
3. PARTICULARS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 9 November 2004.

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 ROC who takes no responsibility for its contents.

Approval has been obtained from the SC on 1 September 2004 for the Public Issue. Approval has also been obtained from Bursa Securities on 3 September 2004 for the Public Issue and the listing of and quotation for the entire issued and paid-up share capital of M-Mode including the Public Issue Shares and for admission of M-Mode to the Official List of the MESDAQ Market, which are the subject of this Prospectus. Bursa Securities 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 subsidiaries or of its Shares. Investors should rely on their own evaluation to assess the merits and risks of any investments in the Group. The Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that the CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to the successful applicants.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the M-Mode Shares as prescribed securities to be deposited with Bursa Depository. In consequence thereof, all the M-Mode Shares including the Public Issue Shares to be issued through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules. No share certificates will be issued to successful applicants.

A person submitting an application by way of Application Form or Electronic Share Application must have a CDS account. Where an applicant does not presently have a CDS account, he/she should open a CDS account at an ADA prior to making an application for the Public Issue Shares. In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an individual applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

Pursuant to the Listing Requirements, at least 25% but not more than 49% of the issued and paid-up share capital of the Company must be in the hands of public shareholders and a minimum number of 200 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the time of M-Mode's admission to the Official List of the MESDAQ Market. The Company is expected to achieve this at the point of Listing. In the event the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with the Listing. As such, the full amount of monies paid in respect of any application accepted, without interest, will be returned in full and thereafter, the applicants for the M-Mode Shares will not have any other claims whatsoever against M-Mode or any other party named in this Prospectus, if the said permission is not granted.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

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 M-Mode. Neither the delivery of this Prospectus nor 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 Public Issue Shares will not be registered under any possible securities legislation of any other jurisdictions except Malaysia and the Public Shares will not be placed in any other country other than Malaysia. 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 offer to sell or an invitation to subscribe for the Public Issue Shares in any jurisdiction in which such an offer or invitation is unauthorised or unlawful, or to any person to whom it is unlawful to make such an offer or invitation. M-Mode and Affin Merchant take no responsibility whatsoever for the distribution of this Prospectus or for the sale of the Public Issue Shares outside Malaysia.

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

3.2 Details of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus and upon the acceptance of Applications, the Public Issue Shares shall be allocated in the following manner:-

(i) Eligible Directors and employees of the M-Mode Group

2,000,000 Public Issue Shares are reserved for the eligible Directors and employees of the M-Mode Group, and all have been allocated to three (3) Directors and thirty (30) employees of the M-Mode Group based on the following criteria as approved by the Board:-

- (a) At least eighteen (18) years of age;
- (b) Job designation;
- (c) Job performance; and
- (d) Length of service.

Details of the allocation to the three (3) Directors are as follows:-

Name	Designation	No. of Shares
Lim Thean Keong	Chairman/Managing Director	498,000
Tung Wai Fun	Executive Director	200,000
Lim Bee Tat	Executive Director	150,000
Total		848,000

(ii) Private placement

16,000,000 Public Issue Shares are made available for application by the identified investors.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(iii) Public

2,433,000 Public Issue Shares are made available for application by the public.

Any Public Issue Shares not subscribed for under Section 3.2 (i) above will be made available for subscription by the public investors under Section 3.2 (iii) above.

The Public Issue Shares under Sections 3.2 (i) and (iii) above have been fully underwritten by the Underwriter based on the terms and conditions as specified in the Underwriting Agreement. The Public Issue Shares under Section 3.2 (ii) above are not required to be underwritten and therefore are not underwritten.

There is no minimum level of subscription for the Public Issue.

3.3 Share Capital and Rights Attaching to the Public Issue Shares

<i>Authorised</i>	RM
100,000,000 M-Mode Shares	<u>10,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
61,300,000 M-Mode Shares	6,130,000
<i>To be issued pursuant to the Public Issue</i>	
20,433,000 M-Mode Shares	2,043,300
<i>Enlarged issued and fully paid-up share capital</i>	<u>8,173,300</u>

There is only one (1) class of shares in M-Mode, being ordinary shares of RM0.10 each. The Public Issue Shares shall rank pari passu in all respects with the existing issued and paid-up ordinary shares of M-Mode at the time of issue, including voting rights and rights to all dividends and other 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 M-Mode in the future, the shareholders of M-Mode shall, in proportion to the amount paid-up on the M-Mode Shares held by them, be entitled to share in the whole of the profits paid out by M-Mode as dividends and other distributions and the whole of any surplus in the event of a liquidation of the Company, such surplus to be distributed among the shareholders in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Articles of Association of the Company.

Each 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. A proxy may but need not be a member of the Company.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

3.4 Opening and Closing of Application

Applications will be accepted from 10.00 a.m. on 9 November 2004 and will close at 5.00 p.m. on 22 November 2004 or for such later date or dates as the Directors of M-Mode and the Underwriter may in their absolute discretion mutually decide. Should the closing date of the application be extended, the dates of the despatch of notices of allotment, and the listing of and quotation for the entire enlarged issued and paid-up share capital of M-Mode on the MESDAQ Market will be extended accordingly. In the event the closing date is extended, applicants will be notified of such further extension by way of advertisements placed in widely circulated English and Bahasa Malaysia newspapers. Late applications will not be accepted.

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on the MESDAQ Market is set out below:-

Event	Tentative timetable
Opening of application	9 November 2004
Closing of application	22 November 2004
Tentative balloting date	24 November 2004
Tentative date of despatch of notices of allotment to successful applicants	1 December 2004
Tentative listing date	2 December 2004

3.5 Purpose of the Public Issue

The purposes of the Public Issue are as follows:-

- (i) to obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of M-Mode on the MESDAQ Market;
- (ii) to enable the M-Mode Group to gain access to the Malaysian capital market to raise fresh equity funds for R&D, working capital and overseas market penetration, details of which are elaborated in Section 3.7 below;
- (iii) to provide an opportunity for the eligible Directors and employees of the M-Mode Group as well as the public investors to participate in the equity and continuing growth of the M-Mode Group; and
- (iv) to enhance the stature of the M-Mode Group in the marketing of its products and services and to retain and attract skilled employees.

3.6 Pricing of the Public Issue

The Issue Price of RM0.45 per Public Issue Share was determined and agreed upon by the Company and Affin Merchant as Adviser and Underwriter, after taking into consideration, *inter-alia*, the following:-

- (i) The Group's financial and operating history and conditions;
- (ii) The future prospects of the Group as described in Section 6 of this Prospectus;
- (iii) The earnings potential of the Group;
- (iv) The prevailing market conditions; and

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (v) The Group's proforma consolidated audited NTA per share after the Public Issue of RM0.12 per Share.

Investors should note that the market price of the Public Issue Shares upon and subsequent to the listing on the MESDAQ Market is subject to the vagaries of market forces and other uncertainties, which may affect the price of the M-Mode Shares being traded. Investors should bear in mind the risk factors as set out in Section 4 of this Prospectus and form their own views of the valuation of the Public Issue Shares before deciding on whether or not to invest in the Public Issue Shares.

3.7 Utilisation of Proceeds from the Public Issue

The total gross proceeds from the Public Issue amounting to RM9,194,850 shall accrue to the Company and the Company shall bear all expenses and fees relating to the listing of and quotation for the entire issued and paid-up share capital of M-Mode on the MESDAQ Market. The proceeds will be fully utilised by the Group for its core business in the following manner:-

Details of Utilisation	Amount of proceeds RM'000	Time frame for utilisation		
		For the financial year ending 31 December		
		2004 RM'000	2005 RM'000	2006 RM'000
R&D ⁽¹⁾	2,300	650	1,600	50
Working capital ⁽²⁾	2,500	560	1,940	-
Overseas market penetration ⁽³⁾	2,895	250	2,645	-
Estimated listing expenses ⁽⁴⁾	1,500	1,500	-	-
Total	9,195	2,960	6,185	50

Notes:-

- (1) R&D

The Group will allocate part of the proceeds from the Public Issue to fund its R&D activities for the development of new mobile media content, applications software and hardware as to stay abreast with the latest technology offered by the MNOs.

- (2) Working capital

The additional working capital is to allow the Group to be more aggressive in sales and marketing to broaden its subscribers' base. In addition, the additional working capital would strengthen the Group's liquidity and to finance other operational expenses.

- (3) Overseas market penetration

The Group proposes to spend a total of RM2,895,000 proceeds from the Public Issue to build the market presence of the Group's mobile media content and services in countries that the Group intends to penetrate in future. The funds utilisation would include possible joint ventures in other countries and future acquisition of potential synergistic companies and promote the Group's brand names in the overseas markets.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

(4) *Estimated listing expenses*

The estimated listing expenses of RM1.50 million consist of the following:-

	RM'000
<i>Professional fees</i>	800
<i>Fees to the authorities</i>	50
<i>Brokerage, underwriting and placement fees</i>	133
<i>Printing and advertisement</i>	200
<i>Miscellaneous / contingencies</i>	317
Total	<u>1,500</u>

In the event the funds are not fully utilised as intended, the remaining will be utilised for working capital requirements.

3.8 Financial Impact from the Utilisation of Proceeds

The utilisation of proceeds from the Public Issue for the R&D activities, working capital requirements and overseas market penetration is expected to enhance the earnings and improve the cash flow position of the M-Mode Group in the future.

3.9 Brokerage, Underwriting Commission and Placement Fee

(i) **Brokerage**

Brokerage fee is payable by the Company in respect of 2,433,000 Public Issue Shares allocated to the public at the rate of 1.0% of the Issue Price in respect of successful applications which bear the stamps of Affin Merchant, member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

(ii) **Underwriting Commission**

Affin Merchant, as the Underwriter, has agreed to underwrite 4,433,000 Public Issue Shares to be made available for subscription by the eligible Directors and employees of the Group and the public pursuant to the Public Issue. Underwriting commission is payable by the Company in respect of the Public Issue Shares available for application at the rate of 1.5% of the Issue Price.

