中國城市軌道交通科技控股

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司

China City Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8240

GLOBAL OFFERING

Sole Global Coordinator, Lead Manager and Bookrunner

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Joint Sponsors

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Quam CAPITAL 華富嘉洛企業融資

Quam Capital Limited

IMPORTANT

If you are in any doubt *about any of the contents of this prospectus, you should obtain independent professional advice.*

中國城市軌道交通科技控股有限公司

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**20,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**180,000,000 Shares (subject to the Over-allotment Option and reallocation)**
Maximum Offer Price	:	**Not more than HK$1.23 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK$0.95 per Offer Share**
Nominal Value	:	**HK$0.01 per Share**
Stock Code	:	**8240**

Sole Global Coordinator, Lead Manager and Bookrunner

Guotai Junan Securities (Hong Kong) Limited

Joint Sponsors

Guotai Junan Capital Limited

Quam Capital Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between the Lead Manager (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 9 May 2012 or such later time as may be agreed between the parties, but in any event, no later than 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012. If, for any reason, the Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$1.23 per Offer Share and is currently expected to be not less than HK$0.95 per Offer Share unless otherwise announced in the manner set out below. Investors applying for Offer Shares must pay the maximum Offer Price of HK$1.23 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price finally determined is lower than HK$1.23 per Offer Share. The Lead Manager (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer.

Pursuant to the force majeure provisions contained in the Hong Kong Underwriting Agreement in respect of the Global Offering, the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters) has the right in certain circumstances, subject to their absolute opinion, to terminate the obligations of the Hong Kong Public Offer Underwriters under the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be Wednesday, 16 May 2012). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

3 May 2012

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** *(note 2)* . . . . . .11:30 a.m. on Tuesday, 8 May 2012

Application lists for the Hong Kong Public Offer open *(note 3)* . . . . . .11:45 a.m. on Tuesday, 8 May 2012

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 4)* . . . . . .12:00 noon on Tuesday, 8 May 2012

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . .12:00 noon on Tuesday, 8 May 2012

Application lists for the Hong Kong Public Offer close *(note 2)* . . . . . .12:00 noon on Tuesday, 8 May 2012

Expected Price Determination Date *(note 5)* . . . . . .Wednesday, 9 May 2012

Announcement of the Offer Price, the level of indication of interest in the International Placing, results and levels of applications and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offer to be published (a) in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and (b) on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.ccrtt.com.hk** *(note 6)* . . . . . .Tuesday, 15 May 2012

Results and levels of applications in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at **www.hkexnews.hk**, the website of our Company at **www.ccrtt.com.hk**, at **www.tricor.com.hk/ipo/result**, the Hong Kong Public Offer allocation results telephone enquiry line and the special allocation results booklets as described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus . . . . . .Tuesday, 15 May 2012

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before *(notes 5, 7 & 8)* . . . . . .Tuesday, 15 May 2012

Despatch of refund cheques in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before *(notes 8 to 12)* . .Tuesday, 15 May 2012

HK eIPO White Form Refund payment instructions in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications will be despatched on or before *(notes 8 to 12)* . . . . . .Tuesday, 15 May 2012

Dealings in Shares on GEM to commence on . . . . . .Wednesday, 16 May 2012

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 8 May 2012, the application lists will not open on that day. Further information is set out in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus. If the application lists do not open and close on Tuesday, 8 May 2012, the dates mentioned in "Expected timetable" may be affected. An announcement will be made by us in such event.

4. Applicants who apply for Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "How to apply by giving electronic application instructions to HKSCC" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus .

5. The Offer Price is expected to be determined by Wednesday, 9 May 2012, but in any event, the expected time for determination of the Offer Price will not be later than 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012. If, for any reason, the Offer Price is not agreed between the Lead Manager (for itself and on behalf of the Underwriters), and our Company at or before 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012, the Global Offering will not proceed.

6. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

7. Share certificates for the Hong Kong Public Offer Shares will become valid certificates of title at 8:00 a.m. on Wednesday, 16 May 2012 provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or either of the Underwriting Agreements is terminated in accordance with their terms, we will make an announcement as soon as possible.

8. Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offer and have indicated in their applications that they wish to collect any refund cheque(s) and/or share certificate(s) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 May 2012. Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection.

9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.

10. Applicants who apply for Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed "How to apply by giving electronic application instructions to HKSCC" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus for details.

11. Applicants who apply for Hong Kong Public Offer via **HK eIPO White Form** should refer to the paragraph headed "Refund of your money – Additional information" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

12. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in the paragraphs headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" and "Refund of your money – Additional information" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

Introduction

We are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. A public transport system mainly comprises computer systems and infrastructures which forms a network. A network comprises various lines, which are different routes in a public transport system such as different railway lines. A line in turn comprises various stations, which are destinations for passengers. For centralisation of control, systems used at each station are connected to a line-level system which manages, controls and/or monitors each line while line-level systems are then connected to a network-level system which controls and/or monitors the entire network.

Our application solutions are used at the network level of a public transport system where lines within such system are connected to. Our application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre. Our application solutions for the ACC System[1] and the TCC System[2] and the application solutions for the PCC System[3] to be developed by us can link up the three important network-level functions required for a public transport system, namely the ticketing and fare and data collection, transport control, and passenger-related functions, and allow exchange of information among these systems.

For further details of the structure of a public transport system and the interactions among the different systems at the network level and the line level, please refer to the simplified diagram set out in the paragraph headed "Overview" in the section headed "Business" in this prospectus.

[1] *The ACC System is the automated fare collection clearing centre system, a network-level system which standardises the settlement and apportionment of the fares collected among the clearing participants (i.e. operators within a public transport system, e.g. for the Beijing Subway, there are two operators managing different railway lines) by collecting the statistical information in relation to transactions and financial data recorded, the issuance of tickets and management of the a public transport system.*

[2] *The TCC System is the traffic control centre system within a public transport system at a network level, its functions include monitoring and coordination of the operation among different operating units (e.g. different railway or subway lines or routes), electrical and mechanical subsystems, emergency control (e.g. contacting and coordinating with the police, fire stations and weather observatories) and sharing of information.*

[3] *The PCC System is the passenger information system control centre system, a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operational data; it integrates passenger information subsystems of different lines within a public transport system so as to enable sharing of resources and information, such as weather information, advertisements and news clippings.*

Revenue

Revenue by location of subsidiaries

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Beijing	19,195	78.5	51,354	71.3	8,482	49.9	53,143	81.4
Hong Kong	5,259	21.5	20,693	28.7	8,506	50.1	12,104	18.6
Total	24,454	100.0	72,047	100.0	16,988	100.0	65,247	100.0

During the Track Record Period, all of our work were delivered in accordance with the milestone or timetable mutually agreed with our customers.

Revenue by segment

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Transportation system design and installation services								
ACC	–	–	23,977	33.3	1,408	8.3	1,711	2.6
TCC	–	–	9,076	12.6	–	–	–	–
AFC *(Note 1)*	600	2.5	4,095	5.7	1,403	8.2	5,765	8.8
Technical support and general consultancy *(Note 3)*	2,889	11.8	479	0.7	145	0.9	17,458	26.8
	3,489	**14.3**	**37,627**	**52.3**	**2,956**	**17.4**	**24,934**	**38.2**
Maintenance services								
ACC	12,539	51.2	12,711	17.6	5,405	31.8	4,732	7.3
TCC	2,831	11.6	3,310	4.6	1,344	7.9	1,312	2.0
AFC *(Note 2)*	3,663	15.0	15,574	21.6	6,771	39.9	5,814	8.9
	19,033	**77.8**	**31,595**	**43.8**	**13,520**	**79.6**	**11,858**	**18.2**
Sales of spare parts	**1,932**	**7.9**	**2,825**	**3.9**	**512**	**3.0**	**28,455**	**43.6**
Total	**24,454**	**100.0**	**72,047**	**100.0**	**16,988**	**100.0**	**65,247**	**100.0**

Notes:

1. The services in relation to the AFC System[4] were provided by ERG HK and were mainly related to the Bangkok Smartcard System Project, most of which were provided in Hong Kong.

2. The services in relation to the AFC System[4] were provided by ERG HK in Hong Kong and were mainly related to the maintenance projects with MTR, KMB, CTB, NWFB and NWFF.

3. These technical support and general consultancy services related to the provision of technical services to, among others, MTR for the two years ended 30 June 2011 in relation to the contactless smartcard system and the Network Emergency Communications Command System Design and Development Project with Beijing Jianyi during the five months ended 30 November 2011 (further details on Beijing Jianyi and the Network Emergency Communications Command System Design and Development Project are set out in the paragraph headed "Customers" in the section headed "Business" in this prospectus).

[4] *The AFC System is the automated fare collection system, a line-level system which manages and controls tickets and functions of station-level equipment of a public transport system.*

The reason for the fluctuation of proportion of revenue from transportation system design and installation services and maintenance services during the Track Record Period was that in the year ended 30 June 2010, our Group had just been established through the acquisition of ERG BJ in May 2009, and the acquisition of ERG HK in March 2010, and we were at the stage of re-formulating our marketing strategy, therefore our revenue was largely generated from maintenance services that had continuously been provided by our business operating entities, namely, ERG BJ and ERG HK pursuant to agreements entered into by them prior to our Group's acquisition of such companies. With the formulation of our marketing strategy catering for the expansion of the Beijing Subway, our Group had undertaken more large scale transportation system design and installation services which led to the reduction in the proportion of revenue generated from provision of maintenance services for the year ended 30 June 2011 and onwards.

We expect that revenue from maintenance services will continue to provide a steady income stream for us but we expect the proportion of revenue from design and installation services will increase over time as we undertake more project work.

For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, the percentage of revenue generated from the sales of spare parts accounted for approximately 7.9%, 3.9% and 43.6% of our Group's total revenue. The substantial increase in sales of spare parts to approximately 43.6% of our Group's total revenue for the five months ended 30 November 2011 was mainly attributable to the sales of card reader for use in eight subway lines of the Beijing Subway, while in previous period, only minor spare parts were sold on a small scale. Going forward, our Group will continue to focus on the design and implementation of application solutions at the network level. The concentration of business in the sales of spare parts for the five months ended 30 November 2011 was merely due to an one-off order from our 2012 Major Customer (as defined below). However, we would still engage in the sales of spare parts should such demand arise in the future.

Customers

The following table sets forth the breakdown of our Group's revenue by customers during the Track Record Period and the corresponding period ended 30 November 2010:

	Year ended 30 June				**Five months ended 30 November**			
	2010		**2011**		**2010**		**2011**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
2012 Major Customer *(Notes 1 and 2)*	–	–	–	–	–	–	28,280	43.3
Beijing Jianyi *(Note 2)*	–	–	–	–	–	–	17,109	26.2
Beijing Metro Network	16,938	69.2	50,958	70.7	8,092	47.6	7,755	11.9
Vix Technology	600	2.5	4,094	5.7	1,403	8.3	4,021	6.2
KMB	2,092	8.6	8,703	12.1	4,126	24.3	3,134	4.8
CTB	781	3.2	3,204	4.4	1,349	7.9	1,395	2.1
NWFB	689	2.8	2,607	3.6	1,051	6.2	1,073	1.6
NWFF	196	0.8	760	1.1	315	1.9	331	0.5
Others	3,158	12.9	1,721	2.4	652	3.8	2,149	3.4
Total	24,454	100.0	72,047	100.0	16,988	100.0	65,247	100.0

Notes:

1. Our major customer in 2012 ("**2012 Major Customer**") is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, production and sale of smart end-products as well as the provision of smart card system application solutions. Consent to disclose the name of our 2012 Major Customer is not granted.

2. The end user of the services and/or spare parts provided by our Group to our 2012 Major Customer and Beijing Jianyi is Beijing Subway. To the best knowledge of our Directors, our 2012 Major Customer and Beijing Jianyi are independent from Beijing Metro Network.

Reliance on major customers

The aggregate sales to our top five customers amounted to approximately HK$22.15 million, HK$69.50 million and HK$60.30 million, representing approximately 90.6%, 96.5% and 92.4% of our total revenue for the two years ended 30 June 2011 and the five months ended 30 November 2011 respectively and during the same period, our largest customer, accounted for approximately 69.2%, 70.7% and 43.3% of our total revenue respectively. Beijing Metro Network was our largest customer for each of the two years ended 30 June 2011 and our 2012 Major Customer was our largest customer for the five months ended 30 November 2011.

The business relationship between ERG BJ and Beijing Metro Network commenced in 2006 when ERG BJ participated in the setting up of the first ACC System in Beijing for the Beijing Subway. Since 2006, ERG BJ has been the only company to be engaged to provide services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway. From 2006 to the Latest Practicable Date, BII ERG and ERG BJ were the only companies in the PRC that possessed the licensed technology solutions from the Vix Group in relation to the ACC System currently used by Beijing Subway. Other industry players possess technology related to the ACC System which is different from the licensed technology of the Vix Group. The revenue from Beijing Metro Network had dropped for the five months ended 30 November 2011 given that (i) a majority part of the revenue from the ACC and TCC Integration Project for five of the lines of the Beijing Subway had already been recognised; and (ii) the ACC and TCC Integration Project for four lines of the Beijing Subway was only under taken in December 2011 and the revenue therefrom was not recognised during the five months ended 30 November 2011.

Our Directors believe that our business relationship with Beijing Metro Network is one of mutual reliance and beneficial to each other and that our established business relationship with Beijing Metro Network would enhance our cooperation with Beijing Metro Network in the future. However, despite the mutual reliance, there remains the possibility that Beijing Metro Network may not cooperate with our Company in the future.

Our 2012 Major Customer is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, production and sale of smart end-products as well as the provision of smart card system application solutions. Our 2012 Major Customer undertook the AFC System project for Beijing Subway and engaged our Group to provide card readers. Another major customer in 2012, Beijing Jianyi, is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, design, production, installation and after-sale services in relation to the AFC System and PSD. Beijing Jianyi undertook the setting up of the network emergency communications command system design and development for Beijing Subway and engaged our Group to provide software technical services and data of Beijing Subway as we had obtained a large amount of data through our cooperation with Beijing Subway in TCC projects. Both our 2012 Major Customer and Beijing Jianyi subcontracted part of their work for Beijing Subway to ERG BJ. The nature of the projects from each of Beijing Jianyi and our 2012 Major Customer is different from the nature of the projects undertaken by our Group with Beijing Metro Network in the Track Record Period. The projects from Beijing Jianyi and our 2012 Major Customer involve the setting up of the network emergency communications command system and card readers of the Beijing Subway and our Group did not possess extensive experience in these projects.

Suppliers

We purchase the components and equipment required by us from third parties in the PRC and Hong Kong. Our main procurement items include modems, data processors, servers, computers, hardware for card reader and spare parts required for provision of our maintenance services. During the Track Record Period, purchases from our top five suppliers together accounted for approximately 76.7%, 72.3% and 93.7% of our total purchases for the two years ended 30 June 2011 and the five months ended 30 November 2011 respectively, while purchases from our largest supplier accounted for approximately 29.9%, 43.6% and 89.3% of our total purchases during the same period.

Our purchases from our largest supplier increased to approximately 89.3% of our total purchases by us for the five months ended 30 November 2011 because of a one-off purchase of card readers that amounted to approximately HK$28.28 million. During the Track Record Period, we did not experience any shortage of suppliers. There will also be numerous potential suppliers with relevant expertise in the market for replacement should any need arise in the future.

Market share

According to the HuiCong Research Report, the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. In terms of the total amount of subway system projects, at both network level and line level, offered in Beijing and in the PRC during 2009 and 2010, the total value of contracts obtained by ERG BJ represented a market share of about 1.3% and 0.4% respectively.

Cooperation with business partners

As at the Latest Practicable Date, ERG BJ did not possess the CISI Qualification. The CISI Qualification is a qualification awarded by the MIIT in recognition of entities which fulfill various criteria on computer information system integration capabilities. There are four levels of qualifications, each with different levels of criteria prescribed. As far as our PRC Legal Advisers are aware, as at the Latest Practicable Date, there was no law or regulation in the PRC that particularly requires a participant of public transport system projects to possess a certain level of CISI Qualification. The grade of CISI Qualification required is subject to tenderees' requirements. Since ERG BJ does not have any CISI Qualification, we have to cooperate with our business partners to make joint tender applications in relation to projects that required CISI Qualification. For the year ended 30 June 2010, we did not generate any revenue from the joint tender arrangement with our business partners. For the year ended 30 June 2011 and the five months ended 30 November 2011, approximately 39.4% and 2.6% of our revenue was generated from the joint tender arrangement with our business partners respectively.

After its due diligence, our PRC Legal Advisers are of the opinion that the joint tender arrangements of ERG BJ are in compliance with requirements of the tenderee and are also in compliance with PRC laws and regulations. Our Directors currently anticipate our Group will continue to enter into joint tender arrangements with our business partners in the future.

