1 INFORMATION SUMMARY

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

1.1 HISTORY AND NATURE OF BUSINESS

Incorporation

Ygl Convergence was incorporated on 14 April 2004 in Malaysia under the Act as a public limited company. It was incorporated to be the investment holding company of the Group in conjunction with the listing of the Group on the MESDAQ Market.

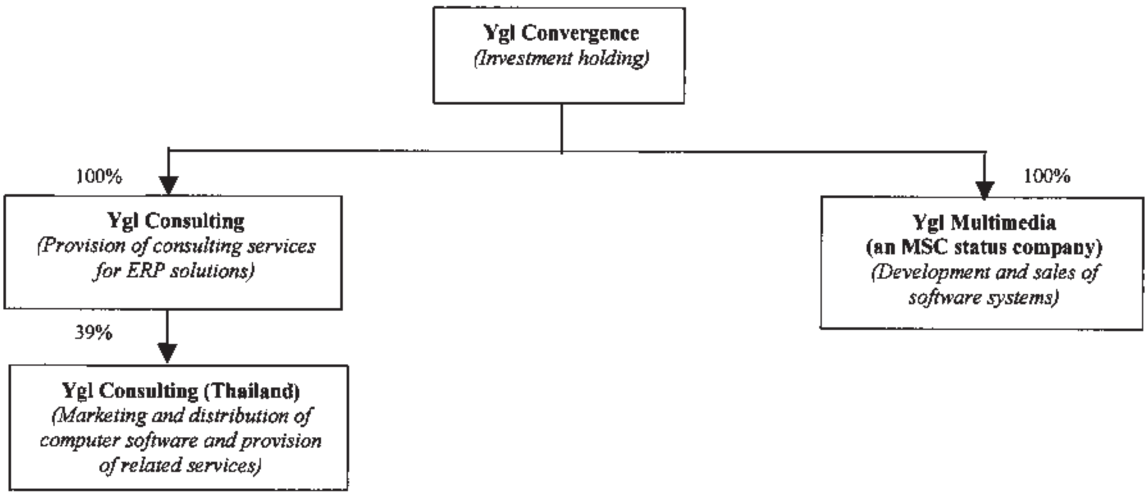
History and Principal Activities

Ygl Convergence is principally an investment holding company having two (2) wholly-owned subsidiary companies, i.e. Ygl Consulting and Ygl Multimedia. The principal activities of the Company's subsidiaries are as follows: -

Name of subsidiary	Date and place of incorporation	Equity interest (%)	Issued and paid-up share capital as at 6 June 2005 (RM)	Audited shareholders' funds as at 31 December 2004 (RM)	Principal activity
Ygl Consulting	30 December 1977/ Malaysia	100.0	300,000	2,476,994	Provision of consulting services for ERP solutions
Ygl Multimedia	3 October 2003/ Malaysia	100.0	2	768,795	Development and sales of software systems

Through Ygl Consulting, Ygl Convergence also holds a 39.0% equity interest in Ygl Consulting (Thailand), which is principally involved in the marketing and distribution of computer software and provision of related services. Further information on the subsidiaries is set out in Section 4.4 of this Prospectus.

The Group's corporate structure with its principal activities and focus are depicted below: -



Further details on the business overview are provided in Section 4.3 of this Prospectus.

1 INFORMATION SUMMARY (Cont'd)

1.2 PRODUCTS AND SERVICES

The Group is an integrated IT services group that has two (2) synergistic core divisions, namely:-

- Consulting Division; and
- Software Division.

Consulting Division

Ygl Convergence Group, through Ygl Consulting, provides consultancy services related to ERP solutions and is the reseller and implementation partner for Tier 1 and Tier 2 World Class ERP Solutions namely:-

World Class ERP Solution	Principal	Since
▪ Baan ^	SSA Global TechnologiesTM Inc	1998
▪ Great Plains	Microsoft Corporation	2002
▪ ACCPAC	ACCPAC International Inc	1994

^ *Appointed as a reseller for Baan in both Malaysia and Thailand*

Software Division

Ygl Convergence Group, through Ygl Multimedia, develops proprietary software, which are divided into Ygl ServiceERP Solutions and Ygl Value Added Solutions as set out below:-

Solutions	*Products / Modules*	*Functionality*
ServiceERP	Taxcom C+	Program that automates the whole process of calculating income tax payable from various income sources and expenditures. This program outputs the IRB FORM C and relevant supporting documentations for audit purposes. This program is for corporate tax preparation. Built in interface to IRB e-Filling and e-Filing.
	Taxcom B+	Program that automates the whole process of calculating income tax payable from various income sources and expenditures. This program output the IRB FORM B and P and relevant supporting documentations for audit purposes. This program is for personal tax preparation. Built in interface to IRB e-Filling and e-Filing.
	Revenue+	Linked to Taxcom. Generates bills at completion of tax preparation work. May be used by other service industries to generate professional bills that are based on time, project etc. Users may define their own service descriptions to be included in the detailed section of their bill.
	Clients Receivable	Linked to Professional Billing. Automatically updates clients receivable upon billing. Allows knock-off of receipts against particular bill(s). Prints clients' monthly statements and official receipts. Credit control with alert capabilities (over credit limit, long overdue etc)
	Taxoffice	The bundling of Taxcom C+, Taxcom B+, Revenue+ and Clients Receivables. A corporate solution tailored for Malaysian tax practitioners of any size. It handles tax computations for corporate and individual, automatic billing, clients receivables and integrates with UBS accounting solutions.