(iii) **Placement Fee**

Affin Merchant, as the placement agent, will arrange for the placement of 16,000,000 Placement Shares which are made available for the identified investors at the rate of 1.28% of the Issue Price.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

3.10 Salient Terms of the Underwriting Agreement

An underwriting agreement was entered into on 5 October 2004 between M-Mode and Affin Merchant to underwrite 4,433,000 of the Public Issue Shares for an underwriting commission of 1.5% of the Issue Price for each Public Issue Share underwritten.

The salient terms of the Underwriting Agreement are summarised as follows:-

(i) Conditions Precedent

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

- (a) Bursa Securities having agreed in principle on or prior to the Closing Date (defined as the date on which the application for subscription of the Public Issue Shares will be closed) to the listing of and quotation for all the issued shares of the Company and the Underwriter being reasonably satisfied that such listing and quotation will be granted two (2) market days (or such other days as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and the receipt of confirmation from Bursa Depository that all Securities Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (b) the registration of the Prospectus with the SC in accordance with the requirements of the Securities Commission Act 1993 (as amended), together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
- (c) the lodgement with the ROC of the Prospectus in accordance with the requirements of the Securities Commission Act 1993 (as amended) and the Act together with copies of all documents required by the Act and the issue by the ROC of the relevant certificate of lodgement of the Prospectus or any like document, if any;
- (d) the issuance of the Prospectus within ninety (90) days from the date hereof or such extended period of time as the Company and the Underwriter may mutually agree in writing;
- (e) in the reasonable opinion of the Underwriter, there not having been on or prior to the Closing Date any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Company from that set out in the Prospectus which is material in the context of the Public Issue or offering of the Public Issue Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations in Clause 3.1 of the Underwriting Agreement as though given or made on such date; and
- (f) the execution of the Underwriting Agreement by the parties named in the Underwriting Agreement.

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**(ii) Right To Terminate**

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing on or before the Closing Date, in the event that any of the conditions stated in Clause 4.1 of the Underwriting Agreement is not satisfied on or before the Closing Date or the approval in principle of Bursa Securities for the listing of and quotation for all the issued shares on the MESDAQ Market is withdrawn or not procured and upon such termination, the parties shall be released and discharged from their obligations under the Underwriting Agreement and none of the parties shall have any claim against each other for compensation, costs, expenses or otherwise save that each party shall return any moneys paid in advance to the other under the Underwriting Agreement within seventy-two (72) hours of the receipt of such notice, provided that the Company shall remain liable for the payment of the cost and expenses referred to in Clause 14.1 of the Underwriting Agreement.

(iii) Termination of the Underwriting Agreement by Underwriter

Notwithstanding anything herein contained, the Underwriter may at any time be entitled to terminate its obligations under the Underwriting Agreement by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated below on or before the Closing Date if the success of the Public Issue is, in the reasonable opinion of the Underwriter, seriously jeopardised by:-

- (a) any government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriter seriously affects or will seriously affect the business and/or financial position of the Company; or
- (b) any change or any development involving a prospective change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
- (c) any material breach of the warranties and undertakings referred to in Clause 3.1 and Clause 5.1 in the Underwriting Agreement or withholding of information of a material nature from the Underwriter the occurrence or effect of which would in the reasonable opinion of the Underwriter prejudice materially the success of the Public Issue and their distribution or sale (whether in the primary or in respect of dealing on the secondary market); or
- (d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or
- (e) any acts of government, acts of war, or acts of God which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or

3. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market due to exceptional financial circumstances or otherwise; or
- (g) an issue best known to the Underwriter.

On delivery of such a notice by the Underwriter to the Company and confirmation of such a notice by facsimile or by hand the Underwriting Agreement shall be terminated and the obligations of the Underwriter under the Underwriting Agreement shall be discharged accordingly. In the event of any such termination under Clause 13.1 of the Underwriting Agreement, the Company shall bear all the cost and expenses incurred under the Underwriting Agreement including but not limited to those stated in Clause 14.1 of the Underwriting Agreement.

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4. RISK FACTORS

Investors should rely on their own evaluation to assess the merits and risks of the investment. Investors who are unsure about any of the information contained in this section on “Risk Factors” should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

Prior to making an investment in the Public Issue Shares, prospective investors should carefully consider the following risk factors (which may not be exhaustive) inherent in and affecting the business of the Group in addition to the other information contained elsewhere in this Prospectus.

4.1 Business Risks

(i) Competitive Risk

The Group competes in a competitive and fast moving mobile content industry where its success is dependent on its ability to increase market share and market presence within its target markets. The ability to compete depends upon many factors both internal and external, including the timing and market acceptances of new products, enhancements by the Group and its competitors, product and service functionality, ease of use, performance, price, value for money, reliability, customer service and support, sales and marketing efforts and product and service distribution channels.

The Group must also be prepared to face competitors that may have greater name recognition whilst emerging companies could enter the market with new products and technologies. Increased competition could result in price reductions, reduced revenue and margins, loss of market share, any one of which could materially and adversely affect the Group’s business, operating results and financial condition. There can be no assurance that the Group can maintain its competitiveness against current and future competitors or that competitive pressures will not materially or adversely affect the Group’s business, operating results and financial condition. However, the Directors of M-Mode believe that the Group’s ability to consistently deliver high quality products and services to its customers has provided the Group with an edge to counter and mitigate the competition from other competitors.

(ii) Dependence on Directors and Key Personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors, senior management and key personnel. The loss of which, without replacement of similar or higher calibre, could adversely affect the Group’s financial condition, operational results and competitiveness. Thus, the Group mitigates the risk of losing highly skilled personnel through attractive and competitive remuneration packages. In addition, the Group has been investing in on-going programmes to train and equip employees as well as providing a good working environment for them.

However, there can be no assurance that the abovementioned measures taken by the Group will be successful and the loss of existing key personnel and the hiring of new personnel as replacements will not materially affect the Group’s business and operations.

4. RISK FACTORS (Cont'd)

(iii) Rapid Technological Changes

The telecommunications industry is constantly evolving with the frequent introductions of new technologies and new capabilities. As the telecommunications industry move towards a convergence between fixed lines, the internet and the wireless or mobile, changes in one industry will have a ripple effect on the other two. Being a relatively new industry, the mobile content industry is continuously changing with established companies as well as new entrants always on the lookout for the latest content/application to capitalise on.

The M-Mode Group seeks to mitigate these risks by engaging its in-house R&D engineers and content developers to remain proactive in developing technology and content solutions to cater for the current trend and anticipate for technological changes. The in-house R&D teams are constantly adding new content, improving efficiency of existing systems and developing new and innovative services to suit the ever changing needs of consumers. Although the Group seeks to mitigate these risks, there can be no assurance that the Group will be successful in responding in a timely and cost-effective way to these changes and developments and that any changes to the technology would not have a material effect on the Group's quality of services, business and financial performance. The Group will continuously be sensitive to and evaluate technologies that are suitable for its future business.

(iv) Dependence on MNOs' Telecommunications Infrastructure

The M-Mode Group is dependent on the MNOs' infrastructure as all of its products and services are delivered to consumers through the MNOs' gateways. For example, the mobile messaging gateway may experience a variety of outages and delays as a result of damage to the portions of the infrastructure. These outages and delays could frustrate customers and partners using the Group's products and services which could directly affect the revenue of the M-Mode Group.

The technology development and services innovation of the Group are also partially dependent on the technology level of the MNOs' infrastructure and the future direction of the MNOs' future technology development. Resource allocation for new developments, may it be hardware, software or content, is dependent on how much the MNOs are willing to open up their infrastructure and should be prioritised accordingly. The M-Mode Group fully understands the risk of this dependency and has maintained a close relationship with all three (3) major MNOs in Malaysia, namely Maxis, Celcom and DiGi. The M-Mode Group's IT R&D team is also maintaining continuous communications with the technology teams of all three (3) major MNOs to keep abreast with their developments and directions, including platform testing and new services trial runs.

(v) Dependence on Products and Services

The Group's future results will substantially depend on market acceptance of the products and services it 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 customer requirements or that the process will not encounter unforeseen problems.

To date, the Group's products and services have been well received by its customers and the management expects that enhancements and improvements of features, timeliness in delivery to its customers and good technical service should ensure continuous acceptance of its products and services.

4. RISK FACTORS (Cont'd)

(vi) Security and System Disruption

The Group's revenue is dependent on the reliability of development and maintenance of its gateway, network and leased line infrastructure. The infrastructure may be subject to various outages and delays as a result of traffic congestion or unexpected interruption of leased line connection and other hardware failure that may damage or stop the function of the infrastructure. These outages and delays may frustrate customers or partners using the Group's products and services, which could directly affect the revenue of the Group.

The Group co-locates its servers and subscribes to a data centre in Cyberjaya to mitigate the various possible outages caused by the disruption due to the reliability of the leased line connections. The Group carries out its routine back-ups to ensure that data information will be restored without major disruption in the event of disaster.

Despite efforts and security measures taken by the Group, the Group is not in the position to ensure the system integrity in terms of unauthorised access, computer viruses attacks, accidental or intentional actions and other disruption.

(vii) Insurance Risks

The management of the M-Mode Group is aware of the adverse consequences arising from inadequate insurance coverage that could affect the Group's business operations. In ensuring such risks are kept to the minimum, the management of the Group reviews and ensures adequate insurance coverage on a continuous basis. However, there can be no assurance that the insurance coverage would be comprehensive and adequate and would reflect the replacement cost of the assets or any consequential loss arising therefrom.

(viii) Changes in the Political, Economic and Regulatory Environment

As with any other business, the Group's business is subject to the overall economic, socio-economic, political, legislative, business and/or credit condition both domestically and internationally. Adverse developments in economic, socio-economic, political, legislative, business and/or credit conditions in Malaysia and/or elsewhere may materially and adversely affect the business, operations, results and financial conditions of the Group. While the Group continues to take effective measures such as prudent financial management and efficient operating procedures, there can be no assurance that the Group's performance or financial condition will not be affected by any change in any such condition.

