

I. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Occupation	Nationality
Tey Por Yee <i>(Chief Executive Officer/ Managing Director)</i>	Blok S1-10-22 Pangsapuri Sutramas Persiaran Puchong Jaya Selatan Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan	Company Director	Malaysian
See Poh Yee <i>(Executive Director)</i>	41, Jalan Durian Lima Taman Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Tan Hui Ming <i>(Executive Director)</i>	97, Jalan Batalong 3 Taman Continental Off Jalan Kuchai Lama 58200 Kuala Lumpur	Company Director	Malaysian
Yap Siok Teng <i>(Independent Non-Executive Director)</i>	18, Jalan 33/70A Desa Sri Hartamas 50480 Kuala Lumpur	Company Director	Malaysian
Natasha Binti Mohd. Zulkifli <i>(Independent Non-Executive Director)</i>	3B-05-02 Bungaraya Condo Saujana Resort 40150 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Yap Siok Teng	Chairman	Independent Non-Executive Director
Natasha Binti Mohd. Zulkifli	Committee Member	Independent Non-Executive Director
Tan Hui Ming	Committee Member	Executive Director

**AUDITORS AND
REPORTING ACCOUNTANTS**

: Messrs Shamsir Jasani Grant Thornton
(AF:0737)
Chartered Accountants
Level 11-1, Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur

Telephone No. : 03 – 26924022
Fax No : 03 – 27325119

COMPANY SECRETARY

: Lim Yew Heang
(MAICSA 7007653)
14, Jalan BU 12/2
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

1. CORPORATE DIRECTORY (Cont'd)

- REGISTERED OFFICE** : Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
- Telephone No. : 03 – 20849000
Fax No : 03 – 20949940
- CORPORATE OFFICE** : Unit 909 Block F
Phileo Damansara One
No. 9 Jalan 16/11
46350 Petaling Jaya
Selangor Darul Ehsan
- Telephone No. : 03 – 74944839
Fax No : 03 – 74944836
Website : www.nextnationnet.com
- PRINCIPAL BANKER** : Malayan Banking Berhad
(Company No. 3813-K)
62-66 Jalan SS 21/35
Damansara Utama
47400 Petaling Jaya
Selangor
- Telephone No. : 03 – 77291449
Fax No : 03 – 77281390
- SOLICITORS FOR THE LEGAL DUE DILIGENCE** : Messrs Mazlan & Associates
Level 3A, Wisma E & C
2 Lorong Dungun Kiri
Damansara Heights
50490 Kuala Lumpur
- Telephone No. : 03 – 27158802
Fax No : 03 – 27158801
- SHARE REGISTRAR** : PFA Registration Services Sdn Bhd
(Company No. 19234-W)
Level 13, Uptown 1
No. 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
- Telephone No. : 03 – 77254888
Fax No : 03 – 77257791
- INDEPENDENT MARKET RESEARCHER** : IDC Market Research (M) Sdn Bhd
(Company No.: 392772-T)
Suite 13-03, Level 13
Menara HLA
3 Jalan Kia Peng
50450 Kuala Lumpur
- Telephone No. : 03 – 21633715
Fax No : 03 – 21635098

1. CORPORATE DIRECTORY (Cont'd)

- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
(Company No.: 258345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No.8, Jalan Munshi Abdullah
50100 Kuala Lumpur
- Telephone No. : 03 – 26932075
Fax No : 03 – 26930858
- ADVISER, SPONSOR AND
PLACEMENT AGENT** : Affin Merchant Bank Berhad
(Company No.: 9999-V)
27th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
- Telephone No. : 03 – 21423700
Fax No : 03 – 21417701
- UNDERWRITERS** : Affin Merchant Bank Berhad
(Company No.: 9999-V)
27th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
- Telephone No. : 03 – 21423700
Fax No : 03 – 21417701
- : Affin Securities Sdn Bhd
(Company No.: 431338-P)
Level 32, Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur
- Telephone No. : 03 – 21438668
Fax No : 03 – 21456448
- : MIDF Sisma Securities Sdn Bhd
(Company No.: 423833-U)
17th & 18th Floor
Empire Tower
182, Jalan Tun Razak
50400 Kuala Lumpur
- Telephone No. : 03 – 21668888
Fax No : 03 – 21669999
- LISTING SOUGHT** : MESDAQ Market of Bursa Securities

2. SUMMARY INFORMATION

THE FOLLOWING PROSPECTUS SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE NEXTNATION GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN THE PUBLIC ISSUE SHARES.

The following summary is qualified in its entirety by the more detailed information, including the Accountants' Report and Notes thereto, as set out in the respective sections of this Prospectus. This Prospectus contains certain statements of a forward-looking nature relating to future events. Investors are cautioned that such statements are only predictions and that actual results or events when materialised may differ materially from those disclosed in this Prospectus. Therefore, in evaluating such statements, prospective investors should carefully consider the various factors identified in this Prospectus, including the matters set forth in Section 4 under the heading "Risk Factors" of this Prospectus.

2.1 History and Business

Nextnation was incorporated in Malaysia under the Act on 20 July 2004 as an investment holding company. NN is the wholly-owned subsidiary of Nextnation and has been awarded with the MSC status by MDC on 26 May 2004. NN was established to pursue opportunities in the mobile multimedia ASP market with a particular focus on R&D for wireless value-added developer solutions and commercialised enterprise developer solutions with the objective to develop sophisticated and yet easy to use applications for both corporate and consumer markets.

Before the incorporation of NN, Tey Por Yee, See Poh Yee and Tey Por Chen appointed Lilo, which was owned by them, to carry out research, design and development of database management system and system integration activities, which has led to a successful establishment of the software foundation of MINDCEPT™ and creation of the first and second generation of MINDCEPT™ thereon.

The R&D team of Lilo also carried out the R&D to develop mobile application developer modules that are easy to use, flexible and low cost and thus created SOHOMOBILE™. NN initially launched SOHOMOBILE™ in June 2003 through a third party gateway provider to test the real-time workability, functionality and performance of MINDCEPT™ and SOHOMOBILE™. NN has the sole right, title and interest in the results, findings, concepts and system developed. NN now owns the intellectual property of the MINDCEPT™ platform and the SOHOMOBILE™ applications and is not dependent on any external service for the development of the platform and applications. It is also not dependent on any external provider with respect to its systems.

The Group's mobile multimedia ASP solutions work hand-in-hand with wireless carriers, developers, owners, providers, aggregators and resellers of content and applications to create more value into the mobile multimedia ASP industry in a mutually beneficial manner. The Group is considered as one of the first web-enabled multi-lingual, multi-network, multiplayer and human interaction text message mobile interactive developer tools in Malaysia.

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2. SUMMARY INFORMATION (Cont'd)

The first product developed and introduced to the market by the Group in second quarter of 2003 was MINDCEP™ with SOHOMOBILE™, a plug-n-play content and user management developer module which has built-in transparent billing infrastructure.

