3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 21 July 2003.

A copy of this Prospectus has been registered with the SC. A copy of this prospectus, together with the form of application, has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Approval has been obtained from the KLSE and the SC for the proposed listing of NMSC, for admission to the Official List of the MESDAQ Market, and for permission to deal in and for quotation of the entire issued and paid-up capital of NMSC including the Issue Shares which are the subject of this Prospectus.

These Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from MCD that all the CDS Accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all the successful applicants. The KLSE and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary companies or of its Shares.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of MCD.

An applicant for the Issue Shares should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

Acceptance of applications will be conditional upon permission being granted to deal in, and quotation for all the Issue Shares. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

Under the KLSE's trading rules, effective from the date of listing, trading in all KLSE listed securities can only be executed through an ADA who is also a KLSE member.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by NMSC. Neither the delivery of this Prospectus or any offer made in connection with this Prospectus shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

The written consents of the Adviser, Sponsor, Placement Agent, Underwriter, Solicitors, Principal Bankers, Issuing House, Registrars and Company Secretaries to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and letter relating to the Proforma Consolidated Balance Sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

3.2 Purpose of the Public Issue

The purposes of the Public Issue are as follows:-

(a) to raise funds for the Group's working capital and business expansion, details of which are elaborated in Section 3.8 of this Prospectus;

(b) to obtain the listing of and quotation for the entire issued and paid-up capital of NMSC on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group;

(c) to enable the Group to have access to the capital market for its future expansion and growth; and

(d) to provide an opportunity for the Directors and employees of the Company and its subsidiary companies to participate in the equity growth of the Company.

3.3 Particulars of the Public Issue

	RM
Issued and fully paid-up share capital:	
200,900,000 ordinary shares of RM0.10 each	20,090,000
To be issued pursuant to the Public Issue:	
55,000,000 ordinary shares of RM0.10 each	5,500,000
Enlarged Share Capital	
255,900,000 ordinary shares of RM0.10 each	**25,590,000**

There is only one (1) class of shares in the Company, namely, ordinary shares of RM0.10 each, all of which rank pari passu with one another. The Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

The issue of a total 55,000,000 Shares at an Issue Price of RM0.28 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner:-

(a) 50,000,000 Issue Shares will be made available for placement to institutions/investors to be determined at a later date; and

(b) 5,000,000 Issue Shares will be made available for application by the public.

Any share not taken up in respect of Section 3.3 (b) above may be made available for subscription under Section 3.3 (a). Any shares not subscribed under Section 3.3 (a) may be made available for public subscription under paragraph Section 3.3 (b). The Underwriter will underwrite up to 55,000,000 Shares in NMSC being the number of shares made available for application by the public, as well as the number of shares made available for placement to institutions/investors not taken up at the date of the Underwriting Agreement.

3.4 Pricing of the Public Issue Shares

Prior to the offering, there has been no public market for the Shares of NMSC. The Issue Price of RM0.28 per Share was negotiated between the Company and the Underwriter. Among the factors considered in determining the Issue Price, in addition to prevailing market conditions, were the Group's technology, estimates of business growth potential and revenue prospects for the Group and an assessment of the Group's management.

3.5 Brokerage and Underwriting Expenses

(a) Brokerage

Brokerage is payable in respect of the Issue Shares at the rate of 1% of the Issue Price in respect of successful applications which bear the stamp of member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks or MIH. No brokerage is payable on the Issue Shares to be placed out by the Placement Agent.

(b) Underwriting Commission

The Underwriter mentioned herein have agreed to underwrite up to 55,000,000 Issue Shares under Section 3.3. Underwriting commission is payable by the Company at the rate of 2.5% of the Issue Price. The underwriting agreement dated 1 July 2003 ("Underwriting Agreement"), contains certain clauses that allow the Underwriter to withdraw from its obligations under the Underwriting Agreement.

3.6 Salient Terms of the Underwriting Agreement

The Underwriter mentioned herein has agreed to underwrite up to 55,000,000 Shares in NMSC being the number of shares made available for application by the public, as well as the number of shares made available for placement to institutions/investors not taken up at the date of the Underwriting Agreement.

Underwriting commission is payable by the Company at the rate of 2.5% of the Issue Price of RM0.28 per Share. There is no minimum level of subscription for the Public Issue.

The underwriting agreement dated 1 July 2003 ("Underwriting Agreement"), contains certain clauses that allow the Underwriter to withdraw from its obligations under the Underwriting Agreement.