1 INFORMATION SUMMARY (Cont'd)

Solutions	*Products / Modules*	*Functionality*
	Taxcom.net	Web version of Taxcom B+ for individual taxpayers to sign in to Ygl Convergence Group hosted web site and launch their individual return forms on-line to IRB. The program is equipped with on-line help text and instructions at the relevant sections to guide the taxpayers through filling in all the required tax information, so taxpayers without tax knowledge may fill their own forms.
	BIInterface	Business Intelligence interface for all Ygl ServiceERP Solutions products. Allows users to deploy World Class Business Intelligence such as Crystal Reports to tailor make their own management, analysis and audit reports.
Value Added Solutions	POS	Point of sales program that links to ACCPAC, Baan and Great Plains for large retail and healthcare industry. Accepts payments in cash, credit card and on account. Reverses inventory control online. Automatic posting to accounts receivable and general ledger. Highly customizable to suit peculiar business needs (user defined field etc). Web enabled.
	TimeShare	An integrated solution for the timeshare industry. Automates the operation of the timeshare industry from telemarketing activities to members contract, billing, collections, members accounting and finally the finance modules from ACCPAC, Baan and Great Plains. The system cuts down the supporting staff cost, speed up members' or customers' enquiries and automate the day-to-day activities such as keep-in-views, follow-up letters and calls. May be integrated with CRM product from ACCPAC, Baan and Great Plains.
	SalesAnywhere	Program that may be loaded into laptops and portable data collectors with barcode scanning capability. For travelling salesperson to take customer orders and print sales acknowledgements on the spot at customers' site. Customers' orders collected may be downloaded electronically into ACCPAC, Baan and Great Plains sales control module.
	eManufacturing	Shop Floor Control modules to complement existing functionality of Baan manufacturing. Modules in Ygl eManufacturing include Auto Bill of Material, Owing Alert, Auto Transfer and Auto Purchase Order. • Auto Bill of Material enables the user to coordinate thousands of electronic components within the Bill of Material into spreadsheet and import them directly into Baan ERP system. • Owing Alert is an alert tool that highlights exceptional raw material shortages to material planner. This is to prevent material shortages that affect scheduled production run. • Auto Transfer facilitates issuing of all raw material components required for a specific production order from the material store, taking into account stock availability and standard packaging requirement for electronic components.

Solutions	*Products / Modules*	*Functionality*
		• Auto Purchase Order is an electronic data interchange (EDI) solution that complies with EDI technologies. Purchase orders are generated automatically by the system based on stock level and user specified criteria, and transmitted to the suppliers via the internet. This is targeted at the high-tech electronic industry.
	Paylink	Links accounts payable system (Baan, ACCPAC, Great Plains) to automated cheque facilities offered by major banks. Paylink extracts suppliers detail and amount payable from Accounts Payable, converts to bank interface, transmit to bank for payment, and upon finalization by banks update in-house accounts payable on payment detail. These tasks are performed electronically.
	eReporting	Over three hundred (300) customized reports to complement the standard reports of Baan, Great Plains and ACCPAC ERPs. Covers finance, sales, purchase, service, quality control and manufacturing. Users may purchase the report template and use it to report information from their respective ERP systems.

1.3 TECHNOLOGY, INTELLECTUAL PROPERTY AND R&D

1.3.1 Technology

Ygl ServiceERP Solutions and Ygl Value Added Solutions are written using ERP open architecture. The open architecture as compared with the conventional program, which is developed in totality, is more complex and takes longer to develop. Ygl ServiceERP Solutions are developed in three (3) distinctive layers, namely relational database service, business logic service and user interface service layers.

Further details on technology used by the Ygl Convergence Group are set out in Section 4.3.3 of this Prospectus.

1.3.2 Intellectual Property

The Group owns the copyright to its proprietary software, i.e. Ygl ServiceERP Solutions and Ygl Value Added Solutions. The Ygl Convergence Group has submitted applications to the Registrar of Trademarks, Intellectual Property Corporation of Malaysia for the registration of the trademark of "Ygl " and "Taxcom" in Malaysia. The applications are currently pending registration.

Further details on intellectual property rights of the Ygl Convergence Group are set out in Section 4.3.8 of this Prospectus.

1.3.3 R&D

Through partnerships with the principals of World Class ERP Solutions, the Group continues to expand its technical know-how and cultivate its programming expertise, which shall be applied towards the development of the Group's proprietary products. The feedback from users on their expectations and market experiences gathered through the implementation of World Class ERP Solutions projects provide the Group with the knowledge base to ensure that the Group's proprietary products are current and commercially feasible. In addition, the extensive clientele fostered by the Group throughout the years also provide the Group with a reliable test bed for future products to be developed by the Group.

Further details on R & D of the Ygl Convergence Group are set out in Section 4.3.9 of this Prospectus.

1.4 RISK FACTORS

Applicants for the Public Issue Shares should carefully consider the following risk factors (which are not exhaustive), in addition to the other information contained in this Prospectus before applying for the Public Issue Shares. For a detailed commentary on the risk factors, please refer to Section 3 of this Prospectus: -

(A) BUSINESS RISKS

(i) Dependence on key personnel;
(ii) Management of future growth;
(iii) Expansion to foreign markets and related risks thereon;
(iv) Establishment of brandname;
(v) Protection of Intellectual Property rights;
(vi) Rapid technology changes;
(vii) Change in MSC status;
(viii) Capital market risk;
(ix) Uncertainty in the Business Development Plan;
(x) Regulatory risks;
(xi) Operating risks;
(xii) Product risks;
(xiii) Future capital injections;
(xiv) Delays in software development and ERP implementation projects;
(xv) Reliance on major relationships with principals;
(xvi) Risks to revenue flow; and
(xvii) Dependence on ERP software market

(B) RISKS RELATING TO INDUSTRY

(i) Non-barriers to entry and competition;
(ii) Security risks and system disruption;
(iii) Software piracy; and
(iv) Technology

(C) OTHER RISKS

(i) Control of certain substantial shareholders;
(ii) No prior market for the Company's shares;
(iii) Political, economic and legislative considerations;
(iv) Forward looking statements;
(v) Delay in or abortion of the Public Issue;
(vi) Termination of Underwriting Agreement; and
(vii) Foreign exchange risk

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1.5 FINANCIAL HIGHLIGHTS

1.5.1 Historical Financial Information

The following table is extracted from the Accountants' Report in Section 13 of this Prospectus and should be read in conjunction with the notes thereto.

The table below sets out a summary of the proforma consolidated audited results of the Ygl Convergence Group for the past five (5) FYE 31 December 2000 to 2004 and has been prepared for illustrative purposes based on the audited accounts of the Ygl Convergence Group on the assumption that the current structure of the Group has been in existence throughout the period under review.

	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 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 Issues.*

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.*

For more details on the financial information, please refer to Sections 8 and 13 of this Prospectus.