SOHOMOBILE™ enables:-

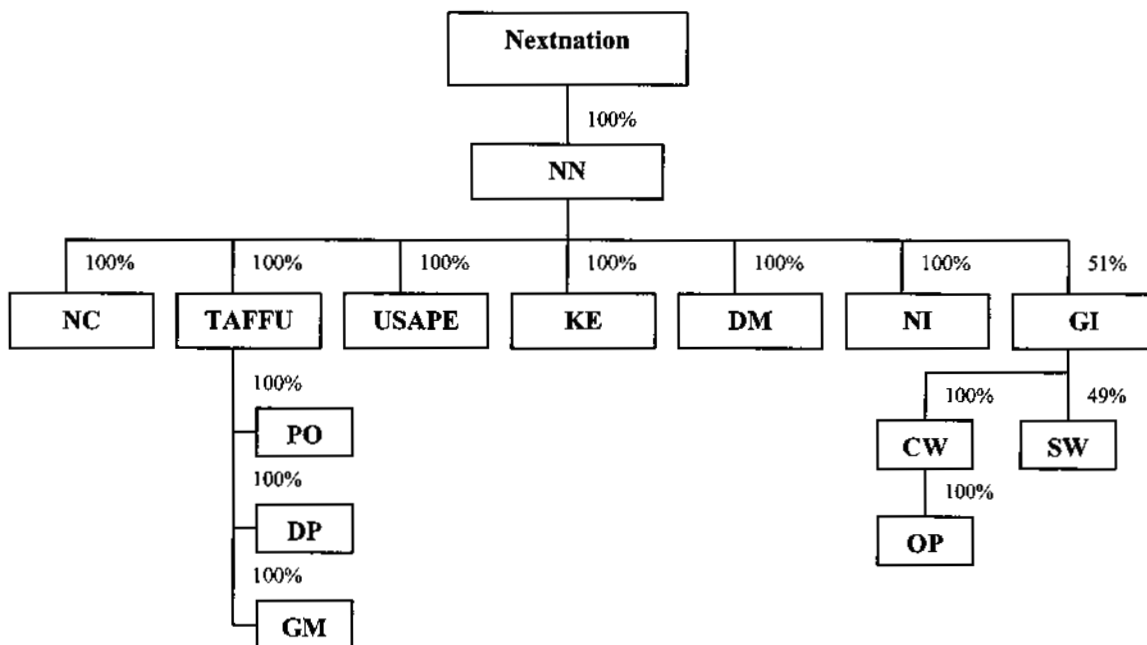
- the content/application owners or developers to easily develop their content and applications complying to the Group’s platform requirements;
- the content/application owners, developers or providers to distribute their content and applications through the Group’s platform; and
- resellers to customize their own web portal to resell mobile content and applications to the end users within a short period of time with minimal cost.

MINDCEP™ is a multimedia platform that enables customised mobile multimedia communications. It has been upgraded with the latest SMSJET™ - messenger API developer module, through which is capable of supplying, installing and custom designing of mobile applications and services. SMSJET™ enables the software developers and corporate bodies to add “mobility” into their applications.

The Group’s commercial enterprise developer solutions (mCommerce-Suit) are tailored towards the corporate and enterprise sectors through applications and software developers. The mCommerce-Suit is designed to guide the developers state-of-the-art applications and can be assessed by a wide variety of mobile devices including WAP phones, handheld PDA, symbol scanners, Internet devices, web browsers and micro browsers using dynamic business connectors.

Further information on the history and background of the Group is disclosed in Section 5.1 of this Prospectus.

The Group’s current corporate structure is as follows:-



2. SUMMARY INFORMATION (Cont'd)

Brief details of Nextnation's subsidiaries and associated company are set out as follows:-

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest	Principal activities
<i>Subsidiary of Nextnation</i>				
NN (awarded MSC status on 26 May 2004)	20 April 2000 Malaysia	RM3,000,000	100%	Programming services, software development, Internet consulting and provision of information technology services.
<i>Subsidiaries of NN</i>				
NC	23 March 2004 Malaysia	RM1,000	100%	Development and distribution of retail mobile application solutions.
TAFFU	22 June 2004 Malaysia	RM100,000	100%	Provision of media advertising, publishing and printing services.
USAPE	22 June 2004 Malaysia	RM2	100%	Content aggregator.
KE	28 September 2004 Malaysia	RM100,000	100%	Content aggregator.
DM	28 September 2004 Malaysia	RM100,000	100%	Content aggregator.
NI	23 September 2004 Malaysia	RM5,000	100%	Provision of business development and strategic partnership activities.
GI	2 July 2004 British Virgin Islands	USD100	51%	Investment holding company for overseas operations.
<i>Subsidiaries of TAFFU</i>				
PO	28 September 2004 Malaysia	RM100,000	100%	Provision of media advertising, publishing and printing services.
DP	15 October 2004 Malaysia	RM100,000	100%	Provision of media advertising, publishing and printing services.
GM	31 January 2005 Malaysia	RM30	100%	Advertising and publishing activities.

2. SUMMARY INFORMATION (Cont'd)

Name of company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest	Principal activities
<i>Subsidiary of GI</i>				
CW	28 September 2004 Singapore	SGD1,000	100%	Mobile application service provider.
<i>Associated company of GI</i>				
SW	1 October 2004 Thailand	100,000 ordinary shares of Baht10 each and 100,000 preference shares of Baht10 each	49%	Mobile application service provider.
<i>Subsidiary of CW</i>				
OP	31 December 2004 Singapore	SGD1,000	100%	Games and content development, aggregation and distribution.

Further information on the Nexttuation Group is disclosed in Sections 5.1 to 5.4 of this Prospectus.

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2. SUMMARY INFORMATION (Cont'd)

2.2 Ownership and Management

(i) Promoters/Substantial Shareholders

Based on the Register of Members of Nextnation as at the Latest Practicable Date, the direct and indirect interests of the Promoters/substantial shareholders in the issued and paid-up share capital of Nextnation before and after the Issues are as follows:-

Name	Nationality/ Place of incorporation	Before the Issues				After the Issues			
		Direct		Indirect		Direct		Indirect	
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Tey Por Yee	Malaysian	20,300	21.60	⁽¹⁾ 59,300	63.08	40,600	16.11	⁽¹⁾ 118,600	47.06
See Poh Yee	Malaysian	7,460	7.94	⁽²⁾ 56,700	60.32	14,920	5.92	⁽²⁾ 113,400	45.00
Tey Por Chen	Malaysian	6,940	7.38	⁽¹⁾ 59,300	63.08	13,880	5.51	⁽¹⁾ 118,600	47.06
Smart Tower	Malaysia	56,700	60.32	-	-	113,400	45.00	-	-

Notes:-

(1) Deemed interested by virtue of their direct substantial shareholdings in Smart Tower and Sphinx.

(2) Deemed interested by virtue of his direct substantial shareholding in Smart Tower.

Further information on the Promoters/substantial shareholders of Nextnation is disclosed in Section 9.1 of this Prospectus.

(ii) Directors

Based on the Register of Directors of Nextnation as at the Latest Practicable Date, the direct and indirect interests of the Directors in the issued and paid-up share capital of Nextnation before and after the Issues are as follows:-

Name	Nationality	Before the Issues				After the Issues			
		Direct		Indirect		Direct		Indirect	
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Tey Por Yee	Malaysian	20,300	21.60	⁽¹⁾ 59,300	63.08	40,600	16.11	⁽¹⁾ 118,600	47.06
See Poh Yee	Malaysian	7,460	7.94	⁽²⁾ 56,700	60.32	14,920	5.92	⁽²⁾ 113,400	45.00
Tan Hui Ming	Malaysian	-	-	-	-	⁽³⁾ 500	0.20	-	-
Yap Siok Teng	Malaysian	-	-	-	-	⁽³⁾ 100	0.04	-	-
Natasha Binti Mohd. Zulkifli	Malaysian	-	-	-	-	⁽³⁾ 100	0.04	-	-

2. SUMMARY INFORMATION (Cont'd)

Notes:-

- (1) Deemed interested by virtue of his direct substantial shareholdings in Smart Tower and Sphinx.
- (2) Deemed interested by virtue of his direct substantial shareholdings in Smart Tower.
- (3) Assuming full subscription of the Pink Form Allocation made available to them.