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

The success of the Group's business development plan will be largely dependent upon market acceptance of the Group's products and services and will also be dependent upon, amongst others, the Group's ability to successfully implement its marketing strategy, establish satisfactory arrangements with business associates on a timely manner and on favourable terms, hire and retain skilled management and personnel, successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service), and obtain adequate financing as and when required. Due to rapid technological changes, shifts in market expectation and competitive pressures, there is no assurance that unanticipated expenses or problems or technical difficulties will not occur which may result in material delays in the implementation of the business plan or even deviations from the original business plan.

4. RISK FACTORS (Cont'd)

(x) Technology Used or to be Used

Technologies in software and hardware architecture development of new products are vital to the mobile content industry. However, there are inherent risks associated in choosing the optimal combination of computer languages and network architecture applications development. Such risks occur due to the uncertainties with regard to the outcome of the R&D efforts, shorter lead time to market and rapid changes in technology know how. In addition, the changes in the IT industry are accelerated by the frequent changes in features and introduction of more advanced products, changes in customer demands and evolving industry standards. The Group has been keeping abreast with the latest technologies in order to compete successfully with its competitors.

(xi) Dependence on the MNOs' Contractual Agreements

The Group is dependent on the continuous gateway connections to the MNOs through the contractual agreements signed by the Group with all the MNOs in Malaysia. If the Group's relationship with the MNOs are terminated, curtailed or renewed on terms that may be unfavourable to the Group, including the reduction of the fees paid by the MNOs, the Group's business will suffer, which will have a material and adverse effect on the financial condition and results of operations of the Group.

In the event of such occurrence, the Group can mitigate the risk by utilising other content providers' gateways by entering into mutual agreements to continue selling the Group's mobile media content.

(xii) Validity of ASP Class Licence

eCentury holds an ASP Class Licence granted by the Minister of Energy, Communications and Multimedia pursuant to Section 44 of the Communication and Multimedia Act, 1998 and Communications and Multimedia (Licensing) Regulations 2000 for the provision of audio text hosting and messaging services. eCentury has renewed its registration for the ASP Class Licence on 26 August 2004 for another year.

The ASP Class Licence must be renewed on an annual basis and is subject to the approval of the MCMC. eCentury must show to the MCMC that there has been progress made in the provision of the intended services and must also ensure that it will carry on its business to meet the requirements of the MCMC. However, there can be no assurance that eCentury will be successful in its application to renew the ASP Class Licence, and this could affect the business operations of eCentury.

(xiii) Brand Awareness

The continued success of the Group is dependent on the continued awareness, loyalty and goodwill associated with the brand names. The brand names of the M-Mode Group such as "QQ", "Sempo", "Nino" and "Nur Islam" play vital roles in ensuring the continued success as consumers would unconsciously favour a brand name for its reliability and quality. For example, music tones and graphics represent downloads to suit the moment or the mood of the users as well as the style or method the users prefer to express themselves. Such downloads, though profitable, seldom promote brand recognition/loyalty. Users are seen to be fickle and selective of their downloads and will flirt from one service provider to the next, searching for the best music tones and graphics. With homogeneous products and services pricing as well as numerous competitors with multiple brand names, differentiation has to come from brand awareness and loyalty.

4. RISK FACTORS (Cont'd)

M-Mode Group is suitably diversified through its emphasis on the IDE services and subscription based services that its exposure to the commoditised nature of music tones and graphics is minimised. The Group's risk exposure is further reduced by its efforts in constantly increasing its presence, brand awareness and loyalty through its marketing activities.

(xiv) Seasonality Effects

The mobile content industry is generally sensitive to seasonality effects. The celebration of festivals such as Christmas, Chinese New Year and Hari Raya are the peak seasons for the industry. The same happens during occurrence of major sporting events such as the FIFA World Cup contributes significantly to the revenues of all mobile data players from music tones and graphics to text message greetings and sport alerts. The local MNOs have all reported escalated mobile messaging usage by subscribers during festive periods and major sport events.

The M-Mode Group, however, has a better-balanced portfolio of content to minimise such seasonality demand effects. As opposed to most industry players who mainly market music tones and graphics, M-Mode Group has a diverse base of pure text IDE content. Its diversity in the IDE services helps reduce the seasonal volatilities of demand found during festive and non-festive seasons. M-Mode Group's mobile media content library is constantly diversifying and increasing with content that is applicable on a daily, weekly and even monthly basis – the provision of entertaining, informative and relevant content.

4.2 Investment Risk

(i) No Prior Market for the M-Mode Shares

Prior to the Public Issue, there has been no prior market for M-Mode Shares. The price at which M-Mode Shares will trade on the MESDAQ Market upon or subsequent to the Listing will be dependent upon market forces beyond the control of the Group. There can be no assurance that an active trading market will develop for M-Mode Shares or if developed, that such market will be sustained or that M-Mode Shares will trade in the public market subsequent to the Public Issue at or above the Issue Price of RM0.45 per Issue Share.

The Group believes that a variety of factors could cause the price of M-Mode Shares to fluctuate, including sales of substantial amounts of M-Mode Shares in the public market, announcement of developments relating to the Group's businesses, fluctuation in the Group's operating results and sales level, general industry conditions or the world-wide economy, announcement of new products or product enhancements by the Group or its competitors and development of patent, copyright or other intellectual property rights, general market conditions and other factors. In addition, the global stock markets have from time to time experienced extreme price and volume fluctuations that may adversely affect the market price of M-Mode Shares. Such fluctuations may adversely affect the market price of the M-Mode Shares following the Public Issue.

(ii) Ownership and Control by the Substantial Shareholder

Upon completion of the Public Issue, Mr Lim Thean Keong will control 56.17% of the issued and paid-up share capital of M-Mode. Therefore, he will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, unless he is required to abstain from voting by law and/or by the relevant authorities. Nevertheless, the Company has appointed two (2) independent directors as a step towards promoting good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length terms.

4. RISK FACTORS (Cont'd)

(iii) Termination of the Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriter if the Underwriter has reasonable opinion that the success of the Public Issue is likely to be materially and adversely affected by certain events, details of which are set out in Section 3.10 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 3.10 of this Prospectus have occurred. In the event that the Public Issue could not be completed, all monies paid in respect of all applications will be returned in full without interest.

4.3 Other Risks**(i) 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 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. Any deviation of its actual performance from the expectations may have adverse effects on the Group's financial and business performance.

(ii) Delay in or Abortion of the Listing

The occurrence of any one (1) or more of the following events may cause a delay in or abortion of the Listing:-

- (a) the identified investors fail to subscribe for their portion of the Public Issue Shares to be placed to them;
- (b) the Underwriter exercises its rights pursuant to the termination clause pursuant to the Underwriting Agreement, which are set out in Section 3.10 of this Prospectus and discharges itself from its obligations thereunder; or
- (c) the Company is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Directors of M-Mode will endeavour to ensure compliance by M-Mode of the various Listing Requirements, including, *inter-alia*, the public spread requirement imposed by the Listing Requirements for the successful listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Listing.

4. RISK FACTORS (Cont'd)

(iii) Change or Loss of MSC Status

eCentury was awarded MSC status on 15 August 2003 by MDC. As an MSC status company, eCentury enjoys certain financial and non-financial incentives which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

Amongst others, by virtue of its MSC status, eCentury is granted pioneer status by the MITI under the Promotion of Investments Act, 1986 and enjoys full exemption from paying income tax for a period of five (5) years commencing 15 August 2003. This exemption only applies in respect of income derived from eCentury's MSC-qualifying activities as set out in its application documents submitted to MDC at the time when eCentury applied for MSC status.

Although pioneer status can be renewed on application for a further period of five (5) years, approval is still at the discretion of the MITI with the concurrence of the Minister of Finance, and there is no assurance that such approval will be given at the time when eCentury makes an application for renewal of its pioneer status. In any case, pioneer status cannot be extended beyond an aggregate of ten (10) years, eCentury will be subject to income tax upon expiry of the pioneer status.

It should be further highlighted that although generally a company conferred the MSC status would be expected to be able to retain its MSC status as long as it complies with the conditions as set out in the grant of MSC status by MDC, MDC has the right to withdraw or revoke eCentury's MSC status at any time at its discretion. Should in any unforeseen circumstance MDC decides to revoke its MSC status, eCentury will no longer enjoy the benefits accorded to MSC status companies, including its pioneer status, thus will then be liable to pay income tax.

(iv) Intellectual Property Rights

The Group currently markets its content under the brand names and logos of "QQ", "Nino", "Sempo" and "Nur Islam". Even though most of the Group's content is built in-house, third parties may challenge the Group's intellectual property rights and the Group could incur substantial costs in defending or prosecuting any claims relating to its intellectual property rights. Issues relating to intellectual property rights can be complicated and there can be no assurance that disputes will not arise or that any disputes in relation to the Group's intellectual property will be resolved in the Group's favour.

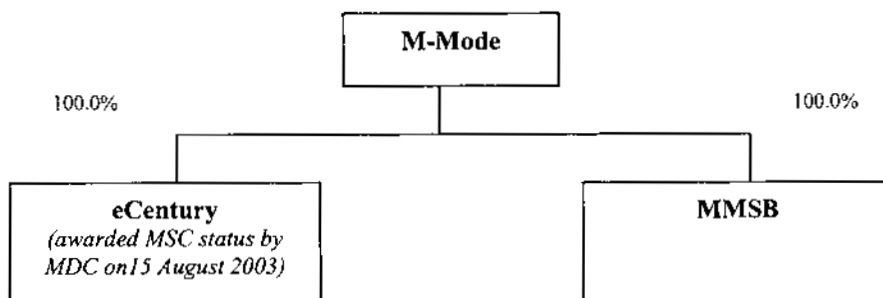
To mitigate this risk, the Group will continue to enrich its content, develop new content and new applications through R&D activities to emphasise on the originality of its products and services, to keep abreast with the market trends and to remain ahead of its competitors. However, there can be no assurance that the steps taken by the Group will adequately protect its intellectual property rights and the Group's business and financial conditions will not be adversely affected.