1 INFORMATION SUMMARY (Cont'd)

1.6 PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2004

	Audited at 31 December 2004 RM'000	(1) After Acquisition of YGL Consulting RM'000	(2) After (1) and Acquisition of YGL Multimedia RM'000	(3) After (2) and Public Issue RM'000	(4) After (3) and Bonus Issue RM'000	(5) After (4) and ESOS RM'000
PROPERTY, PLANT AND EQUIPMENT	-	1,078	1,078	1,078	1,078	1,078
ASSOCIATED COMPANY		#	#	#	#	#
INTANGIBLE ASSETS	-	-	436	436	436	436
DEFERRED TAX ASSET	-	55	55	55	55	55
CURRENT ASSETS						
Inventories	-	63	63	63	63	63
Trade and other receivables	-	2,290	2,330	2,330	2,330	2,330
Tax recoverable	-	1	1	1	1	1
Cash and bank balances	*	@	481	6,541	6,541	9,547
	*	2,354	2,875	8,935	8,935	11,941
Less: CURRENT LIABILITIES						
Trade and other payables	5	158	181	181	181	181
Amount owing to directors	-	521	686	686	686	686
Bank borrowings	-	163	163	163	163	163
Tax payable	-	173	173	173	173	173
	5	1,015	1,203	1,203	1,203	1,203
NET CURRENT (LIABILITIES)/ASSETS	(5)	1,339	1,672	7,732	7,732	10,738
	(5)	2,472	3,241	9,301	9,301	12,307
Financed by:						
SHARE CAPITAL	*	2,200	2,500	3,340	6,680	7,348
SHARE PREMIUM	-	-	-	5,220	1,880	4,218
ACCUMULATED LOSS	(5)	(5)	(5)	(5)	(5)	(5)
SHAREHOLDERS' EQUITY	(5)	2,195	2,495	8,555	8,555	11,561
DISCOUNT ON ACQUISITION	-	277	746	746	746	746
	(5)	2,472	3,241	9,301	9,301	12,307
NUMBER OF ORDINARY SHARES ('000)	**	22,000	25,000	33,400	66,800	73,480
NTA per share (RM)	(2,500)	0.11	0.11	0.26	0.13	0.16

*	*Represents RM2.*
**	*Represents issued and paid-up share capital of 20 ordinary shares of RM0.10 each.*
#	*Represents cost of investment in an associated company of RM10.*
@	*Represents RM405*

Notes:-

1. *The proforma consolidated balance sheets have been prepared for illustrative purposes only. They are based on the audited balance sheets of Ygl Convergence, Ygl Consulting and Ygl Multimedia as at 31 December 2004 and have been prepared on the accounting principles and bases consistent with those normally adopted by the Group (comprising Ygl Convergence, Ygl Consulting and Ygl Multimedia).*

2. *The ESOS will be implemented immediately after the Public Issue but before the Bonus Issue. However, there will be no additional Shares arising from the exercise of ESOS Options prior to Listing. The Bonus Issue is therefore only based on 33,400,000 Ygl Convergence Shares after the Public Issue.*

For notes to the Proforma Balance Sheets of Ygl Convergence, please refer to Section 14 of this Prospectus.

1.7 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

		RM
(i)	**Share capital**	
	Authorised:- 100,000,000 Ygl Convergence Shares	10,000,000
	Issued and paid-up:- 25,000,000 Ygl Convergence Shares credited as fully paid-up	2,500,000
	To be issued pursuant to the Public Issue:- 8,400,000 Ygl Convergence Shares	840,000
	To be issued pursuant to the Bonus Issue:- 33,400,000 Ygl Convergence Shares	3,340,000
	Enlarged issued and paid-up share capital 66,800,000 Ygl Convergence Shares	6,680,000
(ii)	**Issue price per Ygl Convergence Share to the Public** ***(Theoretical ex-bonus price after the Public Issue and Bonus Issue will be RM0.45 per Share)***	0.90
(iii)	**Market capitalisation of Ygl Convergence based on the Issue price of RM0.90**	30,060,000
(iv)	**Proforma Consolidated NTA of Ygl Convergence Group as at 31 December 2004**	
	Proforma Consolidated NTA as at 31 December 2004 after the Public Issue and utilisation of proceeds thereof	8,865,000
	Proforma Consolidated NTA as at 31 December 2004 per Ygl Convergence Share (based on the enlarged issued and paid-up share capital of 66,800,000 Shares upon Listing)	0.13

(v) Classes of shares and ranking

There is only one class of shares in Ygl Convergence, being ordinary shares of RM0.10 each. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up Ygl Convergence Shares including voting rights and all dividends that may be declared subsequent to the date of allotment of the Public Issue Shares.

The shares to be issued pursuant to the Bonus Issue shall rank pari passu in all respects with the other existing issued and paid-up Ygl Convergence Shares including voting rights and all dividends that may be declared subsequent to the date of allotment of the Bonus Issue shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Ygl Convergence Shares shall, in proportion to the amount paid-up on the Ygl Convergence Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Ygl Convergence Share held. A proxy may but need not be a member of the Company.

1.8 PROCEEDS FROM THE PUBLIC ISSUE AND PROPOSED UTILISATION

The gross proceeds from the Public Issue amounting to RM7,560,000 will accrue entirely to the Company and will be utilised as follows:-

	RM	Timeframe for Utilisation
Future business expansion and capital expenditure	4,130,000	End 2007
R&D expenditure	1,320,000	End 2007
Working capital	610,000	End 2006
Estimated listing expenses	1,500,000	Mid 2005
	7,560,000	

Note: In the event that funds are not fully utilised as intended, the remaining will be reallocated to finance the Company's working capital requirements

Full details of the utilisation of proceeds are set out in Section 2.7 of this Prospectus.

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1 INFORMATION SUMMARY (Cont'd)

1.9 DIRECT AND INDIRECT SHAREHOLDINGS OF PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY PERSONNEL

1.9.1 Promoters, Substantial Shareholders and Directors Shareholdings

The shareholdings of the Promoters, substantial shareholders and Directors of the Company 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.*

1.9.2 Key Personnel Shareholdings

The shareholdings of the key personnel of the Group are as follows: -

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 pink form allocation but exclude ESOS allocation.*

Detailed information on the Promoters/ substantial shareholders, Directors and key personnel are set out in Section 6 of this Prospectus.