Further information on the Directors of Nextnation is disclosed in Section 9.2 of this Prospectus.

(iii) Key Management and Key Technical Personnel

Based on the Register of Members of Nextnation as at the Latest Practicable Date, the direct and indirect interests of key management and key technical personnel of the Nextnation Group in the issued and paid-up share capital of Nextnation before and after the Issues are as follows:-

Name	Nationality	Before the Issues				After the Issues			
		Direct		Indirect		Direct		Indirect	
		No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%	No. of Shares '000	%
Tey Por Chen	Malaysian	6,940	7.38	⁽¹⁾ 59,300	63.08	⁽²⁾ 13,880	5.51	⁽¹⁾ 118,600	47.06
Faizatul Ikmi Binti Abd Razak	Malaysian	-	-	-	-	⁽²⁾ 400	0.16	-	-
Foo Siang Shin	Malaysian	-	-	-	-	⁽²⁾ 400	0.16	-	-
Koh Chin Ling	Malaysian	-	-	-	-	⁽²⁾ 200	0.08	-	-
Mohd Fariz Bin Mohd Fahami	Malaysian	-	-	-	-	⁽²⁾ 50	0.02	-	-
Tam Kam Sang	Malaysian	-	-	-	-	⁽²⁾ 50	0.02	-	-
Loong Chee How	Malaysian	-	-	-	-	⁽²⁾ 50	0.02	-	-

Notes:-

- (1) Deemed interested by virtue of his direct substantial shareholdings in Smart Tower and Sphinx.
- (2) Assuming full subscription of the Pink Form Allocation made available to them.

Further information on the key management and key technical personnel of Nextnation is disclosed in Section 9.4 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.3 R&D Capabilities

The Nextnation Group has established a strong and committed R&D team towards enhancing its edge in mobile and wireless technologies. As at the Latest Practicable Date, the Nextnation Group's R&D team comprises sixty-one (61) full time professionals conducting in-house R&D and up to 30 April 2005, the Group has invested more than RM2.75 million in the R&D activities.

Further details on the Group's R&D are set out in Section 5.13 of this Prospectus.

2.4 Competitive Strengths

The competitive strengths of the Group are summarised as follows:-

- (i) Sound and reliable product development capabilities in developing solutions that are sophisticated and easy to use.
- (ii) Wireless focus and expertise on wireless value-added developer solution services in Asia Pacific.
- (iii) Diversified services portfolio, including wireless value-added developer solution services, application development platform and commercial enterprise developer solutions services to achieve economies of scale.
- (iv) Proven sales capabilities and operator relationships through well-established relationships with the partners.
- (v) Proven track record in the mobile multimedia ASP industry.
- (vi) Qualitative customer understanding and service.
- (vii) Proven ability to establish and maintain partnerships with leading content providers.
- (viii) Experienced management team.

Further details of the Group's competitive strengths are set out in Section 5.10 of this Prospectus.

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2. SUMMARY INFORMATION (Cont'd)

2.5 Risk Factors

Prior to making an investment in the Public Issue Shares, prospective investors should carefully consider the following risk factors inherent in and affecting the business of the Group in addition to the other information contained elsewhere in this Prospectus. Factors that could cause or contribute to such differences include, but are not limited to those discussed in Section 4, "Risk Factors" of this Prospectus but also include those highlighted throughout this Prospectus.

The key risk factors (which may not be exhaustive) that may affect the Group's future profitability are as follows:-

(i) Business Risks

- Short Operating Track Record;
- Risks Relating to Impairment Loss on R&D Expenditures;
- Dependence of Third Party Gateway Provider;
- Dependence on Revenue Sharing Agreements with Users and Celcos;
- Risks Associated with Security System Disruption;
- Dependence on Billing Systems;
- Competitive Risks;
- Rapid Technological Changes;
- Demand for Products;
- Brand Awareness/Loyalty;
- Dependence on Celcos' Telecommunication Infrastructure;
- Foreign Investment Risks;
- Dependence on Directors and Key Personnel;
- Insurance Risks;
- Changes in the Political, Economic and Regulatory Environment; and
- Regulatory Risks.

(ii) Investment Risks

- No Prior Market for the Nextnation Shares;
- Ownership and Control by the Substantial Shareholders;
- Uncertainty of the Five (5) Year Business Development Plan; and
- Termination of the Underwriting Agreement.

2. SUMMARY INFORMATION (Cont'd)

(iii) Other Risks

- Disclosure Regarding Forward-looking Statements;
- Delay in or Abortion of the Listing;
- Change or Loss of MSC Status; and
- Intellectual Property Rights.

Further information on the above risk factors is set out in Section 4 of this Prospectus.

2.6 Technology Infrastructure and Intellectual Property Rights

Technology

The core technologies used by the Group are its proprietary mobile and wireless communication gateway and mobile customization tools which are embedded into the applications. These embedded communication methodologies form a framework that allows the Group to provide state-of-the-art applications and services to the Partners.

The Group is able to offer competitive wireless value-added solutions and services using the state-of-the-art MINDCEP™ platform together with its Partners and strategic alliances both locally and internationally. This scalable and robust platform is suitable for any number of users and is convenient for small setups with just a few nodes and to large setups with additional nodes as need increases.

Intellectual Property Rights

The Group has applied for the registration of the following trade marks with the Registrar of Trade Marks:-

- (i) "MINDCEP";
- (ii) "SOHOMOBILE";
- (iii) "SMSJET"; and
- (iv) "mCommerce".

For more details, please refer to Section 5.6 and 5.7 of this Prospectus.

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2. SUMMARY INFORMATION (Cont'd)

2.7 Proforma Consolidated Income Statements

The table below sets out a summary of the proforma consolidated income statements of the Nextnation Group for the past five (5) financial period/years ended 30 April 2005, prepared based on the assumption that the current structure of the Nextnation Group has been in existence throughout the financial years under review. The proforma consolidated income statements are presented for illustrative purposes only and have been extracted from and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 13 of this Prospectus.

	20 April 2000 to 30 April 2001 RM	For the financial year ended 30 April			
		2002 RM	2003 RM	2004 RM	2005 RM
Revenue	-	9,349	1,940	2,896,696	45,124,871
Gross profit	-	9,349	(1,307)	1,943,055	15,247,607
EBIDTA	-	1,835	(4,530)	1,565,121	13,231,604
Depreciation	-	-	-	(57,040)	(180,877)
Amortisation	-	-	-	(243,799)	(334,829)
Interest expenses	-	-	-	(9,204)	(21,202)
Share of result of jointly controlled entity	-	-	-	-	(70,366)
Share of result of associate company	-	-	-	-	(6,252)
Consolidated PBT/(LBT)	-	1,835	(4,530)	1,255,078	12,618,078
Taxation	-	(514)	(313)	-	(115,000)
Consolidated PAT/(LAT)	-	1,321	(4,843)	1,255,078	12,503,078
Minority interest	-	-	-	-	186
Consolidated net profit	-	1,321	(4,843)	1,255,078	12,503,264
Number of Nextnation Shares assumed in issue ('000) ⁽¹⁾	94,000	94,000	94,000	94,000	94,000
Gross EPS (sen) ⁽²⁾	-	(3)	(3)	1.34	13.42
Net EPS (sen) ⁽²⁾	-	(3)	(3)	1.34	13.30

Notes:-

(1) Being the number of Nextnation Shares in issue before the Issues.

