

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL

6.1 INFORMATION ON PROMOTERS / SUBSTANTIAL SHAREHOLDERS AND DIRECTORS

The Promoters, substantial shareholders and Directors of Ygl Convergence and their respective shareholdings in Ygl Convergence are as follows: -

Name	Nationality	Designation	Shareholdings							
			Before the Issues				After the Issues*			
			Direct	%	Indirect	%	Direct	%	Indirect	%
Promoters										
Yeap Kong Chean	Malaysian	Chief Executive Officer	11,666,667	46.67	-	-	23,333,334	34.93	-	-
Yeap Kong Tai	Malaysian	Chief Operating Officer	11,666,666	46.67	-	-	23,333,332	34.93	-	-
Substantial shareholders										
Yeap Kong Chean	Malaysian	Chief Executive Officer	11,666,667	46.67	-	-	23,333,334	34.93	-	-
Yeap Kong Tai	Malaysian	Chief Operating Officer	11,666,666	46.67	-	-	23,333,332	34.93	-	-
Sarina Bt A. Karim	Malaysian	Non-Executive Director	1,666,667	6.67	-	-	3,333,334	5.00	-	-
Directors										
Yeap Kong Chean	Malaysian	Chief Executive Officer	11,666,667	46.67	-	-	23,333,334	34.93	-	-
Yeap Kong Tai	Malaysian	Chief Operating Officer	11,666,666	46.67	-	-	23,333,332	34.93	-	-
Sarina Bt A. Karim	Malaysian	Non-Executive Director	1,666,667	6.67	-	-	3,333,334	5.00	-	-
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	Malaysian	Independent Non-Executive Director	-	-	-	-	40,000	0.06	-	-
Chong Kai Min	Malaysian	Independent Non-Executive Director	-	-	-	-	40,000	0.06	-	-

* Assumes that the Directors subscribe for their respective allocation of Public Issue Shares under pink form allocation but exclude ESOS allocation.

6.1.1 Profile and Track Record of Promoters of the Group

The profiles and track record of Promoters of the Group are outlined in Section 6.2 below.

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6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

6.2 PROMOTERS, DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(i) Profile

The profiles of the Board of Directors of Ygl Convergence are as follows: -

Yeap Kong Chean, aged 43, is the Chief Executive Officer of Ygl Convergence, appointed on 1 June 2005. He graduated with a Bachelor degree in Commerce from University of Melbourne in 1984, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia & the Malaysian Institute of Accountants. He commenced his career in 1985 with Ernst & Young Malaysia, and had spent seven (7) years in serving Ernst & Young Malaysia and Australia. He had consulted both local and foreign companies of various industries and sizes whilst with Ernst & Young. He was appointed as a consultant on advisory role with Ygl Consulting in 1993, assisting Ygl Consulting in business re-engineering and ERP deployment work.

Yeap Kong Tai, aged 42, is the Chief Operating Officer of Ygl Convergence, appointed on 1 June 2005. He graduated with a Bachelor of Commerce degree from University of Melbourne in 1985, with a double major in Accounting and Computer Science. He is an Associate member of the Institute of Chartered Accountant in Australia & the Malaysia Institute of Accountants. He commenced his career in 1986 with Price Waterhouse Malaysia and was subsequently seconded to Price Waterhouse Australia. Throughout the seven (7) years in Price Waterhouse, he had consulted a number of companies, both local and foreign of various sizes and industries. He joined Ygl Consulting in 1993 as a Director, initially overseeing the Consulting business, and thereafter directing the Group's own software development and deployment.

Sarina Bt A. Karim, aged 39, is a Non-Executive Director of Ygl Convergence, appointed on 1 June 2005. She has an M.A. Degree in Mathematics from the University of Cambridge, England and a Certified Diploma in Accounting and Finance ("CDipAF"). She is currently the Managing Director of StrataSKY Corporation Sdn Bhd, a company which she started up in 2003 to provide value-added consulting and operational assistance to companies in the areas of strategy, management, marketing and investments. Prior to starting up StrataSKY, she was the chief executive officer ("CEO") of MSC Venture Corporation Sdn Bhd ("MSCVC"), the first venture capital company in Malaysia to make early stage equity-based investments in the ICT sector. She was MSCVC's CEO from 1998 to 2003 as well as its Executive Director from 2001. In 2002, she concurrently held the position of Senior Vice President of Technopreneur Development in the MDC. For the first eight (8) years of her career, she worked in Malaysia's largest multinational conglomerate i.e. Sime Darby moving from actuarial work in their insurance sector to business development for their Malaysia region operations and finally to the position of Deputy General Manager of their ICT subsidiary. Over the next six years, she contributed significantly to the development of Malaysia's Multimedia Super Corridor ("MSC") project and the venture capital industry when she joined MDC as one of its pioneer members in 1997 and subsequently started up MSCVC in 1998. She is also one of the World Economic Forum's Global Leaders for Tomorrow.

Dato' Muhammad Farid Bin Haji Ahmad Ridhwan, aged 49, is an Independent Non-Executive Director of Ygl Convergence, appointed on 1 June 2005. He graduated as a mechanical engineer with a marketing degree from the University of Bristol, United Kingdom. Dato' Farid is the founder and director of Farid Associates Group Sdn Bhd. The said company comprises of several subsidiaries that is involved in a variety of industries, amongst others, telecommunications, advertising and airport services. He was previously a Director of LB Aluminium Berhad and played a key role in the listing of the company on the then Kuala Lumpur Stock Exchange in 2001. Dato' Farid was awarded the Anugerah "Usahawan

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

Cemerlang 2001” by Bank Pembangunan & Infrastruktur Malaysia Berhad and PIKOM Computimes ICT Award “Product of the Year 2004” for Ezeephone, the first line-powered prepaid fixed line telephone in the world.