1.10 BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 6 June 2005, being the latest 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 affect the position and business of the Group.

1.11 FUTURE FINANCIAL INFORMATION

Due to the uncertain nature and inherent risks of the Group's business, no future financials are included in this Prospectus.

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2 PARTICULARS OF THE PUBLIC ISSUE

2.1 OPENING AND CLOSING OF APPLICATION LIST

The application for the Public Issue Shares will open at 10.00 a.m. on 17 June 2005 and will remain open until 5.00 p.m. on 27 June 2005 or at such date or dates as the Directors and Kenanga at their absolute discretion may jointly decide. Late applications will not be accepted.

2.2 IMPORTANT DATES

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 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 application for Public Issue Shares, these 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 Directors 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.

2.3 SHARE CAPITAL

	RM
Authorised:-	
100,000,000 Ygl Convergence Shares	10,000,000
Issued and paid-up:-	
25,000,000 Ygl Convergence Shares credited as fully paid-up	2,500,000
To be issued pursuant to the Public Issue:-	
8,400,000 Ygl Convergence Shares	840,000
To be issued pursuant to the Bonus Issue:-	
33,400,000 Ygl Convergence Shares	3,340,000
Enlarged issued and paid-up share capital	
66,800,000 Ygl Convergence Shares	6,680,000

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

The shares to be issued pursuant to the Bonus Issue shall rank pari passu in all respects with the other existing issued and paid-up Ygl Convergence Shares including voting rights and all dividends that may be declared subsequent to the date of allotment of the Bonus Shares.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Ygl Convergence Shares shall, in proportion to the amount paid-up on the Ygl Convergence Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in the event of liquidation of the Company, any surplus shall be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one (1) vote, and on poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Ygl Convergence Share held. A proxy may but need not be a member of the Company.

2.4 PARTICULARS OF THE PUBLIC ISSUE

The Public Issue is an invitation by Ygl Convergence to the Public to subscribe for the Public Issue Shares at an issue price of RM0.90 per Share subject to the terms and conditions in this Prospectus.

The Public Issue Shares are made available for subscription in the following manner:-

		No. of Public Issue Shares to be allocated
(i)	Eligible directors, employees and business associates of the Group	840,000
(ii)	Public:	
	(a) by way of private placement; and	5,560,000
	(b) by way of public offer	2,000,000
Total		8,400,000

The basis of allocation to be determined shall take into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening the shareholding base of the Company to meet the public spread requirements and to establish a liquid and an adequate market in the Ygl Convergence Shares. To meet shareholding spread requirements, the final allocation to any single applicant shall not breach 5% or more of the enlarged issued and paid-up share capital of the Company upon Listing, regardless of the amount of Public Issue Shares applied for.

The Public Issue Shares in respect of Section 2.4(i) above are allocated to eligible directors, employees and business associates of the Group. Based on the criteria, there are 2 directors, 18 employees and 50 business associates who are eligible and are interested in taking up the reserved Public Issue Shares as at 6 June 2005. All of the 840,000 Public Issue Shares have been allocated to eligible and interested directors, employees and business associates based on their respective position, number of years of service and number of years of relationship with the Group.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The following directors of Ygl Convergence have been allocated the Public Issue Shares in respect of Section 2.4(i) above:-

Name	No. of Public Issue Shares to be allocated
Dato' Muhammad Farid Bin Haji Ahmad Ridhwan	40,000
Chong Kai Min	40,000
Total	**80,000**

In the event any of the Public Issue Shares under Section 2.4(i) above is not taken up by the eligible employees and business associates of the Ygl Convergence Group, such Public Issue Shares will be made available for application by the Public under Section 2.4(ii)(b) by way of a public offer.

In the event of an under-subscription of the public offer under section 2.4(ii)(b) above, such unsubscribed Public Issue Shares may be transferred from the public offer tranche and allocated by way of private placement, and vice versa.

The minimum number of Ygl Convergence Shares to be subscribed for the purpose of the Public Issue shall be the entire 8,400,000 Public Issue Shares.

The Public Issue Shares under Section 2.4(i) and (ii)(b) above will be underwritten by the underwriters in compliance with Bursa Securities' Listing Requirements for the MESDAQ Market.

Ygl Convergence will implement a bonus issue of 33,400,000 new Shares in Ygl Convergence to be issued to all shareholders of Ygl Convergence prior to the Listing on the basis of one (1) new Share in Ygl Convergence for every one (1) existing Share held after the Public Issue. The Bonus Issue will be completed prior to the Listing. The Bonus Issue is implemented as part of the Listing and as an incentive to the shareholders of Ygl Convergence subsequent to the Public Issue. The Bonus Shares will be effected by way of capitalizing RM3,340,000 from the share premium account of Ygl Convergence of RM5,220,000 arising from the Public Issue after deducting estimated listing expenses of RM1,500,000.

Upon completion of the Bonus Issue, the issued and paid-up share capital of Ygl Convergence will be increased from RM3,340,000 comprising 33,400,000 Shares in Ygl Convergence to RM6,680,000 comprising 66,800,000 Shares in Ygl Convergence.

2.5 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows: -

(i) To obtain listing of and quotation for the entire enlarged issued and paid-up share capital of Ygl Convergence on the MESDAQ Market;

(ii) To provide Ygl Convergence with access to the capital markets to raise funds for future expansion and growth;

(iii) To provide an opportunity for investors and institutions, eligible employees, directors and business associates of the Group and the Public to participate in the continuing growth of the Company; and

(iv) To promote greater market recognition both locally and overseas, which will in turn open up more opportunities for the Group.

2.6 PRICING OF THE PUBLIC ISSUE

The Public Issue price of RM0.90 per Ygl Convergence Share was determined and agreed upon by the Company and Kenanga as Adviser and Underwriter, after taking into account, inter-alia, the following:-

(i) The industry overview, future plans and strategies and outlook of the Company as described in Section 5 of this Prospectus;

(ii) The prevailing market conditions; and

(iii) The Company's proforma NTA per Ygl Convergence Share as at 31 December 2004 (after adjustment for the Public Issue and utilisation of proceeds thereof).