(2) Computed based on the number of Nextnation Shares in issue before the Issues.

(3) Negligible.

There were no extraordinary or exceptional items for the financial years under review.

Further details of the Group's proforma consolidated income statements are disclosed in Section 13.0 of this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.8 Proforma Consolidated Balance Sheets

The table below sets out the summary of the proforma consolidated balance sheets of the Nextnation Group as at 30 April 2005, for illustrative purposes only, to show the effects on the audited consolidated balance sheets of Nextnation on the assumptions that the Public Issue, utilisation of proceeds and Bonus Issue had been effected on that date and should be read in conjunction with the Reporting Accountants' letter on proforma consolidated balance sheets and the notes and assumptions to the proforma consolidated balance sheets of the Nextnation Group as set out in Section 14 of this Prospectus.

	Audited as at 30 April 2005 RM	(I) After Public Issue and utilization of proceeds RM	(II) After (I) and Bonus Issue RM
Non-current assets			
Property, plant and equipment	2,762,009	2,762,009	2,762,009
Research and development expenditure	1,650,594	6,450,594	6,450,594
Investment in associate company	87,461	87,461	87,461
Amount due from jointly controlled entity	412,826	412,826	412,826
Fixed deposits with a licensed bank	180,000	180,000	180,000
	5,092,890	9,892,890	9,892,890
Current assets			
Receivables	17,065,869	16,681,106	16,681,106
Tax recoverable	1,200	1,200	1,200
Fixed deposits with a licensed bank	2,000,000	2,000,000	2,000,000
Cash and bank balances	635,229	19,379,992	19,379,992
	19,702,298	38,062,298	38,062,298
Current liabilities			
Payables	7,737,966	7,737,966	7,737,966
Finance payables	54,570	54,570	54,570
Term loans	86,219	86,219	86,219
Tax payable	115,000	115,000	115,000
	7,993,755	7,993,755	7,993,755
Net current assets	11,708,543	30,068,543	30,068,543
	16,801,433	39,961,433	39,961,433

2. SUMMARY INFORMATION (Cont'd)

	Audited as at 30 April 2005 RM	(I) After Public Issue and utilization of proceeds RM	(II) After (I) and Bonus Issue RM
Financed by:-			
Share capital	9,400,000	12,600,000	25,200,000
Share premium	-	19,960,000	7,360,000
Unappropriated profit	6,154,831	6,154,831	6,154,831
Shareholders' funds	15,554,831	38,714,831	38,714,831
Non-current liabilities			
Finance payables	201,212	201,212	201,212
Term loans	1,045,390	1,045,390	1,045,390
	16,801,433	39,961,433	39,961,433
Number of Nextnation Shares assumed in issue	94,000,000	126,000,000	252,000,000
NTA (RM)	13,904,237	32,264,237	32,264,237
NTA per share (RM)	0.15	0.26	0.13

Further details of the Group's proforma consolidated balance sheets are disclosed in Section 14.0 of this Prospectus.

2.9 Audit Qualifications in the Audited Accounts for the Past Five (5) Financial Period/Years Ended 30 April 2005

There was no qualification reported in the audited financial statements of Nextnation or its subsidiaries for the financial period/years under review.

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2. SUMMARY INFORMATION (Cont'd)

2.10 Principal Statistics Relating to the Public Issue

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with that text:-

(i)	Share capital	RM
	<i>Authorised</i>	
	2,000,000,000 Nextnation Shares	<u>200,000,000</u>
	<i>Issued and fully paid-up as at the date of this Prospectus</i>	
	94,000,000 Nextnation Shares	9,400,000
	<i>To be issued and credited as fully paid-up pursuant to the Public Issue</i>	
	32,000,000 Nextnation Shares	3,200,000
	<i>To be issued and credited as fully paid-up pursuant to the Bonus Issue</i>	
	126,000,000 Nextnation Shares	12,600,000
	<i>Enlarged issued and fully paid-up share capital</i>	
	252,000,000 Nextnation Shares	<u>25,200,000</u>
(ii)	Classes of Shares and Ranking	
	There is only one class of shares in the Company, being ordinary shares of RM0.10 each. The Public Issue Shares and the new Nextnation Shares pursuant to the Bonus Issue will rank pari passu in all respects with the existing issued and paid-up ordinary shares of 94,000,000 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.	
(iii)	Public Issue Price for each Public Issue Share	RM0.78
	<i>(Theoretical ex-bonus price after the Bonus Issue will be RM0.39 per Nextnation Share)</i>	
(iv)	Market Capitalisation of Nextnation based on Public Issue Price	RM98,280,000
(v)	Proforma Consolidated NTA of Nextnation Group as at 30 April 2005	
	Proforma consolidated NTA	RM32,264,237
	<i>(after the Issues and deducting estimated listing expenses of RM1.8 million)</i>	
	Proforma consolidated NTA per Nextnation Share	RM0.13
	<i>(based on the enlarged issued and paid-up share capital of 252,000,000 ordinary shares of RM0.10 each in Nextnation)</i>	

2. SUMMARY INFORMATION (Cont'd)

2.11 Proposed Utilisation of Proceeds

The total gross proceeds from the Public Issue of RM24,960,000 shall accrue entirely to the Group and are expected to be utilised by the Group as follows:-

Details of utilisation	Amount of proceeds RM'000	Expected time frame for utilisation		
		For the financial year ending 30 April		
		2006 RM'000	2007 RM'000	2008 RM'000
Capital expenditure	4,000	2,400	1,200	400
Working capital	2,060	2,060	-	-
R&D expenditure	4,800	1,300	1,600	1,900
Advertising and promotions	7,500	3,150	4,350	-
Overseas expansion	4,800	700	1,800	2,300
Estimated listing expenses	1,800	1,800	-	-
Total	24,960	11,410	8,950	4,600

Detailed information on the utilisation of proceeds is set out in Section 3.7 of this Prospectus.

2.12 Working Capital, Borrowings, Material Litigation, Material Capital Commitments and Contingent Liabilities

(i) Working Capital

The Directors of Nextnation are of the opinion that after taking into account the cash flow position, banking facilities available and proceeds to be raised from the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

(ii) Borrowings

Save as disclosed below, as at the Latest Practicable Date, the Group does not have any loan capital outstanding or created, convertible debt securities, mortgages or charges outstanding:-

Type of interest bearing borrowings	Payable within 12 months RM	Payable after 12 months RM
Hire purchase	54,098	186,929
Term loans	113,113	998,310
Total	167,211	1,185,239

There has been no default on payment of either interest and/or principal sum, in respect of the abovementioned borrowings throughout the past one (1) financial year and the subsequent financial period thereof immediately preceding the Latest Practicable Date.

2. SUMMARY INFORMATION (Cont'd)

(iii) Material Litigation

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor its subsidiaries are engaged in any material litigation, either as plaintiff or defendant, which has a material and adverse effect on the financial position or business of the Group and the Directors of Nextnation have no knowledge of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the Group.

