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Ygl Convergence Berhad

Company Number: 649013-W (Incorporated in Malaysia under the Companies Act, 1965)

Meet in One Value

PUBLIC ISSUE OF 8,400,000 NEW ORDINARY SHARES OF RM0.10 EACH IN YGL CONVERGENCE BERHAD ("YGL CONVERGENCE") COMPRISING:-

- 5,560,000 NEW ORDINARY SHARES OF RM0.10 EACH BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED PUBLIC INVESTORS;
- 2,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY PUBLIC; AND
- 840,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF YGL CONVERGENCE AND ITS SUBSIDIARY COMPANIES

AT AN ISSUE PRICE OF RM0.90 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION
AND

OFFER OF EMPLOYEE SHARE OPTION SCHEME OPTIONS IN YGL CONVERGENCE TO ITS NON-EXECUTIVE DIRECTORS

AND

BONUS ISSUE OF 33,400,000 NEW ORDINARY SHARES OF RM0.10 EACH IN YGL CONVERGENCE TO BE CREDITED AS FULLY PAID-UP TO THE SHAREHOLDERS OF YGL CONVERGENCE ON THE BASIS OF ONE (1) NEW ORDINARY SHARE OF RM0.10 EACH FOR EVERY ONE (1) EXISTING ORDINARY SHARE OF RM0.10 EACH HELD IN YGL CONVERGENCE AFTER THE PUBLIC ISSUE

IN CONJUNCTION WITH YGL CONVERGENCE'S LISTING ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" IN SECTION 3 OF THIS PROSPECTUS.

Adviser, Underwriter & Placement Agent



This Prospectus has been seen and approved by the Directors and Promoters of Ygl Convergence Berhad ("Ygl Convergence" or "the Company") and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

K & N Kenanga Bhd ("Kenanga"), being the Adviser, Underwriter and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Issue and offer of Employee Share Option Scheme ("ESOS") Options to Ygl Convergence's Non-Executive Directors ("Offer") (as defined in this Prospectus).

The Securities Commission ("SC") has approved the issue, offer or invitation in respect of the Public Issue and the Offer and that the approval shall not be taken to indicate that the SC recommends the Public Issue and the Offer.

The SC shall not be liable for any non-disclosure on the part of the Company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

Bursa Malaysia Securities Berhad ("Bursa Securities") shall not be liable for any non-disclosure on the part of the corporation and takes no responsibility for the contents of this Prospectus, makes no representation as to its correctness or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of the invitation, the Company or of its securities.

A copy of this Prospectus together with the forms of application, have been registered by the SC and lodged with the Registrar of Companies who takes no responsibility for its contents.

Characteristics of the MESDAQ Market of Bursa Securities ("MESDAQ Market"):-

Investors should be aware that the MESDAQ Market is a distinct market from the Main and Second Boards Bursa Securities in many respects. In particular, companies listed on the MESDAQ Market are subject to different quantitative and qualitative requirements, which have been primarily designed to accommodate high-growth and/or technology companies. Companies that are listed on the MESDAQ Market may not have an operating history or any profit track record prior to listing. As such, whilst potential investment returns may be relatively high, companies listed on the MESDAQ Market may be of higher investment risk. The regulatory philosophy underlying the MESDAQ Market is that the market should be allowed to determine the merits of the securities/instruments in a particular company. Hence, as with all investments, prospective investors should be aware of all potential risks in investing in such companies and should make the decision to invest after due and careful consideration by referring to, amongst others, the prospectus, latest financial statements and corporate announcements. In this respect, advice from a securities professional/adviser is strongly recommended.

The Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

IMPORTANT DATES

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

Event	Tentative Date
Issue of Prospectus	17 June 2005
Opening date of application for Public Issue Shares	17 June 2005
Closing date of application for Public Issue Shares	27 June 2005
Balloting of application	29 June 2005
Tentative date for despatch of notices of allotment of the Public Issue Shares to successful applicants	7 July 2005
Tentative listing date	8 July 2005

SAVE FOR THE OPENING DATE OF THE APPLICATION FOR PUBLIC ISSUE, THE ABOVE DATES ARE TENTATIVE AND ARE SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION FOR THE PUBLIC ISSUE SHARES WILL CLOSE AT THE DATE STATED ABOVE OR AT SUCH LATER DATE OR DATES AS THE BOARD OF DIRECTORS OF YGL CONVERGENCE AND KENANGA AT THEIR ABSOLUTE DISCRETION MAY JOINTLY DECIDE. ANY CHANGES TO THE APPLICATION PERIOD FOR THE PUBLIC ISSUE SHARES WILL BE NOTIFIED TO THE PUBLIC VIA AN ADVERTISEMENT IN A WIDELY CIRCULATED ENGLISH AND BAHASA MALAYSIA NEWSPAPER IN MALAYSIA.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall apply throughout:-

Acquisitions	: Collectively, Acquisition of Ygl Consulting and Acquisition of Ygl Multimedia
Acquisition of Ygl Consulting	: Acquisition by Ygl Convergence of 100.0% equity interest in Ygl Consulting for a total purchase consideration of RM2,199,998 satisfied entirely by the issue of 21,999,980 new Ygl Convergence Shares at par
Acquisition of Ygl Multimedia	: Acquisition by Ygl Convergence of 100.0% equity interest in Ygl Multimedia for a total purchase consideration of RM300,000 satisfied entirely by the issue of 3,000,000 new Ygl Convergence Shares at par
Act	: The Companies Act, 1965, as amended from time to time, and any re-enactment thereof
ADA	: Authorised Depository Agent
ATM	: Automated teller machine
Application Form	: Printed application form for application of the Public Issue Shares
ASEAN	: Association of Southeast Asian Nations member countries
Available Balance	: The unissued share capital of the Company which is available for the offer of further Options subject to the limit set out in the Bylaws and after deducting all Options which have been offered and accepted
Board	: Board of Directors of Ygl Convergence
Bonus Issue	: Bonus issue of 33,400,000 new Ygl Convergence Shares to be credited as fully paid-up to the shareholders of the Company on the basis of one (1) new Share for every one (1) existing Share held after the Public Issue. The Bonus Issue will be completed prior to the Listing.
Bonus Shares	: The 33,400,000 new Shares to be issued pursuant to the Bonus Issue
Bursa Depository	: Bursa Malaysia Depository Sdn. Bhd. (<i>Formerly known as Malaysian Central Depository Sdn Bhd</i>)
Bursa Securities	: Bursa Malaysia Securities Berhad
Business Intelligence	: Software for report generating, processing and distribution that may be deployed by users to create their own customized reports for management decision purposes
Bylaws	: The rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with the Bylaws)
CDS	: Central Depository System

DEFINITIONS (Cont'd)

CRM	: Customer Relationship Management
Date of Expiry	: The last day of the duration of the Scheme as defined in the Bylaws
Date of Offer	: The date on which an Offer is made by the Option Committee to an Eligible Person in the manner provided in the Bylaws
Director	: A natural person who holds a directorship in an executive or non-executive capacity in any company in the Group
EBITDA	: Earnings before interest, tax, depreciation and amortisation
Effective Date	: The date of full compliance with all relevant requirements for the Scheme under the Listing Requirements for the implementation of the Scheme
Electronic Share Application	: Application of the Public Issue Shares through a Participating Financial Institution's ATMs
Eligible Person	: An Employee or Director who is designated in writing by the Option Committee to be an Eligible Person as described in the Bylaws, and falling within any of the categories of Eligible Persons as set out in the Bylaws
ERP	: Enterprise Resource Planning
Employee	: A natural person who is employed by and on the payroll of any company in the Group. Employees include Executive Directors
EPS	: Earnings per share
ESOS or the Scheme	: Employee Share Option Scheme for the granting of Option to Eligible Persons to subscribe for Scheme Shares in accordance with the terms and conditions as set out in the Bylaws
Foreign Employee	: An Employee or Director of the Group who is not a Malaysian citizen
FYE	: Financial Year Ended / Ending
GDP	: Gross Domestic Product
Grantee	: An Eligible Person who has accepted an Offer in the manner provided in the Bylaws
ICT	: Information and communications technology
IDC	: International Data Corporation, an IT and media research firm
IRB	: The Inland Revenue Board, Malaysia or Lembaga Hasil Dalam Negeri
Issues	: Collectively, Public Issue and Bonus Issue
Kenanga	: K & N Kenanga Bhd (15678-H)