Future plans

We plan to actively participate in tender offered by existing and potential customer(s). Beijing Subway has room for development given that the number of lines supported by the ACC System shall be increased and its capacity in terms of passenger flow shall be enlarged. According to the HuiCong Research Report, approval for the construction of urban subway system has been obtained by 28 cities in the PRC, which also provides our Group with the potential for future growth. Furthermore, by the end of February 2012, although government approval had been obtained for subway system establishment, the subway systems in Changchun, Qingdao and Zhengzhou were still at the line level and establishment of the ACC System was yet to be commenced. As the number of lines in the subway system of these places is increasing and their structures are becoming more complicated, the ACC System could help consolidate the ticketing and transport fare and data collection subsystems of individual lines within those systems. Our Group plans to replicate the experience and model of the ACC System adopted in Beijing in these new markets. As at the Latest Practicable Date, our Group had not yet submitted bidding proposals for projects offered in these new markets as we are currently conducting researches and analysis for these new markets and no appropriate tender has been offered yet. It is expected that appropriate tenders would be offered later this year and bidding proposals will be submitted.

Our Group will establish a market development team with approximately 10 employees. We are currently in the course of preparing promotional materials to introduce our business to other cities in the PRC. We have paid visits to potential customers located in other cities, such as Zhengzhou, Chengdu, Kunming and Changchun to promote our Group's business and inquire into their needs and demands. We have also kept in contact with them so as to keep abreast of the latest development of the public transport system in these cities. During such visits, we have introduced our Group's working experience in Beijing to our potential customers.

COMPETITIVE STRENGTHS

We believe that our competitive strengths mainly lie in our (i) experience in providing application solutions and maintenance and technical support services to owners and operators of public transport systems; (ii) expertise and possession of licensed technology solutions covering a broad spectrum of applications within public transport systems; (iii) experienced design and engineering team with strong customisation capabilities; (iv) commitment to provide high quality services and products; (v) experienced team with sound industry knowledge, management skills and technical know-how; and (vi) good relationships with prominent and other customers.

BUSINESS STRATEGIES

In essence, our business strategies are to (i) expand our business; (ii) enhance our expertise and technical know-how on development of new application solutions; (iii) enhance our reputation; and (iv) expand our customer base.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks relating to our Group, the industry, conducting business in the PRC and the Global Offering, among which, the relatively material risks encompass (i) our Group's reliance on a few major customers in the PRC and Hong Kong; (ii) our Group's dependence on the cooperation with, and the technological know-how of the Vix Group; (iii) the lack of CISI Qualification which are required by the tender offers in general; and (iv) we may also face difficulties in sourcing or developing new customers or business. Details of these risks are set out in the section headed "Risk factors" in this prospectus.

FINANCIAL INFORMATION

The following tables regarding consolidated income statements, consolidated statements of comprehensive income and consolidated balance sheets summarise the consolidated financial information of our Group during the Track Record Period and the corresponding period ended 30 November 2010, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

Consolidated income statements

	Year ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	24,454	72,047	16,988	65,247
Gross profit	12,034	44,803	9,982	48,381
Profit from operations	6,649	32,431	6,660	34,222
Profit before taxation	6,177	45,820	6,221	32,811
Profit for the year/period	4,948	40,470	5,161	26,030

Consolidated statements of comprehensive income

	Year ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period	4,948	40,470	5,161	26,030
Other comprehensive income for the year/period				
Exchange differences on translation of financial information of entities outside Hong Kong	938	1,409	249	834
Total comprehensive income for the year/period	5,886	41,879	5,410	26,864
Attributable to:				
Equity shareholders of the Company	5,886	41,879	5,410	26,864

Consolidated balance sheets

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	10,829	19,736	20,152
Current assets	12,906	66,385	119,860
Current liabilities	1,610	45,165	29,760
Net current assets	11,296	21,220	90,100
Total assets less current liabilities	22,125	40,956	110,252
Net assets	22,125	40,956	110,252
Capital and reserves	22,125	40,956	110,252
Total equity	22,125	40,956	110,252

Margin analysis

The following table sets forth the breakdown of our Group's gross profit margin and net profit margin during the Track Record Period:

	Years ended 30 June		Five months ended 30 November
	2010	2011	2011
	%	%	%
Gross profit margin			
– Transportation system design and installation services	79.9	58.8	84.9
– Maintenance services	46.5	67.4	80.0
– Sales of spare parts	20.3	48.5	62.3
Overall	**49.2**	**62.2**	**74.1**
Net profit margin	**20.2**	**56.2**	**39.9**

Gross profit margin

Our Group's gross profit margin in respect of transportation system design and installation services decreased from approximately 79.9% for the year ended 30 June 2010 to approximately 58.8% for the year ended 30 June 2011 and increased to approximately 84.9% for the five months ended 30 November 2011. The particularly low gross profit margin for the year ended 30 June 2011 was primarily attributable to the use of subcontractors, mainly our associated company BII ERG, which was the only company in China that possessed the requisite licensed technology awarded by Vix Group in relation to the ACC System during the period, to undertake certain parts of our work during the year ended 30 June 2011. We engaged subcontractors and services providers to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements. There was no subcontracting arrangement for the year ended 30 June 2010 and the five months ended 30 November 2011.

Our Group's gross profit margin in respect of maintenance services increased from approximately 46.5% for the year ended 30 June 2010 to approximately 67.4% for the year ended 30 June 2011 and further increased to approximately 80.0% for the five months ended 30 November 2011. The increase was largely attributable to the strengthening of our Group's servicing team to undertake the work that used to be carried out by subcontractors. In addition, as certain of our staff who participated in the development of the ACC System in Beijing and were seconded to BII ERG during its establishment had returned to ERG BJ in the end of June 2011, we were able to deliver more efficient maintenance service to our customer by leveraging on their experience, thus further lower our costs of service. Moreover, maintenance services mainly involve routine regular check-ups and non-routine ad hoc technical support services; as fewer ad hoc technical support services were demanded during the five months ended 30 November 2011, less costs were incurred during the period and we were able to achieve a higher gross profit margin during this period with fixed-price maintenance contracts.

Our Group's gross profit margin in respect of sales of spare parts increased approximately from 20.3% for the year ended 30 June 2010 to 48.5% for the year ended 30 June 2011 and further increased to approximately 62.3% for the five months ended 30 November 2011. The improvement was primarily attributable to the increase in the selling of higher margin products, in particular, card readers.

Net profit margin

Factors affecting the fluctuation of our Group's net profit margin include share of profit of associate, share of loss of associate, growth in gross profit margin and increase in selling, general and administrative expenses. An analysis of the fluctuation of our Group's net profit margin is set out in the paragraph headed "Net profit margin" in the section headed "Financial information" in this prospectus.

Recent development

So far as our Directors are aware, the recent credit crisis in the PRC did not have a material impact on our operations or financial conditions. In particular, our Group did not have any bank borrowings during the Track Record Period and up to the Latest Practicable Date we had not experienced any cancellation or delay of contracts with our customers or default by our customers in settlement of the amount payable by them. Our Directors also believe that there will not be any difficulty for our Group to obtain bank financing should any need arise in the future.

During the three months ended 29 February 2012, in addition to our existing contracts on transportation system design and installation projects, maintenance services and sales of spare parts, our Group had secured five new contracts in relation to the provision of transportation system design and installation services with an aggregate contract value of approximately HK$30.2 million and one new contract in relation to sales of spare parts with an aggregate contract value of approximately HK$3.00 million. Based on our revenue and results for the five months ended 30 November 2011 and our recent work progress, our Directors expect that there would be an increase in our revenue for the year ending 30 June 2012. However, as there was an increase in the headcount of our technical staff in our design and engineering team since December 2011 and also an increase in our direct labour costs since January 2012 due to salary review of our existing technical staff, our Directors expect that our gross profit margin for the year ending 30 June 2012 would be lower than that recorded for the five months ended 30 November 2011 as the increase in labour costs would be recognised in our financial year ending 30 June 2012. Likewise, our Directors also expect there would be an increase in our selling, administration and general expenses for the year ending 30 June 2012 as a result of, among other things, the increase in staff-related costs and listing expenses relating to the engagement of professionals for the Listing. Taking into account the above, our Directors expect that our net profit margin for the year ending 30 June 2012 would be lower than that for the five months ended 30 November 2011.

OUR HISTORICAL ORDER BACKLOG

The following table sets forth the order backlog information in respect of our transportation system design and installation services, maintenance services and sales of spare parts for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011.

	Year ended 30 June						Five months ended 30 November			
	2010			2011			2011			
	Awarded by Beijing Metro Network	Others	Total	Awarded by Beijing Metro Network	Others	Total	Awarded by Beijing Metro Network	Others	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Backlog order beginning balance *(Notes 1 and 7)*	22,235	31,632	53,867	44,979	40,004	84,983	58,598	32,463	91,061	
New contracts signed *(Note 2)*	42,373	10,396	52,769	51,339	26,404	77,743	6,220	73,965	80,185	
Orders completed *(Note 6)*	(19,629)	(2,024)	(21,653)	(37,720)	(33,945)	(71,665)	–	(19,105)	(19,105)	
Backlog order ending balance *(Note 7)*	44,979	40,004	84,983	58,598	32,463	91,061	64,818	87,323	152,141	*(Note 5)*

Notes:

1. The backlog order beginning balance for the year ended 30 June 2010 represents the contracts awarded to ERG BJ and ERG HK before they were acquired by our Group.

2. Five new contracts under the ACC Integration Project were obtained through joint tender bid during the year ended 30 June 2011 and these contracts amounted to approximately HK$32.11 million. In addition, one new contract amounted to approximately HK$6.22 million under the ACC Project (the only ACC Project offered by Beijing Metro Network during the period) was obtained through joint tender bid during the five months ended 30 November 2011.

3. As at the Latest Practicable Date, the aggregate amount of outstanding backlog order was approximately HK$188.13 million (the estimated amount of backlog order completion for each of the three years ending 30 June 2014 is approximately HK$78.34 million, HK$22.38 million and HK$87.41 million respectively) of which seven outstanding backlog orders were awarded by Beijing Metro Network, which amounted to approximately HK$95.64 million. As at the Latest Practicable Date, the year of relationship with our backlog order customers ranges from approximately four months to three years since the establishment of our Group. The contracts executed by ERG HK that are governed by Hong Kong law under the backlog order are valid and enforceable in Hong Kong. The contracts executed by ERG BJ that are governed by the PRC law under the backlog order are also valid and enforceable in the PRC.

4. As at the Latest Practicable Date, approximately 15.3% of the backlog order required the use of licensed technology.

5. Our Directors believe that our Company is able to fulfill its obligations under such backlog order having considered the sufficiency of its cash flow and manpower.

6. The amount represents the whole contract sum of the contracts completed during the year/period.

7. Backlog orders for a particular year/period refer to contracts that have not been completed as of the end of the relevant year/period indicated; and the whole contract sum for the relevant backlog order has been included for the purpose of calculating the amount of backlog order at the beginning and end of the relevant year/period (as the case may be).

OFFER STATISTICS

	Based on an Offer Price of HK$0.95 per Share	**Based on an Offer Price of HK$1.23 per Share**
Market capitalisation of our Shares *(Note 1)*	HK$760 million	HK$984 million
Historical price/earnings multiple *(Note 2)*	18.8 times	24.3 times
Unaudited pro forma adjusted net tangible asset per Share *(Note 3)*	HK$0.36	HK$0.43

Notes:

1. The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

2. The calculation of the historical price/earnings multiple is based on (i) the market capitalisation of our Shares at respective Offer Price of HK$0.95 or HK$1.23 per Share immediately after completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate; and (ii) the historical profit for the year ended 30 June 2011.

3. The unaudited pro forma adjusted net tangible asset per Share has been arrived at after the adjustments referred to in the section headed "Financial information" in this prospectus and on the basis of 800,000,000 Shares in issue at the respective Offer Price of HK$0.95 and HK$1.23 per Share immediately following completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

PROFIT DISTRIBUTION

For the year ended 30 June 2010 and the five months ended 30 November 2011, our Group had not made any profit distribution. For the year ended 30 June 2011, our Group had made a profit distribution to original shareholders of approximately HK$23.4 million, of which approximately HK$18.57 million was paid during the year ended 30 June 2011 and the remaining was paid in July 2011.

DIVIDEND

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Companies Law.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.09 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Global Offering will be approximately HK$191.7 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. We intend to use the net proceeds from the Global Offering as follows:

Plan	Approximate % or amount of net proceeds
Expand our business	64.0% or HK$122.7 million
Enhance our expertise and technical know-how on development of new application solutions	11.0% or HK$21.1 million
Develop our application solutions for the PCC System	11.0% or HK$21.1 million
Expand our customer base	4.0% or HK$7.6 million
Working capital and other general corporate purposes	10.0% or HK$19.2 million

For further details, please refer to the section headed "Use of net proceeds from the Global Offering" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, which is used in relation to the Hong Kong Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company adopted on 20 April 2012, as amended from time to time
"associate(s)"	has/have the meaning ascribed to it under the GEM Listing Rules
"AUD"	Australian dollars, the lawful currency of Australia
"Bangkok Smartcard"	Bangkok Smartcard System Company Limited, a company which provides micro e-payment card systems for use in mass transit, retail, access control, and tourism sectors in Thailand, and an Independent Third Party
"Beijing City Railway"	Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司) (formerly known as Smart Tone Development Limited (寰通發展有限公司) from 29 October 2010 to 10 January 2011), a company incorporated under Hong Kong law with limited liability whose entire issued share capital is owned by Great Legend. Beijing City Railway is an indirectly wholly owned subsidiary of our Company
"Beijing Huatong Kefeng"	北京華通科峰軌道交通科技開發有限公司 (Beijing Huatong Kefeng Railway Technology Development Co., Ltd.*), a company established under PRC Law with limited liability whose entire registered capital is owned by Beijing Railway Construction and a holder of 10% of the equity interests in BII ERG
"Beijing Jianyi"	北京建誼世紀科技有限公司 (Beijing Jianyi Century Technology Co., Ltd*), a company established under PRC law with limited liability, whose principal activities include the research and development, design, production, installation and after-sale services in relation to the AFC System and PSD, an Independent Third Party and one of our customers. The end user of the services and spare parts provided by our Group to such customer is Beijing Subway

* *For identification purposes*

"Beijing Metro Network"	北京軌道交通路網管理有限公司 (Beijing Metro Network Administration Co., Ltd*), a company established under PRC law with limited liability by BII to set up and operate the railway transport command centre in Beijing
"Beijing-MTR"	北京京港地鐵有限公司 (Beijing MTR Corporation Limited*), a joint venture among MTR, BII and Beijing Capital Group Co., Ltd. and one of the operators of the Beijing Subway, and an Independent Third Party
"Beijing MTR Operation"	北京市地鐵運營有限公司 (Beijing Mass Transit Railway Operation Corp., Ltd.*), wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and one of the operators of the Beijing Subway, and an Independent Third Party
"Beijing Railway Construction"	北京市軌道交通建設管理有限公司 (Beijing Railway Construction and Management Co. Ltd.*), a company established under PRC law with limited liability and wholly owned by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Beijing Railway Construction is the sole shareholder of Beijing Huatong Kefeng
"Beijing Subway"	the transit rail network that serves the urban and suburban districts of Beijing municipality which is owned by the city of Beijing
"BETIT Australia"	BETIT Australia Pty Ltd, a company incorporated under Australian Law with limited liability, whose issued share capital is owned as to 50% by Mr. Cao, 30% by Ms. Wang and 20% by Sino Choice Trust, and which holds 70% of the issued share capital of ERG Greater China
"BII"	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. BII is currently interested in 46% of the equity interests in BII ERG and the entire issued share capital of BII HK. BII holds 100% equity interest in BII HK, one of our Pre-IPO Investors which will hold approximately 9.95% of our Company after the Global Offering (assuming that the Over-allotment Option is not exercised)

"BII ERG"	北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co. Ltd.*), a company established under PRC law with limited liability and whose registered capital is owned as to 46% by BII, 44% by ERG BJ, an indirectly wholly-owned subsidiary of our Company, and 10% by Beijing Huatong Kefeng
"BII ERG Licensing Agreement"	the licensing agreement entered into between BII ERG and Vix IP on 3 December 2009
"BII HK"	Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司) (formerly known as New Eastern Development Limited (新義發展有限公司)), a wholly-owned subsidiary of BII incorporated under Hong Kong law with limited liability and one of our Pre-IPO Investors
"BII HK Subscription Agreement"	the subscription agreement dated 23 May 2011, entered into amongst BII HK, ERG Greater China and our Company (as amended and supplemented by two supplemental subscription agreements dated 6 July 2011 and 31 October 2011, respectively)
"Board"	our board of Directors
"Business Day(s)"	any day(s) (excluding Saturday(s) and Sunday(s) and public holidays) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "Written resolutions of all our Shareholders passed on 8 December 2011" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changchun Light Rail"	an on-ground rail mass transit system in the city of Changchun, the PRC
"CISI Rules"	Measures on Administration of Computer Information System Integration Certification (Trial) (計算機信息系統集成資質管理辦法(試行)) issued on 7 December 1999 by the MII
"Companies Law"	the Companies Law (2011 Revision), Cap. 22 (as consolidated and revised from time to time) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China City Railway Transportation Technology Holdings Company Limited (中國城市軌道交通科技控股有限公司) (formerly known as Beijing Metro Holdings Company Limited (北京地鐵控股有限公司)), an exempted company incorporated in the Cayman Islands on 7 January 2011 under the Companies Law with limited liability
"Computer Information System Integration Qualification" or "CISI Qualification"	計算機信息系統集成資質, a qualification awarded by MIIT in recognition of entities which fulfill various criteria on computer information system integration capabilities. There are four grades of qualifications, each with different grades of criteria prescribed (Grade 1 being the highest)
"connected person(s)"	has/have the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has/have the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang, who together will control 60.16% of the voting rights in the general meeting of our Company after the Global Offering (assuming that the Over-allotment Option is not exercised)