A legal proceeding vide Kuala Lumpur High Court Civil Suit No. MT4-22-1739-2004 for copyright infringement has been commenced against Celcom by Goodsound Music Publishing Sdn Bhd and eight (8) others ("Plaintiffs"). In the said suit, the Plaintiffs alleged that Celcom has converted and reproduced certain songs owned by them collectively and made the same available to the general public in the form of downloadable ringtones from Celcom's website, without any authority, licence or permission of the Plaintiffs. Celcom's solicitors, Messrs Bustaman has via a letter dated 9 May 2005 informed NN that Celcom has obtained leave to issue a third party notice against NN in the above legal suit. However, at the date hereof, Celcom has not served any third party notice on NN. NN's solicitors, Messrs Cheang & Ariff via a letter dated 1 August 2005, are of the view that there is no legal basis for Celcom to proceed with a third party proceeding against NN in relation to the above legal suit as NN has never provided any ringtones to Celcom's website. Similarly, the Plaintiffs would also have no recourse against NN as NN has, at the material time, provided its services based on valid licences obtained and has always made the necessary payment according to the terms of the various licence agreements.

(iv) Material Capital Commitments

As at the Latest Practicable Date, the Directors of Nextnation are not aware of any material capital commitments contracted or known to be contracted by the Nextnation Group which, upon becoming enforceable or likely to become enforceable, may have a material impact on the financial position of the Group.

(v) Contingent Liabilities

As at the Latest Practicable Date, the Directors of Nextnation are of the opinion that the Group has no contingent liabilities which, upon materialisation would have a material impact on the financial position of the Group.

Detailed information on the working capital, borrowings, material litigation, material capital commitments and contingent liabilities are set out in Section 7.5 of this Prospectus.

2.13 Exclusion of Profit Forecast and Projection

The Nextnation Group's turnover and operating results are difficult to forecast and could be adversely affected by many factors, some of which are highlighted in Section 4 of this Prospectus. As such, the Nextnation Group's profit forecast and projection are not disclosed in this Prospectus.

2. SUMMARY INFORMATION (Cont'd)

2.14 Dividend Policy

The Company has not declared or paid any dividends since its incorporation. However, going forward, the Company will make it a policy to recommend dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for future growth of the Group.

The declaration, amount and payment of final dividends are subject to the approval by the shareholders of the Company on recommendation by the Board of Directors of the Company and the pay-out ratio will depend on the Group's operations results, financial conditions, cash requirements and other factors deemed relevant by the Board of Directors of the Company.

Investors should note that all the foregoing statements are merely statements of the Company's present intention, thus are not legally binding statements in respect of the Company's future dividends intention and are subject to modification at the sole and absolute discretion of the Board of Directors of the Company.

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3. PARTICULARS OF THE PUBLIC ISSUE

3.1 Introduction

This Prospectus is dated 9 August 2005.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has been lodged with the ROC who takes no responsibility for its content.

Approval has been obtained from the SC on 18 April 2005 for the Public Issue. Approval in-principle has also been obtained from Bursa Securities on 5 July 2005 for the listing of and quotation for the entire issued and paid-up share capital of Nextnation of 252,000,000 Nextnation Shares and for admission of Nextnation to the Official List of the MESDAQ Market, which are the subject of this Prospectus. The SC and Bursa Securities 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.

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

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Nextnation Shares as prescribed securities to be deposited with Bursa Depository. In consequence thereof, all the Nextnation 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.

An applicant for the Public Issue Shares must have a CDS account. 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 applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying 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. In the case of an application by way of Internet Share Application, only an applicant who is an individual with a CDS account and has an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution can make an Internet Share Application and the applicant shall furnish his/her CDS account number to the Internet Participating Financial Institution by way of keying his/her CDS account number on the online application form. A corporation or institution can neither apply for the Public Issue Shares by way of Electronic Share Application nor Internet 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 Nextnation's admission to the Official List of the MESDAQ Market. The Company is expected to achieve this at the point of the 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 Nextnation Shares will not have any other claims whatsoever against Nextnation 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 Nextnation. 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. Nextnation 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 the Applications, the Public Issue Shares shall be allocated in the following manner:-

(i) Eligible Directors, employees and business associates of the Nextnation Group

4,800,000 Public Issue Shares are reserved for the eligible Directors, employees and business associates that have contributed to the success of the Group. All of the 4,800,000 Public Issue Shares have been allocated to a total of thirty-three (33) eligible Directors, employees and business associates of the Group. The basis of allocation has taken into account various factors such as seniority and job performance of the eligible Directors and employees of the Group and the contribution of the business associates to the Group.

Details of the allocation to the eligible Directors are as follows:-

Name	Designation	Number of Public Issue Shares allocated
Tan Hui Ming	Executive Director	250,000
Yap Siok Teng	Independent Non-Executive Director	50,000
Natasha Binti Mohd. Zulkifli	Independent Non-Executive Director	50,000

(ii) Private Placement

24,000,000 Public Issue Shares are made available for application by the identified investors; and

(iii) Public

3,200,000 Public Issue Shares are made available for application by the public.

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

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 Underwriters 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 as irrevocable undertakings or confirmations have been obtained from all identified investors to subscribe to the Public Issue Shares.

The basis of allocation shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company to meet the public spread requirements, and to establish a liquid market in Nextnation Shares. To ensure compliance with the Listing Requirements, the final allocation to any single applicant shall not exceed 5% of the enlarged share capital of the Company upon listing, regardless of the number of Public Issue Shares applied for. Applicants will be selected in a manner to be determined by the Directors of the Company.

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

3.3 Share Capital and Rights Attaching to the Public Issue Shares

	RM
<i>Authorised</i>	
2,000,000,000 Nextnation Shares	<u>200,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
94,000,000 Nextnation Shares	9,400,000
<i>To be issued pursuant to the Public Issue</i>	
32,000,000 Nextnation Shares	3,200,000
<i>To be issued pursuant to the Bonus Issue</i>	
126,000,000 Nextnation Shares	12,600,000
<i>Enlarged issued and fully paid-up share capital</i>	
252,000,000 Nextnation Shares	<u>25,200,000</u>

There is only one (1) class of shares in Nextnation, 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 Nextnation 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 special rights attaching to any share which may be issued by Nextnation in the future, the shareholders of Nextnation shall, in proportion to the amount paid-up on the Nextnation Shares held by them, be entitled to share in the whole profits paid out by Nextnation 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 or by duly authorised representative and on a show of hands, every person present who is a shareholder or proxy or attorney or duly authorised representative 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 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 August 2005 and will close at 5.00 p.m. on 16 August 2005 or for such later date or dates as the Directors of Nextnation and the Underwriters may in their absolute discretion mutually decide. In the event that the Directors of Nextnation and the Underwriters decide to extend the closing date of the application, the notice of extension will be advertised in widely circulated daily newspapers within Malaysia, comprising one (1) Bahasa Malaysia and one (1) English newspapers, prior to the original closing date of the application. Following this, the dates for the balloting, despatch of notices of allotment and listing of and quotation for the entire issued and paid-up share capital of Nextnation on the MESDAQ Market of Bursa Securities would be extended accordingly. 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 August 2005
Closing of application	16 August 2005
Tentative balloting date	18 August 2005
Tentative date of despatch of notices of allotment to successful applicants	25 August 2005
Tentative listing date	26 August 2005

3.5 Purposes 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 Nextnation on the MESDAQ Market, which is expected to enhance the business profile and future prospects of the Group;
- (ii) to enable the Group to gain access to the Malaysian capital market to raise fresh equity funds for future expansion and growth, R&D and global marketing activities, details of which are elaborated in Section 3.7 below; and
- (iii) to provide an opportunity for the eligible Directors, employees and business associates of the Group as well as the public investors to participate in the equity and continuing growth of the Group.