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:-

1. the Company obtaining SC's final approval to the Prospectus;
2. the Company obtaining SC's approval to the revision of public issue from Sixty Five Million ordinary shares of Ringgit Malaysia Sen Ten (RM0.10) each to Fifty Five Million ordinary shares of Ringgit Malaysia Sen Ten (RM0.10) each;
3. the delivery to the SC of the Prospectus for registration in accordance with the requirement under section 41 of the SC Act together with copies of all documents required for submission under section 42 of the SC Act;

3. INTRODUCTION AND DETAILS OF THE PUBLIC ISSUE *(cont'd)*

4. the lodgement with the Registrar of Companies of the Prospectus in accordance with section 36A(4) of the Act;
5. the Company obtaining KLSE's approval in principle to the listing and quotation for all the Paid-up Shares on the MESDAQ Market of the KLSE;
6. prior to the Closing Date, there not being any adverse and material change or development reasonably and likely to involve a prospective adverse and material change in the condition (financial or otherwise) of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the proposed listing of the Company on the MESDAQ Board of the KLSE, or any occurrence of any event rendering untrue or incorrect or not complied with to an extent which is material, any of the warranties and representations in Clause 8 of the Underwriting Agreement as though given or made on such date;
7. the approvals and consents obtained in relation to the Public Issue as at the date of this Agreement not being withdrawn, revoked, suspended or terminated on or prior to the Closing Date;
8. the composite index of the KLSE not falling below the benchmark of 630 points on or prior to the Closing Date; and
9. as at the Closing Date, the Underwriter being reasonably satisfied that the Company can meet the public shareholding spread requirements under the Listing Requirements of the KLSE for the MESDAQ Market.

Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may by notice in writing to the Company, given at any time before the closing of the Public Issue, terminate, cancel and withdraw its commitment to underwrite the Issue Shares:-

1. Notwithstanding anything contained in the Underwriting Agreement, if in the reasonable opinion of the Underwriter there shall have been such a change in national monetary, financial, political or economic conditions or exchange control or currency exchange rates and any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, sabotage, act of God or accidents) as would in their reasonable opinion prejudice materially the issue and offering of the Issue Shares and their distribution or sale then the Underwriter may give written notice to the Company to terminate the Underwriting Agreement before 5.00 p.m. on the Closing Date and thereupon the parties shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 of the Underwriting Agreement incurred prior to or in connection with such termination) be released and discharged from their respective obligations under the Underwriting Agreement;
2. In the event that the Closing Date does not occur within ninety (90) days from the date of the Underwriting Agreement (or any other date as may be extended by the Underwriter), the Underwriting Agreement will lapse and the Underwriter will be released and discharged from all of its obligations under the Underwriting Agreement. For the avoidance of doubt, the Company will not be released from its liability to pay all costs, charges and expenses referred to in Clause 16.3 of the Underwriting Agreement which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of the Underwriting Agreement; and
3. In the event of any breach by the Company of its representations, warranties, undertakings or material obligations under the Underwriting Agreement which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company, then the Underwriter may terminate the Underwriting Agreement by giving written notice to the Company before 5.00pm on the Closing Date and thereupon the parties shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 16.3 of the Underwriting Agreement) be released and discharged from their respective obligations under the Underwriting Agreement without prejudice to their rights under the Underwriting Agreement.

3.7 Listing Expenses

Listing expenses are estimated at approximately RM1.9 million, with the following estimated breakdown:-

	RM
Fees of the authorities	40,500
Issuing house fee and disbursement	50,000
Estimated professional fees	720,000
Brokerage, placement fees and underwriting commission	562,800
Sponsorship fee	35,000
Printing and advertising	250,000
Miscellaneous expenses	241,700
Total	**1,900,000**

The Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

3.8 Utilisation of Proceeds

The Company expects the gross proceeds of the Public Issue to amount to RM15,400,000. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

The proceeds from the Public Issue of RM15,400,000 are expected to be utilised for the following purposes:-

Purpose	Note	RM
Proposed overseas projects/investment	(i)	1,850,000
R&D expenditure	(ii)	5,500,000
Working capital	(iii)	6,150,000
Estimated listing expenses		1,900,000
Total		**15,400,000**

Notes:-

(i) The Group intends to have its own marketing and technical support offices or representative offices in ASEAN countries as well as China.

(ii) As part of the Group's efforts to maintain technological advantage over its competitors, the Group will be allocating RM5.5 million of the proceeds to be raised for the following:-
(a) Functionalities and technical enhancement of existing software modules
(b) Development of new software modules and new technology platform

(iii) The allocation of RM6.15 million as additional working capital for the Group is necessary to allow the Group to secure larger IT contracts, including utilising the capital for project financing purposes. The Group also intends to intensify its marketing efforts by directing part of the working capital for purposes of employment of more sales and marketing staff and also to increase the technical staff strength in order to provide services in the countries that the Group operates in.

It is intended that the above proceeds of RM15.4 million will be utilised within 24 months from the listing date.

4. RISK FACTORS

If you are unsure about any of the information contained in this section on "Risk Factors", you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

In addition to the other information in this Prospectus, the following risk factors relating to the Group (which may not be exhaustive) should be considered carefully in evaluating an investment in the Issue Shares offered by this Prospectus.

4.1 Operating Risks

There is no assurance that the NMSC Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, length of sales cycle of between six (6) to eighteen (18) months, debtors' collection problems, client order deferrals, changes in the Group's operating expenses, the ability of the Group to develop and market products and services and to control costs, market acceptance of the Group's products or services, and other business risks common to going concerns.

The group adopts a prudent cash flow management which includes regular monitoring of debtors position, capital expenditure and borrowing.

4.2 Competition

The market for application software and services in which the Group operates is highly competitive.. The Group expects to face more intense competition from existing competitors and new entrants into the market in the future. The principal elements of competition include technical competence, delivery cycle, pricing, quality, scalability, conformity with industry standards, reliability, brand name and customer service.