5. INFORMATION ON THE GROUP

5.1 History and Background

M-Mode was incorporated in Malaysia as a private limited company under the Act on 2 December 2003 under the name of Middle Elegance (M) Sdn Bhd and the name was changed to M-Mode Sdn Bhd on 18 March 2004. M-Mode was converted into a public limited company and adopted its present name on 7 April 2004. M-Mode is principally an investment holding company and has two (2) wholly-owned subsidiaries, namely eCentury and MMSB.

The Group's current corporate structure is set out below:-



A summary of the details of M-Mode's subsidiaries is as follows:-

Subsidiary	Date/place of incorporation	Issued and paid-up share capital RM	Effective equity interest	Principal activities
eCentury	8 Nov 2000/ Malaysia	250,000	100%	Providing mobile media content and data application services
MMSB	19 Mar 2003/ Malaysia	50,000	100%	Providing mobile media content and data application services

M-Mode does not have any associated company.

The Group is principally involved in the provision and development of mobile media content. The Group has grown from a provider of mobile entertainment providing mobile media content such as music tones and operator logos to a multi-entertainment and multi-content provider for the mobile telecommunications industry.

The Group is recognised as a service provider of quality mobile media content to the MNOs namely Maxis and Celcom since March 2002 and DiGi since January 2003. The Group continues to provide mobile media content to the MNOs' subscribers and is actively developing new entertainment and text based content.

5. INFORMATION ON THE GROUP (Cont'd)

Besides the smart partnership programmes with Maxis and Celcom, the M-Mode Group also markets its mobile media content under its own brand names and logos as follows:-

- (i) "QQ" - launched in November 2002 to cater for the Chinese language content;



- (ii) "Sempoi" - launched in July 2003 to cater for the Bahasa Malaysia content;



- (iii) "Nino" - launched in February 2004 to cater for the Chinese language content, which is different from the content of "QQ" in order to give customers more variety to choose from; and



- (iv) "Nur Islam"- launched in February 2004 for the Islamic related content.



The Group may from time to time identify new market segments and create new brand names to meet the wants and needs of the identified segments.

The Group's strength lies in its ability to offer a broad range of vernacular news and information that is relevant, informative and timely. The Group's mission is to continuously exceed MNOs' and customers' expectations.

The Group began its operations via eCentury on 1 March 2002. Recognising the importance of value-added mobile media content, the Group has diversified its business focus from the initial core business of music tones and graphics content to the IDE services. The diversification to the IDE services such as lifestyle tips and love topics is in line with the strategy of the Group to achieve its mission of becoming a leading mobile media content provider in Malaysia.

5.2 Share Capital and Changes in Issued and Paid-up Capital

As at the Latest Practicable Date, the authorised share capital of M-Mode is RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each and its issued and paid-up share capital is RM6,130,000 comprising 61,300,000 ordinary shares of RM0.10 each.

The changes in the issued and paid-up share capital of M-Mode since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value RM	Consideration	Total RM
2 December 2003	2	1.00	Subscribers' shares	2
22 March 2004	6,000,000	1.00	Acquisition of eCentury	6,000,002
22 March 2004	50,000	1.00	Acquisition of MMSB	6,050,002
30 March 2004	79,998	1.00	Cash Subscription	6,130,000
6 September 2004	61,300,000	0.10	Share Split	6,130,000

5. INFORMATION ON THE GROUP (Cont'd)

5.3 Listing Exercise

In conjunction and as integral part of the listing of and quotation for the entire issued and paid-up share capital of M-Mode on the MESDAQ Market, the Group undertook a listing scheme, which involved the following:-

(i) Share Split

The Share Split involved a change in the par value of M-Mode's ordinary shares of RM1.00 each to RM0.10 each, by way of sub-division of the par value for every existing ordinary shares in M-Mode.

Upon completion of the Share Split, the issued and paid-up share capital of M-Mode changed from RM6,130,000 comprising 6,130,000 ordinary shares of RM1.00 each in M-Mode to RM6,130,000 comprising 61,300,000 ordinary shares of RM0.10 each in M-Mode.

(ii) Public Issue

To facilitate the Listing, M-Mode will undertake the Public Issue of a total of 20,433,000 new M-Mode Shares, at the Public Issue Price of RM0.45 each as follows:-

(a) Eligible Directors and employees of the M-Mode Group

2,000,000 Public Issue Shares are reserved for the eligible Directors and employees of the M-Mode Group.

(b) Private Placement

16,000,000 Public Issue Shares are made available for application by the identified investors.

(c) Public

2,433,000 Public Issue Shares are made available for application by the public.

(iii) Listing and Quotation

Upon completion of the Public Issue, the entire enlarged issued and paid-up share capital of RM8,173,300 comprising 81,733,000 ordinary shares of RM0.10 each will be listed on the MESDAQ Market.

5. INFORMATION ON THE GROUP (Cont'd)

5.4 Other Recent Exercises Prior to the Public Issue

To facilitate the Group's re-organisation and future business expansion, M-Mode has recently undertaken the exercises as set out below:-

(i) Acquisition of eCentury

M-Mode entered into a Sale and Purchase of Shares Agreement on 31 December 2003 with Lim Thean Keong and Ching Wai Teng for the acquisition of the entire issued and paid-up share capital of eCentury, comprising 250,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM6,000,000. The Acquisition of eCentury was completed on 22 March 2004.

The purchase consideration for the Acquisition of eCentury was satisfied by the issuance of 6,000,000 ordinary shares of RM1.00 each in M-Mode at an issue price of RM1.00 each. Certain parties were rewarded with 1,401,500 ordinary shares of RM1.00 each in M-Mode by Lim Thean Keong and Ching Wai Teng for their contributions to the Group. The 6,000,000 ordinary shares of RM1.00 each in M-Mode were distributed in the following manner:-

Name	No. of eCentury shares held	%	Purchase consideration RM	No. of new ordinary shares of RM1.00 each in M-Mode issued
Lim Thean Keong	235,000	94.00	5,640,000	4,418,500
Ching Wai Teng	15,000	6.00	360,000	180,000
Tung Wai Fun	-	-	-	292,500
Lim Bee Tat	-	-	-	60,000
Lee Pau Meng	-	-	-	12,000
Variable Trend	-	-	-	390,000
Rhino Solutions	-	-	-	647,000
Total	250,000	100.00	6,000,000	6,000,000

The purchase consideration of RM6,000,000 for eCentury was arrived at on a willing buyer willing seller basis after taking into account the audited NTA of eCentury as at 31 December 2003 of RM921,780 and the potential earnings of eCentury. The valuation of eCentury for the purpose of the Acquisition of eCentury was supported by a report prepared by BDO, and a summary of the report is enclosed in Section 16 of this Prospectus. The basis of valuation of eCentury and the reasons for the application of the earnings multiple method of valuation in valuing eCentury as opposed to other methods are also set forth in Section 16 of this Prospectus.

5. INFORMATION ON THE GROUP (Cont'd)

(ii) Acquisition of MMSB

M-Mode entered into a Sale and Purchase of Shares Agreement on 31 December 2003 with Lim Thean Keong and Tung Wai Fun for the acquisition of the entire issued and paid-up share capital of MMSB, comprising 50,000 ordinary shares of RM1.00 each for a total purchase consideration of RM50,000. The Acquisition of MMSB was completed on 22 March 2004.

The purchase consideration for the Acquisition of MMSB was satisfied by the issuance of 50,000 ordinary shares of RM1.00 each in M-Mode at an issue price of RM1.00 each in the following manner:-

Name	No. of MMSB shares held	%	Purchase consideration RM	No. of new ordinary shares of RM1.00 each in M-Mode issued
Lim Thean Keong	42,500	85.00	42,500	42,500
Tung Wai Fun	7,500	15.00	7,500	7,500
Total	50,000	100.00	50,000	50,000

The purchase consideration of RM50,000 for MMSB was arrived at on a willing buyer willing seller basis and based on the issued and paid-up share capital of MMSB of RM50,000.

(iii) Cash Subscription

On 30 March 2004, Lim Thean Keong subscribed for 79,998 new ordinary shares of RM1.00 each in M-Mode at an issue price of RM1.00 each. The proceeds from the cash subscription are for the working capital requirements of M-Mode.

5.5 Subsidiaries of M-Mode

The details of the subsidiaries of M-Mode are as follows:-

(i) eCentury

(a) History and Business

eCentury was incorporated in Malaysia under the Act on 8 November 2000 as a private limited company and commenced operations on 1 March 2002. It is principally involved in the provision of mobile media content for the mobile telecommunications industry. eCentury is an MSC status company, having been awarded the status on 15 August 2003. eCentury is the operation core of the M-Mode Group whereby the mobile media content, IT and marketing divisions are situated. Currently, eCentury markets its Chinese language content under the registered brand names of "QQ" and "Nino". In addition, it also provides its content on a revenue sharing basis under the smart partnership arrangements with Maxis and Celcom.

(b) Share Capital

The authorised share capital of eCentury is RM500,000 comprising 500,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM250,000 comprising 250,000 ordinary shares of RM1.00 each.

5. INFORMATION ON THE GROUP (Cont'd)

(c) Substantial Shareholder

eCentury is a wholly-owned subsidiary of M-Mode.

(d) Subsidiary and Associated Company

As at the Latest Practicable Date, eCentury does not have any subsidiary or associated company.

(ii) MMSB**(a) History and Business**

MMSB was incorporated on 19 March 2003 in Malaysia under the Act as a private limited company. It started its operations in May 2003 as a provider of mobile media content and is a pure content aggregator as all mobile media content it marketed are supplied by eCentury. MMSB holds the registered brand names of "Sempo" and "Nur Islam".