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

3.6 Pricing of the Public Issue

The Issue Price of RM0.78 per Public Issue Share was determined and agreed upon by the Company and Affin Merchant as the 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
- (v) The Group's proforma consolidated audited NTA per share after the Public Issue of RM0.26 per share.

Investors are to take note that the Bonus Issue will be implemented prior to the official quotation of the entire enlarged issued and paid-up share capital of Nextnation on the MESDAQ Market. Based on the issue price of RM0.78 per Public Issue Share, the theoretical ex-bonus price will be RM0.39 per Nextnation 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 Nextnation 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 RM24,960,000 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 Nextnation 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	Expected time frame for utilisation		
		For the financial year ending 30 April		
		2006 RM'000	2007 RM'000	2008 RM'000
Capital expenditures ⁽¹⁾	4,000	2,400	1,200	400
Working capital ⁽²⁾	2,060	2,060	-	-
R&D expenditures ⁽³⁾	4,800	1,300	1,600	1,900
Advertising and promotions ⁽⁴⁾	7,500	3,150	4,350	-
Overseas expansion ⁽⁵⁾	4,800	700	1,800	2,300
Estimated listing expenses ⁽⁶⁾	1,800	1,800	-	-
Total	24,960	11,410	8,950	4,600

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

Notes:-

(1) Capital expenditures

The Group will allocate RM4.0 million to upgrade its existing servers, computer equipment and software as well as overseas office setup, servers, computers, furniture and fittings. The additional application software will enable the Group to meet the increasing demand for the Group's wireless value-added developer solution service division due to its expansion plans. The Group intends to set up a technical customer support division for mCommerce-Suit in Malaysia to further capture market share.

(2) Working capital

The Group will allocate RM2.06 million to meet its working capital requirements, mainly to finance its operating expenses.

(3) R&D expenditures

The Group intends to allocate RM4.8 million for R&D of the next generation of MINDCEPT™ platform, which produces powerful applications and up to date intelligent application modules to support the latest mobile devices being rolled out by manufacturers and technological advances adopted by the Celcos. The proceeds will also be used for recruitment of additional technicians, programmers and engineers.

(4) Advertising and promotions

The Group will allocate RM7.5 million for its marketing campaigns to establish market opportunities, advertisement and branding exercises for its products and services in Malaysia and abroad as the Group's sales are mainly driven by the intensity of its promotional activities of the Group.

(5) Overseas expansion

The Group will allocate RM4.8 million for overseas expansion. The allocated funds are to be applied towards building market presence of the Group's wireless value-added developer solution services and mCommerce-Suit in countries that the Group intends to penetrate into in the future. Furthermore, the allocated funds will also be utilised to establish joint ventures in other countries in the region or for any future acquisition of viable companies and businesses with the aim of becoming the leading mobile multimedia ASP company in the Asia Pacific region. The funds will be placed in fixed deposits until eventually utilised for the disclosed purposes. The breakdown of the utilisation for overseas expansion is as follows:-

Item	Utilisation RM'000	Remark
Licensing fees	264	Obtain necessary licenses to operate the business in the respective countries.
Rental, utilities and other overheads	2,322	Rental and utilities advances and payment for overseas premises.
Advertising	2,214	Branding and marketing activities to promote the Group's products and services.
Total	4,800	

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

(6) *Estimated listing expenses*

The estimated listing expenses of RM1.80 million consist of the following:-

	RM'000
<i>Professional fees</i>	700
<i>Advertising and promotional costs</i>	100
<i>Printing of Prospectus</i>	100
<i>Underwriting, placement and brokerage fees</i>	500
<i>Bursa Securities' fees</i>	35
<i>SC's perusal fees</i>	20
<i>SC's Prospectus perusal and registration fees</i>	15
<i>Issuing house</i>	100
<i>Miscellaneous/contingencies</i>	230
Total	<u>1,800</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 capital investment, working capital, R&D activities, advertising and promotions activities and overseas expansion are expected to enhance the earnings and improve the cash flow position of the Nextnation Group in the future.

3.9 Brokerage, Underwriting Commission and Placement Fee

(i) **Brokerage**

Brokerage fee is payable by the Company in respect of 3,200,000 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**

The Underwriters have agreed to underwrite 8,000,000 Public Issue Shares to be made available for subscription by the eligible Directors, employees and business associates 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 24,000,000 Public Issue Shares which are made available for the identified investors at the rate of 1.5% 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 29 July 2005 between Nextnation and the Underwriters to underwrite 8,000,000 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 Underwriters under the Underwriting Agreement shall be conditional upon:-

- (a) the SC having approved the Prospectus and Bursa Securities having agreed in principle on or prior to the listing of and quotation for all the issued and paid-up ordinary share capital of the Company on the MESDAQ Market on terms satisfactory to the Underwriters and the Underwriters being reasonably satisfied that such listing and quotation will be granted two (2) market days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (b) there having been, as at any time hereafter up to and including the Closing Date (defined as the date on which the application for subscription of the Public Issue Shares will be closed), no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of the Company or its subsidiaries (which in the reasonable opinion of the Underwriters is or will be material in the context of the Public Issue) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in Clauses 3.1 and 3.2 of the Underwriting Agreement if they are repeated on and as of the Closing Date;
- (c) the issue and subscription of the Public Issue Shares in accordance with the provisions of the Underwriting Agreement is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (d) the Prospectus having been lodged with the ROC and registered with the SC;
- (e) all necessary approvals and consents required in relation to the Public Issue Shares including but not limited to governmental approvals having been obtained and are in full force and effect; and
- (f) all agreements/letters of undertaking in relation to the Private Placement in a form acceptable to the Underwriters have been duly executed before the issuance of the Prospectus.

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

(ii) Right to Terminate

In the event any of the conditions set out in Clause 4.1 of the Underwriting Agreement is not satisfied on or before the Closing Date, the Underwriters shall be entitled to terminate the Underwriting Agreement by notice given to the Company not later than the Closing Date and upon such termination, the Company and the Underwriters shall be released and discharged from their respective obligations under the Underwriting Agreement provided that the Company shall remain liable for the payment of the Underwriting Commission and of all other costs and expenses including but not limited to those referred to in Clause 14.1 of the Underwriting Agreement. The Underwriters reserve the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriters' rights under the Underwriting Agreement.

(iii) Termination of the Underwriting Agreement by the Underwriters

Notwithstanding anything contained in the Underwriting Agreement, the Underwriters may at any time be entitled to terminate their obligations under the Underwriting Agreement with a notice in writing delivered to the Company on the occurrence of all or any of the following matters, on or before the Closing Date if the success of the Public Issue is, in the opinion of the Underwriters, seriously jeopardised by:-

- (a) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriters seriously affects or will seriously affect the business and/or financial position of the Company or any of its subsidiaries;
- (b) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters 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);
- (c) 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 opinion of the Underwriters 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 and/or its subsidiaries;
- (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the MESDAQ Market due to exceptional financial circumstances or otherwise;
- (e) there having been on or prior to the Closing Date and in the reasonable opinion of the Underwriters, 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 and/or its subsidiaries from that set out in the Prospectus which is material in the context of the offering of the Public Issue Shares there under 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;
- (f) any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) 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)

- (g) the Composite Index of Bursa Securities falling below the benchmark of 700 points for at least five (5) consecutive market days on or prior to the Closing Date.