Chong Kai Min, aged 40, is an Independent Non-Executive Director of Ygl Convergence, appointed on 1 June 2005. He holds a Bachelor of Science (Information Technology and Computer Science) from the National University of Singapore. In 1990, he joined Microsoft Singapore Pte Ltd as one of its pioneer employees and was with Microsoft for more than eight (8) years culminating as the Regional Marketing Manager for the Windows Platform. After that, he served as the Vice-President of Investment in OptixLab, a Malaysian venture capital company before assuming his current position as Principal of Korean TechnoAllianz Sdn Bhd.

(ii) Directors’ Directorships and Substantial Shareholdings in Other Public Companies for the Past Two (2) Years

None of the Directors hold or held any directorships or substantial shareholdings (5% or more of the issued and paid-up share capital) in other public companies.

(iii) None of the Directors is or was involved in the following events whether in or outside Malaysia: -

- (a) A petition under any bankruptcy or insolvency laws filed against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; and
- (c) The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

(iv) None of the Directors have entered into any service agreements, which are not terminable by notice without payments or compensation other than statutory compensation, with the Group.

(v) Directors’ Remuneration and Benefits

The remuneration paid to the Directors of the Company for services rendered in all capacities to the Group for the FYE 31 December 2004 amounted to RM120,000. For the FYE 31 December 2005, the remuneration payable to the Directors is estimated at RM180,000.

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

The number of Directors in the various remuneration bands are set out below: -

	← Aggregate Remuneration →					
	FYE ← 31 December 2004 →			FYE ← 31 December 2005 →		
	Executive Director	Non- Executive Director	Total	Executive Director	Non- Executive Director	Total
Up to RM100,000	2	-	2	2	3	5
Between 100,001 and RM200,000	-	-	-	-	-	-

6.3 AUDIT COMMITTEE

The composition of the Audit Committee is as follows: -

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

The Audit Committee, comprising two (2) Independent Non-Executive Directors and one (1) Executive Director, is responsible for the recommendations to the Board regarding the selection of the external auditors, reviewing the results and scope of the audit and other services provided by the Company's external auditors. In addition, the Audit Committee reviews and evaluates the Company's internal audit and control functions. The Audit Committee is also responsible for the assessment of financial risk and matters relating to related party transactions and conflict of interests. The Audit Committee may obtain advice from independent parties and other professionals in the performance of its duties.

6.4 KEY MANAGEMENT AND TECHNICAL PERSONNEL

(i) Profile

The Board is assisted by a team of experienced management and professional personnel. Particulars of the key management and technical personnel are as follows:-

Chow Kok Loon, aged 34, is the Finance and Administration Manager of Ygl Consulting. He graduated with a Bachelor of Arts degree, with a double major in Financial Management & Accounting from Heriot-Watt University, UK in 2002. He commenced his career in Public Finance Berhad in 1992 and worked for 7 ½ years in the Hire Purchase and Corporate Loans Division, both in Pulau Pinang and Kuala Lumpur, involved in credit evaluation & administration of corporate loans accounts. He then joined UCP Geotechnics Sdn Bhd (a construction firm based in Kuala Lumpur) as an Accounts Officer, managing the financial accounts and management reporting. In 2002, he joined Ygl Consulting as the Head of Finance, managing the finance & administrative functions of the company.

Yap Kean Keong, aged 29, is the Head of Ygl Multimedia R&D team. He graduated with a Bachelor of Information Technology degree, with a double major in Information Technology and Management, from Informatics College in 2001. He commenced his career in Huada Information Technology Sdn Bhd in 1996 and worked for four (4) years as a programmer. He

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

was involved in Human Resource & Time Clock Management System. Subsequently he was with Dimerco Logistics Sdn Bhd as a Corporate Analyst and Project Specialist. He was involved in management reports customisation & Electronic Data Interchange. In 2000, he joined Ygl Consulting and was transferred to Ygl Multimedia as the head of R&D overseeing and controlling the R&D activities.

Lai Su San, aged 35, is the Head of Sales and Marketing in Ygl Consulting. She holds a NCC Diploma in Computer Studies and the Certified Instructor for SCO Unix and ACCPAC. She started her career in 1989 in Uniphoenix Corporation Bhd, and has since invested the next fourteen (14) years in ERP support, sales and corporate account management. During her eight (8) years tenure with ACA Pacific Technology (M) Sdn Bhd, she was the trainer for all ACCPAC resellers in Malaysia. In 2004, she joined Ygl Consulting as the Head of Sales and Marketing. Her role includes managing the Group's existing corporate clients.

Ong Cheaw Meng, aged 36, is the Head of Baan consulting team in Ygl Consulting. He was the finalist Diploma In Accounting at TAR. He was attached to MBf Trading Sdn Bhd for six (6) years since 1992, in charge of the financial accounting and MIS of the whole company. He joined Ygl Consulting in 1998 and has since leading numerous ERP implementation projects. He became the head of Baan team, leading the Baan team in project implementation and pre-sales activity.

Irisa Tye, aged 36, is the System Analyst in Ygl Multimedia. She graduated with a Diploma in Computer Science (NCC) from Informatics College in 1996. She has over twelve (12) years of working experience as a Programmer in Inventec Electronics (M) Sdn Bhd, Eastern Garment Mfg (M) Sdn Bhd, Elba Groups (M) Sdn Bhd and Super Tanjung. She joined Ygl Consulting in 2000, and was transferred to Ygl Multimedia as the Analyst Programmer in charge of the ServiceERP and Value Added Solutions programming activities.