The Group competes with a variety of firms, some of which may have longer operating histories, larger clientele, better products, larger teams of professional staff and greater financial, technical, marketing and other resources. The Group's competitors may be able to devote more resources to the development, promotion and sale of their products and services. In the event that the Group is unable to compete effectively, revenues and profits will be adversely affected.

The Group's continued success depends on its ability to compete effectively with its existing and future competitors and to adapt rapidly to changing market conditions and trends by providing application software and services that are relevant and required by clients.

In view of the competition, the Group intends to sharpen its competitive edge by continually looking into and monitoring closely factors such as pricing, quality, distribution, branding and customer satisfaction.

4.3 Rapid Technological Changes

The Group's ability to keep pace with rapid technological changes will affect its revenues and profits. As the Group's business is in information technology, its business may be affected by rapid technological changes due to changing market trends, evolving industry standards, new technologies and emerging competition. Future success will be dependent upon the Group's ability to enhance existing software products and services and introduce new products and services to respond to such a changing technological environment. There is no assurance that the Group will be able to successfully identify, develop or where applicable, obtain the licence for the technology that is necessary to be integrated into the Group's products and services in order to remain current and competitive.

4. RISK FACTORS *(cont'd)*

As with other technology-related companies, the Group is continuously engaged in R&D activities to keep up with technological trends. However, there is no assurance that such activities will result in the Group developing commercially viable products and services by itself or jointly with other parties that will keep pace with the technological demands of the market place.

4.4 Product Risks

The Group's future results will substantially depend on market acceptance of the application software products developed. A reduction in demand or an increase in competition in the market for these products, or the Group's other existing or future products, will have a material adverse effect on the Group's business, results and financial condition. There is also no assurance that the Group will be able to develop and introduce new products and services or enhancements in a timely manner in response to changing market conditions or client requirements or that the process will not encounter unforeseen problems.

The Group expects that continued road shows and training sessions to clients, along with enhancements and improvements of features, should ensure continuous acceptance and development of the Group's application software.

4.5 Dependence on Directors and Key Personnel

Failure to attract skilled labour and to retain key personnel will adversely affect the Group's business, financial condition and results of operations. This is because competition for such skilled professionals has proven to be intense and the Group cannot guarantee that it can be successful in attracting and retaining them. The Group is essentially a people-based business operating in a skill-intensive industry and fast-changing technological environment. As such, performance and success is largely dependent upon the continued services of the senior management and key technical personnel.

The Group's senior management has made significant contributions in terms of leading daily operations, sales and marketing efforts and in formulating strategies. The senior management has relevant experience in the business and operations of the Group and has been instrumental in the growth and expansion of the Group. The loss of such senior management and key personnel without suitable replacement will have an adverse effect on the Group's financial condition, operational results and competitiveness.

NMSC's success also depends on its ability to hire, train, motivate and retain suitably qualified personnel with creative IT skills required to keep pace with the continuing changes in IT, evolving industry standards and changing client preferences. Such personnel must also have good working knowledge of the niche sectors or industries in which the Group operates in order to better provide services and successfully create and apply its application software. The Group's ability to adequately manage and complete existing projects and obtain new projects depends largely on its ability to hire, train and retain such skilled personnel.

Measures and succession plans including on-site and hands-on training, job rotations and attachments will be launched to groom younger members of the management team in key areas to ensure that they will be provided with the necessary experience and exposure to gradually assume senior positions.

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4. RISK FACTORS *(cont'd)*

4.6 Reliance on Major Relationships

The Group partly relies on various third parties to provide hardware and software products. Hence, the Group's business will be materially and adversely affected if these third party products are no longer provided. The Group has various non-exclusive agreements with third parties such as Oracle Systems South East Asia (S) Pte. Ltd., Sun Microsystems Pte. Ltd. and Microsoft Singapore Pte. Ltd., which are renewable on an annual basis and which may be terminated at short notice. Under these agreements, the Group is permitted to incorporate and re-sell their technology into its application software and services. The Group will be unable to continue to develop and provide its application software and services should these agreements be terminated. This will adversely affect the Group's ability to deliver application software and services to clients and therefore will materially and adversely affect its turnover and profits. In addition, any unfavourable terms offered by these third-party vendors for renewal of these agreements for the re-sale of their respective technology and systems will adversely affect the pricing and competitiveness of the Group's application software and services.

The Group is therefore dependent on the continued support provided by these third-party vendors. The Group will be adversely affected if any of these vendors' technology and systems are subject to major inherent technological flaws or are overtaken by technological advances to which the Group have not yet obtained access or rights, in which event its business, financial condition and results of operations will be adversely affected.

Whilst the Group may be unable to control the risks associated with third-party vendors, it is mindful to maintain cordial relationships currently existing with such third-party vendors.

4.7 Intellectual Property Issues

Unauthorised use of the Group's intellectual property by any third party may damage the Group's reputation and affect its success and ability to compete. The Group regards copyrights, service marks, trademarks, trade secrets and other intellectual property as critical to its success.