Investors should form their own views on the valuation of the Public Issue Shares before deciding to invest in the Public Issue Shares. Investors are to take note that the Bonus Issue will be implemented prior to the listing and quotation of the enlarged issued and paid-up share capital of Ygl Convergence on the MESDAQ Market. Based on the issue price of RM0.90 per Public Issue Share, the theoretical ex-bonus price after the Bonus Issue is RM0.45 per Share.

2.7 PROCEEDS OF THE PUBLIC ISSUE AND UTILISATION

The gross proceeds from the Public Issue amounting to RM7,560,000 will accrue entirely to the Company and the Company shall bear all expenses relating to the listing of and quotation for the entire enlarged issued and paid-up share capital on the MESDAQ Market. The proceeds are proposed to be utilised as follows: -

	Notes	RM	Timeframe for Utilisation
Future business expansion and capital expenditure	(i)	4,130,000	End 2007
R&D expenditure	(ii)	1,320,000	End 2007
Working capital	(iii)	610,000	End 2006
Estimated listing expenses	(iv)	1,500,000	Mid 2005
		7,560,000	

Note: In the event that funds are not fully utilised as intended, the remaining will be reallocated to finance the Company's working capital requirements

i. Future business expansion and capital expenditure

The Company proposes to allocate RM4,130,000 for future business expansion and capital expenditure. Such business expansion may include expansion into countries such as China, ASEAN and the Middle East.

ii. R&D expenditure

The amount of RM1,320,000 will be utilised for development of future Ygl ServiceERP Solutions and Ygl Value Added Solutions. The R&D expenditure will comprise development staff salaries and related equipment costs.

iii. Working Capital

The Company proposes to allocate approximately RM610,000 to meet its working capital requirements such as staff salaries, marketing expenses, purchase of materials, extending credit period to customers, etc.

2 PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

iv. Estimated listing expenses

The estimated listing expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of Ygl Convergence on the MESDAQ Market, to be borne by the Company, are as follows: -

	RM
Professional fees	500,000
Bursa Securities' perusal fee and listing fees	35,000
Prospectus registration fee; SC and ROC	5,500
Advertising & printing costs	220,000
Underwriting, placement and brokerage	300,000
Issuing House	50,000
Miscellaneous & Contingencies	389,500
Total	**1,500,000***

* *In the event that additional expenses are incurred, the additional amounts will be paid from the proceeds for its working capital requirement and/or otherwise*

2.7.1 Financial Impact from the Utilisation of Proceeds

The financial impact from the utilisation of the proceeds include, inter alia, the following:-

(i) the setting up of more regional offices to widen customer base, increasing its programming staff force to expedite the development of the Group's own software and increasing its branding and marketing activities; and

(ii) increase working capital of the Group by RM610,000 would enable the Group to expand its marketing and R&D team, which is crucial for the expansion of its business

Overall, the utilisation of proceeds is expected to improve the liquidity and cashflow position of the Company.

2.8 BROKERAGE, UNDERWRITING AND PLACEMENT COMMISSION

2.8.1 Sponsorship

Prior to the listing of Ygl Convergence, the Company will enter into an agreement with Kenanga appointing Kenanga to act as its sponsor.

2.8.2 Brokerage Fee

Brokerage fee relating to the Public Issue Shares will be paid by the Company at the rate of 1.0% of the issue price of RM0.90 per Public Issue Share in respect of successful applications which bear the stamps of Kenanga, a member company of the Bursa Securities or the Issuing House.

2.8.3 Underwriting Commission

Kenanga has agreed to underwrite 2,840,000 of the Public Issue Shares which will be made available for application under the allocation to eligible directors, employee and business associates of the Group and public offer by way of balloting. Underwriting commission is payable by the Company at the rate of 1.8% of the issue price of RM0.90 per Public Issue Share.

2.8.4 Placement Commission

Kenanga will arrange for the placement of 5,560,000 of the Public Issue Shares at a rate of 1.8% of the issue price of RM0.90 per Public Issue Share.

2.8.5 Salient Provisions of the Underwriting Agreement

The following are extracts of some of the salient clauses contained in the Underwriting Agreement entered into between the Company and Kenanga:-

Conditions to Underwriting

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

(a) the Company's application, the Securities Commission having approved the Prospectus and Bursa Securities having agreed in principle on or prior to the Closing Date to the listing of and quotation for all the issued ordinary share capital of the Company on the MESDAQ Market of Bursa Securities on terms satisfactory to the Underwriter and the Underwriter being reasonably satisfied that such listing and quotation will be granted three (3) business 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 the Central 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) the proceeds from the placees for all the shares as described in Recital C(a)(i) having been received by the issuing house appointed by the Company for the Public Issue on the Closing Date;

(c) the delivery to the Underwriter prior to the date of issuance of the Prospectus of:-

(i) a certified true copy by an authorised officer of the Company of the Memorandum and Articles of Association of the Company and all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue and authorising the execution of this Agreement and the issuance of the Prospectus; and

(ii) a certificate dated the day of the Prospectus signed by the duly authorized officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.1 hereof;

(d) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse effect on the performance or financial position of the Company or any of its subsidiaries;

(e) the Underwriter having been satisfied that adequate arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 8;

(f) the public shareholding spread as required pursuant to the MESDAQ Market Listing Requirements of Bursa Securities being met;

(g) the Public Issue having been approved by the members of the Company at its extraordinary general meeting prior to the Closing Date;

(h) there not having been, on or prior to the Closing Date, any adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in this Agreement and in the Prospectus as though they has been given or made on such date;

(i) the lodgement and registration with the Securities Commission and the Registrar of Companies of the Prospectus together with copies of all requisite documents in accordance with the requirements of Sections 41 and 42 of the Securities Commission Act 1993, the Securities Commission Guidelines on the Issue/Offer of Securities and the Prospectus Guidelines pursuant to Clause 7;

(j) the Composite Index of Bursa Securities is at no less than 650 points, on or prior to the Closing Date;

(k) the issue and subscription of the Public Offer Shares and Employee Offer Shares in accordance with the provisions hereof 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) and to take place within ninety (90) days from the date of this Agreement;

(l) all necessary approvals and consents required in relation to the Public Issue having been obtained and being in full force and effect; and

(m) this Agreement having been duly executed by all parties and stamped.