Eng Joo Sin, aged 43, is the Head of Great Plains consulting team in Ygl Consulting. She graduated with a Diploma in Computer Study in TMC Computer School Singapore. She started her career in 1985, and spent five (5) years in PC Computer Centre, and was promoted to Assistant Manager. In 1990, she joined General Computers (M) Sdn Bhd as a telemarketing manager for seven (7) years, during when she was involved in the pre-sales demonstration of ACCPAC system. In 1998, she joined Ygl Consulting and became the Senior Consultant heading the support and implementation of ACCPAC and Great Plains ERP systems.

Chin Wai Boon, aged 31, is the Head of ACCPAC consulting team in Ygl Consulting. She holds a LCCI Higher Diploma in Accounting. She started her career in TSH Business Consultants as Accounts Executive in 1993 for five (5) years. She joined Ygl Consulting in 1998, and became the Senior Consultant heading the implementation and after sales support of ACCPAC, ERP system.

Halikhan Bin Daulat, aged 26, is the Head of Sales and Pre sales of Service ERP in Ygl Multimedia. He graduated with a Bachelor of Accounting from Universiti Utara Malaysia, and is the member of Malaysian Institute of Accountants and Malaysian Institute of Taxation. He spent three (3) years in Por Ooi & Co, Chartered Accountants, prior to joining Ygl Multimedia in 2004.

Khor Guan Tatt, aged 37, is the Sales and Accounts Manager in Ygl Consulting. He graduated with a Diploma in Electronic and Communication from Politeknik Ungku Omar. He has over fourteen (14) years of working experience in Z'tronic Computer Sdn Bhd, Lighthouse Worldwide Solutions and Motorola. He joined Ygl Consulting in 2005 and handles the sales of World Class ERP and Ygl Value Added Solutions.

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

(ii) Shareholding in Ygl Convergence

Save as disclosed below, none of the key personnel have any shareholdings (both direct and indirect) in Ygl Convergence: -

Name	Nationality	Shareholdings							
		Before the Issues				After the Issues			
		Direct	%	Indirect	%	Direct	%	Indirect	%
Key Personnel									
Chow Kok Loon	Malaysian	-	-	-	-	* 120,000	0.10	-	-
Yap Kean Keong	Malaysian	-	-	-	-	* 120,000	0.10	-	-
Lai Su San	Malaysian	-	-	-	-	* 120,000	0.10	-	-
Ong Cheaw Meng	Malaysian	-	-	-	-	* 120,000	0.10	-	-
Irisa Tye	Malaysian	-	-	-	-	* 90,000	0.07	-	-
Eng Joo Sin	Malaysian	-	-	-	-	* 90,000	0.07	-	-
Chin Wai Boon	Malaysian	-	-	-	-	* 90,000	0.07	-	-
Halikhan Bin Daulat	Malaysian	-	-	-	-	* 90,000	0.07	-	-
Khor Guan Tatt	Malaysian	-	-	-	-	* 90,000	0.07	-	-

* Assumes that the key personnel subscribe for their respective allocation of Public Issue Shares under the pink form allocation but exclude ESOS allocation.

(iii) Key personnel's directorships and substantial shareholdings in all other public companies for the past two (2) years

None of the key personnel holds or has held any directorships and/or substantial shareholdings (5% or more of the issued and paid-up share capital) in any other public companies during the past two (2) years.

(iv) None of the key personnel is or was involved in the following events: -

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation in which he was a director or key personnel;
- Conviction in a criminal proceedings or is a named subject of a pending criminal proceedings; or
- The subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or government body temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

(v) None of the key personnel has entered into any service agreements, which is not terminable by notice without payments or compensation other than statutory compensation, with the Group.

(vi) Key Personnel's involvement in other businesses / Corporations

As at the date of this Prospectus, none of the key personnel of the Group is involved in the operations of other business or corporations, save and except for the operations of the Group.

6 INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL (Cont'd)

6.5 FAMILY RELATIONSHIPS AND/OR ASSOCIATIONS

Save for Yeap Kong Chean and Yeap Kong Tai, being the major substantial shareholders, Promoters, Directors and key management of Ygl Convergence, who are brothers, there is no family relationship and/or association between the substantial shareholder, Promoters, Directors, key management and technical personnel.

6.6 CHANGES IN MAJOR SHAREHOLDERS AND THEIR RESPECTIVE SHAREHOLDINGS IN YGL CONVERGENCE SINCE INCORPORATION

The changes in the shareholdings of the major shareholders since the date of incorporation are as follows: -

	(i) As at Incorporation Date				(ii) After (i) and the Acquisitions			
	← No. of Shares →				← No. of Shares →			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Lim Chew Lan	10	50.00	-	-	-	-	-	-
Koh Gek Sim	10	50.00	-	-	-	-	-	-
Yeap Kong Chean	-	-	-	-	11,666,667	34.93	-	-
Yeap Kong Tai	-	-	-	-	11,666,666	34.93	-	-
Sarina Bt A. Karim	-	-	-	-	1,666,667	5.00	-	-

	(iii) After (ii) and the Public Issue				(iv) After (iii) and Bonus Issue (prior to the exercise of ESOS)			
	← No. of Shares →				← No. of Shares →			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Yeap Kong Chean	11,666,667	34.93	-	-	23,333,334	34.93	-	-
Yeap Kong Tai	11,666,666	34.93	-	-	23,333,332	34.93	-	-
Sarina Bt A. Karim	1,666,667	5.00	-	-	3,333,334	5.00	-	-

	(v) After (iv) and assuming full exercise of ESOS			
	← No. of Shares →			
	Direct	%	Indirect	%
Yeap Kong Chean	# 24,533,334	33.39	-	-
Yeap Kong Tai	# 24,533,332	33.39	-	-
Sarina Bt A. Karim	^ 3,473,334	4.73	-	-

assuming full grant and exercise of 600,000 ESOS Options to these Directors

^ assuming full grant and exercise of 140,000 ESOS Options to the Non-Executive Director

7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN (Cont'd)

7.1 PRODUCT DEVELOPMENT PLAN

To the Group, sustained product development is the pre-requisite for the sustainability, profitability and growth of the Group.