"CTB"	Citybus Limited, a company which is indirectly jointly owned by Chow Tai Fook Enterprises Limited and NWS Holdings Limited (Stock Code: 659), a company listed on the Main Board of the Stock Exchange, which, together with NWFB, runs two franchised networks, one for Hong Kong Island, and one for Airport and North Lantau Island, and provides private hire, and non-franchised residential or staff bus services, and an Independent Third Party
"Directors"	director(s) of our Company
"Electronic Application Instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Public Offer Shares
"ERG BJ"	億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.*), a wholly foreign-owned enterprise established under PRC law with limited liability whose entire equity interest is directly held by Beijing City Railway. ERG BJ is currently an indirectly wholly owned subsidiary of our Company
"ERG BJ Licensing Agreement"	the licensing agreement entered into between ERG BJ and Vix IP on 28 February 2012
"ERG Greater China"	ERG Transportation (Greater China) Pty Ltd, a company incorporated under Australian law with limited liability, pursuant to the Joint Venture Agreement, whose issued share capital is owned as to 30% by Vix Holdings and 70% by BETIT Australia. Prior to our Reorganisation, ERG Greater China held the entire issued share capital of ERG BJ and ERG HK
"ERG Greater China BVI"	ERG Transportation Greater China Company Limited, a company incorporated under BVI law with limited liability whose issued share capital is owned as to 30% by Vix East Asia, 56% by More Legend and 14% by Landcity. ERG Greater China BVI is one of our Controlling Shareholders

"ERG HK"	ERG Transit Systems (HK) Limited (formerly known as AES Prodata (Hong Kong) Limited from 13 September 1994 to 17 May 1999; Energy Research Holding (International) Limited from 2 October 1984 to 12 September 1994; and Kahour Limited from 17 July 1984 to 1 October 1984), a company incorporated under Hong Kong law with limited liability whose entire issued share capital is owned by Beijing City Railway. ERG HK is currently an indirectly wholly owned subsidiary of our Company
"ERG HK Licensing Agreement"	the licensing agreement entered into between ERG HK and Vix IP on 28 February 2012
"GEM"	The Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Great Legend"	Great Legend Development Limited, a company incorporated under BVI law with limited liability and a directly wholly-owned subsidiary of our Company
"Greater China region"	for the purpose of this prospectus, shall mean and include the PRC, Hong Kong, Macau and Taiwan
"**GREEN** Application Forms"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "we", "our" and "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them
"Guotai Junan"	Guotai Junan (Hong Kong) Limited, a company incorporated under the laws of Samoa with limited liability whose entire issued share capital is owned by Guotai Junan International Holdings Limited. Guotai Junan is one of our Pre-IPO Investors
"Guotai Junan Capital"	Guotai Junan Capital Limited, a licensed corporation under the SFO permitted to engage in type 6 of the regulated activities (as defined under the SFO), acting as one of the Joint Sponsors to the Listing

"Guotai Junan Securities" or "Bookrunner" or "Lead Manager" or "Sole Global Coordinator"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO permitted to engage in type 1 and type 4 of the regulated activities (as defined under the SFO), acting as the sole global coordinator, bookrunner and lead manager of the Global Offering
"Guotai Junan Subscription Agreement"	the subscription agreement dated 31 May 2011, entered into amongst Guotai Junan, ERG Greater China BVI and our Company (as amended and supplemented by a supplemental subscription agreement dated 31 October 2011)
"HK eIPO White Form"	the application for the Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** (**www.hkeipo.hk**)
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website **www.hkeipo.hk**
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer"	the conditional offer of the Hong Kong Public Offer Shares by our Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Public Offer Shares"	the 20,000,000 new Shares initially offered for subscription under the Hong Kong Public Offer subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offer Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Public Offer Underwriters" in the section headed "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offer

"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong share registrar of our Company
"Hong Kong Underwriting Agreement"	the conditional public offer underwriting agreement dated 2 May 2012 relating to the Hong Kong Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Joint Sponsors, the Lead Manager and the Hong Kong Public Offer Underwriters, as further described in the section headed "Underwriting" in this prospectus
"HuiCong Research"	慧聰研究, the industry expert engaged by our Company to prepare the HuiCong Research Report
"HuiCong Research Report"	an industry report prepared by HuiCong Research which was commissioned by us in relation to, amongst other things, the PRC public transport systems industry
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any Directors, chief executive and Substantial Shareholders of our Company or any of its subsidiaries and their respective associates
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriters on behalf of our Company for cash at the Offer Price, with professional, institutional and private investors as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 180,000,000 new Shares initially being offered for subscription under the International Placing subject to reallocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus together with any additional Shares which may be issued by our Company upon the exercise of the Over-allotment Option
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date, between our Company, our Controlling Shareholders, our executive Directors, the Lead Manager, the Joint Sponsors and the International Underwriters, as further described in the section headed "Underwriting" in this prospectus

"Joint Sponsors"	Guotai Junan Capital and Quam Capital
"Joint Venture Agreement"	the joint venture agreement entered into between Vix Holdings and BETIT Australia on 23 January 2009 in relation to the establishment and operations of ERG Greater China (as amended by the deed of variation dated 31 March 2009 and as amended and restated by the deed of variation dated 30 March 2010)
"KMB"	The Kowloon Motor Bus Company (1933) Limited, a wholly-owned subsidiary of Transport International Holdings Limited which provides public bus services covering Kowloon, the New Territories and Hong Kong Island, and an Independent Third Party
"Landcity"	Landcity Limited, a company incorporated under BVI law with limited liability whose entire issued share capital is owned by Sino Choice Trust and which holds 14% equity interests in ERG Greater China BVI
"Latest Practicable Date"	26 April 2012, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Licensing Agreements"	ERG HK Licensing Agreement and ERG BJ Licensing Agreement
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares on GEM commence
"Macau"	the Macau Special Administrative Region of the PRC
"Management and Operation Agreement"	the management and operation agreement entered into amongst the Pre-IPO Investors, our Company, ERG Greater China BVI, Great Legend, More Legend, Beijing City Railway, ERG HK, ERG BJ and BII ERG on 6 July 2011 in relation to the management and operation of our Company during the period between the date of the completion of the Subscription Agreements and the Listing Date
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix IV to this prospectus

"MII"	the Ministry of Information Industry of the PRC, now superseded by the MIIT
"MIIT"	the Ministry of Industry and Information Technology of the PRC
"More Legend"	More Legend Limited, a company incorporated under BVI law with limited liability whose issued share capital is owned as to 75% by Mr. Cao and 25% by Ms. Wang and holds 56% equity interests in ERG Greater China BVI. More Legend is one of our Controlling Shareholders
"Mr. Cao"	Mr. Cao Wei, our Chief Executive Officer and executive Director. Mr. Cao is one of our Controlling Shareholders through his interests in More Legend
"Mr. Chen"	Mr. Chen Rui, our executive Director. Mr. Chen, through his interest in Landcity, holds 14% interests in ERG Greater China BVI
"Mr. Gallagher"	Mr. Steven Bruce Gallagher, our non-executive Director
"Ms. Jiang"	Ms. Jiang Wenjun, the spouse of Mr. Chen and a beneficiary of the Sino Choice Trust
"Ms. Wang"	Ms. Wang Jiangping, the spouse of Mr. Cao and one of our Controlling Shareholders through her interests in More Legend
"MTR"	MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 066), whose principal activities include owning and operating the Mass Transit Railway in Hong Kong and the Octopus smart card system in Hong Kong, properties development and sales, leasing of commercial facilities and provision of other services within the Mass Transit Railway in Hong Kong, and an Independent Third Party
"NWFB"	New World First Bus Services Limited, a company which is indirectly jointly owned by Chow Tai Fook Enterprises Limited and NWS Holdings Limited (Stock Code: 659), a company listed on the Main Board of the Stock Exchange, which, together with CTB, runs two franchised networks, one for Hong Kong Island, and one for the Hong Kong International Airport and North Lantau Island, and provides private hire, and non-franchised residential or staff bus services, and an Independent Third Party

"NWFF"	New World First Ferry Services Limited, a company jointly owned by Chow Tai Fook Enterprises Limited and NWS Holdings Limited (Stock Code: 659), a company listed on the Main Board of the Stock Exchange, which operates inner harbour and outlying island ferry routes in Hong Kong, and an Independent Third Party
"Offer Price"	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$1.23 per Offer Share and is expected to be not less than HK$0.95 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares
"Over-allotment Option"	the option granted by our Company to the International Underwriters and exercisable by the Lead Manager on behalf of the International Underwriters to require our Company at any time within a period commencing from the date of the International Underwriting Agreement and ending on the 30th day after the last date for lodging of applications under the Hong Kong Public Offer, to allot and issue Over-allotment Shares at the Offer Price to cover over-allocations in the International Placing and/or to satisfy the obligation of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement
"Over-allotment Shares"	up to an aggregate of 30,000,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing approximately 15% of the number of Shares initially available under the Global Offering
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
"PRC EIT Law"	中華人民共和國企業所得稅法 (Enterprise Income Tax Law of the PRC) promulgated on 16 March 2007
"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to the PRC law
"Pre-IPO Investors"	BII HK and Guotai Junan

"Price Determination Agreement"	the agreement to be entered into between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, 9 May 2012, on which the Offer Price is expected to be fixed for the purposes of the Global Offering and in any event no later than 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012
"Quam Capital"	Quam Capital Limited, a corporation licensed by the SFC to carry out type 6 of the regulated activities under the SFO, acting as one of the Joint Sponsors to the Listing
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed "Reorganisation" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange (國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 8 December 2011, a summary of principal terms of which is set out under the paragraph headed "Share Option Scheme" in Appendix V to this prospectus
"Sino Choice Trust"	The Sino Choice Trust, holding 100% of Landcity in favour of Mr. Chen and Ms. Jiang
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between ERG Greater China BVI and the Lead Manager, pursuant to which the Lead Manager may borrow up to 30,000,000 Shares to cover any over-allocation in the International Placing

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreements"	the BII HK Subscription Agreement and the Guotai Junan Subscription Agreement
"subsidiary(ies)"	has/have the meaning ascribed to it under the Companies Ordinance
"Substantial Shareholder(s)"	has/have the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	The Hong Kong Codes on Takeovers and Mergers and Share Repurchase as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the two financial years ended 30 June 2011 and the five months ended 30 November 2011
"Underwriters"	the International Underwriters and the Hong Kong Public Offer Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"US" or "United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the US
"Vix East Asia"	Vix Technology (East Asia) Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is held by Vix Holdings. Vix East Asia is a connected person of our Group and holds 30% equity interests in ERG Greater China BVI
"Vix Engineering"	Vix Engineering Ltd (formerly known as E.R.G. Management Services Ltd from 28 September 1984 to 5 November 2009; Energy Research Group Pty Ltd from 1 March 1983 to 28 September 1984 and subsequently renamed as E.R.G. Management Services Ltd on the same day as a public company in Australia; and Notrege Pty Ltd from 6 January 1983 to 1 March 1983), a company incorporated in Australia with limited liability whose entire issued share capital is held by Vix Holdings and which was the founding member of ERG HK in 1984. Vix Engineering is a connected person of our Group

"Vix Group"	Vix Transportation and its subsidiaries from time to time
"Vix Holdings"	Vix Holdings Ltd (formerly known as ERG Holdings Ltd), a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Transportation. Vix Holdings is a connected person of our Group and holds 100% interests in Vix East Asia
"Vix IP"	Vix IP Pty Ltd, a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Holdings. Vix IP is a connected person of our Group and is a party to the Licensing Agreements
"Vix Technology"	Vix Technology (Aust) Ltd (formerly known as ERG Transit Systems Ltd), a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Transportation. Vix Technology is a connected person of our Group and held the entire issued share capital of ERG HK from November 2009 to March 2010
"Vix Transportation"	Vix Transportation Systems Pty Ltd (formerly known as ERG Transportation Systems Pty Ltd), a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Mobility Pty Ltd. Vix Transportation is a connected person of our Group and holds the entire issued share capital of Vix Holdings
"km"	kilometres
"sq.m." or "m^2"	square metres
"%"	per cent.

This glossary contains definitions and other terms as they relate to our Group and as they are used in this prospectus, which may not correspond to the standard industry definitions.

"ACC System"	automated fare collection clearing centre system, a network-level system which apportions and clears amounts among the clearing participants registered in the system to realise their commercial agreements
"AFC System"	automated fare collection system, a line-level system which manages and controls tickets and functions of SLEs of a public transport system
"AG"	automatic gate
"BAS"	building automation system, a line-level system which controls internal air circulation for human and operating devices, supervises and manages operating devices including lighting, drainage, gates, PSDs and escalators in a public transport system
"BOM"	booking office machine
"CCTV"	closed circuit television
"CTCS"	the Chinese Train Control System is a railway signaling system used on railway lines in the PRC which is designed to prevent any train from entering a stretch of track occupied by another train
"FAS"	fire alarm system
"ICC System"	information control centre system, a control and supervisory system which comprises the ACC System, the TCC System and the PCC System. The ICC System collects and manages in real-time all operational information collected from various stations within a public transport system and on-board equipment through its network, and performs, among others, traffic control, energy control, ancillaries management, PIS, communication control and resource management
"ISCS"	integrated supervision and control system, a line-level system which provides facilities for integrated, centralised and local control as well as the supervision of electrical and mechanical subsystems remotely located at passenger stations, online power substations and tunnels

"LC"	line centre, a line-level system which receives system data and commands from SCs and the ACC System, monitors the operation of SCs and SLEs of the relevant line within a public transport system, upload data to the ACC System, reconcile accounts with the ACC System and manages equipment and ticketing of the relevant line
"MLC"	multiple LC
"OCC System"	operating control centre system, a line-level system which consolidates and connects different subsystems to the TCC System
"PA"	public address system
"PCC System"	PIS control centre system, a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points
"PIS"	passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems
"PSCADA System"	power supervisory control and data acquisition system, a line-level system which enables railway operators to remotely monitor and control power substations, by managing devices within substation sites, providing alarming and reporting capabilities, diagnosing and facilitating troubleshooting of equipment failures
"PSD"	platform screen doors, a line-level safety system used mainly in subways to separate subway platforms from the railway track, by way of sliding doors installed on the subway platform which interact with train doors while opening and closing simultaneously
"SC"	station computer, which is responsible for consolidation of all transaction records, audit registers and status sent by SLEs, providing commands and control functions to SLEs by receiving control parameters from line central computer and disseminating the same to SLEs

"SIG System"	signaling system, a line-level system which implements the supervising and controlling functions of the TCC System, including designing and preparing monitoring diagrams for each station and line
"SLE"	station-level equipment, comprising TVMs, BOMs, AGs and TCMs, and which performs various functions, including value-adding of tickets, sale, checking, rebate and substitution of tickets, application for and loss reporting of tickets, and ticket information service
"Smart Card Systems"	systems utilising contactless smart cards (i.e. identification cards which do not need to make contact with the reader to be read, or swiped in a special slot) and computer network to facilitate use of different public transport with one smart card, and provide card users with greater convenience by speeding checkout or authentication processes
"TCC System"	traffic control centre system, a network-level system whose functions include coordinating and supervising the respective control centres and operators of different lines, facilitating information exchange between the lines and operators, direct control in cases of emergency, contacting and coordinating with external public functions such as the police, fire stations and weather observatories but without the functions of CTCS
"TCM"	automatic ticket checking machine
"TVM"	automatic ticket vending machine

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and most of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Our business relies on a few major customers in the PRC and Hong Kong. The loss of one or more of these customers would negatively impact our business, operating results and financial condition

Our customers include operators or owners of public transport system, including Beijing Metro Network, KMB, CTB, NWFB and NWFF. During the Track Record Period, our revenue in the PRC was derived entirely from projects, services or spare parts provided for the Beijing Subway. The revenue from Beijing Metro Network attributable to the provision of transportation system design, installation and maintenance services in relation to the ACC System for each of the two financial years ended 30 June 2010 and 30 June 2011 and the five months ended 30 November 2011 accounted for approximately 67.2%, 71.2% and 83.1% of our total revenue from Beijing Metro Network during the same period. For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, our five largest customers accounted for approximately 90.6%, 96.5% and 92.4% of our total revenue respectively; with our largest customer, accounted for approximately 69.2%, 70.7% and 43.3% of our total revenue during the same periods. In respect of our business with our largest customer, approximately 11.2% and 49.0% of our total revenue was attributable to project-based services provided for such customer and approximately 58.1% and 21.7% of our total revenue was attributable to maintenance services provided to such customer respectively for each of the two financial years ended 30 June 2011, while for the five months ended 30 November 2011, all of the revenue from our largest customer was attributable to sales of spare parts. We started to conduct business with Beijing Metro Network (our largest customer for each of the two financial years ended 30 June 2011) in 2009 and our 2012 Major Customer (our largest customer for the five months ended 30 November 2011) and Beijing Jianyi in 2011 and with our other major customers in 2010.