On delivery of such a notice by the Underwriters to the Company and confirmation of such a notice by hand or facsimile, the Underwriting Agreement shall be terminated and the Underwriters and the obligations of the Underwriters under the Underwriting Agreement shall be discharged accordingly. In the event of any such termination under Clause 13 of the Underwriting Agreement, the Company shall bear all the costs and expenses incurred under 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 investments. 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) Short Operating Track Record

NN was incorporated on 20 April 2000 and the commercialisation of SOHOMOBILE™ was only started in the second quarter of 2003. Notwithstanding its short operating track record, the Group is profitable and the Directors of Nextnation believe that the Group should be able to maintain its record of profitability in the foreseeable future as the Group has been managed by a dynamic, experience and proactive management team and the team’s continuing contributions is critical to ensure the success of the Group in the future.

(ii) Risks Relating to Impairment Loss on R&D Expenditures

R&D expenditures include R&D staff cost and group or divisional assets such as research centres and IT equipment.

The Group undertakes R&D on its products and services that they have identified as having good commercial potential. There is no assurance that the Group will be able to successfully develop new products or services and when launched, will be successful. If the Group’s products and services are unable to gain market acceptance and cannot generate future revenue, there may be a need to write off such R&D costs, which will have a material adverse effect on the business, operating results and financial conditions of the Group.

The Group reviews its carrying values of R&D expenditures periodically for impairment when there is an indication that the assets might be impaired. If there is an indication that the R&D expenditures may be impaired, recoverable amount is determined from the cash generating unit to which the asset belongs, compared to the carrying amount of this cash generating unit and any impairment loss is recognised immediately in the income statement.

(iii) Dependence of Third Party Gateway Provider

Besides its own gateway, the Group is currently also using third party gateway providers for its products and services as back-up and to diversify the downtime risks. If the Group’s relationships with the gateway providers are terminated, curtailed or renewed on terms that may be unfavourable to the Group, they may have an adverse effect on the financial condition and results of the operations of the Group. However, the Group can mitigate the risk by utilising other gateway providers by entering into mutual agreements.

4. RISK FACTORS (Cont'd)

(iv) Dependence on Revenue Sharing Arrangements with Users and Celcos

The Group is currently dependent on the revenue sharing agreements with the users of its platform and applications and the Celcos. If the Group's existing relationships with them are terminated, curtailed or renewed on terms that may be unfavourable to the Group, including the reduction of revenue shared by to the Group, the Group's business will suffer, which could have an adverse effect on the Group's business, operating results financial condition and consolidated revenue.

To reduce this inherent risk, the Group tied up with all local Celcos and many Partners in order to be not dependent on a single Celco or Partner. In addition, by expanding into overseas market, the Group could tie up with more Celcos and Partners to diversify this risk.

(v) Risks Associated with Security and System Disruption

The Group's revenue is dependent on the reliability of development and maintenance of its mobile messaging gateway, network and leased line infrastructure. The mobile messaging gateways 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 Nextnation Group did not experience any major disruption in business arising from systems disruptions for the past twelve (12) months prior to the Latest Practicable Date. The Group does not foresee that there shall be any major disruption to the systems which shall materially affect the Group's operations.

In addition, preventive maintenance activities, including routine checks, simulation tests, system failure tests and continuous upgrading of system to meet demand are carried out regularly on the Group's systems to ensure that the Group's systems are always at its tip top conditions and levels. Notwithstanding this, there is no assurance that the systems disruptions will not occur which may materially affect the Group's business.

To reduce this inherent risk, routine backups are performed to ensure that data and information will be restored without major disruption in the event of disaster. In addition, firewall is installed to prevent intrusion from hackers through filtering and monitoring of all in-coming and out-going data and information. Despite efforts and security measures taken by the Group, the Group cannot assure that unauthorized access, computer viruses, accidental or intentional actions and other disruptions will not occur. In addition, advances and development in computer capabilities may result in a compromise and breach of the technology the Group uses to protect confidentiality of data stored for its customers or end-users.

(vi) Dependence on Billing Systems

As the Celcos will collect the fees from the users on behalf of the Group, the Group is currently dependent on Celcos' billing systems and records on the volume of the services provided. As a result, the reliability of the billing systems and non-inclusion/availability of Celcos' systems in the Group's products may affect the revenue of the Group.

The Group's MINDCEPT™ platform is equipped with built-in billing system with cross monitoring tools that will verify the data sent and received through the Celcos' network. All reports received from the Celcos will be verified by the Group to ensure minimal variances. Any major variance will be reported to Celcos for verification. Notwithstanding this, as this is an inherent risk of the industry, there is no assurance that major dispute will not occur which may materially affect the Group's revenue.

4. RISK FACTORS (Cont'd)

(vii) Competitive Risks

The mobile multimedia ASP industry is competitive and rapidly changing. There is minimal hindrance to prevent new players from entering the industry. Once the mobile services market is large enough, competitors may also be likely to mimic the products and services offered by the Group. In addition, similar technology could arise from software (middleware) players as well. While the Group believes that it is currently one of the market leaders in the development of wireless developer solutions and services in Malaysia, the Group expects to encounter more competitors either locally or internationally in the future. Increased competition could result in reduction of margins due to reduction in pricing, or loss of market share, any one of which could 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, natural barriers exist such as the capital expenditure investment needed to research and develop the technology platform. Also, business/management knowledge is a barrier to entry as relationships and business models involving many stakeholders in the mobile industry take time to develop. Brand reputation is also a barrier to entry, when there are more established brands in the market, it becomes harder to compete.

Thus, the Group plans to raise barriers to entry through continuous investment in R&D in its mobile application platform and solutions. Continuous enhancement in products and R&D for newer technology will enable the Group to create product differentiation in its competitive market. Product differentiation will enable the Group to be in the forefront and thus providing the Group with an edge to counter the competition.

In addition, the Directors of the Company believe that the Group's ability to consistently deliver high quality products and services, such as fast response time, excellent after sales support, consistent and reliable products and services to its customers and Partners have enabled the Group in winning the trust and support of these parties.

(viii) Rapid Technological Changes

The mobile telecommunication industry is characterised by rapid changes in technology, frequent introduction of new products and enhancements, solutions and services and changing consumer needs, demands and preferences.

Due to the nature of the business, the key to the sustainable growth of the Group lies in its ability to continuously research and innovate on the latest wireless technologies. As a result of this, the Group is required to constantly keep abreast of the changes in technology in the industry in order to develop and provide the most up-to-date products and services to meet the customers' ever changing needs, demands and preferences for the latest inventions. If the Group is unable to develop new and innovative products, the Group may not be able to meet the changing demands of the customers, which might adversely affect the Group's financial and operating performance.

The Group has a proactive and vibrant in-house R&D team to constantly monitor the development and changing trends and needs of the industry in order to produce products that are in line with the technology and market trends. In addition, the Group has always work hand-in-hand with its Partners (including content developers, content aggregators and Celcos) to understand their changing needs and technology in order to enhance and develop products that are in line with their requirements.