Before a product is put to development, there is careful and crucial thought process carried out to ensure that the product will stand the test of time and competition.

The overall objectives of the Group's product development are:-

- (i) Concentrate on the area of the Group's core expertise, which is the in-depth knowledge of the services industry and to focus on delivering practical, affordable and innovative solutions.
- (ii) Not to reinvent the wheel. Avoid the areas that the World Class ERP Solutions principals are covering as these products are likely to have been developed with the principals' far larger resources.
- (iii) Build in best business practices and workflows, so that the users see value in the Group's products.
- (iv) Deploy the programming language and program architecture of World Class ERP Solutions.

7.2 PRODUCT DEVELOPMENT STRATEGIES

(i) Concentrate on its niche: The services industry

The ultimate acceptance of the product by the market lies within the in-built operational process flows and best practices for the peculiar industry. The users must be convinced at the end of the day the software solution addresses their need, and most important of all cuts down their work and frustrations.

The Group intends to capitalize on the in-depth understanding of the frustrations and challenges faced by practitioners in the services industry.

(ii) Address the Core Issues and Values with Tight Integration with Supporting Modules

The Group's ServiceERP Solutions will be developed with a core module and supported by ancillary modules with different applications.

For instance, the product development strategy for the tax accounting industry starts with the core module, TAXCOM, that is an operational and workflow tool to cut down the time and mistakes made by tax professionals in preparing income tax submission forms on behalf of their clients.

The subsequent modules are general modules that support TAXCOM and are applicable to all professionals selling services. However due to the tight integration with the core modules (i.e. TAXCOM), it makes a lot of sense for the Group customers to continue their investments with the Group product by buying these subsequent modules. These subsequent purchases will also be a source of software income for the Group.

(iii) World Class Programming language and Program Architecture

Deploying the programming tools and concepts in line with the World Class ERP Solutions' principals guarantees the quality and sustainability of the Group's programs. This is an on-going process, in line with worldwide technological advancement. Ygl Multimedia will continually tap into the worldwide resources of Ygl Consulting to achieve this objective.

7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN (Cont'd)

(iv) Continual Search for Opportunities to Supplement World Class ERP Solutions

The entire service industry is traditionally not covered by World Class ERP Solutions and is not adequately covered by any dominant local ERP producer.

There are also specific areas that the World Class ERP Solutions are not covering, such as the TimeShare and Paylink area. The Group's development efforts will be concentrated on opportunities in areas where World Class ERP Solutions do not provide adequate coverage.

(v) Linking with World Class ERP Solutions and other Technology Providers' Product

The Group's ERP products will have in-built interfaces with common solutions such as General Ledger and Cash Management modules provided by the principals of World Class ERP Solutions such as ACCPAC International Inc, SSA Global Technologies™ Inc and Microsoft Corporation, to more advanced solutions such as CRM and Business Intelligence.

Interfaces with other technology product include connectivity to Wireless Applications such as Short Messaging System, Electronic Signature, Mykad interface, etc.

This synergy will create the best of breed solution, and will ultimately benefit the users.

(vi) Creating economies of scale through strengths within the Group

Focusing on the synergies between Ygl Consulting and Ygl Multimedia hedges the risk of relying on a single product and creates economies of scale in terms of development and research effort in that both Consulting and Software Divisions can utilize the programmers.

(vii) Localisation Plan

In line with the Group's expansion plan, Ygl will be able to localise its software by exploiting the multi-features supported by Microsoft windows operating system, such as multi-lingual, multi-currencies, etc. By making the switch through the operating system, Ygl's application and database will automatically follow through.

(viii) Piracy Protection

The Group's proprietary software is protected by copyright under the Copyrights Act, 1987.

Notwithstanding this, the Group takes continuous precautions to enhance the protection of its intellectual property when dealing with clients and staff.

7.3 MARKETING DEVELOPMENT PLAN

The Group's marketing strategies may be summarised as follows:

(i) Build New Customer Base

There is an on-going process of market penetration, through trade shows, conferences, advertisements and calls. The unique combination of supporting other principals' ERP software, and producing proprietary software has enabled the Group to widen market penetration.

7 SUMMARY OF THE BUSINESS DEVELOPMENT PLAN (Cont'd)

(ii) Leverage on Existing Customer Base

The Group has over two hundred (200) installation sites in different industries from multinationals to publicly listed corporations in different countries covering Malaysia, Philippines, Thailand, Indonesia, Taiwan and Singapore. These companies were deploying either Tier 1 or Tier 2 ERP solutions offered by the Group. A number of these companies have been contributing a steady income source to the Group through service and maintenance contracts, and add-on solutions. By leveraging on these customers, the Group has a committed pool of Tier 2 ERP users that may be potential for upgrades to Tier 1 ERP solutions.

(iii) Capitalize on the relationship with the World Class ERP vendors

The Group has had long working relationships with the principals of World Class ERP Solutions. The marketing approaches may be summarized as follows:

- Negotiate for special program
- Negotiate for more product range
- Negotiate for more market coverage
- Negotiate for distribution of the Group's product through the principals' sales channels

(iv) Strengthen the brand name of the Group through YglSuccessFormula

Combining the international implementation approaches offered by the principals of World Class ERP Solutions, with years of implementation experience with customers in this region, the Group has developed its own implementation approach called YglSuccessFormula.