According to the HuiCong Research Report, Beijing had the largest number of projects in the PRC during 2009 and 2010. The market size of the industry of subway system in Beijing regarding computer systems amounted to approximately RMB5.7 billion from 2006 to 2010. To our Directors' knowledge, Beijing Metro Network was established to set up and operate the railway transport command centre in Beijing and related tenders for the Beijing Subway are offered by Beijing Metro Network, thus it is likely for players in our industry to have their revenue generated from one major customer.

We do not always have long-term contractual arrangements with our customers. A portion of our business has been, and we expect it will continue to be conducted on the basis of individual tender from time to time.

We cannot guarantee that our major customers will continue to do business with us at the same or increased levels or at all. If one or more major customers were to cease to conduct business with us and we were unable to maintain our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected. A decision made by a major customer, whether motivated by competitive considerations, economic conditions or otherwise, to reduce its business with us or any other adverse change in our business relationship with any of our major customer could also have a material adverse effect on our business, financial condition and results of operations.

We are dependent on the cooperation with, and technological know-how of the Vix Group

We derived our know-how on automated fare collection and clearing system application solutions and services from the Vix Group. ERG HK, currently our wholly-owned subsidiary, was a wholly-owned subsidiary of Vix Technology until March 2010 and ERG BJ, currently our wholly-owned subsidiary, was set up as a wholly-owned subsidiary of Vix Holdings in 2006. Since the establishment of ERG HK and ERG BJ, ERG HK, ERG BJ and members of the Vix Group have been working together in various projects, and all the projects in which ERG HK participated were tenders won by members of the Vix Group. Vix Transportation has given an irrevocable undertaking in favour of our Group on 24 April 2012 pursuant to which Vix Transportation among others, (i) irrevocably undertakes to our Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding engage in any business or activity which competes or may compete with the business of our Group; and (ii) grants to us a first right of refusal to bid or provide a proposal for an opportunity in the scope of our Group's business. Further details of the Vix Group's undertaking are set out in the paragraph headed "Vix Group's Non-competition Undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus.

Each of ERG HK and ERG BJ has entered into a licence agreement with Vix IP on 28 February 2012 pursuant to which each of ERG HK and ERG BJ was granted a non-exclusive and non-transferable license to use certain licensor technology owned by or licensed to the Vix Group in the Greater China region. Each of the Licensing Agreements with Vix IP has a term commencing from the date of the Licensing Agreements and ending on 20 July 2014, then subject to renewal every three years pursuant to the terms of each of the Licensing Agreements. Further details of the Licensing Agreements with Vix IP are set out in the paragraph headed "The Licensing Agreements" in the section headed "Continuing connected transactions" in this prospectus.

Our dependence on the Vix Group exposes us to a number of risks. We cannot guarantee that the counterparties to the contractual arrangements will not breach any of the terms of the contractual arrangements in the future. Should the contractual arrangements be breached by the counterparties, our business and results of operations could be adversely affected. We cannot guarantee that we will be able to renew the Licensing Agreements or any of them with the Vix Group. We also cannot guarantee that the technology of the Vix Group would not be replaced by better or more efficient technologies that are developed in the industry or whether members of the Vix Group will be

successful in their bidding proposals. If the technologies of the Vix Group are being replaced by other technologies, or members of the Vix Group are not successful in their bidding proposals, we may not be able to obtain the same level of projects as we currently obtain or at all and our business, financial condition and results of operations could be adversely affected.

Part of our revenue is project based and we may not be successful in winning tender bids, and we also may not be able to secure new customers or existing customers may not continue to engage us

During the Track Record Period, part of our revenue was derived from projects that we participated in and all of such projects required intended contractor(s)/supplier(s) to submit bidding proposals and the relevant contract(s) in relation to such project(s) would be awarded to the contractor(s)/supplier(s) which won the tender bids. We cannot guarantee that our bidding proposals that we tender on our own or jointly with other business partner(s) will be selected by the grantor(s) of the contract(s); or we will be able to secure new customers or our existing customers will continue to engage us to provide application solutions to them in the future. If our bidding proposal is not being chosen, we will not be able to obtain the relevant project offered under the tender, our business, operations and financial condition may be materially adversely affected. Likewise, if we cannot secure new customers or our existing customers do not engage us to provide services to them, our business, operations and financial condition may be materially adversely affected.

We may face difficulties in sourcing and developing new customers

We had 10 customers for the year ended 30 June 2010 and 11 customers for the year ended 30 June 2011 and 11 for the five months ended 30 November 2011. During the Track Record Period, a majority of our customers were owners or operators of public transport system. If we are not able to expand our customer base by soliciting new customers at desired levels or at all, it could have a material adverse effect on our business, financial condition and results of operations.

Tender offers are subject to qualification requirements in general. We do not currently possess CISI Qualification and we have to submit bidding proposals in the PRC with business partner(s) which possess(es) such certificate

The MII promulgated the CISI Rules in December 1999 and has implemented, on trial basis, the certification procedures for computer information system integration solutions providers since 1 January 2000. Under the CISI Rules, all providers of computer information system integration solutions in the PRC are required to obtain 計算機信息系統集成資質證書 (CISI Qualification certificate). During the Track Record Period, part of our revenue were derived from tenders which required such certificate and which we submitted bidding proposals jointly with our business partners.

As at the Latest Practicable Date, ERG BJ did not possess such qualification. Hence, depending on the qualification requirements of the relevant tender offer, we have to cooperate with enterprise which possesses the requisite qualification certificate when we submit the bidding proposal for such tender(s) in the PRC.

As confirmed by our Company and based on the due diligence exercise performed by our PRC Legal Advisers, the authority in charge of the CISI Qualification (i.e. the MIIT) is currently amending the Grade 1 to Grade 3 CISI Qualification requirements and it currently does not accept applications for Grade 1 to Grade 3 CISI Qualification.

On 10 October 2003, MIIT promulgated the Assessment Requirements of Qualification of Computer Information System Integration (Revised) (Xin Bu Gui (2003) No. 440)《計算機信息系統集成資質等級評定條件(修訂版)》(信部規[2003]440號), which sets out the requirements for Grade 1 to Grade 4 CISI Qualification. On 8 March 2011, MIIT issued the Circular of Relevant Administrative Issues on Qualification of Computer Information System Integration Enterprises and Qualification of Information System Engineering Supervision Enterprises (Gong Xin Ji Zi (2011) No. 3)《關於計算機信息系統集成企業資質和信息系統工程監理單位資質管理有關事項的通知》(工信計資[2011]3號), which set out the new requirements for Grade 4 CISI Qualification, stated that the requirements for Grade 1 to Grade 3 CISI Qualification were in the process of being revised and stated that all the applications for Grade 1 to Grade 3 CISI Qualification are to be suspended until the new requirements are issued. As far as our PRC Legal Advisers are aware, as at the Latest Practicable Date, MIIT had not yet indicated as to when these new requirements will be published.

As at the Latest Practicable Date, ERG BJ had 22 technical workers. Except for the requirement of having not less than 50 technical workers (including six project managers), ERG BJ conformed to all the other requirements for Grade 3 CISI Qualification under the original assessment requirements issued in 2003. Subject to the promulgation of the new requirements, we plan to apply for CISI Grade 3 CISI Qualification when ERG BJ is able to satisfy the new requirements to be published by MIIT. We also plan to expand our workforce and recruit experienced personnel with relevant technical know-how for the expansion of our business. We will make assessment when the new requirements for Grade 3 CISI Qualification are published and take appropriate action thereafter. As at the Latest Practicable Date, our Directors were not able to opine on whether ERG BJ conformed to such new requirements.

Our business mainly covers three areas, including the provision of application solutions, the provision of maintenance and technical services, and entering into ad hoc agreements with customers regarding consulting services, system enhancements, variation orders and procurement of equipment. Among these principal business activities, the 計算機信息系統集成資質 (CISI Qualification) is only required for the provision of application solutions. Provision of maintenance and technical services and entering into ad hoc agreements do not require such qualification.

Our Group did not generate any revenue from projects which require the abovementioned qualification for the year ended 30 June 2010, while approximately 39.4% and 2.6% of our revenue was generated from projects which require the abovementioned qualification for the year ended 30 June 2011 and for the five months ended 30 November 2011 respectively.

For tender offers in Hong Kong, the qualification and other requirements are normally set out in the tender document. Generally, pre-qualifications such as relevant past experience and financial track record are required to be fulfilled for submitting bidding proposals for tenders offered in Hong Kong. Bidding proposals for projects in Hong Kong had been either made by members of the Vix Group alone or jointly by the members of the Vix Group and ERG HK. Members of the Vix Group possess the qualifications required by the tenders offered in Hong Kong. ERG HK did not make any bidding proposals as it did not have the required qualifications. Bidding proposals which were successful and hence the resulting projects in which ERG HK participated in the past were made by members of the Vix Group alone.

We cannot assure that ERG BJ will be able to comply with the new requirements for CISI Qualification to be published by the MIIT. If we fail to obtain the CISI Qualification, we would have to continue to rely on our business partners for making bidding proposals. We cannot assure

that we will be able to secure suitable business partner(s) for making bidding proposals, or to enter into business cooperation with any of them on terms commercially acceptable to us. If we are not able to enter into business cooperation with business partner(s) which possess(es) relevant CISI Qualification in the PRC or other business partner(s) on terms commercially acceptable to us, we will not be able to submit bidding proposal in the PRC for tenders which require such qualification or in other places where we do not possess the requisite qualification for making bidding proposals, and our business, operations and financial condition may be materially adversely affected.

If we fail to accurately estimate our costs or fail to execute within our cost estimates on fixed-price contracts, our results of operations would be adversely affected

Most of our revenue was generated from fixed-price contracts during the Track Record Period. Under these contracts, we execute our projects or perform our services at a fixed price and, as a result, we may be unable to recover any cost overruns. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, difficulties and lack of flexibility in operating projects and other changes that may occur during the contract period. If our cost estimates for a contract are inaccurate, or if we do not execute the contract within our cost estimates, our gross profit may be reduced or the project may not be as profitable as we expected.

To manage the potential risk of cost over-runs, we analyse the estimated costs for each project before we negotiate with our customers. We also closely monitor the progress and estimated costs to completion for each project. If we make incorrect estimates of the resources and required costs to complete these projects, or if we are unable to manage the costs to complete these projects within the contract price, we may suffer losses from our operations which could have significant impact on our financial condition and results of operation.

In addition, the revenue, operating cost and gross profit on such contracts can vary, sometimes substantially, from the original projections due to changes in a variety of factors, such as:

- failure to properly estimate the cost of engineering, material, equipment or labour;
- unanticipated technical problems which may require us to incur costs we cannot recoup;
- our suppliers' failure to perform;
- failure to properly estimate the repair or maintenance requirements of our customers; and
- exacerbation of any one or more of these factors as projects grow in size and complexity.

These risks would increase if the duration of the project is long-term because there is an increased probability that the circumstances upon which we based our original bid will change in a manner that increases our costs. During the Track Record Period, our Group had not experienced any losses on its completed projects as a result of cost overruns. Further, we did not expect any outstanding projects to incur loss.

We engaged subcontractors to provide labour, materials and certain services to us

During the Track Record Period, we engaged subcontractors and services providers to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements. Our Group's subcontracting fee increased by approximately 154.1% from approximately HK$5.41 million for the year ended 30 June 2010 to approximately HK$13.75 million for the year ended 30 June 2011, which accounted for approximately 46.8% and 55.9% of total cost of sales for the respective years. For the year ended 30 June 2011, the subcontracting fee was mainly paid to BII ERG, an associated company of our Group, as BII ERG possessed the licensed technology pursuant to the licence agreement entered into between BII ERG and Vix R&D on 3 December 2009. For the five months ended 30 November 2011, our Group did not engage any subcontractor.

ERG BJ entered into licensing agreement with Vix IP on 28 February 2012. Hence, it is expected that the subcontracting arrangement between ERG BJ and BII ERG in the area of the ACC System will no longer be required. Other than BII ERG, we have also entered into subcontracting arrangements with other contractors which are PRC-based corporations mainly engaged in IT services, datacenter and infrastructure solutions, or intelligent transportation business. There are numerous potential subcontractors with relevant expertise in the market. Further, we possess the relevant expertise, know-how and technology for the work performed by the subcontractors under these subcontracting arrangements but we entered into these arrangements with them in the event of tight work schedule and large quantity of work.

We may require the assistance of subcontractors from time to time in our business operations and if we are not able to engage appropriate subcontractors when the same should be required, our operation and future success will be adversely affected. If our subcontractors cannot meet delivery deadlines or deliver services or products of unsatisfactory quality, our business, reputation and operations may be adversely affected. There is no assurance that the services or products our subcontractors provide to us will always be able to meet the requirements of our customers. If any services or products they deliver cannot meet our customers' required standards, we may not be able to meet our commitments to our customers, which may have an adverse impact on our business reputation.

Our plans may not be successful or be achieved within the expected time frame or within the estimated budget

We plan to enhance our expertise and technical know-how on development of new application solutions, enhance our reputation and expand our customer base. Our Group aims to expand into new markets and will establish a market development team with approximately 10 employees. In accordance with the geographical division of Eastern China, Northern China and Southern China, our market development team will attempt to replicate the successful experience and model adopted in Beijing in other cities in the PRC, such as Zhengzhou, Chengdu, Kunming and Changchun. We are currently in the course of preparing promotional materials to introduce our business to other cities. We expect to incur significant costs in connection with the expansion of our business, and any failure to successfully implement our expansion plans may materially and adversely affect our business, financial condition and results of operations.

The future plans as set forth in this prospectus are based on the existing plans and our intentions either at a conceptual or a preliminary state. These intentions and plans are based on assumptions, which by their nature are uncertain, subject to change, and may turn out to be inaccurate. Our actual course of action may therefore vary from our initial intentions or plans. We cannot assure that our plans will be achieved within the expected time frame or within the estimated budget and our business operation may be adversely affected as a result.

Reliance on key management personnel may impose risks on our Group

Our performance and success is, to a significant extent, attributable to contributions of our executive Directors Mr. Cao and Mr. Chen. Competition for senior management and key personnel in our industry is intense and the pool of qualified candidates is limited. Hence, we may not be able to retain the services of our Directors and members of senior management or other key personnel, or attract and retain high-quality personnel in the future. If any of these persons or any other members of the senior management team departs from us, and we are not able to hire a suitable replacement on a timely basis, our business, operations and financial condition may be materially adversely affected.

Our business could be adversely and materially affected if we fail to adequately protect our necessary technology

We rely substantially on relevant technology, information, trade secrets, know-how and market research data to conduct our business and to attract and retain customers. The success of our business depends on our ability to protect our know-how and our intellectual property portfolio, and to obtain patents without infringing the proprietary rights of others. If we do not effectively protect our know-how and intellectual property, our business and operating results could be adversely affected.

We may not be able to develop application solutions suitable for our customers' use or to expand into new markets

We cannot assure that our design and engineering capacity and capabilities are sufficient to develop any application solutions suitable for our customers' or potential customers' use or any income will be generated from such solutions. If we are not able to develop and introduce such application solutions successfully, or if our new application solutions fail to generate sufficient revenue to offset design and engineering costs, our business, financial condition and operating results could be adversely affected. Failure of such could lead to wasted resources.

An element of our strategy for growth also envisages us providing existing or new application solutions to potential customer(s) in the PRC and other overseas market(s). We cannot guarantee that we will be successful to execute this strategy and if we should fail to execute our growth strategy successfully, it may have a material adverse effect on our future revenue and profitability.

We recorded accumulated loss before the Track Record Period

ERG BJ was our only operating subsidiary as at 1 July 2009. ERG BJ was established by Vix Holdings in September 2006. Since 2006, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other

software and hardware of the ACC System. At its initial stage of development, ERG BJ had not acquired sufficient projects to cover its costs. In April 2009, Mr. Cao, through his interest in BETIT Australia, acquired 70% equity interest in ERG Greater China, the holding company of ERG BJ. Through the effort of our Controlling Shareholders, ERG BJ started to make profit for the year ended 30 June 2010. In March 2010, Vix Technology transferred its entire equity interest in ERG HK to ERG Greater China. The profit of ERG HK since the acquisition date was included in the consolidated financial result for the year ended 30 June 2010. ERG HK was profit-making before the acquisition.

With the accumulated loss before the Track Record Period, we cannot assure that we can continue to make profits from our operations in the future and continue the profit growth trend as shown in the financial information. Our ability to achieve profitability will depend on the growth of our existing business and the successful implementation of our business expansion plans. Our profitability is affected by a number of factors outside our control. Our operating results may be adversely affected by any of such factors.