If any of the conditions set forth above are not satisfied on or before the Closing Date and if after the Closing Date it shall become apparent to the Underwriter that the public shareholding spread as required pursuant to the MESDAQ Market Listing Requirements of Bursa Malaysia has not been met, the Underwriter shall thereupon be entitled to, terminate this Agreement by notice in writing to the Company and in that event the Parties hereto shall be released and discharged from their respective obligation hereunder 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 in Clause 8 hereof.

TERMINATION OF UNDERWRITING OBLIGATION

If by 8.00 p.m. on the Closing Date or such other date as the Company and the Underwriter may mutually agree upon, Application Forms in respect of all the Underwritten Shares have been lodged for acceptance and received in accordance with the terms of Prospectus, together with valid banker's drafts or other forms of remittances for the full amounts payable thereunder, no obligation shall arise on the part of the Underwriter to apply for any of the Underwritten Shares under this Agreement.

TERMINATION

Reasons for Termination

On or before the Closing Date, the Underwriter subject to the agreement of the Company (whose agreement shall not be unreasonably withheld), shall thereupon be entitled to terminate this Agreement by notice in writing delivered to the Company, if:-

(a) *any of the conditions referred to in Clause 2.2 is not satisfied, provided that the Underwriter may at its discretion and subject to such conditions as the Underwriter may impose, waive compliance with the provisions of Clause 2.2; or*

(b) *any adverse change or any development reasonably likely to involve an adverse change in the condition (financial or otherwise) of the Company from that set forth in the Prospectus which is material in the context of the Public Issue, or the occurrence of any event rendering untrue or incorrect to an extent which is material any representations or warranties contained in Clause 3.1 as though they had been given or made on such date; or*

(c) *there is withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to this Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Company and its subsidiaries and related companies, the success of the Public Issue, or the distribution or sale of the new Shares pursuant to the Public Issue; or*

(d) *there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of the coming into force of any laws of Governmental regulations or directives or any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange or unforeseen circumstances beyond the reasonable control of the Underwriter and by reason of Force Majeure which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the Public Offer, or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or*

(e) *there is failure on the part of the Company to perform any of its obligations herein contained; or*

(f) *the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities which would prejudice materially the success of the Public Offer.*

Effects of Termination

Upon any such notice(s) being given pursuant to Clause 7.1, the Underwriter shall be released and discharged from its obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable for the payment of the Underwriting Commission and in respect of its obligation and liabilities under Clause 8 for the payment of costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies, and for any antecedent breach.

Provided always that the parties hereto agree that in the event of termination of this Agreement pursuant to a Force Majeure event, the Underwriter and the Company may confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and/or entering into a new underwriting agreement as the case may be with the mutual consent of the parties hereto.

3 RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS FOR THE PUBLIC ISSUE SHARES SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE PUBLIC ISSUE SHARES.

(A) BUSINESS RISKS

(i) Dependence on key personnel

The Group's continued success will depend substantially upon the abilities and continued efforts of Yeap Kong Chean, Yeap Kong Tai and the senior management team. The Group relies heavily on the above-mentioned Directors as they bring along their extensive knowledge and experience in the conceptualisation, design and development of Ygl software and ERP consulting services. The loss of the either one of the above-mentioned Directors or senior management staff may adversely affect the Group's performance.

The Group's future success will also depend upon its ability to attract and retain a sufficient number of highly skilled employees. The Group mitigates this by continuing to hire personnel as and when necessary to accommodate any increase in the size of the Group's operations. The Board believes that by offering a competitive salary package, training and conducive working environment, the risk should be further mitigated. Recognising the importance of its human resource, efforts have been taken to groom younger members of the senior management team to ensure a smooth transition in the management team. Notwithstanding the above, there can be no assurance that the above measures will always be successful in retaining key personnel or in ensuring a smooth transition, should changes occur.

(ii) Management of future growth

The Group is currently experiencing a period of growth and has projected in its 5-year development plan rapid expansion and further growth. The Group's ability to manage its growth will depend on its ability to improve its operational, financial and other internal systems and to train, recruit, motivate and manage its employees. If the Group is unable to achieve the anticipated performance levels, its business and financial performance may be adversely affected.

(iii) Expansion to foreign markets and related risks thereon

The Group is currently operating in Malaysia and Thailand. However, the Group intends to expand its business further regionally to other countries. There can be no assurance that the Group will be able to successfully penetrate the new markets. Furthermore, such future expansion could expose the Group to foreign economic, political, legislative and other risks. Any failure to accurately assess these issues may affect the Group's business, financial condition and operating results. However, the Board intends to exercise prudence and careful planning to ensure that the Group will not experience any over expansion.

(iv) Establishment of brand name

The Group believes that establishing and maintaining a good brand reputation and recognition is critical for attracting and expanding the Group's targeted client base. It is important that widespread recognition of the "YGL" brand name is established and maintained. The success of the "YGL" brand name will depend largely on the provision of high quality software solutions and strong support and training to its clients. If customers do not perceive the Group's products and services as meeting their needs or if the products and services are not marketed effectively, the Group will be unsuccessful in maintaining and strengthening its brand name. Failure to do so will affect the results of operations, financial conditions and prospect of the Group. However, the Group believes that it will be able to develop its brand name effectively with sufficient financial resources and stringent product and services quality requirements.

(v) Protection of Intellectual Property rights

The Group's revenue is partly derived from its proprietary software which is protected under the copyright laws in Malaysia. The Ygl Convergence Group has submitted applications to the Registrar of Trademarks, Intellectual Property Corporation of Malaysia for the registration of the trademark of "Ygl " and "Taxcom" in Malaysia. The applications are currently pending registration.

However, existing intellectual property 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 and exploitation, any of which could have a material adverse effect on the Group's business, operating results and financial condition. The Company may have to incur additional expenses to protect its intellectual property rights should piracy on its proprietary software arises. The Group will continue to update, upgrade and enhance its products and as such rendering it more difficult for other parties to copy its products.

