THE PLACING PRICE

The Placing Price will not be more than HK$1.68 and is expected to be not less than HK$1.12. Investors have to pay on application the maximum Placing Price of HK$1.68 per Placing Share plus 1% brokerage, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, A maximum of HK$3,394.00 for every board lot of 2,000 Shares are payable in full upon application.

The Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares in the Placing. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The Placing Price is expected to be fixed on or before 12:00 noon, 12 October 2005 by agreement between the Company and the Lead Manager (for itself and on behalf of the Underwriters) with reference to market demand for the Placing Shares, which will not be more than HK$1.68 per Placing Share and is expected to be not less than HK$1.12 per Placing Share.

If the Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on or before 12:00 noon, 12 October 2005, the Placing will not proceed. In such circumstance, an announcement will be issued and published on the GEM website by the Company.

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares in the Placing will be conditional upon:

1. **Listing**

   The Listing Committee granting the approval of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM; and

2. **Underwriting Agreement**

   The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Lead Manager (acting for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days from the date of this prospectus which is 9 November 2005.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published on the GEM website on the next Business Day following such lapse.

THE PLACING

Under the Placing, the Company is initially offering 120,000,000 new Shares for subscription by way of placing. The Placing Shares will represent 27.78% of the Company's enlarged issued share capital immediately following the completion of the Capitalisation Issue, the Conversion and the Placing, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been granted under the Pre-IPO Share Option Plan or which may be granted under the Share Option Scheme.

It is expected that the Underwriters or selling agents nominated by them will conditionally place the Placing Shares on behalf of the Company at the Placing Price plus 1% brokerage, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, with professional, institutional and private investors in Hong Kong and elsewhere outside the U.S., subject to certain restrictions. Such professional, institutional and private investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities and private individuals which regularly invest in shares and other securities.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell the Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad and solid shareholder base to the benefit of the Company and its shareholders as a whole. There will not be any preferential treatment in the allotment of the Placing Shares to any persons.

OVER-ALLOTMENT OPTION AND STOCK BORROWING ARRANGEMENTS

Under the Underwriting Agreement, the Company has granted to the Lead Manager the right, but not the obligation, to exercise the Over-allotment Option, exercisable no earlier than the date of this prospectus and will expire at 5:00 p.m. on the date which is the 30th day after the date of this prospectus. Pursuant to the Over-allotment Option, the Lead Manager has the right to require the Company to issue up to 13,200,000 additional Shares, representing 11% of the total number of the Placing Shares initially available under the Placing, solely for the purpose of covering over-allocations in the Placing, if any. These Shares will be issued at the Placing Price.

The Lead Manager may, at its option, also cover any over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the Placing shall not exceed the number of Shares that may be allotted and issued under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the additional Shares to be issued will represent approximately 3.0% of the Company's issued share capital immediately following the completion of the Capitalisation Issue, the Conversion and the Placing and as enlarged by the Shares to be issued upon the full exercise of the Over-allotment Option.

In order to facilitate settlement of over-allocations in connection with the Placing, a stock borrowing agreement will be entered into between XGII and the Lead Manager. Under such stock borrowing agreement, XGII, being a controlling Shareholder, shall agree with the Lead Manager, that if requested by the Lead Manager, it will, subject to the terms of the stock borrowing agreement, make available to the Lead Manager up to 13,200,000 Shares held by it, by way of stock lending, in order to cover over-allocation in connection with the Placing. The Lead Manager and XGII shall enter into and perform its obligations under the stock borrowing agreement subject to the following terms:

- such stock borrowing agreement with XGII will only be effected by the Lead Manager for settlement of over-allocations in the Placing;
- the maximum number of Shares which may be borrowed from XGII by the Lead Manager must not exceed the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to XGII and deposit with its escrow agent within three business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised; or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the stock borrowing agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- no payments will be made to XGII by the Lead Manager in relation to such borrowing arrangement.

Assuming the Over-allotment Option is exercised in full, the public float of the Company will increase from 27.78% to approximately 29.92% upon the Listing.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds receivable by the Company will be applied by the Company as described in the section headed "Statement of business objectives and strategies – Reasons for the Placing and the use of proceeds" in this prospectus.

STABILISATION

In connection with the Placing, the Lead Manager may over-allocate Shares and may cover such over-allocations by means of exercising the Over-allotment Option no later than 30 days after the date of this prospectus, stock borrowing, or making open market purchases of the Shares in the secondary market. The number of Shares over-allocated will not be greater than the number Shares which may be issued upon the full exercise of the Over-allotment Option, being 13,200,000 Shares, which is 11% of the Placing Shares initially available under the Placing.

In connection with the Placing, the Lead Manager, or any person acting for it, may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such stabilisation transactions may include exercising the Over-allotment Option, stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases. Any such market purchases will be effected in compliance with all applicable laws, rules and regulatory requirements.

However, there is no obligation on the Lead Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Lead Manager and may be discontinued at any time. Any such stabilisation activity is required to be brought to an end within 30 days from the date of this prospectus.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Lead Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period of which the Lead Manager, or any person acting for it, will maintain the long position at the discretion of the Lead Manager and is uncertain. In the event that the Lead Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising action by the Lead Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the commencement of trading of the Shares on the Stock Exchange after the Placing Price is announced and ends on the thirtieth day from date of this prospectus. The stabilising period is expected to end on or before 9 November 2005. After this date, when no further stabilising action may be taken, demand for the security, and therefore its price, could fall. Any stabilising action taken by the Lead Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Placing Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Lead Manager, or any person acting for it, may be made at a price at or below the Placing Price and therefore at or below the price paid for the Shares by purchasers. A public announcement will be made within seven days after the end of the stabilising period in accordance with the Securities and Futures (Price Stabilising) Rules of the SFO.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to delay and, if possible, prevent a decline in the initial market prices of such securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Placing Price. Stabilisation is not a practice commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares in the secondary market solely for the purpose of covering over-allocations in an offering. The relevant provisions of the SFO and the Securities and Futures (Price Stabilising) Rules, prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.