We may not be able to maintain our growth in the future and our future performance and reputation are dependent on our ability to continue developing new application solutions

Our future growth depends upon our ability to develop and provide new and improved application solutions in line with technological advancements, which meet the evolving requirements of our customers and our ability to bring these application solutions to market in a timely manner. The design and engineering of new and improved application solutions is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New application or refinements and improvements of existing application solutions may have technical failures which could cause delays in their introduction. Such application solutions may have higher production or implementation costs than we originally expect and such costs may not be accepted by our customers. Any failure of these application solutions could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any design and engineering efforts undertaken or to be undertaken by us would result in the successful development of any new or improved application solutions or that any such new or improved application solutions will meet customers' requirements and achieve customer acceptance. Any failure in our design and engineering efforts to materialise could have an adverse impact on the business and prospects of our Group. In addition, if any of our application solutions or refinements fail, it is possible that our customers may not consider us as a provider of application solutions in the future. Further, we may not be able to maintain our growth in the future or may not have the resources to develop and provide new and improved application solutions or manage our business growth.

We are reliant on the PRC market and we may be unable to adjust our resources to other markets in the event of an economic downturn in the PRC

During the Track Record Period, more than half of our revenue was derived from customers in the PRC and all of such revenue was derived from projects, services or spare parts provided for the Beijing Subway during the same period. We anticipate that sales to customers based in the PRC will continue to contribute to a majority of our revenue. Any adverse change in the economic conditions in the PRC may directly or indirectly affect the demand for our application solutions or services and our business operation and financial condition may also be adversely affected as a result.

Should there be an economic downturn or credit crisis in the PRC for any reason, our ability to borrow funds from funding sources, if necessary, may be limited, which in turn could materially and adversely affect our business, liquidity, results of operations, financial condition, and most importantly, our expansion plans. Moreover, apart from our access to funds, economic downturn or credit crisis will also affect our customers, and may in turn reduce the demand for our services or affect their abilities to settle amounts owed to us. As such, we cannot assure that our business operations will not suffer adverse effects caused by previous or future credit crisis in the future.

We may face difficulties in obtaining external financing to fund our business operations

Our ability to obtain external financing in the future at a reasonable financing cost is subject to a number of uncertainties, including:

- our future financial condition including results of operations and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC government with respect to bank interest rates and lending practices.

Further, the PRC has recently tightened its credit policy which increases the difficulties in obtaining financing from banks. We may be required to seek additional financing through borrowings from commercial banks if our funding requirements exceed our future financial resources. We are unable to predict whether the PRC Government will introduce further fiscal or credit tightening policies which will increase our financing costs.

If we are unable to obtain financing in a timely manner or at all, at reasonable cost or on reasonable terms, our business plans may be hindered, and our growth, competitive position, financial position and results of operations may be adversely affected. These or other factors may prevent us from entering into transactions that would otherwise be beneficial to our business. Any or all of these factors may have a material adverse effect on our business, financial condition and results of operations.

We receive payments from our customers by instalments, and any delay in payments from our customers may affect our working capital and cash flow

During the Track Record Period, part of our revenue was derived from projects undertaken by us during the period. For work that we provide to our customers on a project basis, contract sums are usually payable by our customers by instalments at different stages of the project. Down-payment is usually payable upon signing of the project agreement (or shortly thereafter); depending on the expected duration and value of the project, part-payment may be payable at completion of different stages of the project and when stage-payment is payable, payment may be made after certain deliverables are available or certain milestones are reached. A majority part of the contract sum, usually up to 95% will be paid upon completion and acceptance of the relevant work by our customers, subject to any retention money (if any) which will be withheld by customers until expiry of the warrant period for such project. The retention money (if any), subject to any permitted deduction agreed by the contracting parties, will be settled by our customers upon expiry of the warranty period.

For maintenance and technical services and other ad hoc agreements with our customers, fees may be payable to us on a monthly or quarterly basis, depending on the terms of the relevant contracts.

Delays in receiving payments from or non-payment by our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, defaults in making payments to us on projects for which we have already incurred significant costs and expenditures can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available for other projects. We cannot assure that our customers will make payment in full to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in stages.

Historically we did not experience any risk of cash flow mismatch. We receive progress billings from customers when the milestones are achieved in accordance with the terms of the contracts. We entered into subcontracting agreements and purchase agreements on a project basis or for a specific term. The subcontracting or purchase agreements specified that payment to subcontractors or suppliers will be made upon acceptance of their work or materials by our Group and the end-users, which is generally in line with the acceptance and billing progress of the projects. We normally make payments to our suppliers, which comprise primarily service subcontractors and suppliers for materials, when payments are received from customers. If we were unable to continue such practice with our customers and suppliers, we may need to pay our suppliers before we receive progress payments from customers, which may have significant impact on our Group's financial condition and results of operation.

System failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to liability

We may experience failure or interruption to our systems or services or other problems in connection with our operations as a result of various matters, including damage or interruption caused by fire, flood, power loss or power shortages; damage to or failure of our computer software or hardware or its infrastructure and connections; data processing errors by our systems; the loss or corruption of data; computer viruses or software defects; and security breaches or hackings. If we cannot adequately ensure the ability of our systems and services to perform at a consistently high level or if we otherwise consistently fail to meet customers' expectations, we may experience damage to our reputation; we may incur liabilities to customers under the contracts which we have in place with them; our operating expenses or capital expenditure may increase as a result of remedial action which we are required to take; and/or our customers may reduce their use of our services or seek an alternative service provider. These or any other consequences would adversely affect our revenue and results of operations.

Our application solutions may contain undetected flaws or defects. Our business and reputation may be affected by product liability claim, litigation, complaints or adverse publicity in relation to our application solutions

Our application solutions may contain latent defects or flaws. Although we test our application solutions prior to delivery, our application solutions may contain flaws that are not detected. Any flaws or defects discovered in our application solutions after delivery could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss

of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. If our application solutions fail to perform as expected, or proved to be defective, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect. Generally, a warranty of one to three years from delivery and acceptance of our products or services is provided under our project agreements obtained through tender process. During the warranty period, complimentary after-sales maintenance and repair services are typically provided to our customers. For both project agreements and maintenance agreements, different levels of compensation are stipulated in the relevant agreement according to the type of faults or accidents that may occur during the period of service. Our PRC Legal Advisers advised that under applicable laws and regulations in the PRC if our application solutions cause any losses, we shall be held liable for breach of contract, however if our application solutions lead to any physical body injury or property damage to a third party, we may be held liable for tort. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any product liability claims, litigation, complaints or adverse publicity in relation to our application solutions.

We may be subject to project risks and variation in project size

Our projects that we participated in are typically contracted at a predetermined price and completion date. Implementation of these projects are subject to various factors such as cost of supplies, transportation delays, disruption of supply and increase in labour cost. Some of these factors may be beyond the control of us and our customers. These unforeseen factors which we are exposed to may affect the smooth implementation of these projects within the fixed budget and time frame which would cause cost overrun and penalties generally calculated on the basis of a predetermined percentage of the value of the sales contract. Such factors could, in turn, have an adverse effect on our financial position.

In addition, the size of these projects may vary significantly. The significant variation in the size of projects that we can secure may affect our allocation of resources and business performance and we cannot assure that we can secure sizeable projects or that such fluctuation in the size of our projects will not continue in the future.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiary held by our offshore subsidiaries

In connection with the PRC EIT Law which came into effect on 1 January 2008, the Ministry of Finance (財政部) and the State Administration of Taxation of ("**SAT**") (國家税務總局) jointly issued, on 30 April 2009, the Circular on Issues Concerning Process of Corporate Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (《關於企業重組業務企業所得税處理若干問題的通知》) (財税[2009]59號), which became effective retrospectively on 1 January 2008. During the taxation year ended 31 March 2010, in preparation for the Global Offering, our Group commenced our Reorganisation. For more details of our Reorganisation, please refer to the section headed "Reorganisation" in this prospectus. The transfer of equity interests in our PRC subsidiary indirectly held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10.0% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. On 10 December 2009, the SAT issued the Notice on Strengthening the Management on Corporate Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698) (《關於加強非

居民企業股權轉讓所得企業所得稅管理的通知》) (國稅函[2009]698號), which became effective retrospectively on 1 January 2008. The notice clarified the definition of cost of investment and other relevant details on Enterprise Income Tax management regarding the transfer of shares in a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

RISKS RELATING TO THE INDUSTRY

Industry-wide adoption of other technologies in the future might seriously affect our business

We are engaged in the design and implementation of application solutions for the networking and controlling systems for public transport service providers. In the event that other technologies are adopted, our business, financial condition and results of operations may be adversely affected. Our application solutions may not be compatible or suitable to be applied to such technologies and we may not be able to develop appropriate application solutions successfully to cater for the industry-wide adoption of other technologies which do not require our application solutions.

The PRC Government may adopt measures to slow down growth in the public transport industry, thereby adversely affecting the demand for our application solutions

The PRC Government has in the past adopted, and may in the future adopt from time to time, restrictive measures to curtail the growth of various industry sectors in an effort to control inflation and stabilise the value of RMB. Such measures may extend to the infrastructure industry, such as public transport systems. Moreover, the Beijing Subway, being the railway system for which we provided, among others, our application solutions and derived more than half of our revenue during the Track Record Period, received monetary subsidy from the PRC Government to finance some of its operating expenses. We cannot assure that the PRC Government will not take actions in the future that would adversely affect the demand and prices for our application solutions in the PRC or that the PRC Government will increase the amount of subsidies to the Beijing Subway or continue to subsidise the Beijing Subway or at all. Any such actions could materially and adversely affect our business, financial condition and results of operations.

Our industry is subject to economic and market conditions

Our business depends on the global economic and market conditions, in particular those in the PRC. Slowing economic growth or a recession could slow down the growth or expansion or upgrading of the public transport systems which, in turn, have a material adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Periods of relatively slow economic growth or a recession may decrease the demand for our application solutions, thereby adversely affecting our sales and profitability.

We operate in a highly competitive industry

There are numerous application solutions and service providers supplying application solutions to owners or operators of the public transport systems, in the PRC and worldwide.

During the Track Record Period, we competed with PRC as well as overseas industry players, but we may also face competition from new entrants to the market, some of which may have a lower cost structure than ours due to lower capital expenditures. Some of our competitors have operations worldwide or they may have greater financial and other resources than we do; and some may have longer business track record periods than us. We cannot assure you that we will be able to compete successfully in our existing markets or in the new markets where we are expanding into. Any increase in competition may adversely affect our business, financial condition and results of operations.

In addition, we compete with other existing players in terms of pricing and quality of our application solutions and the ability to recruit experienced and talented employees. If we are not able to maintain our competitiveness in respect of the foregoing, our business operations, market share and financial condition may be adversely affected.

We cannot assure that the competitiveness of our competitors will not improve or that we will be successful in expanding our market share against our competitors. Our competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements and/or demands. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results. If competitive pressure should intensify, it may force us to reduce the price of our application solutions, which could adversely affect our business, financial condition and operating results.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as a majority of our revenue is derived from operations that take place in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

During the Track Record Period, part of our revenue was received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from the SAFE only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the Central People's Government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the PRC Ministry of Commerce or its local counterpart. We cannot assure you that we can complete or obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiary. If we fail to complete or obtain the relevant registrations or approvals, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

We are a holding company and rely on dividend payments from our subsidiary

We are a holding company and a significant part of our business was carried out through our operating subsidiary in the PRC. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary in the PRC. If such subsidiary incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

PRC law requires foreign invested enterprises, such as our subsidiary in the PRC, to set aside part of its net profit as statutory reserves. Our PRC subsidiary is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in many aspects

from the calculation under International Financial Reporting Standards ("**IFRSs**"). As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under IFRSs.

Limitations on the ability of our PRC subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure that our subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

The PRC EIT Law and its implementation rules stipulate that if an entity is deemed to be a non-PRC resident enterprise without an establishment or place of business in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction or elimination of such tax, including by tax treaties.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Recent PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which were promulgated in August 2006, became effective from 8 September 2006 and were amended on 22 June 2009, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a PRC company, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise to conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in PRC companies.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

RISKS RELATING TO THE GLOBAL OFFERING

Shareholders' interests in the share capital of our Company may be diluted in the future

Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain

exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company and such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such, the shareholding of our then Shareholders may be reduced or diluted. We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the Global Offering and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Any exercise of the options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would also result in the reduction in the percentage ownership of our Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares outstanding after the issue of such additional Shares.

Under the IFRS 2, the costs of share options to be granted to employees under the Share Option Scheme will be charged to our income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be adversely affected.

Lack of liquidity of our Shares and volatility of the market price may be resulted

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Lead Manager (for itself and on behalf of the Underwriters) and our Company, and may not be indicative of the market price of our Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. Investors may not be able to sell their Shares at or above the initial public offering price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Termination of the Hong Kong Underwriting Agreement

Prospective investors of the Offer Shares should note that the Hong Kong Public Offer Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters) giving notice in writing to our Company upon the occurrence of any of the events set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the law of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by its Memorandum and Articles, the Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

In addition, although our Company will be subject to the GEM Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the GEM Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

Further information on the constitution of our Company and the Companies Law is set out in Appendix IV to this prospectus.

We cannot guarantee the accuracy of facts and other statistics with respect to the public transport systems industry and the PRC economy contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the public transport systems industry and the PRC economy, from various government publications or various organisations that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner and the Lead Manager, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to

possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words "anticipate", "believe", "could", "potential", "continue", "expect", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk factors" in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering

There may be press and media coverage regarding us or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Certain members of our Group have entered into and are expected to continue certain transactions, which will constitute continuing connected transactions for our Company and such transactions is subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements under the GEM Listing Rules upon Listing.

The Licensing Agreements between each of ERG HK and ERG BJ, as licensee and Vix IP, as licensor, grants to each of the licensees a non-exclusive and non-transferable licence to use the licensor technology.

Pursuant to Rule 20.42(3) of the GEM Listing Rules, our Company has applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rules 20.34 of the GEM Listing Rules in relation to the announcement requirement in respect of each of the above continuing connected transactions. Further details of the continuing connected transactions are set out in the section headed "Continuing connected transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner and the Lead Manager, the Underwriters, any of their respective directors or affiliates of any of them or any other persons or parties involved in the Global Offering.

UNDERWRITING

This prospectus is published in connection with the Hong Kong Public Offer, which forms part of the Global Offering, which is jointly sponsored by Guotai Junan Capital and Quam Capital and managed by the Lead Manager. The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, including the Lead Manager (for itself and on behalf of the Underwriters) and our Company agreeing to the Offer Price. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. Further details about the Underwriters and the Underwriting Agreements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Lead Manager (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 9 May 2012, or such later date as may be agreed between the Lead Manager (for itself and on behalf of the Underwriters) and our Company but in any event not later than 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012.

If the Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse.

PROCEDURES FOR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

SELLING RESTRICTIONS

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Global Offering.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Global Offering, and any Shares to be issued upon the exercise of the Over-allotment Option, or any options which may be granted under the Share Option Scheme, on GEM.

No part of our Shares or loan capital of our Company is listed or dealt in on GEM or on any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on GEM or any other stock exchange in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares to be issued pursuant to the Global Offering will be registered on our Company's branch register of members to be maintained by Tricor Investor Services Limited in Hong Kong. The principal register of members will be maintained by Butterfield Fulcrum Group (Cayman) Limited in the Cayman Islands. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in Shares registered on the Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

Our Company, our Directors, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, agents or advisers or any other persons or parties involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading days. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to stabilisation and the Over-allotment Option are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB, US$ and AUD have been translated, for illustration purposes only, into Hong Kong dollars in this prospectus at the following rates:

HK$8.00 : AUD1.00

No representation is made that any amounts in RMB, US$, AUD or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus are subject to rounding adjustments. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 16 May 2012. Shares will be traded in board lots of 4,000 Shares each.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
CAO Wei (曹瑋)	No. 101, Unit 2, 3rd Floor No. 26 Lingnan Road Hai Dian District Beijing PRC	Chinese
CHEN Rui (陳睿)	130A Miles Street Karrinyup WA 6018 Australia	Australian
Non-executive Directors		
TIAN Zhenqing (田振清)	Room 1505, Building 13 Jinsong South Avenue Chaoyang District Beijing PRC	Chinese
Steven Bruce GALLAGHER	28 Canterbury Road Middle Park VIC 3206 Australia	Australian
Independent non-executive Directors		
HU Zhaoguang (胡昭廣)	No. 601, Unit 2 26th Floor Xinxinjiayuan, Wanquan Haidian District Beijing PRC	Chinese
BAI Jinrong (白金榮)	No. 2204, Unit B 5th Floor, Fang Cheng Yuan, Area 1 Feng Tai District Beijing PRC	Chinese
KONG Shin Long, Johnny (龔興隆)	8A Carlton Mansion 210 Argyle Street Kowloon Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong Quam Capital Limited Room 3208, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Sole Global Coordinator, Bookrunner and Lead Manager	Guotai Junan Securities (Hong Kong) Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Auditors and reporting accountants	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Legal advisers to our Company	*as to Hong Kong law* Troutman Sanders 34th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong *as to PRC law* Commerce & Finance Law Offices 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing China *as to Cayman Islands law* Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong

Legal advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong law* Chiu & Partners 40th Floor, Jardine House 1 Connaught Place Hong Kong *as to PRC law* Dacheng Law Offices 5, 12, 15th Floors, Guohua Plaza 3 Dongzhimennan Avenue Dongcheng District Beijing 100007 China
Property valuer	Cushman & Wakefield Valuation Advisory Services (HK) Limited 6th Floor, Henley Building 5 Queen's Road Central Hong Kong
Receiving bank	Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

Registered office	Scotia Centre 4th Floor P.O. Box 2804 George Town Grand Cayman KY1-1112 Cayman Islands
Head office and principal place of business in the PRC	Room 1705F1 Level 17 Qingyun Modern Plaza Block 9 Mantingfang Garden Qingyun Lane Haidian District Beijing The PRC
Principal place of business in Hong Kong	Unit 4407, 44/F, COSCO Tower 183 Queen's Road Central Hong Kong
Company website	**www.ccrtt.com.hk** (information on the website does not form part of this prospectus)
Compliance adviser	Guotai Junan Capital Limited
Company secretary	Lau Kwok Fai Patrick *CPA, FCCA*
Authorised representatives	Cao Wei No. 101, Unit 2, 3rd Floor No. 26 Lingnan Road Haidian District Beijing PRC Lau Kwok Fai Patrick *CPA, FCCA* G/F, No.9 Tai Wong Ha Village Tsing Yi, Hong Kong
Audit committee	Kong Shin Long, Johnny *(Chairman)* Hu Zhaoguang Bai Jinrong
Remuneration committee	Hu Zhaoguang *(Chairman)* Cao Wei Bai Jinrong

Nomination committee	Tian Zhenqing *(Chairman)* Hu Zhaoguang Bai Jinrong
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Cayman Islands share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 CAYMAN ISLANDS
Principal banker	The Hong Kong and Shanghai Banking Corporation Limited 8/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Sheung Wan Hong Kong

We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager, any of the Underwriters or any of our or their respective directors, officers or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy.