The Group relies on trademark and copyright laws and confidentiality agreements with employees, Business Partners, contract staff, suppliers and customers to protect intellectual property rights. Notwithstanding such precautions, it may be possible for such parties to unlawfully copy, obtain and use the Group's intellectual property. While the Group attempts to limit the provision of proprietary information to such parties, this may not be adequate to deter misappropriation of proprietary information and the Group may not be able to detect unauthorised use of or to take appropriate steps to protect intellectual property rights.

The Group cannot be sure that currently employed precautions adequately protect its technology. Moreover, in Internet-related and IT businesses, the laws on the validity, enforceability and scope of protection of intellectual property are still developing and evolving and there is still uncertainty on the extent to which such laws can protect the Group's intellectual property rights.

The Group cannot be certain that it's application software and services do not or will not infringe upon valid patents, trademarks, copyrights or other intellectual property rights held by third parties. Infringements can arise from development of a solution which is already owned in whole or in part by a third party or by using software in its solutions in a manner which is outside the scope of what is permitted by the Group's agreements with the providers of the software concerned. In the event that such rights are infringed, the Group may be subject to legal proceedings and claims relating to the intellectual property of others. As a result, the Group may incur substantial expenses and resources in defending against these third-party infringement claims, regardless of their merit. Further, any successful infringement claims against the Group may result in substantial monetary liability or may materially disrupt the conduct of its business.

4. RISK FACTORS *(cont'd)*

4.8 Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business, or to benefit from such acquisitions and joint ventures. Acquisitions and joint ventures may cause the Group to seek additional capital which may or may not be available on satisfactory terms.

The Group will conduct detailed studies either by itself or through professionals on the suitability of such potential acquisitions or joint ventures prior to undertaking the exercise, subject to approval being obtained from shareholders (where applicable) in accordance with the Listing Requirements of the KLSE for the MESDAQ Market.

4.9 Foreign Exchange Risk

As the Group expands into the Asia-Pacific region and globally, there will be exposure to foreign exchange fluctuations in respect of transactions and overseas investments. Unfavourable foreign currency fluctuations may adversely and materially affect the Group's profits.

Currently, the Group does not use any financial instruments to hedge against transactions denominated in foreign currencies. However, the Group will continue to assess the need to utilise financial instruments to hedge its currency exposure, taking into account factors like the foreign currency involved, exposure period and transaction costs. In addition, if a decision is made to use financial instruments to hedge its currency exposure in the future, there is no assurance that hedging activities will prevent the Group from incurring foreign exchange losses.

4.10 Acceptance of Internet and other Online Solutions

For the provision of application software and services, the Group has to depend on widespread acceptance and use of the Internet and other online solutions as a medium of business and communication, for information dissemination and transfer and the procurement of services. Rapid growth in the use of and interest in the Internet and other online solutions has occurred only recently. As a result, the acceptance and use of the Internet and other online solutions as a medium for e-commerce and other electronic transactions is still subject to high levels of uncertainty. Acceptance and use may not continue to develop at historical rates, and a sufficiently broad base of consumers may not adopt, and continue to use, the Internet and other online solutions as a medium of commerce and communications.

4.11 Vulnerability to Security Risks

Security weaknesses in the Group's systems and viral disruptions will adversely and materially affect revenue and profit. The Group's solutions utilise computer systems and software which are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, and could lead to interruptions, delays, loss of data or the inability to complete client communications. In addition, unauthorised persons may improperly access data and damage or change systems or take confidential information. Damage caused by security breaches or computer viruses may be expensive to repair. The vulnerability of the Group's systems to security breaches and viral attacks may undermine client's confidence in its systems. This may discourage new and existing users from utilising the Group's application software and services, and may adversely and materially affect revenue.

The Group has in place security measures to limit the occurrences of unauthorized access and virus attacks which include technical controls to mitigate risk exposure due to network intrusion through Internet or attack of computer viruses. Additionally the Group also implements management controls such as appropriate training and regular review in the organization policies and procedures and regular risk assessment exercises.

4. RISK FACTORS *(cont'd)*

4.12 Project Risks

The Group's contracts with clients are generally entered into on a project basis. Due to the complexity of the projects that the Group undertakes, the projects are subjected to the following risk factors:-

(a) Most of the Group's services are based on fixed-price contracts of which the price is determined at bid time, based on estimates. The Group may under-estimate project costs in tendering or bidding for a project. In such event, the Group may incur cost overruns which will reduce profits or incur losses;

(b) Clients may delay or cancel their projects due to unforeseen circumstances. Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays will affect profit margins as time spent negotiating and resolving issues will delay the recognition of revenues. Additional costs may also be incurred as a result of these project delays. Further, any changes in the clients' management may also cause cancellation of awarded projects; and

(c) Failure to implement projects that fully satisfy the requirements and expectations of the clients may lead to claims being made against the Group, adversely affecting profits and reputation. This usually arises from technology deficiencies, staff turnover, human errors, misinterpretation of and failure to adhere to specifications and procedures.

A key component of the NMSC Group's strategy is to rapidly develop overseas markets for its application software. However, the Group is dependent on the acceptance of its solutions in these new markets and its ability to assess project risks for the new markets. Any failure to accurately assess these risks will have an adverse impact on operating results.

Similar to mitigating risks associated with acquisition or joint ventures, the Group will conduct studies on the complexity and the specification of each project in order to ensure smooth implementation and minimize cost overrun.