DEFINITIONS (Cont'd)

Listing	:	Initial listing of and quotation for Ygl Convergence's entire enlarged issued and paid-up share capital comprising 66,800,000 Ygl Convergence Shares on the MESDAQ Market
Listing Requirements	:	The Listing Requirements of Bursa Securities for the MESDAQ Market
Listing Scheme	:	Collectively, the Acquisitions, Public Issue, Bonus Issue, Listing and ESOS
Market Day	:	Any day between Monday and Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for the trading of securities
Maximum Entitlement	:	The maximum number of Options that can be offered to an Eligible Person as stipulated in the Bylaws
MDC	:	Multimedia Development Corporation Sdn. Bhd.
MESDAQ Market	:	MESDAQ Market of Bursa Securities
MIH	:	Malaysian Issuing House Sdn. Bhd.
MITI	:	Ministry of International Trade and Industry
NTA	:	Net tangible assets
Offer	:	A written offer made by the Option Committee to an Eligible Person in the manner provided in the Bylaws
Option	:	The right of a Grantee to subscribe for one (1) new Ygl Convergence Share pursuant to the contract constituted by acceptance by the Grantee in the manner provided in the Bylaws of an Offer made to such Grantee by the Option Committee pursuant to the Bylaws
Option Committee	:	A committee comprising directors and/or senior management personnel appointed by the board to administer the Scheme
Option Period	:	A period commencing from the Date of Offer and expiring on the Date of Expiry of the Scheme as provided in the Bylaws. In the event that the duration of the Scheme shall be extended, the Date of Expiry of the Scheme shall be the date of expiry as so extended
Participating Financial Institution(s)	:	Participating Financial Institutions for Electronic Share Application as listed in Section 17 of the draft Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation
Promoter (s)	:	A person who has an interest directly or indirectly in one or more voting shares in the Company, and who can exercise control or influence over the management of the Company at the time of the Company's admission to MESDAQ Market. The Promoters of the Company are Yeap Kong Chean and Yeap Kong Tai

DEFINITIONS (Cont'd)

Public	:	Individuals, companies, societies, co-operatives and institutions with its correspondence address in Malaysia
Public Issue	:	The public issue of 8,400,000 new Shares in Ygl Convergence representing 25.14% of the enlarged issued and paid-up share capital of Ygl Convergence at an issue price of RM0.90 per Share to eligible directors and employees and business associates of Ygl Convergence Group and the Public
Public Issue Shares	:	The 8,400,000 new Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of the Prospectus
RM and sen	:	Ringgit Malaysia and sen respectively
ROC	:	Registrar of Companies
R&D	:	Research and Development
Scheme Shares	:	Ordinary shares of RM0.10 each in the Company to be allotted and issued under the Scheme
Selected Employee	:	An Eligible Person who has been selected by the Option Committee and to whom an Offer has been made by the Option Committee in accordance with the terms of the Scheme
ServiceERP Solutions	:	Development and sale of proprietary corporate applications software to the service industry, i.e. industries involved in providing and/ or selling professional services as opposed to goods
SICDA	:	Securities Industry (Central Depository) Act, 1991
SME	:	Small and Medium Enterprise
SPA	:	Share purchase agreement
TAXCOM	:	Collectively, TAXCOM C+ and TAXCOM B+
Tier 1	:	A market where the cost of the project is normally above RM1.0 million for the overall investment in software and hardware and implementation services
Tier 2	:	A market where traditional mid-market players compete. The project cost normally ranges between RM50,000 and RM300,000, inclusive of software and hardware and implementation services
Tier 3	:	A market where vendors offer off-the-shelf standalone applications targeting small and medium size companies, with little add-on functionalities. Applications are usually priced between RM500 to RM2,499, inclusive of software and training.
THB	:	Thai Baht
Underwriting Agreement	:	Underwriting agreement dated 3 June 2005 entered into between the Company and Kenanga for the underwriting of 2,840,000 Public Issue Shares