(b) Share Capital

The authorised share capital of MMSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM50,000 comprising 50,000 ordinary shares of RM1.00 each.

(c) Substantial Shareholder

MMSB is a wholly-owned subsidiary of M-Mode.

(d) Subsidiary and Associated Company

As at the Latest Practicable Date, MMSB does not have any subsidiary or associated company.

5.6 Business Overview

Presently, the M-Mode Group operates within the mobile content industry where its main revenue is generated from its specialisation in mobile media content ranging from entertainment to information and news. The M-Mode Group's mobile media content is categorised by language, namely Chinese language and Bahasa Malaysia being the main languages. English language content, which consists of music tones and graphics, constitutes a small portion of the Group's total mobile media content library.

The Group's three (3) main revenue streams are as follows:-

- Music tones;
- Graphics; and
- IDE services.

5. INFORMATION ON THE GROUP (Cont'd)

(i) Music Tones and Graphics

Music tones and graphics are recognised mobile media content offered for personalisation and entertainment purposes to end users. Music tones and graphics can be delivered to the end users' mobile device through SMS or MMS. It has become commonplace to have a variety of personal music tones for different caller groups or to change to a new music tone every week or month to match the end user's preference or the current fad. Graphics add an image element into messaging whereby they can be fun and entertaining or as a personal expression or taste of the end users.

Chinese language content is marketed under the brand names of "QQ" and "Nino" whereas Bahasa Malaysia content is marketed under "Sempoi" and "Nur Islam" brand names. English language content of music tones and graphics are marketed under "QQ" and "Sempoi" brand names.

(a) Music Tones

Music tones can be divided into three (3) sub-categories, monophonic tones, polyphonic tones and true tones.

Monophonic tones refer to tones that have a single unaccompanied melodic line. The common delivery channel for monophonic tones to the end user's mobile phone is through SMS.

Polyphonic tones are referred to tones where two (2) or more independent melodies are combined in harmony. With the advancement of mobile phone technology and the lifestyle concept that came along with it, it is no longer considered as 'hip' to have monophonic tones but to have a phone that can play tones which are juxtaposed in harmony. Unlike monophonic tones which can be delivered through SMS, the delivery of polyphonic tones has to be through WAP/GPRS.

True tones technology makes it possible to use actual recorded sounds such as vocals, animal sounds and nature sounds as ringing tones. The technology has been optimised for a high quality natural sound while still keeping the file size commercially practical for WAP/GPRS download.

(b) Graphics

Graphics consist of image-based messages, eye candy and entertainment. Examples of graphics include operator logos, picture messaging, colour wallpapers and animation pictures. As music tones provided users with audio entertainment, graphics provided users with visual entertainment. Graphics can be delivered to users through SMS, EMS or MMS.

(ii) IDE Services

Recognising the importance of value-added mobile media content, the M-Mode Group has diversified its business focus from the initial core business of music tones and graphics content to the IDE services, especially due to the popularity of its subscription based mobile media content. The IDE content is mostly developed through in-house R&D activities by the R&D content team. The Group also accumulates IDE content from other sources, including 3rd party licensing and other content providers.

5. INFORMATION ON THE GROUP (Cont'd)

The IDE services, which can be subscription and non-subscription based, are divided into six (6) broad categories as follows:-

- Tips and topics;
- Alerts;
- Horoscope and fate;
- Contest and games;
- Education; and
- Islamic content.

(a) Tips and topics

The Group offers a variety of tips and topics services such as romance tips, feng shui tips, love notes, beauty tips and jokes.

(b) Alerts

Alerts services are pure subscription based services such as soccer results and entertainment news. Some examples of the Alerts that subscribers can subscribe for are entertainment news on famous Hong Kong and Taiwan artistes, soccer daily features and English Premier League match analysis and results.

Alerts services also include news on the Malay artistes under the broad service names of "Intip Bintang Sempoi" and "Perkembangan Terkini Artis".

(c) Horoscope and Fate

Horoscope and fate services are subscription based services providing subscribers with horoscope readings in the Chinese language. These services provide subscribers with predictions on their future which may be on their fortune, love life, relationships, health and career.

(d) Contest and Games

Contest and games services are non-subscription based services, which include text-based contest and games in psychology and quiz.

(e) Education

The broad category of education services consist of dictionary for English to Chinese, English to Bahasa Malaysia, Bahasa Malaysia to English and learning English.

5. INFORMATION ON THE GROUP (Cont'd)

(f) Islamic Content

Islamic content services range from “Munakahat” and “Niat Solat” to “Tanggungjawab Kekeluargaan” and “Kalender Islam”. The Islamic content is provided under the brand name of “Nur Islam” and is prepared by the Group’s in-house personnel holding a Bachelor degree in Syariah (Honours) with reference made to Islamic books published in Malaysia. The Islamic content developed is of general information in nature and is verified against the sources of the books by the management of the Group before publishing to ensure the accuracy of the content.

5.7 Technology Infrastructure

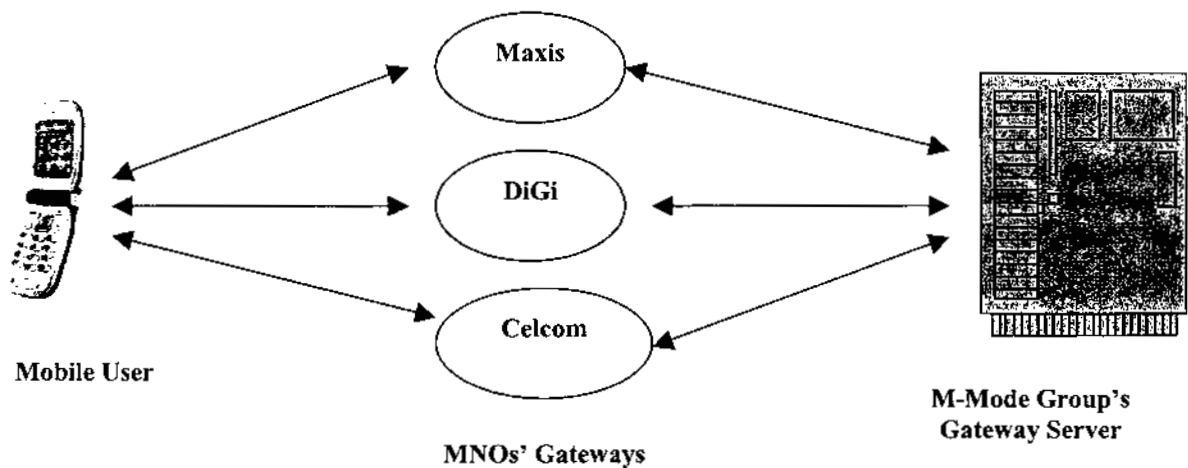
(i) Applications Software

As the operation core of the M-Mode Group, the technology developed by the Group is crucial to its continued business success and long term expansion strategies. The Group’s technological edge lies in its applications software development. The applications software related to the operation of the Group’s mobile media content services is designed and developed in-house by the IT R&D team headed by Mr. Lim Bee Tat, and give the Group a vital technological edge in terms of flexibility, cost, scalability and rapid adaptation to the latest trends.

The Group’s current process architecture is managed and monitored by the applications software engines located within the Group’s existing platform. All communications with the MNOs’ gateways are via different communication protocols that are routed through one gateway, a technological accomplishment that maximises efficiency and avoids duplication of assets.

The Group’s existing platform architecture is designed to be scalable and it requires minimal customisation when applying applications and engine enhancements.

The following diagram illustrates the Group’s product request/transmission process:-



5. INFORMATION ON THE GROUP (Cont'd)

(ii) Hardware

eCentury's current hardware infrastructure consist of a gateway server, an application server, a database server, a development server and a backup server for the following purposes:-

- (a) Gateway server - links to all the MNOs' gateways;
- (b) Application server - holds all live software engines and applications;
- (c) Database server - holds all live databases;
- (d) Development server - develops software engines, applications and databases; and
- (e) Backup server - backups of all software engines, applications and databases.

(iii) Technology Used in Developing Mobile Media Content

The Content R&D team of the Group develops content through the use of third party multimedia tools and middleware developed by the IT R&D team and the content is uploaded into the Group's database server that supports various phone models available in the market. The middleware was developed using open source technology and Microsoft .Net.

5.8 Intellectual Property Rights

The Group has applied for the registration of the following trade marks with the Registrar of Trade Marks in relation to its brand names:-

Trade mark	Date of filing	Status of registration
"M-Mode"	29 March 2004	In progress
"QQ"	29 May 2003	In progress
"Sempoi"	29 May 2003	In progress
"Nino"	20 February 2004	In progress
"Nur Islam"	20 February 2004	In progress

5.9 Operating Licence

eCentury holds an ASP Class Licence which was granted by the Minister of Energy, Communications and Multimedia pursuant to Section 44 of the Communications and Multimedia Act 1998 and the Communications and Multimedia (Licensing) Regulations 2000 for the provision of audio text hosting and messaging services. eCentury registered with the MCMC on 26 August 2004 (the first registration was on 26 August 2002) as the holder of the ASP Class Licence which is valid for a year and has to be renewed annually with the current annual renewal fee of RM2,500. eCentury will ensure that it will submit the relevant application to renew its ASP Class Licence with the MCMC every year.

5. INFORMATION ON THE GROUP (Cont'd)

5.10 Marketing and Brand Building

The M-Mode Group's marketing and brand building strategies can be categorised into four (4) major strategies as follows:-

- Product strategy;
- Pricing strategy;
- Distribution strategy; and
- Promotion strategy.

(i) Product Strategy

The M-Mode Group's products and services are differentiated by brand names and languages. For example, the Chinese language content is marketed under "QQ" and "Nino" brand names whereas the Bahasa Malaysia content is marketed under "Sempoi" and "Nur Islam" brand names.