4.13 Risks to Revenue Flow

The following factors can adversely affect revenue:-

(a) inability to complete and deliver a project to clients as scheduled. Timely completion of projects will allow project teams to commence work on other projects and thereby maximise the use of resources. As such, inability to turnaround and complete a project as scheduled can materially and adversely affect revenue and profit;

(b) inability to maintain and improve on existing industry knowledge (in the e-Government and healthcare industries). The demand for the Group's products by any particular client depends on the Group's ability to incorporate features into its products which are unique to the client's industry. Hence, the inability to develop or maintain industry expertise will adversely and materially affect revenue and profit;

(c) contracts with clients are generally short-term or on a project basis. Due to this, revenue may fluctuate significantly depending on the value and size of each contract and the number of contracts the Group secures. As such, revenue is difficult to predict and can vary materially from budgets or expectations;

(d) inability to continuously improve the Group's application software and services through R&D. Any defects or errors in its IT solutions or failure to meet client's specifications or expectations could result in delayed or lost revenue. Clients could also terminate the Group's services in whole or in part prematurely if they are not satisfied with the Group's application software or services. Such actions will materially and adversely affect revenue and profit;

(e) the sales cycle experienced by the Group is between six (6) to eighteen (18) months. Any increase in length of the sales cycle may adversely affect the revenue of the Group; and

(f) the risk factors mentioned under Section 4.12.

4.14 Industry Risks

The Group provides specifically designed and developed application software for the e-Government and the healthcare industries. Any significant economic downturn or budget cut or any change in government policies may result in lower IT-related expenditure, or cancellation and postponement of Internet- or IT-related development and expansion. Further, the laws, rules and regulations in the Government sector may, from time to time, change in the countries that the Group operates in. Similarly, the healthcare sector may adopt different standards and policies that may be different from the standards and policies used in the Group's products. The Group's business, financial condition and results of operations may be adversely affected by these events.

Where appropriate , the Group may consider diversifying its existing application software to other e-business sectors such that its exposure of industry risk in government and healthcare sectors can be reduced to a certain extent.

4.15 Litigation Risks

The Group's agreements with its clients typically contain provisions designed to limit the Group's exposure to potential project and product liability claims. The Group has not experienced any material project and product liability claims. It is possible, however, that the limitation of liability provisions contained in the Group's client agreements may not be effective as a result of existing or future laws or unfavourable judicial decisions. Furthermore, some of the Group's agreements with its clients are governed by foreign laws, and there is no assurance that purported limitation on liability clauses in those agreements would be enforced.

4.16 Reliance on Economic, Political and Social Stability

The Group has clients in different countries and is expanding into new markets in Asia and other regions. Political and social uncertainties lead to social tensions (war, hostility, strikes, terrorist attacks) which will interrupt normal civilian life and adversely affect the Group's daily operations. Instability of economic and market conditions may adversely affect the business, financial condition and results of operations of the Group. In addition, any modification or change in policies by the authorities may lead to changes in laws and regulations or the interpretation thereof, as well as changes in foreign business ownership restrictions, currency control policies, taxation and import and export restrictions. These changes may have a material adverse impact on the Group's business, results of operation and financial condition. The implementation of foreign ownership business restrictions in a particular foreign market may constrain the Group's ability to operate in that foreign market. The implementation of currency control policies may affect the Group's ability to remit profits to its head office. Unfavourable taxation and import and export policies may also adversely affect the pricing and competitiveness of the Group's application software and services.

At present, another major concern throughout the world is the serious epidemiological, SARS. The commercial impacts of SARS were felt immediately after the news was reported worldwide. Certain Asian economies have lowered their economic growth forecasts as a direct result of SARS.

4.17 Change in MSC Status

NMSC was granted MSC status on 29 October 2002 by MDC. Generally, MSC status companies are granted financial and non-financial incentives. Financial incentives include:-

(a) five (5) year exemption from Malaysian income tax on statutory income commencing from the date when the company starts generating income. A company may apply to renew the exemption for a second five-year term. Renewal will depend on a company's performance in transferring technology or knowledge to Malaysia. Alternatively, a 100% investment tax allowance on qualifying capital expenditure may be granted, commencing from the date of which the first qualifying capital expenditure is incurred;

(b) duty-free importation of multimedia equipment, provided that the equipment is used by the company in the operation of its business, and not for direct sale and trading or use as components in manufactured items; and

(c) R&D grants for MSC small and medium enterprises that are at least 51% Malaysian owned.

Non-financial incentives include:-

(a) unrestricted employment of foreign knowledge workers;

(b) freedom of ownership; and

(c) freedom to source capital for MSC infrastructure globally, and the right to borrow funds globally. All MSC status companies will be given exemptions by the Controller of Foreign Exchange from exchange control requirements which will allow them to execute transactions in any currency in Malaysia or elsewhere, borrow any amount from financial institutions, associate companies or non-residents, hedge foreign exchange exposure, remit funds globally and open foreign currency accounts in Malaysia or abroad with no limit on balances.

The MDC is the body responsible for monitoring all MSC-designated companies. MDC has the right to retract the MSC status at any time. There can be no assurance that NMSC will continue to retain its MSC status or that it will continue to enjoy or not experience delays in enjoying the MSC incentives outlined above, all of which could materially and adversely affect the Group's business, operating results and financial condition.

