (sen)	<u>15.19</u>	<u>16.44</u>

(The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the audited financial statements for the financial year ended 30 April 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H

(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

<----- Attributable to Equity Holders of the Company ----->

Non-Distributable

Distributable

	Share Capital RM	Share Premium RM	Foreign exchange translation RM	Retained Profit RM	Total RM	Minority Interest RM	Total Equity RM
At 1 May 2008	41,580,000	5,558,840	(4,863,464)	26,069,204	68,344,580	2,944,674	71,289,254
Currency translation differences	-	-	(595,087)	-	(595,087)	-	(595,087)
Net income recognised directly in equity	41,580,000	5,558,840	(5,458,551)	26,069,204	67,749,493	2,944,674	70,694,167
Net loss for the period	-	-	-	(4,605,301)	(4,605,301)	(31,558)	(4,636,859)
At 31 October 2008	<u>41,580,000</u>	<u>5,558,840</u>	<u>(5,458,551)</u>	<u>21,463,903</u>	<u>63,144,192</u>	<u>2,913,116</u>	<u>66,057,308</u>
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
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>

(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 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	CUMULATIVE QUARTER	
	CURRENT YEAR TO-DATE 31 OCTOBER 2008	PRECEDING YEAR CORRESPONDING PERIOD 31 OCTOBER 2007
	RM	RM
Cash flows from operating activities		
(Loss)/ profit before taxation	(4,443,249)	1,065,334
Adjustments for non-cash flow:		
Non-cash items	3,147,300	1,752,258
Finance costs	344,693	81,523
Interest income	(53,216)	(99,974)
Operating (loss)/ profit before working capital changes	<u>(1,004,472)</u>	<u>2,799,141</u>
Changes in working capital:		
Net change in current assets	(2,930,204)	5,976,182
Net change in current liabilities	<u>6,782,046</u>	<u>(6,176,593)</u>
Cash generated from operations	2,847,370	2,598,730
Finance costs	(344,693)	(81,523)
Interest income	53,216	99,974
Income tax paid	<u>(163,136)</u>	<u>(33,924)</u>
Net cash generated from operating activities	<u>2,392,757</u>	<u>2,583,257</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,495,469)	(1,997,829)
Investment in associate company	-	(613,240)
Research and development expenditure paid	(579,254)	(3,796,220)
Proceeds from disposal of property, plant and equipment	-	400
Net cash used in investing activities	<u>(9,074,723)</u>	<u>(6,406,889)</u>
Cash flows from financing activities		
Drawdown of term loan	5,376,725	-
Proceeds from issuance of share capital	-	5,400,000
Repayment of finance payables	(122,882)	(117,286)
Repayment of term loans	<u>(1,434,113)</u>	<u>(64,501)</u>
Net cash generated from financing activities	<u>3,819,730</u>	<u>5,218,213</u>
Net (decrease)/ increase in cash and cash equivalents	(2,862,236)	1,394,581
Cash and cash equivalents at 1 May	14,675,294	12,604,512
Translation differences	<u>(828,294)</u>	<u>(129,281)</u>
Cash and cash equivalents at end of period	<u>10,984,764</u>	<u>13,869,812</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 2008 and the accompanying Notes to the Interim Financial Report on pages 5 to 11)

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

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

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 2008.

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 2008.

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 under review.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 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 financial period ended 31 October 2008 is tabulated below:

Segment	Malaysia RM	Other Countries RM	Elimination RM	Total RM
Revenue	9,896,712	18,730,809	-	28,627,521
(Loss)/ profit before tax	(4,497,363)	54,114	-	(4,443,249)

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 are no material events subsequent to the quarter ended 31 October 2008.

A11. Changes in composition of the Group

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

A12. Contingent assets or liabilities

Same as disclosed below, the Company does not have any contingent liabilities as at the date of this report.

	RM
Corporate guarantee granted to a subsidiary company	<u>19,079,989</u>

NEXTNATION COMMUNICATION BERHAD

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 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>2,896,010</u>

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 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

For the current quarter ended 31 October 2008, the Group recorded revenue of RM13.9 million as compared to RM14.8 million recorded in the previous quarter ended 31 July 2008. The Group's revenue declined by 6.11% as a result of the current depressed global economic conditions. The reduced spending by both the consumer market and also the telecommunication companies in the form of marketing and infrastructure investments has severely hampered the Group's revenue generation.