DEFINITIONS (Cont'd)

USD	:	United States Dollar
Value Added Solutions	:	Development of specialized and add-on software solutions to support the World Class ERP Solutions
World Class ERP Solutions	:	Third party internationally distributed ERP solutions which are supported by the Ygl Convergence Group, namely Baan, Great Plains, ACCPAC
Ygl Consulting	:	Ygl Consulting Sdn Bhd (Company No: 036926-U)
Ygl Consulting (Thailand)	:	Ygl Consulting Thailand Co., Ltd (Company No.10454501446)
Ygl Convergence or Company	:	Ygl Convergence Berhad (Company No: 649013-W)
Ygl Convergence Share(s) or Share(s)	:	Ordinary shares of RM0.10 in Ygl Convergence
Ygl Convergence Group or Ygl or Group	:	Ygl Convergence, Ygl Consulting, Ygl Multimedia and Ygl Consulting (Thailand)
Ygl Multimedia	:	Ygl Multimedia Resources Sdn Bhd (Company No: 630309-M), an MSC status company

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CORPORATE DIRECTORY

DIRECTORS

Name	Address	Occupation	Nationality
Yeap Kong Chean <i>Chief Executive Officer</i>	17, Jalan Pinhorn, 11600 Pulau Pinang	Company Director	Malaysian
Yeap Kong Tai <i>Chief Operating Officer</i>	10, China Street, 10200 Pulau Pinang	Company Director	Malaysian
Sarina Bt A. Karim <i>Non-Executive Director</i>	No 75, USJ 11/3L UEP, 47620 Subang Jaya Selangor	Company Director	Malaysian
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan <i>Independent Non-Executive Director</i>	No 26, Lorong Limau Manis 2, Bangsar Park 59000 Kuala Lumpur	Company Director	Malaysian
Chong Kai Min <i>Independent Non-Executive Director</i>	B1001, Block B, Prima 16 1 Jalan 16/18 46350 Petaling Jaya Selangor	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	Chairman of the Committee	Independent Non-Executive Director
Chong Kai Min	Member of the Committee	Independent Non-Executive Director
Yeap Kong Tai	Member of the Committee	Chief Operating Officer

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CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES	:	Ooi Eng Choo [BC/O/102] 17, Jalan Pinhorn, 11600 Pulau Pinang
REGISTERED OFFICE	:	10, China Street 10200 Pulau Pinang Tel No.: 04-261 0619 Fax No.: 04-262 5599
HEAD OFFICE	:	16, China Street 10200 Pulau Pinang Tel No.: 04-261 0619 Fax No. :04-262 5599 Web site: www.ygl.com.my
AUDITORS AND REPORTING ACCOUNTANTS FOR YGL CONVERGENCE	:	Moore Rowland Wisma Selangor Dredging 7 th Floor, South Block, 142-A Jalan Ampang 50450 Kuala Lumpur Tel No.: 03-2161 5222 Fax No.: 03-2161 3909
AUDITORS FOR YGL CONSULTING	:	K. B. Wong & Co 2-5-33, Harbour Trade Centre No. 2, Gat Lebu Macallum 11300 Pulau Pinang Tel No.: 04-262 1394 Fax No.: 04-261 5215
AUDITORS FOR YGL MULTIMEDIA	:	Lim Kuang Hee & Associates 190 2 nd Floor, Jalan Tembikai Taman Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-539 6545 Fax No.: 04-539 7929
SOLICITORS FOR THE LISTING	:	Shearn Delamore & Co 7 th Floor, Wisma Hamzah-Kwong Hing No 1, Leboh Ampang 50100 Kuala Lumpur Tel No.: 03-2070 0644 Fax No.: 03-2078 5625
REGISTRAR	:	Securities Services (Holdings) Sdn Bhd Suite 18.05, MWE Plaza, No. 8, Lebu Farquhar, 10200 Pulau Pinang Tel No.: 04-263 1966 Fax No.: 04-262 8544