YglSuccessFormula is a pre-defined implementation procedure that ensures the ERP project is implemented successfully. YglSuccessFormula covers critical success factors such as:-

- Management of users' expectations at different operational levels
- Consideration of the knowledge level of Malaysian and Asian users in learning and adapting to World Class ERP Solutions
- Consideration of the local way of conducting business
- The critical timing of making certain things available at a certain time
- Best ways to handling disputes and managing differences in opinion

(v) Create the brand name of the Group as the software developer for the Service Industry

Combining the programming expertise and best business practices learnt from the principals of World Class ERP Solutions with the exposure in the service industry, the Group will continue to develop Ygl ServiceERP Solutions modules that can guarantee returns on investment to the customers within the shortest possible time frame.

(vi) Value Chain Solution for the Tax Accounting Industry

The value chain identified for the tax accountants are IRB (authority), taxpayers (client) and banks (supplier) and employees. Ygl has developed Mykad and Digital Signature interfaces to TAXCOM. The Group is currently negotiating with the banks to deploy Ygl Paylink for taxpayers to pay electronically. Combining these solutions will enable future taxpayers to prepare and submit their income tax return forms electronically to IRB, and pay their taxes online through Internet. This tight integration will distinguish the Group as the pioneer and leader in the service industry.

8 FINANCIAL INFORMATION

8.1 FINANCIAL HIGHLIGHTS

The following table has been extracted from the Accountants' Report in Section 13 of this Prospectus and should be read in conjunction with the notes thereto. The summarised proforma results of the Group for the five (5) FYE 31 December 2004 are as follows:-

	← FYE 31 December →				
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenue	1,617	2,095	2,817	2,883	4,449
EBITDA	(24)	282	575	1,365	2,398
Less: Depreciation / Amortisation	54	58	72	63	49
Interest expense	*	11	11	7	8
PBT	(78)	213	492	1,294	2,341
Less: Taxation	1	49	148	349	268
PAT	(79)	164	344	945	2,073
Number of ordinary shares assumed to be in issue ('000) ^	25,000	25,000	25,000	25,000	25,000
Gross EPS (sen) #	(0.3)	0.9	2.00	5.20	9.40
Net EPS (sen) #	(0.3)	0.7	1.40	3.80	8.30

Notes:-

- * *Immaterial*
- ^ *The number of ordinary shares in issue is based on the enlarged issued and paid-up share capital of Ygl Convergence after the Acquisition of Ygl Consulting and Acquisition of Ygl Multimedia, but before the Public Issue.*
- # *The Gross/ Net EPS for the respective years under review is calculated based on the proforma profit before/ after tax attributable to shareholders of Ygl Convergence and the number of Shares assumed to be in issue.*
- (i) *There are no minority interests in the financial years under review.*
- (ii) *The Group's share of results of its associated company has not been accounted for as it is deemed not material to the Group's results.*
- (iii) *There are no extraordinary or exceptional items during the financial years under review.*
- (iv) *The audited accounts of Ygl Consulting for the five (5) FYE under review from 31 December 2000 to 2004 and Ygl Multimedia for the FYE 31 December 2004 were not subject to any qualification.*

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8 FINANCIAL INFORMATION (Cont'd)

8.2 ANALYSIS AND COMMENTARY ON FINANCIAL INFORMATION

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE COMPANY'S FINANCIAL HIGHLIGHTS INCLUDED IN SECTION 8.1 OF THIS PROSPECTUS.

8.2.1 Segmental Analysis

The Group is principally engaged in the provision of consulting services for ERP solutions and development and sales of software systems. The Group's sales are recognised on accrual basis, net of discounts.

	<----- FYE 31 December ----->				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Developed software	139,265	492,220	683,636	1,141,170	2,331,499
External World Class ERP Solutions	1,478,129	1,602,848	2,133,188	1,741,779	2,117,020
	<u>1,617,394</u>	<u>2,095,068</u>	<u>2,816,824</u>	<u>2,882,949</u>	<u>4,448,519</u>

The breakdown of the revenue analysed by local and export markets is:-

	<----- FYE 31 December ----->									
	2000		2001		2002		2003		2004	
	RM	%	RM	%	RM	%	RM	%	RM	%
Local market	1,423,401	88	1,916,583	92	2,664,067	95	2,831,908	98	4,418,964	99
Export market	193,993	12	178,485	8	152,757	5	51,041	2	29,555	1
Total sales	<u>1,617,394</u>	<u>100</u>	<u>2,095,068</u>	<u>100</u>	<u>2,816,824</u>	<u>100</u>	<u>2,882,949</u>	<u>100</u>	<u>4,448,519</u>	<u>100</u>

8.2.2 Overview of Revenue and Operating Profits Growth and Factors Contributing Thereto

	<----- FYE 31 December ----->				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	1,617,394	2,095,068	2,816,824	2,882,949	4,448,519
Gross profit	115,918	449,628	835,195	1,579,600	2,831,239
Gross profit margin (%)	<u>7.17</u>	<u>21.46</u>	<u>29.65</u>	<u>54.79</u>	<u>63.64</u>

Gross revenue (comprises sales of Ygl Convergence Group's proprietary software and World Class ERP Solutions) was low in year 2000 and increased significantly over the next four years. This was because own developed software was at its infancy stage in 2000, during which a team of programming staff were deployed to research and develop the new software for Ygl Convergence. This has resulted in increased sales of developed software from 2001 onwards. In 2004 sales of own software surpassed that of external ERP solutions.