The brand name of "QQ" was first launched in November 2002 for the Chinese language content and the Group launched the brand name of "Nino" in February 2004 also for the Chinese language content to give customers more variety and different content to choose from. The Bahasa Malaysia content is under "Sempoi" brand name while the Islamic content is under "Nur Islam".

(ii) Pricing Strategy

The Group has two (2) major avenues for generating revenue and each avenue is explained as follows:-

(a) Subscription model

The subscription model is among the most consistent and stable forms of generating mobile media revenue. The subscribers are charged for every message received on a regular basis (such as daily, weekly or fortnightly) or on special events (such as soccer results). The subscription model enables the M-Mode Group to capitalise on its marketing investment to generate repeated revenue.

(b) Pull model

The other form of generating mobile media revenue is known as the pull model. Mobile phone users who purchase content from the M-Mode Group do so by sending a keyword to a short code advertised by the Group whereby the content will be delivered almost immediately afterwards. Mobile phone users have a selection of content to choose from and are charged on a per download basis only. For this model, the M-Mode Group prices its products competitively in the marketplace to ensure optimal downloads.

5. INFORMATION ON THE GROUP (Cont'd)**(iii) Distribution Strategy**

Currently, the M-Mode Group employs two (2) distribution strategies to deliver its products and services to the mass market:-

- Retail channel; and
- Smart partnership channel.

(a) Retail channel

The retail distribution strategy is focused on two (2) vernacular language markets, the Chinese language and Bahasa Malaysia. The Group currently markets its products and services under the brand names “QQ” and “Nino” to the Chinese language vernacular market and markets its products and services under the brand names “Sempoi” and “Nur Islam” to the Bahasa Malaysia vernacular market. The retail distribution is supported by mass advertising through print media such as newspapers and magazines.

Revenue generated from the sale of mobile media content is split on a revenue sharing basis with the MNOs under the terms agreed upon of between 50% to 70% to the Group.

(b) Smart partnership channel

Under the smart partnership strategy, eCentury has entered into Content Provider Agreements with Maxis and Celcom to provide mobile media content such as music tones, graphics and IDE content to them. MMSB does not possess any agreement for smart partnership with any MNO.

Similar to the retail channel, revenue generated from the sale of mobile media content through the smart partnership is split on a revenue sharing basis with the MNOs under the terms agreed upon of between 30% to 50% to the Group.

(iv) Promotion Strategy

Under the Group’s promotion strategy, the Group allocates a large percentage of its revenue for aggressive advertising and promotion activities on effective mass advertising vehicles such as newspapers and magazines to promote its umbrella brand name “M-Mode” as well as the brand names listed under the M-Mode Group, namely “QQ”, “Nino”, “Sempoi” and “Nur Islam”.

The advertising and promotion activities also include road shows and events nationwide to encourage potential customers to sign up for services under the Group’s brand names.

5. INFORMATION ON THE GROUP (Cont'd)

5.11 Competitive Strengths

The Board believes that the Group is well positioned to capture future growth opportunities in view of its following principal strengths:-

(i) Experienced Senior Management Team

The M-Mode Group is managed by a team of professionals with vast experience in the media, publishing, IT and marketing industries. Instead of focusing its efforts on the over populated music tones and graphics segments of the mobile content industry, the Board and senior management capitalising on their experience in media, publishing, IT and marketing, directed their efforts on the text-based content segment of the market, providing entertainment, information and news in the Chinese language and Bahasa Malaysia.

(ii) Strong Applications Software Development Capabilities

The M-Mode Group's technological edge lies in its applications software development. The applications software relating to the operation of M-Mode Group's mobile media services are designed and developed in-house by the Group IT R&D team. The Group's applications software development gives the Group a vital technological edge in terms of flexibility, cost effective, scalability and rapid adaptation to the latest trends.

The Group's current process architecture is managed and monitored by the applications software engines that are designed and developed in-house by the IT R&D team. The Group's future technological edge will continue to hinge on its applications software development capabilities.

(iii) Established Within The Chinese Language Market For Mobile Media Content

In a short period of time, the Group has established a strong foothold in the Chinese language market of the mobile content provider industry owing to the introduction of entertaining, informative, relevant and timely content. In an industry where content is king, the Group is currently the top mobile content provider in Malaysia for Chinese language content in terms of sheer variety and diversity of content that is made available.

(Source: Infocredit D&B Report)

(iv) Strong Abilities in Identifying, Sourcing and Developing Relevant Mobile Media Content

Mr. Lim Thean Keong, the Chairman/Managing Director of M-Mode, has around twenty (20) years of experience in the Chinese publishing industry. He started his career as a part-time journalist for China Press and New Life Post from 1984 to 1988 before managing his own school text book publishing house called Agents' Digest (M) Sdn Bhd from 1988 to 1993. He established his own publishing house called Cede Communications Sdn Bhd in 1993 which publishes Chinese magazines such as Apple Magazine, The One Weekly, Traveller's Digest and Fun Magazine. Together with Ms. Ching Wai Teng, another veteran of the Chinese publishing industry, they are able to identify, source and develop relevant content for the mobile content industry. The Group is able to stay abreast of the latest content market trends as a result of its strong ties to the Chinese publishing industry.

5. INFORMATION ON THE GROUP (Cont'd)

(v) Diverse Vertical Provision of Services

The Group's IDE services range from lifestyle tips and love topics to entertainment news alerts and dictionary services. The Group's Content R&D team has constantly increased its content and services to keep up with the current trends and the perceived developing trends.

(vi) Competitive Vernacular Advantage

By concentrating on the Chinese language market, the Group is able to market and promote its services to the growing Chinese language literate population. In addition, the Chinese language market is a very viable market as a recent survey by Infocredit D&B revealed that more than 80% of the mobile phones in the local market is equipped with Chinese language features.

(vii) Burgeoning Bahasa Malaysia Text Based Content

Recognising the lack of variety and diversity of Bahasa Malaysia text based mobile media content in the market place and the tremendous opportunity that this niche market represents, the Group has two (2) brand names, namely "Sempoi" and "Nur Islam", marketing a variety of content, ranging from tips, topics and alerts to Islamic content and SMS games. The Malays are the largest ethnic group in Malaysia.

Mirroring the vernacular strategy the Group developed for its Chinese language mobile media content market, the Group has developed and stored a host of services designed for the Bahasa Malaysia mobile media content market and is growing rapidly. Capitalising on the Group's senior management experience in publishing, the selection, development and sourcing of content have been rapid, placing the Group as the top Bahasa Malaysia mobile content provider in the country in terms of sheer variety and diversity of content that is made.

(Source: Infocredit D&B Report)

(viii) Myriad Opportunities Within Age Group Market Segmentation

The selection and provision of content are largely determined by the content relevance to age group, purchasing power capability, technology savviness and mobility. Market segmentation by age group reveals the main markets targeted by the M-Mode Group based on its service types and content relevance. The types of services and content the Group provide targets the mid teens to the young professionals.

There are abundant opportunities in developing, sourcing and producing mobile media content for the above age groups. The mid teens to the early 20s are the early adopters of new content and entertainment services. They are familiar with the latest mobile technology and would not be hesitant to try new things. The young professionals are technology savvy and are always mobile, comfortable enough to use mobile technology beyond making a call and mobile enough to require time-sensitive information.

(ix) Regional Market Expansion

With its rich mobile media content libraries, the Group has the ability to expand into other ASEAN countries such as Singapore, Indonesia and Brunei, as well as China, which share the same vernacular literature. For regional market expansion, the Group will localise its rich content to the respective countries, especially countries like Thailand, Vietnam and Cambodia. Regional market expansion opportunities are abundant and the Group has already identified several target markets to mirror its business model and capitalise on its expertise.

5. INFORMATION ON THE GROUP (Cont'd)

(x) Customer Retention Strategy

As opposed to most content providers that offer mainly music tones and graphics services, the Group has rich IDE content. This in turn contributes to fast recruiting of subscribers relative to one-time download users. The management of the Group is fully aware of the importance of capturing users' profiles for data mining purposes as part of the customer retention strategies. Data mining is a key factor to understand the customers in respect of their demographic profiles and what they like, their buying behavior and how to serve them better. This allows the Group to develop stronger relationship with their users by offering them permission-based push marketing, notifications or recommendations tailored to users' preference and purchase pattern. Such proactive approach and personalised service is an important success factor in retaining customers in an increasing competitive market.

(xi) Differentiation Through Exclusive Content

The mobile content industry is relatively new in Malaysia. Content provision, whether it is music tones, graphics, games or news and information, is not as sophisticated as in countries like Japan, Korea and its Western counterparts. This has, in part, to do with the technological sophistication of the respective countries as well. The early adopters of 2.5G and 3G are showing Malaysia the potential of mobile media content.

In a market that is becoming increasingly homogeneous, it has become imperative to develop and own exclusive content. Content providers who are able to find an exclusive content niche and build a solid reputation will stand out in an arena of similarities as well as derive a competitive edge.

The Group, with its senior management expertise and experience in the publishing industry, is well positioned to further expand into the area of exclusive content. The production of exclusive content will differentiate the Group from the field of other players. The Group is already moving in the right direction of exclusive content with its current production and provision of text based content. The next step up will be to become the first source of news and information content.

5.12 Market Coverage, Position and Share

Currently, the Group's products and services are marketed directly to mobile phone users in Malaysia under the Group's own brand names and through smart partnership arrangements with the MNOs in Malaysia.

Analysis of market share is stymied by the lack of published information for the mobile data industry and the lack of proper revenue segmentation by category by mobile content providers. However, Infocredit D&B concluded that the M-Mode Group is the top mobile content provider in Malaysia for the Chinese language and Bahasa Malaysia content in terms of sheer variety and diversity of content that is made available.