4.18 No prior market for NMSC Shares and Possible Volatility of Share Price

(a) No prior market for NMSC Shares

Prior to the Public Issue, there has been no prior market for NMSC Shares. The Issue Price may not be indicative of the market price for NMSC Shares after the completion of the Public Issue. No assurance can be given that an active trading market for NMSC Shares will develop or, if developed, will be sustained.

(b) The price of NMSC Shares may fluctuate following the Public Issue

Prior to the Public Issue, NMSC Shares were not publicly traded. An active public market for NMSC Shares may not develop or be sustained following the Public Issue. There can be no assurance that the Share price will not fall below the Issue Price of RM0.28. Further, the market price of NMSC Shares may fluctuate significantly and rapidly in response to, *inter alia,* the following factors, some of which are beyond the Group's control:-

- adverse variations in the Group's operating results;

- changes in securities analysts' estimates of the Group's financial performance;
- changes in market valuation of similar companies;
- announcements by competitors or the Group of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations in stock market price and volume;
- risk of suspension / delisting; and
- all other risks mentioned in this section.

(c) Future sale of NMSC Shares

Any future sale or availability of NMSC Shares can have a downward pressure on NMSC's Share price. The sale of a significant amount of Shares in the public market after the Public Issue, or the perception that such sale may occur, could materially affect the market price of NMSC Shares. These factors also affect the Group's ability to sell additional equity securities. Except as otherwise described in this Prospectus, there will be no restriction on the ability of the Group's substantial shareholders or Promoters to sell their Shares on the KLSE.

The Group believes that its business strategies and its application software in e-government and healthcare position itself strategically in its industry. Hence, the Group believes that it will generate continued interest from potential investors.

4.19 Ownership and Control by the Substantial Shareholders

Upon its listing on the KLSE, the Company will have six (6) substantial shareholders namely Chan Wing Kong, Tay Sen Kwan, Victor John Stephen Price, NatSteel, Kim Eng and OSK Technology who will collectively hold 143,963,580 Shares, representing 56.26% of the Company's enlarged issued and paid-up share capital. As such, it is likely that they will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

The Company has appointed two (2) independent directors to represent the interests of the minority shareholders.

4.20 Risk of Rapid or Over Expansion of the Group's Business

The Group has planned a series of expansion plans, which are detailed in Section 8.8 of this Prospectus. The success that the Group has achieved to date is the result of careful implementation of a series of well-structured expansion plans. Since the inception of novaCITYNETS and novaHEALTH, the management of the Group has stayed focus in developing its core business in the e-Government and healthcare industries. The future expansion plans are designed to further expand its core business. However, there is no assurance that the Group will not face the risk of rapid or over expansion.

4.21 Uncertainty of the Proposed Five (5)-Year Business Development Plan

The success of the Group's business development plan will be largely dependent upon market acceptance and successful project implementation of its application software products and services, successful penetration into targeted markets and further development and commercialisation of future applications. In addition, the Group's proposed future plans and prospects will be dependent upon, among other things, the Group's ability to:-

(a) enter into strategic marketing and licensing or other arrangements on a timely basis and on favourable terms;

(b) establish satisfactory arrangements with sales representatives, Business Partners and marketing consultants;

(c) hire and retain skilled management as well as financial, technical, marketing and other personnel;

(d) sucessfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls); and

(e) obtain adequate financing as and when required.

Nevertheless, despite the management team's bank of experience and expertise in the business that will provide for the appropriate exercise of discernment in the Group's future plans, there is no assurance that the implementation of future plans of the Group will not be affected by external factors which are beyond the control of the Group.

4.22 New Geographical Markets

If NMSC is not successful in penetrating new geographical markets, it may suffer revenue shortfalls and an increase in operating costs. Substantial management resources will be devoted to launch its products and grow its operations in targeted markets. It cannot guarantee that these new sales and marketing efforts will be successful or generate significant revenue. Any such failure could adversely effect its business, financial condition and operating results. It will be subject to further risks when it operates in foreign countries that could affect its financial condition and operating results. These risks include the following:-

(a) local regulatory requirements;

(b) costs and risks in internationalising software solutions to cater for foreign markets;

(c) fluctuations in currency exchange rates;

(d) any imposition of currency exchange controls;

(e) unexpected changes in regulatory requirements;

(f) difficulties and costs of staffing and managing overseas operations;

(g) restrictions on the import and export of certain sensitive technologies, including data security and encryption technologies that may be used; and

(h) poor market acceptance.

Detailed analyses of new target markets will be conducted and evaluated prior to making these decisions. All possible aspects of the penetration strategy will be reviewed and modified in accordance to the specific requirements of the respective target markets.

4.23 Underwriting

The Public Issue set out in Section 3.3(b) of this Prospectus has been fully underwritten by the Underwriter in Section 1. In the event of a shortfall in the subscription of the Issue Shares, the Underwriter will have to subscribe for all the under-subscribed shares. Should the amount subscribed for be a significant quantum, the Underwriter may end up as substantial shareholders (i.e. holding 5% or more of the aggregate of the nominal amount of all the voting shares in the Company). This may result in non-compliance of the public shareholding spread requirements of the KLSE and could adversely affect the success of the listing of NMSC on the MESDAQ Market.