8 FINANCIAL INFORMATION (Cont'd)

The Group's gross profit margin for 2000 was low at 7%. This was due to the deployment cost of the Group's staff to research and develop Ygl Convergence's own developed software, without the immediate return in terms of revenue.

The increasing trend in the gross profit margin from year 2001 onwards was in line with the increase in revenue contributions from own developed software. The Group developed software contributed high gross profit margin as the significant research and development costs were incurred during development stage, and subsequent sales were at very low cost. As the Group sales focus has been changing over the years, from selling external software to the Group developed software, the gross profit margin of the Group has increased steadily to 63.64% in 2004.

8.2.3 Taxation

Ygl Convergence did not incur any taxation for FYE 31 December 2004 as the Company had just commenced operations. Ygl Multimedia has been granted pioneer status by the Ministry of International Trade and Industry under the Promotion of Investments Act, 1986, which exempts the entire statutory income of Ygl Multimedia's promoted products, namely TAXCOM, Revenue+, Clients Receivable, Taxoffice, Taxcom.net and Paylink, from income tax for a period of five (5) years.

For Ygl Consulting, the effective tax rates as compared to the statutory rates are as follows:-

	<----- FYE 31 December ----->				
	2000	2001	2002	2003	2004
	%	%	%	%	%
Effective tax rates	-	22.86	29.79	27.23	18.90
Statutory tax rate on chargeable income					
- first RM100,000	28.00	28.00	28.00	20.00	20.00
- subsequent RM400,000	28.00	28.00	28.00	28.00	20.00
-above RM500,000	28.00	28.00	28.00	28.00	28.00
	=====	=====	=====	=====	=====

In 2000, Ygl Consulting incurred a loss and had no taxable income.

In 2001, the effective tax rate was low compared to the statutory rate because of the availability of unabsorbed capital allowances brought forward which has been fully utilised in arriving at the taxable income for the year.

In 2002, the effective tax rate was high compared to the statutory rate because certain expenses had been disallowed in arriving at the taxable income.

In 2003 the effective tax rate approximated the statutory tax rate.

In 2004 the effective tax rate was low as compared to the statutory tax rate because the current year tax expense included an amount of RM80,750 which represented overestimation of deferred tax liability in the previous financial year and the recognition of deferred tax asset amounting to RM55,450 relating to deductible temporary differences as it is now probable that future taxable profit will be available against which the asset can be utilised.

8 FINANCIAL INFORMATION (Cont'd)

The submission of tax returns and settlement of tax liabilities are made up-to-date. There is no dispute with IRB or tax investigation being carried out by IRB or overseas tax authority. There are no tax penalty or additional tax amount assessed by IRB or any overseas tax authority.

8.2.4 Trade Receivables

Based on the latest audited proforma accounts for the Group as at 31 December 2004, the Group recorded a total trade receivables of RM2.046 million. The normal credit period extended to the customers of the Ygi Convergence Group ranges from 30 to 90 days. The ageing analysis for the trade receivables is as follows:-

	Ageing Analysis			
	0 - 90 days RM'000	91 - 120 days RM'000	> 120 days RM'000	Total RM'000
Amount	1,207	590	249	2,046
%	59.0	28.8	12.2	100.0

As at 4 May 2005, being the latest practicable date prior to the finalization of the audited accounts FYE 31 December 2004, the Group has collected in total RM1.179 million of the RM2.046 million. All trade receivables as at 31 December 2004 that have been outstanding for more than 90 days and not collected as at 4 May 2005 have been fully provided for in the audited accounts for FYE 31 December 2004.

Going forward, the Group has put in place more stringent payment terms for its sales, including upfront cash for certain types of its software products. It will also continue to monitor the collection of its receivables closely and regularly. The Directors believe that these measures will mitigate the risks of bad and doubtful debts as well as improve the collection for the Group.

8.3 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE

As at 6 June 2005, being the latest practicable date prior to the printing of this Prospectus, and save for the risk factors disclosed in Section 3 of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the Group;
- (c) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position; and
- (d) pending and threatened litigation and arbitration proceedings having an impact on the financial position of the Group.

8 FINANCIAL INFORMATION (Cont'd)

8.4 CAPITAL COMMITMENT

As at 6 June 2005, being the last practicable date prior to the printing of this Prospectus, the Group has no capital commitments.

8.5 BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

The Board is of the opinion that after taking into account the gross proceeds from the Public Issue, the Group will have adequate working capital for the foreseeable requirements.

As at 6 June 2005 (being the last practicable date prior to the printing of this Prospectus):-

- (i) the Group has no borrowings;
- (ii) the Group has no outstanding material contingent liabilities ;
- (iii) the Group has not contracted any material capital commitments not provided for in the accounts; and
- (iv) the Group is not engaged in any material litigation or arbitration proceedings either as plaintiff or defendant and the Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially effect the position and business of the Group.

8.6 FUTURE FINANCIAL INFORMATION

Due to the uncertain nature and inherent risks of the business of the Group, no future financials are included in this Prospectus. For more details on the risk factors, please refer to Section 3 of this Prospectus.