(vi) Rapid technology changes

The market for the Group's products and services is subject to inherent risks due to rapid technological changes, evolving industry standards, swift changes in customer requirements, new product introduction and enhancements. The Group's products may become obsolete due to changes in technology and thus, the Group's future depends substantially upon its ability to address the increasing sophisticated needs of its customers.

The Group seeks to minimise this risk by actively and continuously pursuing technology innovation and advancement, industry best practices and strategic business alliances. The Group also provides continuous staff development to align their skills and knowledge with the requirements of the latest technology in the conceptualisation, design and development of software solutions. Continuous efforts in its on going research and development are made to further facilitate the development of new products.

Although the Group has made efforts to mitigate this risk, there is no assurance that the Group will be successful in developing and marketing new products or making enhancements to its existing products.

(vii) Change in MSC status

Ygl Multimedia was granted MSC status on 26 February 2004 by MDC which carries financial and non-financial incentives such as 100% income tax exemption on all profits derived from its MSC qualifying or promoted products.

As the MDC is the body that is responsible for monitoring all MSC designated companies, it has the right to revoke any company's MSC status at any time if it does not comply with the conditions of grant of MSC status as imposed by the MDC. As such, there can be no assurance that Ygl Multimedia will continue to retain its MSC status or that it will continue to enjoy the incentives outlined above. Further, there can also be no assurance that the MSC incentives will not be changed or modified in any way in the future.

3 RISK FACTORS (Cont'd)

(viii) Capital market risks

As an investor of Ygl Convergence, it is to be noted that Ygl Convergence will be listed on the Mesdaq Market of Bursa Securities. The performance of our local bourse is very much dependent on external factors such as the performance of the regional and world bourses. Sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the shares of Ygl Convergence to be listed on Bursa Securities. Nevertheless, it shall be noted that the profitability of Ygl Convergence is not dependent on the performance of Bursa Securities.

(ix) Uncertainty in the Business Development Plan

The Group's proposed future plan and prospects will depend on the Group's ability to enter into strategic marketing or other arrangements on a timely basis and on favourable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality and service controls); and obtain adequate financing as and when needed.

Nevertheless, there is no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses or problems or technical difficulties will not occur which would result in material delays in its implementation or deviation from its original plans.

(x) Regulatory risks

Currently, the business activities of the Group in Malaysia are not subject to any specific legislation or regulations. However, there is no assurance that future legislative or regulatory policy changes will not affect the operations of the Group.

(xi) Operating risks

There is no assurance that the Group will be profitable in the future, or that it will achieve increasing or consistent levels of profitability. The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, changes in the Group's operating expenses, the ability of the Group to develop and market new products and services and to control costs, market acceptance of new products and services, and other business risks common to going concerns.

(xii) Product risks

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

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

3 RISK FACTORS (Cont'd)

(xiii) Future capital injections

The Board of Directors of the Company is of the opinion that the net proceeds of the Public Issue, together with cash flow from operations and other existing sources of liquidity, will be sufficient to meet the Group's projected capital commitments, working capital and other cash requirements. However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on satisfactory terms to the Group. The sale of additional equity or other convertible securities to non-shareholders will result in further dilution of the shareholdings of the Company's shareholders

(xiv) Delays in completion of software development and ERP implementation projects

Occasionally, the Group may experience delays in the completion of some of the projects for the implementation of ERP software or the development of proprietary software, which may result in the Group committing more resources than originally budgeted for. Consequently, customer dissatisfaction could have material adverse effect on the Group's business. In addition, the delay in completion of proprietary software may result in the Group losing market share for failure to penetrate the market in a timely manner.

(xv) Reliance on major relationships with principals

Currently the Group has distributorship arrangements with principals, namely Microsoft Corporation, ACCPAC International Inc, and SSA Global TechnologiesTM Inc. The distributorship arrangements are on an ongoing basis unless otherwise terminated by the Group or the principals. There is no assurance that the Group will be able to retain the distributorship arrangements with these principals. In the event any of the distributorship arrangements is terminated, there may be an adverse effect on the operating results of the Ygl Convergence Group.

However, the Group has been implementers and resellers of Tier 1 (Baan) and Tier 2 (Great Plains and ACCPAC) World Class ERP Solutions for approximately two (2) to ten (10) years. The Directors are of the view that over the years, the Group has formed close relationships with the respective principals, namely Microsoft Corporation, ACCPAC International Inc, and SSA Global TechnologiesTM Inc.

(xvi) Risks on revenue flow

The following factors could also adversely affect revenue:-

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

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

- inability to continuously improve the Group's application software and services through R&D. Any defects or errors in its IT solutions or failure to meet client's specifications or expectations could result in delayed or lost revenue.

(xvii) Dependence on ERP software market

The Group is dependent on the continued growth of the ERP software market and, in particular, the continued market acceptance of Baan, ACCPAC and Great Plains products. Any deterioration in such market or market acceptance would have a material adverse effect on the Group.

However, the Group has taken steps to diversify away from this reliance by undergoing development of its own proprietary software. The Group's Software Division is contributing 53% of the revenue and 76% of the gross profit for the Group based on the proforma financial results of the Group for the FYE 31 December 2004.

(B) RISKS RELATING TO INDUSTRY

(i) Non-barriers to entry and competition

The IT software industry has a large number of participants and is subject to rapid change and intense competition. The threat of new entrants is high as the small accounting software market segment has low technological barriers to entry. New entrants offer heavily discounted or free software to the market which in return generates their revenues from training or sponsorship.

Although threats of new entrants are high, the Group believes that new players will find it difficult to compete as the Group is more established and has carved a name for itself in the market. In addition, the Group believes it is able to compete effectively against its competitors due to its competitive edge as mentioned in section 4.3.4 of this Prospectus.

(ii) Security risks and system disruption

The Group is operating in the high technology environment where its operations are vulnerable to security risks, for example computer viruses, hacking and fraud. In response to this, the Group has set up an alert system, where any employee who saves a huge file is alerted. This will prevent the attempt of extracting the source code, which is vital to the Group's software development.