The underwriting agreement also provides for circumstances, as highlighted in Section 3.6, under which the Underwriter may be entitled, on or prior to the closing date of the Public Issue, to release or discharge their obligations under the underwriting agreement. This entitlement of the Underwriter may result in the Issue Shares not being underwritten and this could adversely affect the success of the Listing.

4.24 Accounting Policy on Impairment

The Group has significant intangible assets such as software development expenditure which is amortised based on the ratio that current revenue bears to the estimated minimum revenue that is expected to be derived from the use of the intangible asset over its estimated useful lives. Under fair value accounting, if it is ascertained that future cashflows/revenue cannot be generated from the intangible asset, there may be a significant write off of this intangible assets that would affect the future profitability. This may also adversely affect the Company's share price.

4.25 Disclosure Regarding Forward-Looking Statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts. Although the Group believes that, barring unforeseen circumstances, the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct.

4.26 Disaster Recovery

The Group's daily operations may be affected by events of emergency such as explosion, fire, flooding, energy crisis, health crisis, sabotage, civil commotion, war or acts of God.

Although the Group has a disaster recovery plan which could temporarily divert the operations from the affected area to back-up areas, there is no certainty that the operations at the back-up sites will function to a satisfactory level. The Group endeavours to ensure all office equipment and other peripherals which include back-up sites and remote access system facilities are in good working condition.

4.27 Adequacy of insurance coverage on the NMSC Group's assets

As at 31 January 2003, the net book value of the NMSC Group's fixed assets is approximately RM0.740 million, which have an insurance coverage totaling to approximately RM0.760 million. The Group has taken the necessary measures to ensure that all its assets are adequately covered by insurance. However, there can be no assurance that the insurance coverage would be adequate for the replacement cost of the assets or any consequential loss arising therefrom.

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5. FINANCIAL INFORMATION

5.1 Proforma Historical Financial Record

The financial highlights of the Group for the four (4) months ended 31 March 2000, two (2) financial years ended 31 March 2002 and the ten (10) months period ended 31 January 2003, reproduced from the Accountants' Report and based on the assumption that the Acquisition of novaHEALTH and Acquisition of novaCITYNETS had been in existence throughout the years / periods under review, are set out below:-

	4 months ended 31 March 2000 RM'000	**Year ended 31 March 2001 RM'000**	**Year ended 31 March 2002 RM'000**	**10 months ended 31 January 2003 RM'000**
Turnover:				
Consultancy contracts*	-	7,934	17,301	16,362
Maintenance services	-	1,463	3,073	3,813
	-	9,397	20,374	20,175
(Loss)/Profit before interest, tax depreciation and amortisation	(54)	(2,166)	2,650	6,759
Less:				
Depreciation and amortisation	-	(334)	(737)	(1,916)
Interest expense	-	(89)	(68)	(82)
(Loss)/Profit before taxation	(54)	(2,589)	1,845	4,761
Taxation	-	550	(462)	(973)
(Loss)/Profit after taxation	(54)	(2,039)	1,383	3,788
Number of ordinary shares of RM1.00 each assumed in issue after acquisition of subsidiaries ('000)	14,373	14,373	14,373	14,373
(Loss)/Earnings per share (RM)				
Gross	(0.011)#	(0.18)	0.13	0.39#
Net	(0.011)#	(0.14)	0.10	0.32#
Ordinary dividends paid	-	-	-	-

Note: *The abovementioned figures incorporate results of subsidiaries which have been translated from SGD using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

\# *The results were annualised to enable comparability with the EPS calculated for years ended 31 March 2001 and 2002*

* *Includes sales of in-house application software products*

There were no exceptional nor extraordinary items in the financial years / periods under review.

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5. FINANCIAL INFORMATION *(cont'd)*

Commentary on Turnover and Profitability

Both novaHEALTH and novaCITYNETS commenced operations in the financial year ended 31 March 2001, and as such there was no turnover recorded for the four (4) month period ended 31 March 2000. The loss for the four (4) month period ended 31 March 2000 was attributed to pre-startup expenses.

The turnover for the financial year ended 31 March 2001 was attributed to several major contracts secured by both novaHEALTH and novaCITYNETS. These contracts include the provision of web-based hospital management and information systems for Singapore's National Skin Centre and the development of e-Government solutions and integrated plan checking system for the Building and Contruction Authority of Singapore. In terms of profitability, both novaHEALTH and novaCITYNETS recorded losses during the year due to the high initial start-up costs in the form of administrative, marketing and other operating expenses.

The NMSC Group recorded an increase in turnover for the financial year ended 31 March 2002 by approximately RM11 million or 117%, as compared to the financial year ended 31 March 2001. Both novaHEALTH and novaCITYNETS recorded improvements in financial performance during the year. novaHEALTH recorded a higher revenue contribution from the National Skin Centre (existing project brought forward from 2001), National University Hospital and Changi Hospital in Singapore. novaCITYNETS also recorded an improvement in turnover during the year due to additional new contracts in Singapore from Siemens Business Services Pte Ltd, Land Transport Authority and Jurong Town Corporation, as well as the higher recurring fees / progress billings from existing contracts. The improvement in the Group's profitability for the financial year ended 31 March 2003, is in line with the improvement in turnover during the year.