INTRODUCTION

We are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. A public transport system mainly comprises computer systems and infrastructures which forms a network. Our application solutions are for use at the network level of a public transport system where lines within such system are connected to. BII ERG, our associated company, provides application solutions and products for the subsystems of a public transport system at the line level. The public transport systems industry imposes direct impact on our Group. Relevant information and data in relation to each of the national and regional public transport systems industry are set out below.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned HuiCong Research, an Independent Third Party, to conduct an industry analysis of and produce the HuiCong Research Report on, amongst other things, the PRC public transport systems industry for inclusion in this prospectus at an aggregate fixed fee of RMB220,000. HuiCong Research has over 19 years of industry experience. HuiCong Research specialises in researches on electric power and automation, machinery, intelligent building system, IT, communication, automobile, home appliances, pharmaceuticals and media industries. The payment of such amount was not contingent on our successful listing or on any of the results provided by the HuiCong Research Report. The HuiCong Research Report was published in 18 April 2012.

HuiCong Research, on behalf of itself, its subsidiaries and units, confirms that the HuiCong Research Report was prepared in its ordinary course of business, and has given and not withdrawn its consent for us to quote from the HuiCong Research Report and to use information contained in the HuiCong Research Report in this prospectus.

To the best of our Directors' information and belief, the information contained in the HuiCong Research Report is derived by means of data and intelligence gathering methodology which includes government/regulatory sources, industry reports and analyst reports, and the database maintained by HuiCong Research.

ECONOMIC ENVIRONMENT

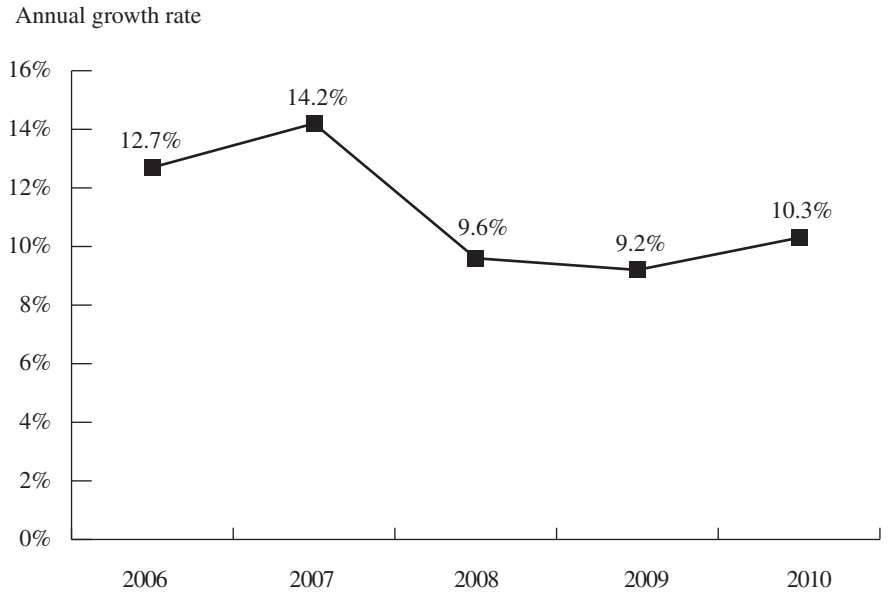
Continuous growth of the economy and population and hence increase in the number of passengers will lead to more complicated public transport systems network, and more efficient control, monitoring and management on the operation of public transport systems through application solutions will be required.

PRC

PRC economy

According to National Bureau of Statistics of China, GDP in the PRC increased from approximately RMB21,631.4 billion in 2006 to approximately RMB39,798.3 billion in 2010, representing a CAGR of over 10%, reflecting a rapid growth. Although the growth of GDP in the PRC dropped in 2008 and 2009 due to the global economic crisis, the annual growth rate was over 9% throughout 2006 to 2010.

Annual growth rate of GDP in the PRC from 2006 to 2010

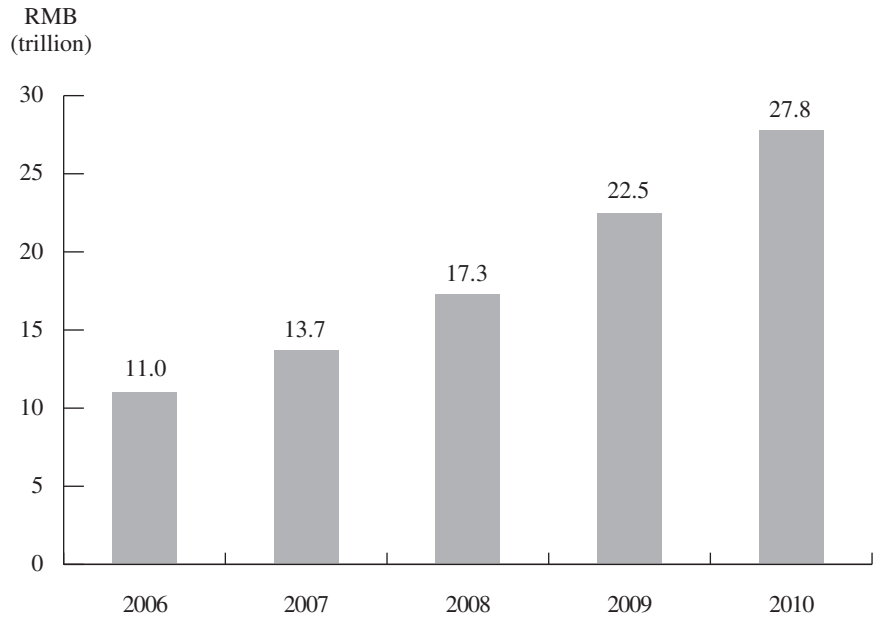


Source: National Bureau of Statistics of China

PRC fixed assets investment

According to National Bureau of Statistics of China, the fixed assets investment in the PRC increased from approximately RMB11 trillion in 2006 to approximately RMB27.81 trillion in 2010, representing a CAGR of over 26%, reflecting a rapid growth.

PRC fixed assets investment from 2006 to 2010

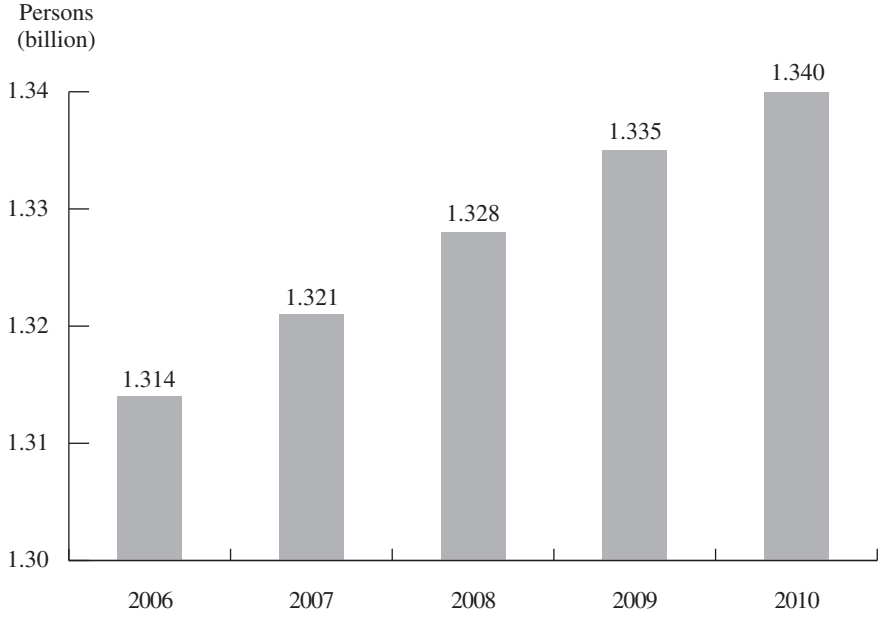


Source: National Bureau of Statistics of China

PRC population

According to National Bureau of Statistics of China, the population in the PRC increased from approximately 1.31 billion in 2006 to approximately 1.34 billion in 2010, representing a CAGR of approximately 0.6%.

PRC population from 2006 to 2010

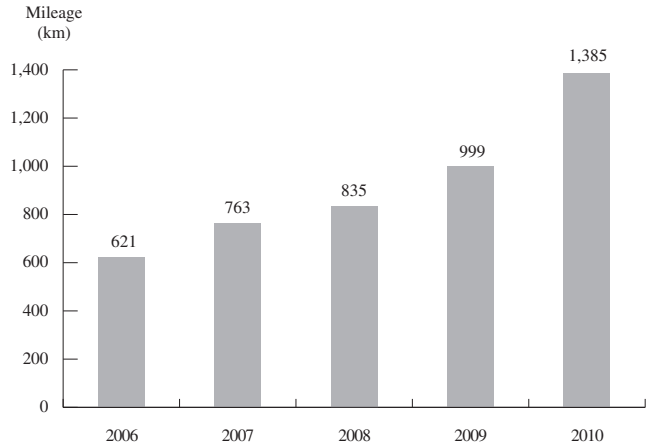


Source: National Bureau of Statistics of China

PRC urban railway transport mileage

According to National Bureau of Statistics of China, the urban railway transport mileage in the PRC increased from approximately 621 km in 2006 to approximately 1,385 km in 2010, representing a CAGR of approximately 22.2%.

PRC urban railway transport mileage from 2006 to 2010



Source: National Bureau of Statistics of China

PRC urban railways

According to National Bureau of Statistics of China, from 2006 to 2010, an additional of around 826 km of urban railways had been successfully operated. Based on the assumption that an investment cost of approximately RMB500 million would be incurred for construction of each kilometre of a railway, an investment of approximately RMB413 billion was made in the PRC during 2006 to 2010 in respect of railway construction.

Set out below is the information in relation to the railways of major locations in the PRC in 2010:

	GDP *(RMB (billion))*	**Population** *('000 persons)*	**Fixed assets investment** *(RMB (billion))*	**Operating lines of railway**	**Railway transport mileage** *(km)*
Shanghai	1,687.24	23,019	531.77	12	452.6
Beijing	1,377.79	19,612	549.35	14	336.0
Guangzhou	1,060.45	12,701	326.36	13	236.0
Nanjing	501.04	8,005	330.61	3	85.0
Tianjin	910.88	12,938	651.14	2	71.6
Shenzhen	951.09	10,358	194.47	4	63.5
Dalian	515.81	6,690	508.43	1	63.4
Changchun	332.90	7,677	300.15	1	32.0
Wuhan	551.58	9,785	375.32	1	28.3
Shenyang	501.70	8,106	500.67	1	27.8
Chongqing	789.42	17,645	693.48	1	19.2
Chengdu	555.13	14,048	425.54	1	9.3

Source: National Bureau of Statistics of China and Municipal Bureaus of Statistics

Beijing

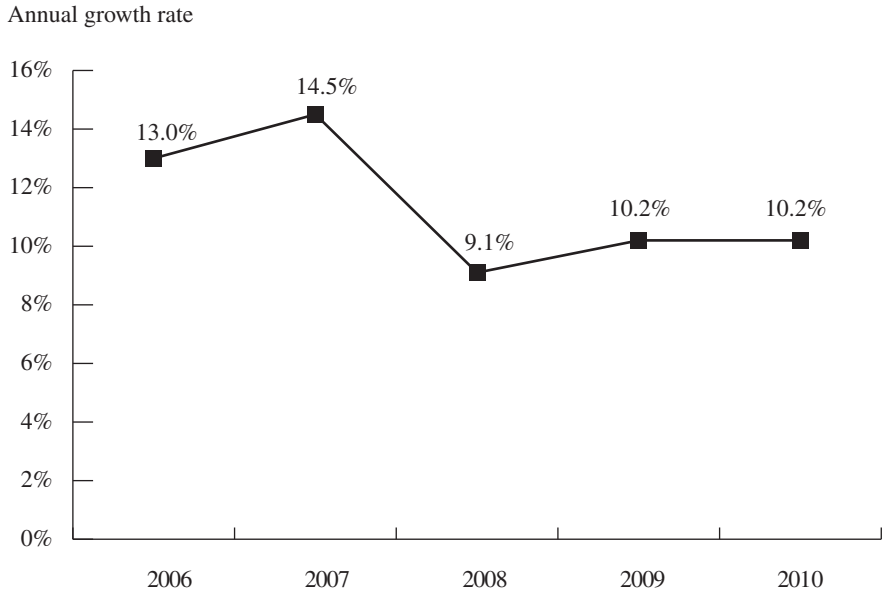
During 2006 to 2010, the railway transport industry in the PRC grew rapidly. An investment of approximately RMB413 billion was made in the PRC during 2006 to 2010 in respect of railway construction, of which an investment of approximately RMB111 billion was made in Beijing, representing approximately 27%.

The total market size of the projects for the subway system in Beijing regarding computer systems in terms of contract value during the period 2006 to 2010 contributed more than 25% of the entire market in the PRC. During 2009 and 2010, the number and contract value of subway system projects offered in Beijing rank the highest among all the places in the PRC.

Beijing economy

According to Beijing Municipal Bureau of Statistics, GDP in Beijing increased from approximately RMB811.8 billion in 2006 to approximately RMB1,377.8 billion in 2010, representing an annual growth rate of over 10%. Although the growth of GDP in Beijing dropped in 2008 due to the global economic crisis, the annual growth rate was over 9% throughout 2006 to 2010.

Annual growth rate of GDP in Beijing from 2006 to 2010

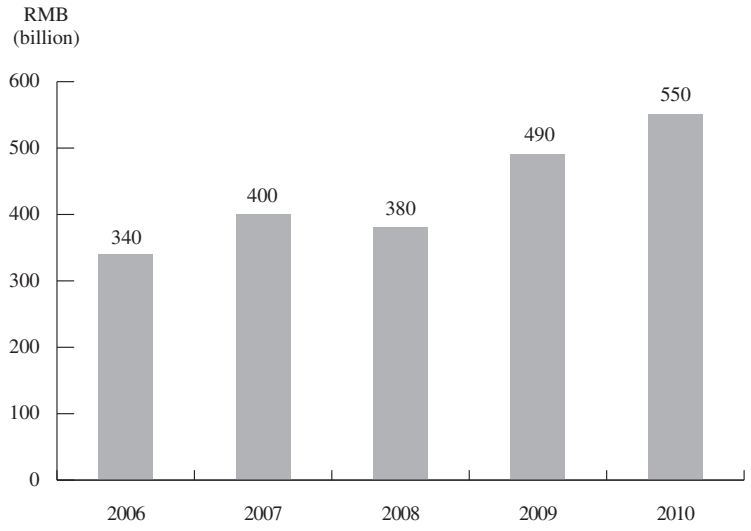


Source: Beijing Municipal Bureau of Statistics

Beijing fixed assets investment

According to Beijing Municipal Bureau of Statistics, the fixed assets investment in Beijing increased from approximately RMB340 billion in 2006 to approximately RMB550 billion in 2010, representing a CAGR of approximately 12.8%.