The Group generated loss before taxation of RM2.6 million for the current quarter ended 31 October 2008 as compared to a loss before taxation of RM1.8 million recorded in the previous quarter ended 31 July 2008. The higher loss incurred was mainly due to lower revenue generated, while maintaining a similar fixed cost structure. In addition, the Group has also provided for doubtful debts amounting to RM848,500 during the quarter.

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

The Group's revenue of RM13.9 million in the current quarter ended 31 October 2008 represents a decrease in revenue of RM4.0 million as compared to RM17.9 million reported for the preceding year's corresponding quarter. The decrease of 22.42% in revenue was mainly attributed to the lower demand for the Company's products and services from both the consumer and also the corporate clients due to the current global financial crisis. Confidence level is very low amongst the Group's users or customers, and most of them adopt a conservative stand and wait and see attitude before spending.

The Group generated a loss before taxation of RM2.6 million in the current quarter ended 31 October 2008 as compared to profit before taxation of RM0.6 million recorded for the preceding year corresponding quarter ended 31 October 2007. The deterioration in financial performance was mainly attributable to the decrease in revenue, while the fixed cost structure remains similar.

The Group generated a revenue and loss before taxation of RM 28.6 million and RM 4.4 million respectively for the six months period ended 31 October 2008 as compared to a revenue and profit before taxation of RM 35.7 million and RM 1.1 million respectively in the preceding year's corresponding period. The deterioration in revenue and financial performance was mainly attributable to lower demand for the Company's products and services.

NEXTNATION COMMUNICATION BERHAD

Company No. 660055-H
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 OCTOBER 2008

B2. Next year's prospect

The Group expects to face a difficult business environment in the coming year given the volatile global economic climate and challenges assailing the global information technology industry. In tandem with slower economic growth, the demand for mobile applications and value added services is expected to be lower. The Board of Directors continues to be concerned with these unprecedented challenges, especially the volatility of the global economy.

Notwithstanding this, the Group will continue during this challenging business environment to focus on its technology, products development, service enhancement, market expansion, and maintaining or securing strategic partnerships. The Group is committed to implementing measures that will increase its operational efficiency and mitigate the impact of these external factors to some extent. The Group will also look for new sources of income, including expanding its international footprint and diversifying its earnings base abroad, where appropriate. This however, will only be undertaken with due diligence and professional assessment of the risks involved.

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
	31.10.2008 RM	31.10.2007 RM	31.10.2008 RM	31.10.2007 RM
Current period's provision	(182)	(89,167)	(193,610)	(291,047)
Overprovision	-	150,989	-	150,989
Total	(182)	61,822	(193,610)	(140,058)

Taxation is calculated at the rate prevailing in the respective jurisdictions.

There is minimal taxation despite the fact that the Group incurred losses for the period under review mainly due to tax losses on certain subsidiary companies that cannot be set-off against other companies within the Group.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

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

There were no corporate proposals announced but not completed as at 30 December 2008, being the last practicable date for the issue of this report.

B8. Borrowings and debt securities

Save as disclosed below, the Group does not have any loan outstanding or created, convertible debt securities, mortgages or charges outstanding as at 31 October 2008.

Secured borrowings	Payable within 12 months	Payable after 12 months
Denominated in		
Malaysian Ringgit	2,708,050	10,294,784
Indonesia Rupiah	881,809,231 <i>(equivalent to RM 286,588)</i>	439,904,615 <i>(equivalent to RM 142,969)</i>

The above borrowings are in both the Malaysian and Indonesian currencies. 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 as at the date of this report.

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.

NEXTNATION COMMUNICATION BERHAD

Company No. 66055-H
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 31 OCTOBER 2008****B11. Dividend**

There is no dividend declared for the current quarter under review.

B12. (Loss) / earnings per share

The basic loss per share for the current quarter ended 31 October 2008 has been calculated based on the net loss for the period attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.10.2008	Preceding year corresponding quarter 31.10.2007	Current year to-date 31.10.2008	Preceding year corresponding period 31.10.2007
Net (loss)/ profit for the period attributable to the ordinary equity holder of the Company (RM'000)	(2,792)	145	(4,605)	755
Weighted average number of ordinary shares in issue ('000)	415,800	396,890	415,800	396,890
Basic (loss)/ earnings per share attributable to equity holders of the Company (sen)	(0.67)	0.04	(1.11)	0.19