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5. FINANCIAL INFORMATION *(cont'd)*

5.2 Proforma Consolidated Cash Flow Statement

The table below sets out the consolidated cash flow statement of the Group for the ten (10) months period ended 31 January 2003 and is provided for illustrative purposes, based on the audited accounts of NMSC and its subsidiary companies, assuming that the Acquisitions, the OSK Technology investment, the exercise of 1,755,000 options granted to employees of Nova MSC Sdn. Bhd. Group, the Bonus Issue and Share Split have been in effect throughout the ten months under review:-

	10 months ended 31 January 2003 RM'000
Cash flows from operating activities	
Profit before taxation	4,761
Adjustments for:	
Amortisation of intangible assets	1,663
Depreciation of plant and equipment	253
Interest expense	82
Interest income	(2)
Operating profit before changes in working capital	6,757
Changes in working capital	
Inventories	(566)
Contract work-in-progress	(4,223)
Trade and other receivables	328
Trade and other payables	825
Cash generated from operations	3,121
Interest paid	(82)
Interest received	2
Net cash generated from operating activities	3,041
Cash flows from investing activities	
Purchase of plant and equipment	(653)
Development expenditure paid	(3,613)
Net cash outflow from investing activities	(4,266)
Cash flows from financing activities	
Proceeds from OSK Technology	3,000
Proceeds from Employee's Share Option	2,720
Proceeds from Public Issue (net of listing expenses)	13,978
Net cash generated from financing activities	19,698
Net increase in cash and cash equivalents	18,473
Cash and cash equivalents at beginning of the period	677
Cash and cash equivalents at end of the period	19,150

Cash and cash equivalents at the end of the period before Public Issue shown above comprises of the following:

	RM'000
Cash and cash equivalents	20,060
Bank overdraft	(910)
	19,150

Note: *The abovementioned figures incorporate results of subsidiaries which have been translated from SGD using foreign exchange rate at 31 January 2003 of RM2.17 : SGD1.*

5. FINANCIAL INFORMATION *(cont'd)*

5.3 Key Financial Operating Ratios

The table below sets out key financial ratios which are provided for illustrative purposes based on the audited accounts of NMSC Group, prepared on the assumption that the structure of the Group has been in existence throughout the period under review:

	4 months ended 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	10 months ended 31 January 2003
Pre-tax profit/(loss) margin (%)	N.A.	(27.55)	9.05	23.60
Effective tax rate (%)	N.A.	N.A.	25.04	20.44
Total bank borrowings (RM'000)	-	-	-	910
Interest expense (RM'000)	-	(89)	(68)	(82)
Interest cover (times)	N.A.	N.A.	27	58

Note: *The abovementioned figures have been translated from SGD using foreign exchange rate at 31 January 2002 of RM2.17 : SGD1.*

5.4 Segmental Analysis of Past Performance

The breakdown for the proforma Group's turnover by activity for the past three financial years ended 31 March 2002 and the financial period ended 31 January 2003 are set out below. This analysis should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

Proforma Group Turnover by Activity

	FY 2000 RM'000	FY 2001 RM'000	FY 2002 RM'000	Ten (10) months ended 31 January 2003 RM'000
Healthcare	-	2,111	7,076	3,943
e-Government	-	7,286	13,298	16,232
Total	-	**9,397**	**20,374**	**20,175**

Proforma Group Profit/(Loss) before Tax by Activity

	FY 2000 RM'000	FY 2001 RM'000	FY 2002 RM'000	Ten (10) months ended 31 January 2003 RM'000
Healthcare	(54)	(1,133)	886	59
e-Government	-	(1,456)	959	4,702
Total	**(54)**	**(2,589)**	**1,845**	**4,761**

5. FINANCIAL INFORMATION *(cont'd)*

5.5 Working Capital, Borrowings and Contingent Liabilities

(a) Working Capital

The Directors of the Company are of the opinion that after taking into consideration the cash flow forecast including the proceeds of the Public Issue and banking facilities available, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(b) Borrowings

As at 31 January 2003, being the date up to which the audited financial statements were made, the Group's audited total bank borrowings amounted to approximately RM910,363 comprising secured bank overdraft facility, of which the total amount is short-term and interest-bearing. As at 30 June 2003, being the last practicable date prior to the printing of this Prospectus, the Group's unaudited total bank borrowings amounted to approximately RM325,746.

(c) Contingent Liabilities

As at 31 January 2003, being the date up to which the audited financial statements were made, the Directors of NMSC are not aware of any contingent liability, which upon becoming enforceable may have a material impact on the Group.

5.6 Profit Forecast

The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. The market for the Group's products and services is characterised by rapid technological advancements, changes in customer requirements, frequent new product launches and the continued development and enhancement of software. In addition, the Group is also devoting substantial management and financial resources to launch its products and grow its operations in new markets as defined in Section 8.8 of this Prospectus. The Group is subjected to many risk factors, some of which are highlighted in Section 4 of this Prospectus. As such, the Group's profit forecast is not disclosed in this Prospectus.

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