(iii) Software piracy

Piracy is a problem that is significant in Malaysia. By purchasing illegally copied software, companies and individuals can save substantially which in turn amounts to substantial revenue loss for software companies.

To counter illegal copying of Ygl software, Ygl programs are delivered in executable files in encrypted form to its clients. There is a user activation request procedure that has to be completed before the Ygl program may be put to use. The user activation the code is provided to the client by the Group upon receipt of payment, otherwise the usage of the program is limited by transactions and time. The Ygl programs are designed in such a way that it does not work if the program is copied into a different computer, other than the one previously installed and activated. As such, Ygl clients have to request for a new validation key in the event that they wish to change computers.

In addition, to protect Ygl intellectual property from its staff, the following precautionary steps have been taken as follows:-

- All research & development staffs have to sign a confidentiality agreement with the Group. If convicted, the offender is liable for damages in court.
- The business requirement and programming scope are handled by Ygl Consulting (the consulting group), while the coding is handled by the Ygl Multimedia (the programming group). Hence, the consultants and programmers are stationed in different companies.

- Even within the programming group, different programmers handle different modules. Ygl ServiceERP Solutions is a combination of four (4) existing modules, nine (9) modules in the pipeline and more in the future.

- The integration between modules is handled by the supervisor, who knows the integration codes, but not the detailed functional coding.

- Programmers in different location work on a centralized database. There is constant monitoring program installed in the centralized database that detects abnormal file transfers in terms of file type, file size, times of operation, etc.

(iv) Technology

The IT industry is dynamic, characterised by rapid changes in technology and frequent introduction of new and more advanced IT products, changes in customer demands and evolving industry standards. Accordingly, the Group will be subject to risks, uncertainties and problems frequently encountered by companies in the IT industry which include, amongst others, the following:-

- failure to keep abreast with changing technological standards and requirements;

- failure to anticipate and adapt to developing market trends and requirements;

- failure to develop commercially viable software packages and services; and

- inability to maintain, upgrade and develop its systems and infrastructure to cater to rapidly expanding operations.

Recognising the abovementioned challenges, the Group's R&D team constantly keeps abreast with new technologies and market trends. The consulting team works closely with the R&D team to provide feedback on the market trends and customer requirements. Most of the Group's consultants and programmers have undergone training with its principals, namely SSA Inc, ACCPAC International Inc, Microsoft Inc, and Business Objects and are duly certified in these areas of the expertise. The Group also focuses on its human resource development by investing in external and in-house training sessions to update and educate its employees.

(C) OTHER RISKS

(i) Control by certain substantial shareholders

The Company will be controlled by the Promoters who will collectively control approximately 69.86% of the Company's issued and paid-up share capital after the Public Issue. As a result, the Promoters will be able to effectively influence the outcome of certain corporate actions in a manner that could cause conflict with the interests of minority shareholders.

However in the event of related party transactions involving any of the Promoters of the Company, such Promoters would be required to abstain from voting. In addition, the Company has appointed two (2) independent non-executive directors, as a step towards good corporate governance and protecting the interests of minority shareholders.

(ii) No prior market for the Company's shares

Prior to the Public Issue, there was no public market for the Ygl Convergence Shares. There can be no assurance that an active market can develop for the Ygl Convergence Shares upon its listing on the MESDAQ Market or if developed, that such a market can be sustained. The Public Issue price of RM0.90 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and conditions, the prospects of the industry in which the Company operates, the Company's R&D capability and technology, the management of the Company and prevailing economic and market conditions. There can be no assurance that the Public Issue price will correspond to the price at which Ygl Convergence Shares will trade on the MESDAQ Market upon or subsequent to its listing.

(iii) Political, economic and legislative considerations

Development in political and economic conditions in Malaysia and other countries where the Group is currently operating or where the Group may market its products in the future could materially affect the financial prospects of the Group. Political and economic uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, renegotiations or nullification of existing contracts, fluctuations in foreign exchange rates, inflation, changes in interest rates and methods of taxation.

(iv) Forward looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts that are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates", "believe", "intends", "plans", "expects", "forecast", "predicts" and similar expressions as they relate to the Group or its business are intended to identify such forward-looking statements. The Group believes that, barring any unforeseen circumstances the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to have been correct. Any deviation from the expectations may have adverse effect on the Group's financial and business performance.

(v) Delay in or abortion of the Public Issue

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

(a) the identified investors fail to subscribe for the portion of Public Issue Shares to be placed to them;

(b) the Underwriters exercise its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; or

(c) the Company is unable to meet the public spread requirements, that is, at least 25% but not more than 49% of the issued and paid-up share capital of the Company be held by a minimum number of 200 public shareholders (including employees).

Although the Board will endeavour to ensure compliance by Ygl Convergence of the various Listing Requirements, including, inter-alia, the public spread requirement imposed by the Bursa Securities for the successful Public Issue, no assurance can be given that the abovementioned events will not occur and cause a delay in or abortion of the Public Issue.

(vi) Termination of Underwriting Agreement

The Underwriting Agreement is terminable by the Underwriter if the Underwriter is of the reasonable opinion that the success of the Public Issue is seriously jeopardised by certain events, details of which are set out in Section 2.8.5 of this Prospectus.

No assurance can be given that the Underwriter will not terminate the Underwriting Agreement if it is of the reasonable opinion that the events detailed in Section 2.8.5 have occurred. In the event the Public Issue could not be completed, all monies paid in respect of all applications will be returned without any interest.

3 RISK FACTORS (Cont'd)

(vii) Foreign exchange risk

The operations of the Group in Malaysia and Thailand are denominated in RM and THB respectively. It is the intention of the Group when expanding its business to China, ASEAN and the Middle East to base its operations on the respective local currency. In addition, the purchase of certain software, such as ACCPAC and Great Plains are made in US Dollar and Singapore Dollar. As such, the Group is exposed to foreign exchange risks.

Although the software purchases are based on foreign denominations, the software principals determine the local selling price after taking into consideration the fluctuations in foreign exchange rates. As such the foreign exchange fluctuations risk to the Group is mitigated.

It must be noted that there can be no assurance that any significant changes in exchange rate fluctuations and foreign exchange control regulations will not have an adverse impact on the Group's revenue and financial position.

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