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9 APPROVALS AND CONDITIONS

9.1 APPROVALS AND CONDITIONS FROM AUTHORITIES

The listing and quotation of the entire issued and paid up share capital of Ygl Convergence on the MESDAQ Market was approved by the SC (under the SC's Policies and Guidelines on Issue/Offer of Securities and the Guidelines on the acquisitions of interest, take-overs and mergers by local and foreign interest) on 24 March 2005. The conditions imposed by the SC and the status of compliance are set out as follows:-

No.	Conditions imposed	Status of compliance
1.	Ygl Convergence to disclose in the Prospectus the ageing analysis based on the Group's latest audited trade receivables including measures taken to recover the long overdue balances and other credit control measures undertaken to mitigate the risk of bad debts	Met. Please refer to Section 8.2.4 of this Prospectus
2.	Ygl Convergence Group to make full provision for trade receivables outstanding that has exceeded the normal credit period of 90 days but less than 120 days, unless it can be justified that the outstanding amount can be collected. The said justification must be disclosed in the Prospectus supported by an independent opinion from the Reporting Accountants	Met. Please refer to Section 8.2.4 of this Prospectus
3.	Ygl Convergence Group to collect or make full provision for all trade receivables that have been outstanding for more than 120 days	Met.
4.	The proforma group's audited financial statements for FYE 31 December 2004 shall not vary materially from the unaudited financial statements for FYE 31 December 2004 that was submitted to the SC	Met.
5.	Ygl Convergence to meet the 30% Bumiputera requirement within one (1) year after the Company has achieved the profit track record requirement for companies applying for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market, whichever is the earlier, in which the shares to be allocated to Bumiputera investors be approved by the MITI	Will be complied with.
6.	Ygl Convergence to submit a preliminary proposal to SC on how the Company intends to meet the Bumiputera condition, six (6) months before the expiry date for compliance	Will be complied with.
7.	Kenanga/ Ygl Convergence to disclose the status of utilisation of proceeds in its periodic and annual reports until the proceeds are fully utilised	Will be complied with.
8.	Kenanga/ Ygl Convergence to inform the SC on the appointment of Independent Directors and to provide confirmation that they qualify as Independent Directors as defined in the Listing Requirements	Met. Confirmation was provided to the SC on 8 June 2005.
9.	Ygl Convergence to confirm that the members of audit committee meet the qualifying criteria under the Listing Requirements	Met. Confirmation was provided to the SC on 8 June 2005.
10.	Kenanga/ Ygl Convergence to ensure that all provisions under the Listing Requirements are complied with	Will be complied with.
11.	Kenanga/ Ygl Convergence to inform the SC when the Listing on MESDAQ Market is completed	Will be complied with.
12.	Approvals to be obtained from other relevant authorities, if any	Bursa Securities has on 15 June 2005 approved in-principle the admission of Ygl Convergence to the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued and paid up share capital of Ygl Convergence on the MESDAQ Market and for the ESOS.

The SC has noted that the equity structure of Ygl Convergence will not change or be affected by the Listing and assumed to be 100% held by non-Bumiputera shareholders.

9 APPROVALS AND CONDITIONS (Cont'd)

9.2 MORATORIUM ON PROMOTERS' SHARES

Pursuant to Paragraph 2.10.2 of the Listing Requirements and the conditions of the Bursa Securities in approving the listing of Ygl Convergence, the Ygl Convergence Shares held by the Promoters amounting to 45% of the nominal issued and paid-up share capital of Ygl Convergence at the date of admission, as tabulated below, and any interest therein may not be sold, transferred or assigned within one (1) year from the date of admission of Ygl Convergence to the Official List of the MESDAQ Market. Thereafter, they are permitted to sell, transfer or assign up to a maximum of one third per annum on a straight-line basis of their respective shareholdings in the Company which is under moratorium.

The Ygl Convergence Shares held by the Promoters which are under moratorium are as follows: -

	No. of Ygl Convergence Shares held after Issues				No. of Ygl Convergence Shares under moratorium	
	Direct	%	Indirect	%		%
<i>Promoters</i>						
Yeap Kong Chean	23,333,334	34.93	-	-	15,030,000	22.50
Yeap Kong Tai	23,333,332	34.93	-	-	15,030,000	22.50
	46,666,666	69.86	-	-	30,060,000	45.00

Note: This does not include ESOS Options .

The restriction is specifically endorsed on the share certificates of Ygl Convergence representing the shareholding of the aforesaid shareholders, which are under moratorium to ensure that the Company's Registrar will not register any transfer not in compliance with the aforesaid restriction.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS

- (i) 10.1 (i) Save as disclosed below, there are no other related-party transactions, existing or proposed entered into by the Group which involves the interest, direct or indirect, of a director, major shareholder or person connected with such director or major shareholder, key management or key technical personnel of the Group:-

No.	Related Parties	Party Whom Transaction is Carried Out	With The	Nature of Transactions	Estimated Value (RM)	Interested substantial Person Connected To Them	Director/ shareholder/
1.	Ygl Consulting	Yeap Lake & Sons Sdn Bhd	Geok Sons	Tenancy of part of 1 st Floor of No. 16 and Suite 2, 1 st Floor of No. 18, China Street, 10200 Penang	RM7,000 a month from 1.1.2000 to 31.12.2005	Both Yeap Kong Chean and Yeap Kong Tai are substantial shareholders and directors in Ygl Convergence, Ygl Consulting and Yeap Geok Lake & Sons Sdn Bhd	
2.	Ygl Multimedia	Yeap Lake & Sons Sdn Bhd	Geok Sons	Tenancy of part of 1 st Floor of No. 16 and Suite 2, 1 st Floor of No. 18, China Street, 10200 Penang	RM1,000 a month from 1.4.2004 to 31.3.2006	Both Yeap Kong Chean and Yeap Kong Tai are substantial shareholders and directors in Ygl Convergence, Ygl Multimedia and Yeap Geok Lake & Sons Sdn Bhd	
3.	Ygl Convergence Group	Ooi Eng Choo		Provision of company secretarial services	of RM450 a month	Ooi Eng Choo is the spouse of Yeap Kong Tai and the sister-in-law of Yeap Kong Chean. Both Yeap Kong Chean and Yeap Kong Tai are substantial shareholders and directors in Ygl Convergence Group.	