CORPORATE DIRECTORY (Cont'd)

<i>ADVISER, UNDERWRITER AND PLACEMENT AGENT</i>	:	K & N Kenanga Bhd 801, 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No.: 03-2164 6689 Fax No.: 03-2164 6690
<i>ISSUING HOUSE</i>	:	Malaysian Issuing House Sdn Bhd 27 th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No.: 03-2693 2075 Fax No.: 03-2693 0858
<i>PRINCIPAL BANKERS</i>	:	Hong Leong Bank Berhad (97141-X) No 1 Light Street, Georgetown, 10200 Pulau Pinang Tel No.: 04-261 5022 Fax No.: 04-262 6360
	:	Southern Bank Berhad (5303-W) 43, Lebuh Pantai 10300 Pulau Pinang Tel. No.: 04-226 1822 Fax No.: 04-226 7822
<i>LISTING SOUGHT</i>	:	MESDAQ Market of Bursa Securities

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PRELIMINARY

This Prospectus is dated 17 June 2005.

A copy of this Prospectus together with the forms of application, have been registered by the SC and lodged with the ROC, who takes no responsibility for its contents.

Approval has been obtained from the SC on 24 March 2005 for the admission to the Official List of the MESDAQ Market and for the quotation for the entire enlarged issued and paid-up Ygl Convergence Shares including the Public Issue Shares which are the subject of this Prospectus. Approval in-principle has been obtained from Bursa Securities on 15 June 2005 for the admission of Ygl Convergence to the Official List and for the listing of and quotation for the entire enlarged issued and paid-up Ygl Convergence Shares on the MESDAQ Market and for the ESOS. These Ygl Convergence Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after 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.

Pursuant to the Listing Requirements for the MESDAQ Market, the Company needs to have at least 25% but not more than 49% of the issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 shareholders. The Company is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with its listing plan. In the event thereof, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed Ygl Convergence Shares as prescribed securities. In consequence thereof, all the Ygl Convergence Shares including the Ygl Convergence Shares to be issued and offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the SICDA and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

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 Ygl Convergence. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create an implication that there has been no change in the affairs of Ygl Convergence since the date thereof.

The distribution of this Prospectus and the sale of the Public Issue Shares will not be registered under any possible securities legislation of any jurisdiction except Malaysia and the Public Issue Shares will not be placed out in any country other than Malaysia. Persons into whose possession this Prospectus may come 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 of an offer to buy any Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The written consents of the Adviser, Underwriter, Placement Agent, Auditors of Ygl Convergence, Ygl Consulting and Ygl Multimedia respectively, Solicitors for the Listing, Registrar, Principal Bankers, Issuing House and Company Secretary to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report and their letters relating to the Proforma Balance Sheets as at 31 December 2004 in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

PRELIMINARY (Cont'd)

The written consent of IDC to the inclusion in this Prospectus of their name and extraction of information from its report done for Malaysia Packaged Software Industry Forecast, 2004-2009 in the manner and form in which such name and information appear, has been given before the issue of this Prospectus and have not subsequently been withdrawn.

The Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com

If you are in any doubt about this Prospectus, you should consult Kenanga, your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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