(Source: Infocredit D&B Report)

In the latest statistic report published by MCMC for the quarter ended June 2004, there was a total of 12.38 million mobile phone users in Malaysia, and the breakdown is as follows:-

MNO	Number of users
Maxis	5.122 million
Celcom	4.673 million
DiGi	2.585 million
Total	12.380 million

5. INFORMATION ON THE GROUP (Cont'd)

5.13 Quality Control Process

The content supplied by the Group has to pass through a series of automated quality control process. The primary process started through the very beginning of stringent recruitment process whereby the Group requires all content developers to meet the minimum qualification set by the Chief Editor.

The content concepts and theme are verified and validated by the Chief Editor and content managers before they can be published. The content is subsequently subjected to a thorough user acceptance test. Finally, after a satisfactory test result, the content is transferred to the server.

5.14 R&D Capabilities

The Group has been striving hard to pursue content diversification and technological advances through the use of human creativity and a strong R&D team. The Group is committed to provide continuous R&D efforts to keep abreast of market developments and trends and to enable it to tap into new markets and to ensure the long-term sustainability of its business.

The Group's R&D team is divided into Content R&D and IT R&D.

As at the Latest Practicable Date, the Content R&D team comprises a total of fourteen (14) personnel and is headed by Ching Wai Teng as the Chief Editor. The Content R&D team conceptualises, designs and develops new content and services. The responsibilities also include keeping up with the latest trends, analysing potential future trends and sourcing content.

The IT R&D team, lead by Lim Bee Tat, comprises fourteen (14) technical personnel. The Group, being a company that operates in a fast-moving technology environment has to maintain with the technological changes as the mobile media content provided to the end-users have to be compatible with the technology being offered. The IT R&D team develops applications software to support and upload the new content and services introduced by the Content R&D team. Other responsibilities include platform development and testing as well as applications software development based on the principles of flexibility, cost effective, scalability and rapid adaptation to the latest trends.

The key R&D objectives and strategies of the M-Mode Group are as follows:-

(i) Content R&D

The Group conducts R&D for the production of mobile media content that is necessary, entertaining, useful, convenience and/or real time in the daily life of the mobile phone users. The intensified efforts in the content R&D have increased the variety and diversity of the Group's content and services as highlighted in Section 5.16 of this Prospectus.

All the Content R&D personnels are equipped with in-house developed middleware and off the shelf graphic software to facilitate the content creation. While continuing with the current R&D activities, the Group is also focusing on enhancing the existing and future rich based content such as wireless village, classified advertisements and online applications to offer to the end users through WAP/GPRS, MMS and 3G in the next twelve (12) months.

5. INFORMATION ON THE GROUP (Cont'd)

(ii) IT R&D

The Group conducts R&D on IT infrastructure, applications and gateway that are compatible to the MNOs' infrastructure and to keep abreast with the technology of the MNOs for the delivery of mobile media content.

The IT R&D team works closely with the MNOs' technical teams and handsets manufacturers for the latest network capabilities and compatibility. Apart from the routine fine tuning of the existing gateway infrastructure, the IT R&D team is also focusing on the applications software development and improving its technology architecture in the next twelve (12) months.

(iii) Amount Spent on R&D

During the past two (2) financial years, the M-Mode Group has incurred the R&D expenses as follows:-

	31 December 2002	31 December 2003
R&D expenses (RM'000)	169	144
Revenue (RM'000)	628	5,010
% of revenue	26.91	2.87

(iv) Future Products

Some of the Group's product enrichment and development plans for the next twelve (12) months are as follows:-

Product	Description	Expected timeframe
Wireless village	Creating and hosting of public, group and one-to-one chat applications and forum services under WAP/GPRS. Users can browse for information and also contribute information for sharing purposes. This service also allows data/information sharing and invitation/recruitment of new users by members or users.	Ongoing to Quarter 4, 2005
Online applications	Creating and hosting of a WAP/GPRS services directory with search capabilities. Services include recipes, dictionary, movie, hotel and restaurant information.	Ongoing to Quarter 4, 2005
Classified Advertisements	Creation and hosting of classified advertisements such as car sales with car photos/video clips and description.	Quarter 1 to Quarter 4, 2005

5. INFORMATION ON THE GROUP (Cont'd)

5.15 Employees

As at the Latest Practicable Date, the Group has a total of forty two (42) employees holding various job functions including sales and marketing, finance, administration, human resources, customer service, content editorial and development, technical support and software development. None of which are members of any union labour organisation and there has been no labour disputes in the past. The management of the Group has always enjoyed a cordial relationship with its employees. The employees are given job training and are sent to various courses and seminars to enhance their knowledge of the industry and broaden their business network.

As the mobile content industry is very new in Malaysia's marketplace, the Group believes that training and development programs for its staff force are very important to support and be aligned to the growth of the Group.

The following is a table setting out the categorical breakdown of the number of the Group's employees as at the Latest Practicable Date:-

Category of employees	Total	Average length of service (Month)
Managerial/professional	11	13
Engineers/technicians	10	5
Administration/accounts	5	23
Content editorial and development	12	7
Sales and marketing	4	3
Total	42	

5.16 Key Milestones/Achievements

The key milestones/achievements of the M-Mode Group are summarised in the table below:-

Date	Events
March 2002	<ul style="list-style-type: none"> Launched Chinese language music tones, graphic logos and picture messages under Interactive Voice Response services
October 2002	<ul style="list-style-type: none"> Established smart partnership with Celcom – supply of Chinese language content
November 2002	<ul style="list-style-type: none"> Established smart partnership with Maxis – supply of Chinese language content Launched new brand name “QQ” for Chinese language content Launched text messages category in Chinese language under the “QQ” brand name which includes services like love notes, greetings and IQ test
January 2003	<ul style="list-style-type: none"> Became a supplier of Chinese language content to Hotlink, Maxis' prepaid brand
April 2003	<ul style="list-style-type: none"> Launched entertainment news category in Chinese language under the “QQ” brand name Launched Chinese language music tones and picture logos under the “QQ” brand name

5. INFORMATION ON THE GROUP (Cont'd)

Date	Events
June 2003	<ul style="list-style-type: none"> • Launched lifestyle news category in Chinese language under the "QQ" brand name • Launched SMS games in Chinese language under the "QQ" brand name
July 2003	<ul style="list-style-type: none"> • Introduced new brand name for Bahasa Malaysia content – "Sempoi" • Launched Sempoi's Interactive Voice Response services for Bahasa Malaysia content • Launched Bahasa Malaysia music tones, graphic logos and picture messages under the "Sempoi" brand name
August 2003	<ul style="list-style-type: none"> • Obtained MSC Status • Launched love topic category in Chinese language under the "QQ" brand name • Launched lifestyle tips category in Bahasa Malaysia under the "Sempoi" brand name
September 2003	<ul style="list-style-type: none"> • Established smart partnership with Telekom Cellular Sdn Bhd (now known as Celcom) – supply of Chinese language content • Launched "Berita Panas Artis Intip Bintang" category in Bahasa Malaysia under the "Sempoi" brand name
October 2003	<ul style="list-style-type: none"> • Launched soccer alert category in Chinese language
December 2003	<ul style="list-style-type: none"> • Launched number forecast operator result alert category in Chinese language with subscription services
February 2004	<ul style="list-style-type: none"> • Launched soccer alert content with subscription services • Launched new brand name, "Nino", for Chinese language content • Launched new brand name, "Nur Islam", for Islamic content
May 2004	<ul style="list-style-type: none"> • Established smart partnership with Celcom for WAP services in Chinese language and Bahasa Malaysia
July 2004	<ul style="list-style-type: none"> • Launched wireless village group broadcast for "QQ" and "Sempoi" brand names
August 2004	<ul style="list-style-type: none"> • Launched WAP services in Chinese language under the "QQ" brand name
October 2004	<ul style="list-style-type: none"> • Launched WAP services in Bahasa Malaysia under the "Sempoi" brand name

5. INFORMATION ON THE GROUP (Cont'd)

5.17 Major Customers

As most of the end customers of the Group are retail in nature, the Group does not have and is not dependent on any major end customer for its products and services. However, the Group has contractual agreements with the following MNOs for the delivery of its products and services through the MNOs' gateways:-

Name	Length of relationship	1 January to 30 June 2004 % of revenue
Celcom	32 months (since March 2002)	42.7
Maxis	32 months (since March 2002)	30.3
DiGi	22 months (since January 2003)	12.2

5.18 Major Suppliers

As most of the mobile media content offered by the Group is developed in-house, the Group does not have and is not dependent on any major supplier for its mobile media content. The Group also does not have and is not dependent on any major supplier for its software and hardware which are readily available and easily sourced. However, pursuant to the contractual agreements with the MNOs for the connections to the MNOs' gateways and their subscribers for the delivery of the Group's products and services, the Group shares its revenue with the following MNOs:-

Name	Length of relationship	1 January to 30 June 2004 % of cost of sales
Celcom	32 months (since March 2002)	55.0
Maxis	32 months (since March 2002)	19.6
DiGi	22 months (since January 2003)	13.1

5.19 Approvals, Major Licences and Permits

Save as disclosed below, as at the Latest Practicable Date, there are no other approvals, major licences and permits obtained by the Group:-

Company	Authorities	Date of issuance	Type of approval
eCentury	MDC	15 August 2003	MSC status
eCentury	MCMC	26 August 2004 (renewable on a yearly basis, and the first registration was on 26 August 2002)	Applications Service Provider Class Licence <ul style="list-style-type: none"> • Audiotext hosting provided on an opt-in basis • Messaging services

5.20 Interruption to Operations

There has been no major interruption to the Group's business or operations in the past twelve (12) months prior to the Latest Practicable Date.

5. INFORMATION ON THE GROUP (Cont'd)

5.21 Summary of Landed Properties

As at the Latest Practicable Date, the M-Mode Group does not own any landed properties registered under its name.