Beijing fixed assets investment from 2006 to 2010

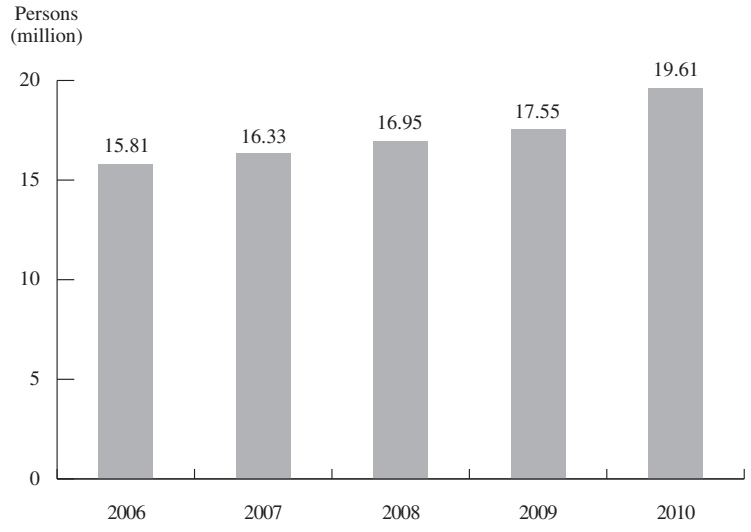


Source: Beijing Municipal Bureau of Statistics

Beijing population

According to Beijing Municipal Bureau of Statistics, the population in Beijing increased from approximately 15.81 million in 2006 to approximately 19.61 million in 2010, representing a CAGR of approximately 5.5%.

Beijing population from 2006 to 2010

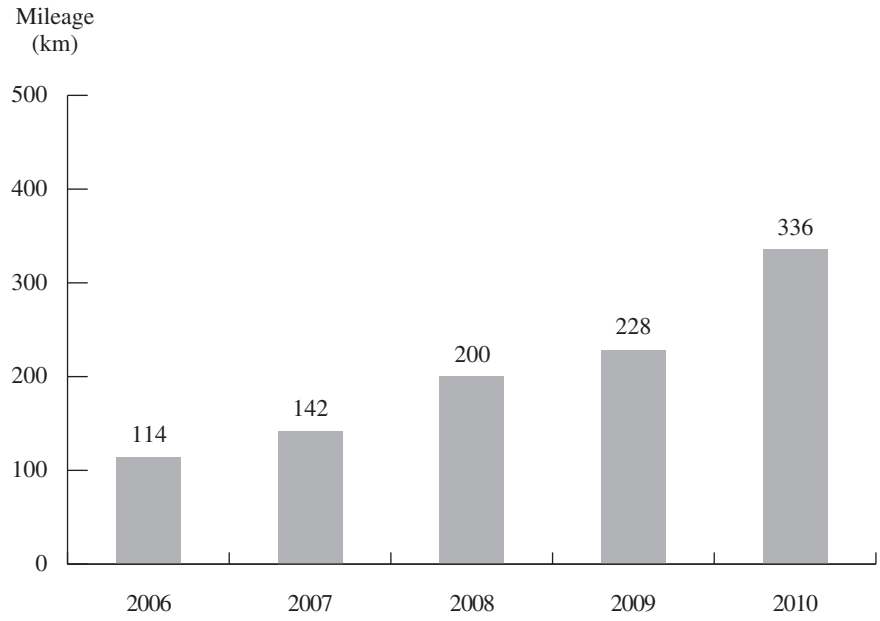


Source: Beijing Municipal Bureau of Statistics

Beijing urban railway transport mileage

According to Beijing Municipal Bureau of Statistics, the railway transport mileage in Beijing increased from approximately 114 km in 2006 to approximately 336 km in 2010, representing a CAGR of approximately 31%, which is higher than that of the PRC as a whole.

Beijing railway transport mileage from 2006 to 2010



Source: Beijing Municipal Bureau of Statistics

Beijing railways

The operation of the first subway in the PRC was commenced in Beijing in 1969. According to Beijing Municipal Bureau of Statistics, the number of lines of the Beijing Subway increased from four lines in 2006 to 14 lines in 2010. From 2006 to 2010, an additional of around 222 km of railways had been successfully operated. Based on the assumption that an investment cost of approximately RMB500 million would be incurred for construction of each kilometre of a railway, an investment of approximately RMB111 billion was made in Beijing during 2006 to 2010 in respect of railway construction.

Set out below is the number of lines of the Beijing Subway from 2006 to 2010:

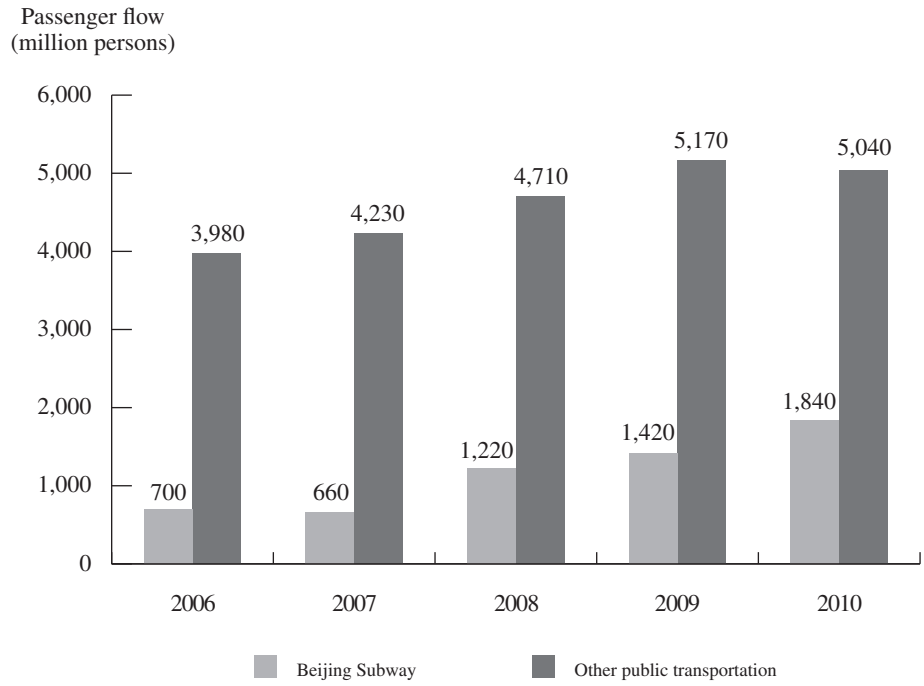
Year	**2006**	**2007**	**2008**	**2009**	**2010**
Lines of Beijing Subway	4	5	8	9	14

Source: Beijing Municipal Bureau of Statistics

Beijing passenger flow

According to Beijing Municipal Bureau of Statistics, the passenger flow of Beijing Subway increased from approximately 700 million people in 2006 to approximately 1,840 million people in 2010, representing a CAGR of approximately 27.33%. The passenger flow of other public transportation in Beijing increased from approximately 3,980 million people in 2006 to approximately 5,040 million people in 2010, representing a CAGR of approximately 6.08%. The growth rate of passenger flow of Beijing Subway was much higher than that of other public transportation from 2006 to 2010.

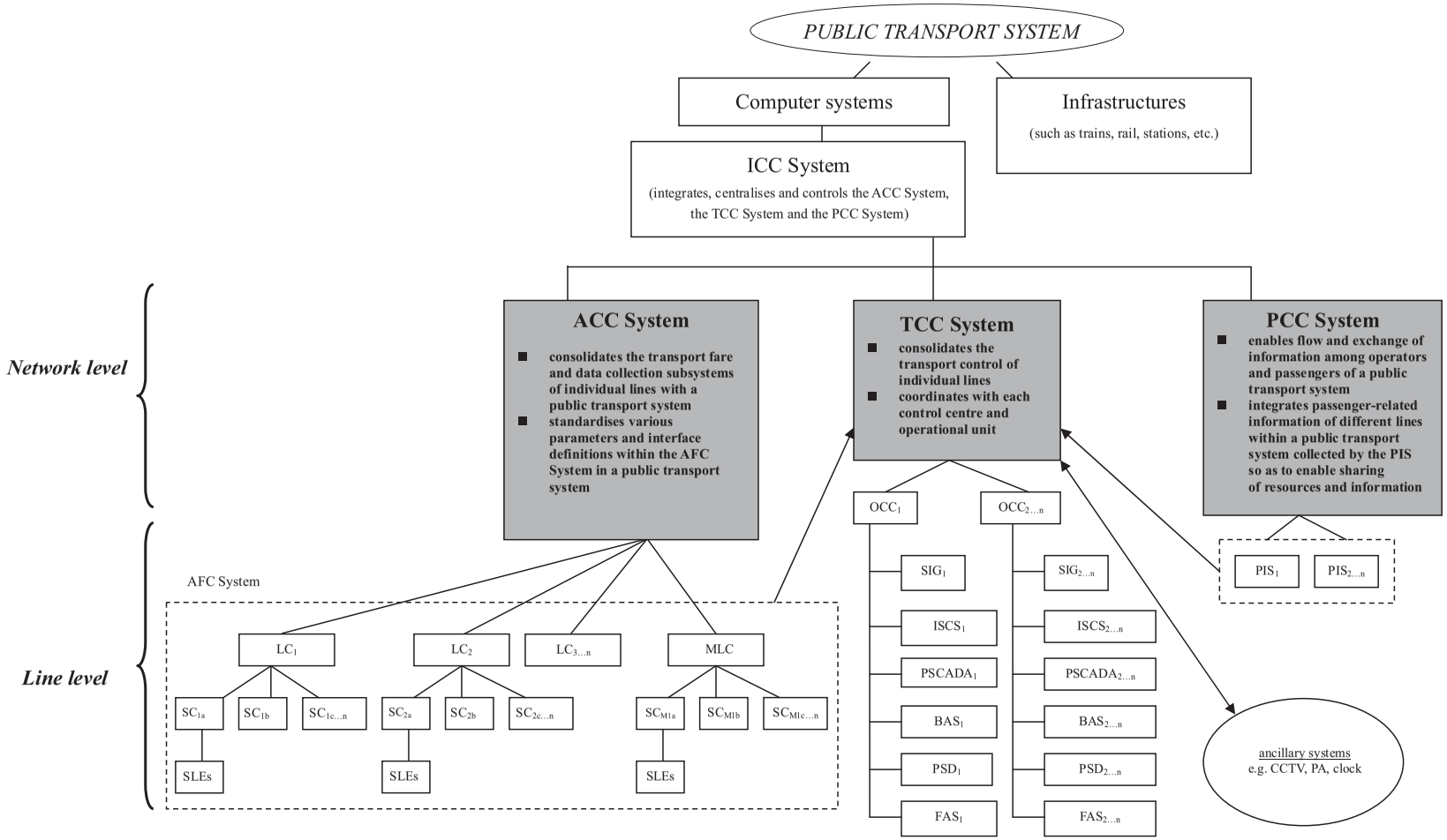
Passenger flow in Beijing from 2006 to 2010



Source: Beijing Municipal Bureau of Statistics

PUBLIC TRANSPORT SYSTEMS INDUSTRY

Public transport system structure



Keys:

⟷ The TCC System and the ancillary systems are interactive and there is an exchange of information between them.

⟶ The ACC System and the PIS delivers information to the TCC System as the TCC System coordinates and supervises the respective control centres.

BAS: building automation system, a line-level system which controls internal air circulation for human and operating devices, supervises and manages operating devices including lighting, drainage, gates, PSDs and escalators in a public transport system

FAS: fire alarm system

ISCS: integrated supervision and control system, a line-level system which provides facilities for integrated, centralised and local control as well as the supervision of electrical and mechanical subsystems remotely located at passenger stations, online power substations and tunnels

LC: line centre, a line-level system which receives system data and commands from SCs and the ACC System, monitors the operation of SCs and SLEs of the relevant line within a public transport system, upload data to the ACC System, reconcile accounts with the ACC System, manages equipment and ticketing of the relevant line

MLC: multiple LC

OCC: operating control centre system, a line-level system which consolidates and connects different subsystems to the TCC System

PIS: passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems

PSCADA: power supervisory control and data acquisition system, a line-level system which enables railway operators to remotely monitor and control power substations, by managing devices within substation sites, providing alarming and reporting capabilities, diagnosing and facilitating troubleshooting of equipment failures

PSD: platform screen doors, a line-level safety system used mainly in subway to separate subway platforms from the railway track, by way of sliding doors installed on the subway platform which interact with train doors while opening and closing simultaneously

SC: station computer, which is responsible for consolidation of all transaction records, audit registers and status sent by SLEs, providing commands and control functions to SLEs by receiving control parameters from line central computer and disseminating the same to SLEs

SLE: station-level equipment, comprising automatic ticket vending machines, booking office machines, automatic gates and automatic ticket checking machines, and which performs various functions, including value-adding of tickets, sale, checking, rebate and substitution of tickets, application for and loss reporting of tickets, and ticket information service

SIG: signaling system, a line-level system which implements the supervising and controlling functions of the TCC System, including designing and preparing monitoring diagrams for each station and line

A public transport system mainly comprises computer systems and infrastructures. The ICC System is a control and supervisory system within a public transport system which comprises the ACC System, the TCC System and the PCC System. The ICC System collects and manages all operational information collected from various stations within a public transport system and on-board equipment through its network in real-time, and performs, among others, traffic control, energy control, ancillaries management, passenger information system, communication control and resource management.

Network-level systems

The ACC System is a network-level system which apportions and clears amounts among the clearing participants registered in the system to realise their commercial agreements. The first ACC System in the PRC was established and implemented in Shanghai in 2005. In the same year, the construction establishment of the ACC System in Beijing also commenced and trial operation took place in 2008. In recent years, a number of places in the PRC, including Guangzhou, Nanjing and Shenzhen, has also established their ACC System. For other places in China, such as Chengdu, Dalian, Wuxi and Hangzhou, establishment of the ACC System is in progress.

The TCC System is a network-level system whose functions include coordinating and supervising the respective control centres and operators of different lines, facilitating information exchange between the lines and operators, direct control in cases of emergency, contacting and coordinating with external public functions such as the police, fire stations and weather observatories. The establishment of the first TCC System in the PRC commenced in Beijing in 2006 with its operation and integration with eight of the lines of the Beijing Subway to the system in 2008. Currently, Shenzhen has also established its TCC System, and preparation for the construction of the TCC System is taking place in each of Wuhan and Hangzhou.

The PCC System is a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points.

Line-level systems

Within a common public transport system, there are a number of line-level systems involved as shown in the diagram above. The HuiCong Research Report focuses on five line-systems, namely, the AFC System, MLC, PIS, ISCS and PSD. According to the HuiCong Research Report, the investment cost for application solutions for the line-level systems in each railway amounts to approximately 5% of the total investment cost for construction of a railway (including both computer systems and infrastructure).

The AFC System is a line-level system which mainly handles fare collection and manages and controls tickets and functions of SLEs of a public transport system; while MLC is a line-level system consolidating a number of systems which receives system data and commands from SCs and ACC System, monitors the operation of SCs and SLEs of the several lines within a public transport system, upload data to the ACC System, reconcile accounts with the ACC System, manages equipment and ticketing of the relevant lines. The first MLC was successfully implemented in Beijing in 2010. As at the Latest Practicable Date, Beijing was the only city in the PRC which had adopted MLC.

ISCS is a line-level system which provides facilities for integrated, centralised and local control as well as the supervision of electrical and mechanical subsystems remotely located at passenger stations, online power substations and tunnels. The first ISCS in the PRC was established in Beijing in 2000. In the same year, ISCS was also established in Shanghai. ISCS has indeed become an integral part of all railway transport projects nowadays.

PSD is a line-level safety system used mainly in subway to separate subway platforms from the railway track, by way of sliding doors installed on the subway platform which interact with train doors while opening and closing simultaneously. The first PSD in the PRC was established in Guangzhou in 2002. In recent years, PSD has also been established and implemented in Beijing, Shanghai, Chongqing and Shenzhen. The current railway transport projects which are in compliance with applicable safety standards in Nanjing, Chengdu, Shenyang and Hangzhou have included PSD.

PIS is a line-level system which gives real-time audio and multimedia information to riders through computerised public announcements and digital display subsystems. PIS was first adopted in Shanghai in 2003. From 2004 onwards, PIS was gradually adopted in Beijing, Tianjin, Guangzhou, Shenzhen, Nanjing and Chengdu, etc. Currently, preparation for construction of PIS in Wuxi and Xi'an is in progress.

PRC markets

During 2009 and 2010, there were in aggregate 42 projects in relation to the ACC System and the TCC System and the total contract value amounted to approximately RMB414 million in the PRC. Our Group had been awarded projects regarding integration of the ACC System and the TCC System.

The following table sets out the projects took place in the PRC during 2009 and 2010 and the participation of our Group:

		Overall		**Awarded to and with participation by our Group**	
Project	**Nature**	**Number of projects**	**Contract value** *(RMB (million))*	**Number of projects**	**Market share** *(Note)*
ACC System	Construction	7	315	–	–
	Integration	28	51	6 (By ERG BJ)	35%
TCC System	Construction	1	30	–	–
	Integration	6	18	5 (By ERG BJ)	83%

Source: HuiCong Research Report

Note: The market share is calculated based on the overall contract value of the projects.

BII ERG, our associated company, had been awarded and participated in one AFC project in relation to MLC and three PIS projects during 2009 and 2010, representing a market share of 100% and about 9% respectively for those projects in the PRC during those periods.