4. RISK FACTORS (Cont'd)

(ix) Demand for Products

The Group's future results will substantially depend on market acceptance of the products and services it developed. A reduction in demand of the Group's existing or future products or an increase in competition in the market for these 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 Board of Nextnation expects that enhancements and improvements of products' features, timeliness in delivery to its customers, good technical service and after sales support should ensure continuous acceptance of products.

(x) Brand Awareness/Loyalty

The continued success of the Group is dependent on the continued awareness, loyalty and goodwill associated with the branding. The brands of the Nextnation Group such as "MINDCEPTM", "SMSJETTM", "SOHOMOBILETM" and "mCommerceTM" play vital roles in ensuring the continued success as consumers would unconsciously favour a brand for its reliability and quality.

The Group's competitive advantages that distinguish itself from other ASPs are mainly on platform capabilities and target market. The Group's ability to survive and excel in this highly competitive industry will mainly be due to the Group's strong business sense with customers and market focus as well as strong people competency with cohesive teamwork.

The Group has some advantage over other brands in its ability to provide a "one-stop" mobile multimedia ASP solutions. In addition, the technical know how of the Group provides an edge in its flexibility to tailor its products according to the requirements of its customers to better suit the consumers' preferences. As such, the Group believes it will be able to build up its brand and compete based on product innovation and customisation on top of its excellent customer service.

(xi) Dependence on Celcos' Telecommunication Infrastructure

The Nextnation Group is dependent on the Celcos' infrastructures as their products and services are delivered to the end users through the Celcos' infrastructures. The technology development and services innovation of the Group is also partially dependent on the technology level of the Celcos' infrastructure and the future direction of the Celcos' future technology development.

Thus, resource allocation for new developments, may it be hardware or software, is dependent on how much the Celcos are willing to open up their infrastructure and should be prioritised accordingly. The Group fully understands the risk of this dependency and has maintained a close relationship with all these three (3) major Celcos, namely, Maxis, Celcom and DiGi to keep abreast with their technology developments and directions including platform testing and new services trial runs.

4. RISK FACTORS (Cont'd)

(xii) Foreign Investment Risks

As part of the Group's future expansion plans, the Group intends to expand its business in Singapore, Indonesia and Thailand. Furthermore, the Group plans to expand its business to China. Such expansion may involve significant risks including, but not limited to, the cost of setting up overseas offices, investment in fixed assets, uncertainties in the foreign countries regulatory requirements, fluctuations in currency exchange rates, imposition of control on currency exchange, uncertainties in operational issues and restrictions on the import and export of certain sensitive technologies, etc.

The Group's current revenue is generated from the local market, therefore there is no foreign exchange risk. However, the Group is in the process of expanding to overseas, as such there is a potential that the Group will be exposed to foreign exchange risk in the future due to its expansion plans. The Group may, as a mitigating factor, use various hedging techniques to mitigate these risks. However, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not have an impact on the revenue and earnings of the Group.

(xiii) 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 its key personnel. The loss of which, without replacement of similar or higher calibre, could adversely affect the Group's financial and operational performance. Thus, the Group mitigates the risk of losing highly skilled personnel through attractive and competitive remuneration packages and clearly articulated career development plan. In addition, the Group will continuously invest in on-going external and internal 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.

(xiv) Insurance Risks

The management of the Nextnation 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.

(xv) 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. There can be no assurance that the Group's performance or financial condition will not be affected by any change in any such condition.

4. RISK FACTORS (Cont'd)

(xvi) Regulatory Risks

The Group is operating in the mobile telecommunication applications industry which is subject to the supervision by the regulatory authorities which include MCMC. The regulations set out by the authorities may be subject to change which may affect certain operations of the Group.

NN, DM and KE's ASP Class licences issued under the Malaysian Communications and Multimedia Act, 1998 by MCMC are going to expire on 13 June 2006, 17 February 2006 and 25 February 2006, respectively. The licences permit NN, DM and KE to provide application services in Malaysia. These licences are renewable annually upon expiry subject to continued compliance with the stipulated terms. NN, DM and KE will ensure that they will continue to fulfill the requirements and terms of the licences to the satisfaction of MCMC.

Apart from the legislation and regulations governing the telecommunications industry in Malaysia, the business activities of the Group in Malaysia are not subject to any other specific legislation or regulations. However, there can be no assurance that future legislative or regulatory policy changes will not affect the operations of the Group, particularly, the change to the legislation governing the telecommunications industry which may affect the Group.

4.2 Investment Risks**(i) No Prior Market for the Nextnation Shares**

Prior to the Listing, there has been no prior public market for the Nextnation Shares. The price at which the Nextnation Shares will trade on the MESDAQ Market upon or subsequent to the listing will be dependent upon market forces that are beyond the control of the Group. There can be no assurance that an active trading market will develop for the Nextnation Shares or if developed, that such market will be sustained or that the Nextnation Shares will trade in the public market subsequent to the Listing at attractive prices.

The Group believes that a variety of factors could cause the price of the Nextnation Shares to fluctuate, including sales of substantial amount of the Nextnation 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 world economy, industry and market conditions, announcement of new products or product enhancements by the Group or its competitors and development of patent, copyright or other intellectual property rights 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 the Nextnation Shares. Such fluctuations may adversely affect the market price of the Nextnation Shares following the Listing.

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4. RISK FACTORS (Cont'd)

(ii) Ownership and Control by the Substantial Shareholders

Upon completion of the Issues, the substantial shareholders of the Company, namely Tey Por Yee, See Poh Yee, Tey Por Chen and Smart Tower, will collectively hold, directly and indirectly, 74.6% of the issued and paid-up share capital of Nextnation. Therefore, they will be able to influence the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities. Nevertheless, Nextnation 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.

(iii) 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.

(iv) Termination of the Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriters if the Underwriters have 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 under "Termination" clause of this Prospectus.

No assurance can be given that the Underwriters will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 3.10 under "Termination" clause 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 without interest.

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4. RISK FACTORS (Cont'd)

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, barring unforeseen circumstances, the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct. 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 exercise:-

- (a) the identified investors fail to subscribe for their portion of the Public Issue Shares to be placed to them;
- (b) the Underwriters exercises their rights pursuant to the termination clause pursuant to the Underwriting Agreement, which are set out in Section 3.10 under "Termination" clause 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 two hundred (200) public shareholders (including employees).

(iii) Change or Loss of MSC Status

NN was awarded the MSC status on 26 May 2004 by MDC. As a MSC status company, NN enjoys certain financial and non-financial incentives which are guaranteed under the Malaysian Government's Bill of Guarantees for MSC status companies.

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 NN's MSC status at any time at its discretion. Should in any unforeseen circumstance MDC decides to revoke its MSC status, NN will no longer enjoy the benefits accorded to MSC status companies, including its pioneer status, thus will then be liable to pay statutory income tax.

(iv) Intellectual Property Rights

The Group has applied for the registration of MINDCEP™, SOHOMOBILE™, SMSJET™ and mCommerce™ brands. The Group relies on the trademarks to establish and protect its brands.

However, existing patent, copyright, trademark and trade secrets laws afford only limited protection. As such, there can be no assurance that the Group will be able to protect its intellectual property rights against unauthorised third party copying, use or exploitation, any of which could have a material adverse effect on the Group's reputation, business and financial performance.