- (ii) There are no:-

- conflict of interest in relation to the Group and its Directors, major shareholders or person connected with such director or major shareholder, key management or key technical personnel of the Group;
- transaction that is unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which the Group was a party in respect of the FYE 31 December 2004, and in the subsequent financial period immediately preceding the date of this Prospectus; and
- amount of outstanding loan (including guarantees of any kind) made by the Group to or for the benefit of its Directors, major shareholders or person connected with such Director or major shareholder, key management or key technical personnel of the Group.

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10 RELATED PARTY TRANSACTIONS AND CONFLICT OF INTERESTS (Cont'd)

10.2 Save as disclosed in Section 10.1 (i) (1) and (2) above and below, none of the Directors and/or substantial shareholders of the Company and/or person(s) connected with any of them has any interest, direct or indirect, in the promotion of or in any material assets which have, within the two (2) years preceding the date of this Prospectus, been acquired or disposed of by or leased to any of the Group, or are proposed to be acquired, or disposed of by or leased to any of the Group:-

- (i) Acquisition of Ygl Consulting, which was completed on 31 May 2005; and
- (ii) Acquisition of Ygl Multimedia, which was completed on 31 May 2005.

The interests of the Directors and substantial shareholders of Ygl Convergence in the aforesaid transactions are as follows:-

Name of Directors and Substantial Shareholders	Nature of interest
Yeap Kong Chean	Director and substantial shareholder of Ygl Convergence. He was a vendor of Ygl Consulting and Ygl Multimedia Shares.
Yeap Kong Tai	Director and substantial shareholder of Ygl Convergence. He was a vendor of Ygl Consulting and Ygl Multimedia Shares.
Sarina Bt A. Karim	Director and substantial shareholder of Ygl Convergence. She was a vendor of Ygl Consulting Shares.

10.3 None of the Directors and/or substantial shareholders of Ygl Convergence have any interest, direct or indirect, in any businesses and corporations carrying on a similar trade as any of the Group.

10.4 Declaration of Advisers

- (i) Kenanga hereby confirms that there are no existing or potential conflicts of interest in its capacity as the Adviser, Underwriter and Placement Agent for the Listing.
- (ii) Messrs. Shearn Delamore & Co has given their confirmation that there are no existing or potential conflicts of interest in its capacity as the Solicitors for the Listing.
- (iii) Messrs. Moores Rowland has given their confirmation that there are no existing or potential conflicts of interest in its capacity as Auditors and Reporting Accountant for the Listing.

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II. OTHER INFORMATION CONCERNING THE YGL CONVERGENCE GROUP

II.1 LANDED PROPERTIES

As at 6 June 2005, the Ygl Convergence Group has the following landed properties:-

Registered owner	Postal address	Description *	Existing usage	Approximate age of building (years)	Tenure	Total land area (sq. ft.)	Certificate of fitness	Restriction in usage	Encumbrances	Total build up area (sq. ft.)	Net book value as at 31 December 2004 (RM'000)
Ygl Consulting	Unit 9-10, 9 th Floor, Wisma UOA II, No. 21, Jalan Pinang 50450 Kuala Lumpur	One office unit held under GRN46212 master issue document for title at HS(D) 87450, PT 35, Section 57 Town of Kuala Lumpur, District of Wilayah Persekutuan	Office	7	Freehold	Not applicable	12 August 1999	For commercial purposes only	Charged to Hong Leong Bank Berhad #	2,508	1,029

* As at 6 June 2005, the strata title of the above mentioned unit has not been issued. The master issue document for title is currently registered under LTG Development Sdn Bhd.
 # The property is charged in respect of a overdraft facility granted to Ygl Consulting. As at 6 June 2005, there is no outstanding balance in the overdraft facility.

II.2 LICENCES AND PERMITS

No license or permits is required for the operations of Ygl Convergence Group.

12 DIRECTORS' REPORT

13 JUN 2005



Registered Office: -
10, China Street
10200 Pulau Pinang

The Shareholders of Ygl Convergence Berhad

Dear Sir/ Madam

On behalf of the Board of Directors of Ygl Convergence Berhad ("Ygl Convergence" or the "Company"), I report after due enquiry that during the period from 31 December 2004 (being the date of the last audited proforma accounts of Ygl Convergence and its subsidiaries were made) to **13 JUN 2005** (being a date not earlier than fourteen (14) days before the issuance of this Prospectus) :-

- (i) the business of the Company and its subsidiaries ("Group") have, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;
- (v) the Group has no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (vi) save as disclosed in the Accountants' Report and proforma consolidated balance sheets in this Prospectus, there have been no material changes in the published reserves nor any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors
Ygl Convergence Berhad

A handwritten signature in black ink, appearing to read 'Yeap Kong Chean'.

Yeap Kong Chean
Chief Executive Officer

Ygl Convergence Berhad (649013 - W)

- Suite 9-10, Wisma UOA II, Jalan Pinang, 50450 Kuala Lumpur, Malaysia.
Tel : 603-2166 5928 Fax : 603-2166 5926
- 16 China Street, 10200 Penang, Malaysia Tel : 604-261 0619 Fax : 604-262 5599
- The Parkland 1205/12 (7/124) Bangna-Trad KM4 5 RD Bangna Bangkok 10260
Tel : 662 743 1632, 662 743 1633 Fax : 662 743 1631

Website www.ygl.com.my E-mail info@ygl.com.my