5.22 Principal Assets and Principal Place of Business

The Group's operations are currently situated at its headquarters at B-3-12, Block B, 3rd Floor, Unit 12 and B-3-13, Block B, 3rd Floor, Unit 13, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur. The Group's R&D centres are located at 33-3-1, Jalan 3/50, Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur and F05A, Block 2300, 1st Floor, Century Square, 63000 Cyberjaya. The above premises are rented.

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6. INDUSTRY OVERVIEW AND OUTLOOK

6.1 Malaysian Economy

Overview of the Malaysian Economy

Malaysia's growth momentum continues into 2004 after recording a strong growth in 2003. Unlike 2003, when the global economy was affected by the war in Iraq and Severe Acute Respiratory Syndrome (SARS) the external environment in 2004 has improved markedly with upswing in the global electronics demand as well as favourable commodity prices. This enabled the Malaysian economy to expand steadily from 7.6% in the first quarter of 2004 to 8% in the second quarter, the highest since the third quarter of 2000.

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 – 6.5% and post a stronger growth of 7% in 2004 (2003: 5.3%).

This impressive growth performance in an environment of low inflation helps to generate additional employment and new business opportunities. Consequently, national income in current prices is envisaged to increase by 10.8% to RM411,794 million, with per capita income rising by 8.5% to reach RM16,098 (2003: RM14,838). Similarly, per capita income in terms of purchasing power parity is estimated to increase by 9.3% to USD10,163 (2003: USD9,295).

(Source: Economic Report 2004/2005)

Prospects of the Malaysian Economy

Entrenched domestic economic activities, coupled with a fairly favourable external environment, are expected to drive growth into 2005. Strong output growth is expected to emanate from all sectors, led by manufacturing and services with an increasingly higher contribution from private sector expenditure. Consequently, Malaysia is set to achieve another year of healthy growth of 6% in 2005. With an estimated population of 26.1 million, per capita income in current prices is projected at RM16,693 (2004: RM16,098). In terms of purchasing power parity, it is estimated at USD10,560 (2004: USD10,163).

The positive outlook for 2005 is premised on a more resilient domestic demand, driven by greater private sector spending. The strong private sector performance, amidst a favourable external environment will enable the public sector to progressively consolidate its overall financial position, whilst confirming private sector's entrenched role as the engine of economic growth. Domestic demand expenditure (excluding change in stocks) in real terms is, thus, forecast to continue to increase favourably by 4.6% (2004: 6.7%).

(Source: Economic Report 2004/2005)

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

6.2 Malaysian Mobile Telecommunications Industry

The Malaysian mobile telecommunications sector is among the fastest growing sectors of the Malaysian telecommunications industry. The Malaysian mobile telecommunications sector has grown at an average of 41% in the past five (5) years, achieving a penetration rate of 44% or approximately 11.1 million subscribers as at end 2003. Penetration rate is expected to hit 50% by the end of 2004. As at end 2003, the total number of mobile subscribers is estimated at 11.1 million as compared to 4.6 million for fixed lines subscribers and 2.9 million for internet subscribers.

Malaysia's mobile telecommunications sector has undergone two (2) consolidations in the last ten (10) years. The first consolidation, which took place pre-year 2000, saw eight (8) mobile telecommunication players reduced to five (5). The second wave of consolidation occurred post-year 2000, with five (5) mobile telecommunication players diminishing to three (3) major mobile telecommunication operators, Maxis, Celcom and DiGi.

The past five (5) years have seen tremendous growth in data services with the wide adoption of SMS. No longer in its infancy, the booming text-messaging business is expected to lead to the adoption of more advanced data services usage such as multimedia services incorporating video and audio. The introduction of GPRS and the eventual 3G rollouts by Telekom Malaysia Bhd and UMTS (Malaysia) Sdn Bhd are laying the foundations for further accelerated growth in data services.

(Source: Executive summary of the Infocredit D&B Report prepared for inclusion in this Prospectus as disclosed in Section 15 of this Prospectus)

6.3 Evolution of Mobile Messaging

The telecoms industry, which launched WAP over GSM in 1998 to an environment of tremendous hype and publicity, disappointed greatly when it failed to live up to expectations as it failed to deliver services that subscribers find valuable and are willing to pay a premium for. WAP over GSM services in Europe became a prime example of over-exaggeration and media hype regarding WAP over GSM's capabilities, usability and the availability of handsets as well as the services that will support it.

The resulting disappointment from the launch of WAP over GSM services in Europe and Asia led content providers, service providers and MNOs to shift their focus to SMS as a viable and profitable delivery channel for person to person messaging and content services. SMS usage grew to unprecedented levels due to several key factors such as availability on almost every handset, interoperable over most networks, inexpensive and simple to use, has a significant critical mass of users and a major revenue generator for MNOs. As a result, most of the content developed today are SMS based. SMS has become an important if not vital service for MNOs and content providers to introduce newer delivery methods such as EMS and MMS and to re-launch WAP that will support richer and more attractive premium content.

SMS

SMS is a technology that allows mobile users to send and receive alphanumeric messages up to 160 characters over a mobile telephony network. Malaysia has recorded tremendous growth in SMS usage with the total SMS traffic reaching 6.2 billion messages in 2003. The growth of SMS traffic has far outstripped the growth of mobile subscribers in Malaysia, auguring well for the MNOs.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

EMS

EMS, built on the success of SMS, is a mobile messaging standard developed by the third generation partnership project. While considered as a new standard in mobile messaging, EMS is a precursor towards multimedia messaging. While SMS is able to support a simple plain text format limited to 160 alphanumeric characters, EMS allows for the inclusion of binary objects in SMS messages. EMS is able to support enhanced messages comprising of several short messages, basic images, sound and animation as well as text formatting enhancements.

MMS

The overwhelming success of SMS whether in adoption rates or as a crucial revenue source for MNOs has led to the development of MMS. With the advances of wireless network technology, MMS is designed and positioned to take full advantage of the increase in bandwidth and efficiency. MMS also stands to benefit from the current mass adoption of SMS by the migration of existing users of SMS to richer more exciting multimedia content. From a technological point of view, the platform architecture of SMS and MMS are similar but MMS uses a different transmission mechanism. MMS technology utilises Internet protocol based connectivity protocol as opposed to the signalling system that SMS and EMS currently uses. On the wireless network technology front, for MMS to be effective and efficient, MMS has to ride on the packet-switched data access technology provided by GPRS and 3G. On the other hand, SMS and EMS currently rides on the circuit-switched technology provided by GSM or other second generation networks.

(Source: Executive summary of the Infocredit D&B Report prepared for inclusion in this Prospectus as disclosed in Section 15 of this Prospectus)

6.4 Prospects of Mobile Messaging

To keep abreast of the ever changing and sophisticated needs of the users, players are moving beyond mobile voice communications and into new market segments to tap new revenue streams. Mobile data services and solutions have become integral components in gaining access to new revenue streams, allowing users to access a variety of value added services adapted to their lifestyles.

Building on the success of SMS, MMS is expected to enhance a user's messaging experience tremendously. MMS will make communication between users more visual and increase the emotional value of a message as well as the desire to share it. Just as ring tones proved a hit with users, the content market as manifested in MMS technology may prove to be huge. For the consumer, phones can now be customized with various screen savers and wallpapers. As the technology matures further, users can look forward to more innovative schemes.

With the advent of new technologies in mobile data services opening up new possibilities, the types of content and application markets is set to increase in its numbers and variations. Instead of expecting "one" killer application, its more about practical applications and niche market segments, be it for entertainment or business applications.

MMS is expected to facilitate three (3) main factors that boost the value of information to users: personalisation, time-sensitivity and mobility. Applying any single factor or even all three (3) factors to their products and services will enable content providers to increase their attractiveness to potential users.

6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)

The Malaysian mobile data industry, despite its impressive growth, is still in its infancy stage. More advanced mobile markets like Japan and Korea are leading the way in mobile telecommunication technology as well as mobile content. Look no further than the two (2) abovementioned markets to appreciate the interesting times that are in store for the local mobile data industry.

(Source: Executive summary of the Infocredit D&B Report prepared for inclusion in this Prospectus as disclosed in Section 15 of this Prospectus)

6.5 Industry Players and Competition

As stated in the Infocredit D&B Report, there are many players with multiple brand names and marketing content of various languages in the mobile content industry, and the majority of the players in the market focus mainly in music tones and graphics. The M-Mode Group's business activities are prioritised on the IDE services with a content strategy that is vernacular based, focusing primarily on content written in the Chinese language and Bahasa Malaysia. The M-Mode Group is currently the top mobile content provider for the Chinese language and Bahasa Malaysia content in terms of sheer variety and diversity of content that is made available.

6.6 Relevant Laws and Regulations Governing the Industry

The Ministry of Energy, Communications and Multimedia established on 1 November 1998 as the regulator and policy formulator for the energy, communications and multimedia sectors and the regulatory and policy framework is primarily based on the concept of convergence of the telecommunications, broadcasting and IT industries.

The MCMC was created in November 1998 to regulate the communication and multimedia industry based on the powers provided for in the Malaysian Communications and Multimedia Commission Act (1998) and the Communications and Multimedia Act (1998). The MCMC's main objectives are to implement and promote the Government's national policy objectives for the communications and multimedia sector as well as oversee the new regulatory framework for the converging industries of telecommunications, broadcasting and on-line services.

MDC was established in 1996 to spearhead the development and implementation of the MSC. MDC manages the MSC's information infrastructure and urban development as well as to help to shape the policies, laws and practices.

6.7 Demand/Supply Conditions

The Board is of the view that the high mobile content demand is expected to continue and will be spurred by various factors such as the growth in the number of mobile phone users and the enhancement in the features of mobile handset technologies that support non-voice services.

Based on the Infocredit D&B Report, the growth of mobile content usage is very encouraging with the mobile content industry representing approximately 10% of the total mobile revenue in 2003 and the mobile content industry is estimated to grow at a compounded annual growth rate of 43% for the next five (5) years.