Set out below are the number of projects in relation to the ACC System, the TCC System, the AFC System (including MLC), PIS, ISCS and PSD and their corresponding contract value which took place in various locations in the PRC during 2009 to 2010:

Locations	**Number of projects**	**Contract value** *(RMB (million))*
Beijing	51	2,550
Chongqing	17	1,110
Shenzhen	14	900
Guangzhou	31	750
Tianjin	8	700
Wuhan	5	430
Xi'an	5	430
Chengdu	6	410
Hangzhou	3	340
Suzhou	4	330
Shenyang	2	150
Fuzhou	1	150
Nanjing	3	100
Wuxi	1	90
Dalian	1	60
Ningbo	1	40
Shanghai	11	20
Total	164	8,560

Source: HuiCong Research Report

Beijing markets

As shown in the table above, Beijing had the largest number of projects during 2009 and 2010. The market size of the industry of subway system in Beijing regarding computer systems amounted to approximately RMB5.7 billion from 2006 to 2010. It is expected that such market size would reach approximately RMB8.3 billion for 2011 to 2015. During 2009 and 2010, there were two corporate group participants in the network level subway system projects in Beijing. For subway system network-level projects offered in Beijing during the period, all ACC integration projects were undertaken by ERG BJ; while TCC integration projects offered during the period were undertaken by ERG BJ as well as another market participant, namely Tongfang Co., Ltd (同方股份有限公司), which provides application solutions and services of the AFC System, TCC System, and ISCS etc.. As at the Latest Practicable Date, there were two operators managing the Beijing Subway. Projects in respect of relevant application solution or products are offered by tenders.

The following table sets out the projects in relation to the ACC System and the TCC System which took place in Beijing during 2009 and 2010, with their corresponding contract value, and the participation of our Group:

	Overall		Awarded to and with participation by our Group	
Project	**Number of projects**	**Contract value** *(RMB (million))*	**Number of projects**	**Market share** *(Note)*
ACC System Integration	6	18	6 (By ERG BJ)	100%
TCC System Integration	6	18	5 (By ERG BJ)	83%

Source: HuiCong Research Report

Note: The market share is calculated based on the overall contract value of the projects.

BII ERG, our associated company, had been awarded and participated in one AFC project in relation to MLC and three PIS projects during 2009 and 2010, which represented a market share of 100% and about 23% respectively for those projects that took place in Beijing during that period.

According to the HuiCong Research Report, during 2009 and 2010, the number and contract value of subway system projects offered in Beijing ranked the highest among all the places in the PRC, the total contract value of the projects offered during the period was estimated to be about RMB2.55 billion, which represented approximately 30% of the total contract sum of the projects offered in the PRC.

The HuiCong Research Report also states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented that ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively.

The following table sets out the market share of the major market participants at the subway system network-level projects offered in the PRC during 2009 and 2010:

Name of corporation	Location of projects	Market share by contract value *(%)*
上海華騰軟件系統有限公司 (Shanghai Huateng Software Systems Co., Ltd*)	Suzhou, Chongqing	26
浙江浙大網新集團有限公司 (Zhejiang Insigma Group Co., Ltd.*)	Tianjin, Hangzhou	22
高新現代智能系統股份有限公司 (Gaoxin Modern Intelligent System Co., Ltd*)	Shenzhen, Wuhan	22
東軟集團股份有限公司 (Neusoft Corporation*)	Shenyang	11
ERG BJ	Beijing	8
中國電子系統工程總公司 (China Electronic Systems Engineering Corporation*)	Shenzhen	7

Note: The remaining 4% of the market share were taken up by a few other companies. It should be noted that the market share referred to herein reflects only the tenders of network-level projects won by the market participants. There exists some small to medium-sized companies in the market that are in operation and have not participated in or obtained contracts successfully.

Source: HuiCong Research Report

OVERVIEW OF POTENTIAL MARKETS

Other than the rapid growth in the public transport systems industry in the PRC and in particular, Beijing, such industry has been continuously developing globally. In 1960, there were 25 railway systems in the world, while the number of railway systems around the world increased to 54 in 1980. Up to 2000, there were 100 railway systems throughout the world, and Asia is one of the major industry players. The first railway in Asia was established in 1927 in Japan. Due to the increasing population and development of economy, the Asian public transport systems industry had been growing rapidly in recent years. By the end of 2003, there were 38 urban railway projects covering over 2,150 km. Each of Japan, Korea, Hong Kong, the PRC and Singapore is a major player in the public transport systems industry in Asia.

As the PRC economy continues to grow, the PRC has become the most important country in the development of such industry in Asia after 2003. At the same time, railways in Hong Kong underwent a significant development phase. The Hong Kong MTR was constructed in November 1975 and operation of the first line took place in 1979. As at 31 December 2010, 11 lines were in operation in Hong Kong, covering about 218 km. There are currently a number of ongoing railways projects which would cover about 56 km.

The recent growth in the public transport systems industry in the PRC has provided our Group with the potential for future growth.

As at the Latest Practicable Date, there were 28 approved urban railway construction proposals in the PRC. From 2011 to 2015, railways of an additional length of approximately 324 km and 2,800 km is expected to be put into operation in Beijing and the PRC as a whole, respectively. Based on the assumption that an investment cost of approximately RMB500 million would be incurred for the construction of each kilometre of a railway, a total investment of approximately RMB162 billion and RMB1,400 billion would be made in Beijing and the PRC during 2011 to 2015 in respect of railway construction respectively.

PRC LAWS AND REGULATIONS ON A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) ("**PRC Company Law**"), which was adopted by the Standing Committee of the National People's Congress on 29 December 1993 and with effect from 1 July 1994. It was last amended on 27 October 2005 and with effect from 1 January 2006. Under the PRC Company Law, companies are generally classified into two categories, limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) ("**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules to the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則) ("**Implementation Rules**"), which were promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by The Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) ("**Catalogue**"), which was amended and promulgated by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC on 31 October 2007, with effect from 1 December 2007. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the rules of entry according to the categories of encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically prohibited or restricted by other PRC laws and regulations. Foreign investment in the encouraged category is entitled to certain preferential treatment and incentives extended by the government, while foreign investment in the restricted category is permitted but subject to certain restrictions under PRC Law. Foreign investment in the prohibited category is not allowed. The development and production of software products falls into the encouraged category.

PRC GOVERNMENTAL REGULATIONS AND POLICIES TOWARDS THE SOFTWARE INDUSTRY AND COMPUTER INFORMATION SYSTEM INTEGRATION

Industry policy

The State Council promulgated Several Policies on Encouraging the Development of Software and Integrated Circuit Industries (鼓勵軟件產業和集成電路產業發展的若干政策) on 24 June 2000 and Several Policies on Further Encouraging the Development of Software and Integrated Circuit Industries (進一步鼓勵軟件產業和集成電路產業發展的若干政策) on 28 January 2011 to encourage the development of software and integrated circuit industries by a series of encouraging policies from many aspects including the investment and financing, taxation, industry technology, export and etc.. The financing of software enterprises through overseas listing is supported. The software enterprises also enjoy the preferential policies in value-add tax, business tax, enterprise income tax, import duty and import VAT.

The confirmation of software enterprises and registration and filing of software products is the basis to implement software industry policies, as set forth in the Criteria for Confirmation and Measures on Administration of Software Enterprises (Trial Implementation) (軟件企業認定標準及管理辦法(試行)) promulgated on 16 October 2000 and Measures on Administration of Software Products (軟件產品管理辦法) enacted on 27 October 2000 and amended on 5 March 2009 and effective on 10 April 2009. The Implementing Procedures on Confirmation of Software Enterprises and Registration of Software Products of Beijing Municipality (Trial Implementation) (北京市軟件企業認定和軟件產品登記管理實施辦法(試行)) promulgated on 26 February 2001 by Beijing Municipal Science and Technology Commission formulated the detailed rules in the work of confirmation of software enterprises and registration of software products in Beijing.

Computer Information System Integration Certification

Pursuant to the "Measures on Administration of Computer Information System Integration Certification (Trial)" (計算機信息系統集成資質管理辦法(試行)) issued on 7 December 1999 by the MII, any units to conduct computer information system integration business shall pass the Certification authentication and obtain the Computer Information System Integration Certification. The MII, now superseded by the MIIT, is responsible for the administration of computer information system integration certification authentication, including appointment and administration of certificate authentication institutions, issuance of administration measures and standards, approval and promulgation of results of authentication. The validity term of such certification is four years. The Certificate Authentication Working Office shall conduct biennial review on qualified units.

Relevant qualification certificate is classified into four different grades which are determined in accordance with the capabilities of the applicants to carry out computer information system integration business. Certificate for Grade 1 CISI Qualification will be granted to enterprises which can independently carry out relevant business at state level whereas certificate for Grade 2 CISI Qualification will be granted to those which can independently carry out relevant business at provincial level or those which can carry out the same at state level by cooperating with other entities. Certificate for Grade 3 CISI Qualification will be granted to enterprises which can independently complete medium sized computer information system integration projects or those which can complete large sized projects by cooperating with other entities. Certificate for Grade 4 CISI Qualification will be granted to enterprises which can independently complete small sized projects or those which can complete medium sized projects by cooperating with other entities. Below is a table setting out the respective eligibility requirements for obtaining Grade 1 to 4 CISI Qualification certificate according to the Assessment Requirements of Qualification of Computer Information System Integration (Revised) (Xin Bu Gui (2003) No. 440)《計算機信息系統集成資質等級評定條件(修訂版)》 (信部規[2003]440號), in terms of the level of expertise and industry experience, the value of completed project and the requirement on the amount of revenue generated from system integration.

	Level of expertise and industry experience	Value of completed project	The amount of revenue generated from system integration	Number of qualified industry players as at the Latest Practicable Date	
				PRC	Beijing
Grade 1	Management possesses not less than five years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possesses not less than five years of experience in system integration. Having not less than 150 employees who engage in software development and the affairs relating to system integration. Having not less than 25 project managers qualified by MIIT.	For the last three years, the aggregated value of completed projects (each valued over RMB2 million) is over RMB300 million.	For the last three years, the average amount of revenue generated from system integration is over RMB100 million per year.	233	81
Grade 2	Management possesses not less than four years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possesses not less than four years of experience in system integration. Having not less than 100 employees who engage in software-development and the affairs relating to system integration. Having not less than 15 project managers qualified by MIIT.	For the last three years, the aggregated value of completed projects (each valued over RMB0.8 million) is over RMB150 million.	For the last three years, the average amount of revenue generated from system integration is over RMB50 million per year.	570	147

	Level of expertise and industry experience	Value of completed project	The amount of revenue generated from system integration	Number of qualified industry players as at the Latest Practicable Date	
				PRC	Beijing
Grade 3	Management possesses not less than three years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possesses not less than three years of experience in system integration. Having not less than 50 employees who engage in software-development and the affairs relating to system integration. Having not less than six project managers qualified by MIIT.	For the last three years, the aggregated value of completed projects is over RMB45 million.	For the last three years, the average amount of revenue generated from system integration is over RMB15 million per year.	2,217	404
Grade 4	Management possesses not less than two years of experience in managing information technology enterprises. Main personnel responsible for technical aspect of the business possesses not less than two years of experience in system integration. Having not less than 15 employees who engage in software-development and the affairs relating to system integration. Having not less than three project managers qualified by MIIT.	For the last three years, the aggregated value of completed projects is over RMB10 million.	30% of the aggregated value of completed projects is generated from system integration and software development.	827	63

The Vix Group possesses the ACC technology for the project relating to the ACC System of the Beijing Subway. Other than ERG BJ, ERG HK and BII ERG, the Vix Group has not granted the licensed technology to any other companies in the Greater China region. So far as our Directors are aware, as at the Latest Practicable Date, none of the qualified industry players possesses such ACC technology. Our Directors consider we can easily find partners who possess requisite qualification certificate to cooperate with in the event that our former business partners do not work with us in future projects.

According to Circular of Relevant Administrative Issues on Qualification of Computer Information System Integration Enterprises and Qualification of Information System Engineering Supervision Enterprises (Gong Xin Ji Zi (2011) No. 3)《關於計算機信息系統集成企業資質和信息系統工程監理單位資質管理有關事項的通知》(工信計資[2011]3號) promulgated on 8 March 2011, MIIT is now amending the assessment requirements on the Grade 1, Grade 2 and Grade 3 of CISI Qualification. The said circular also published the amended assessment requirements on Grade 4 CISI Qualification.

PRC LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Our operations are subject to PRC environmental laws and regulations, which include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law on Prevention and Control of Atmospheric Pollution of the PRC (中華人民共和國大氣污染防治法), the Law on Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法), the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (中華人民共和國固體廢物污染環境防治法), the Law on Prevention and Control of Environmental Noise Pollution of the PRC (中華人民共和國環境噪聲污染防治法), the Administrative Regulations on Environmental Protection for Construction Projects (建設項目環境保護管理條例), the Administrative Regulations on Levy and Utilisation of Sewage Charge (排污費徵收使用管理條例) and the Law on Appraising of Environment Impacts of the PRC (中華人民共和國環境影響評價法).

According to the environmental laws and regulations, all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, liquid and solid waste, dust, malodorous gas, radioactive substances, noise, vibration, and electromagnetic radiation generated in the course of production, construction, or other activities.

According to the environmental laws and regulations, companies are also required to carry out an environmental impact assessment before commencing construction of production facilities and must also install pollution treatment facilities that meet the relevant environmental standards to treat pollutants before discharge.

If a company fails to report and/or register in respect of any environmental pollution caused by it, it will be warned or subject to penalties. If the company then fails to restore the environment to its original state or improve the environment as affected by the pollution within the time limit, it will be penalised, and its business license may be suspended. Companies or enterprises causing environmental pollutions and hazards are responsible for taking actions to remedy the hazards and consequences caused by the pollutions, and compensation for any loss or damages caused by the environmental pollutions.

Enterprises are required to comply with the applicable national and local environmental laws and regulations.

PRC LAWS AND REGULATIONS ON TAX

The PRC taxes that are levied on our subsidiary in the PRC mainly include enterprise income tax ("**EIT**"), value added tax ("**VAT**"), business tax, urban maintenance and construction tax and educational surtax. Under PRC law, our PRC subsidiary is also required to withhold taxes on dividends payable to us.

According to the PRC EIT Law and the implementation rules of the PRC EIT Law, a non-resident enterprise shall pay tax on the income which is generated from the PRC; the withholding obligor shall be the entity or individual that is directly liable for the payment of relevant prices to a non-resident enterprise in accordance with applicable laws or stipulations of a contract, and the withholding obligor shall withhold the income tax from such payment, when making such payment or when such payment is due. According to the Regulations on the Implementation of the PRC EIT law, the rate of EIT for such non-resident enterprise shall be 10%.

EIT

Prior to 1 January 2008, the foreign-invested enterprises shall pay EIT pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) promulgated by the National People's Congress Standing Committee in 1991 ("**Prior EIT Law**") and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from EIT for two years starting from the first profit-making year and followed by a fifty percent reduction of the EIT in the next three consecutive years.

On 16 March 2007, the National People's Congress passed the PRC EIT Law, with effect from 1 January 2008. The PRC EIT Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, according to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and effective on 1 January 2008, there is a transition period for enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to an enterprise income tax rate lower than 25% before the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradually transit to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the PRC EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

Under the PRC EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. In our circumstance, substantially our management is currently based in China and is expected to remain in China in the future. It is not clear whether we would be deemed as "resident enterprises" or not. In addition, although the PRC EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the implementing rules refer to "qualified resident enterprises" as enterprises with "direct equity interest", it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC "resident enterprise." If we are considered a PRC "resident enterprise" and thus required to withhold income tax for any dividends we pay to our non-PRC resident enterprise

investors, the amount of dividends we can pay to our Shareholders could be materially reduced. In addition, any gain realised on the transfer of ordinary shares by our non-PRC resident investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Furthermore, the PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within China but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The implementation rules of the PRC EIT Law provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC Shareholders reside.

The PRC EIT Law also provides that "High and New Technology Enterprises" will be subject to an income tax rate of 15%. On 14 April 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation of the PRC promulgated the Measures for the Administration of Recognition of Technologically Advanced Enterprises (高新技術企業認定管理辦法), which stipulates the conditions and procedures for companies to be recognised as "High and New Technology Enterprises." Pursuant to the Several Policies on Encouraging the Development of Software and Integrated Circuit Industries, software enterprises may list the entire amount of their actual personnel remuneration and training expenses as a before tax expense for enterprise income tax purposes.

VAT

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值税暫行條例) last amended on 5 November 2008 and with effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay VAT.

Pursuant to the Several Policies on Encouraging the Development of Software and Integrated Circuit Industries, until 2010, VAT will be levied at the statutory rate of 17% on an ordinary VAT payer's sale of software products developed and produced by itself. The portion of the tax burden in excess of 3% shall be refunded upon collection and used by the enterprise to research and develop software products and to expand reproduction. The Several Policies on Further Encouraging the Development of Software and Integrated Circuit Industries decided that the VAT preferential policy continues to be implemented after 2010.

PRC business tax

Pursuant to the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) issued on 13 December 1993 and amended on 10 November 2008 with effect on 1 January 2009, all units and individuals engaged in the provision of services as prescribed in these regulations, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC shall pay the business tax in accordance with these regulations. Taxpayers who engaged in the sales of immovable properties are subject to the tax rate of 5%.

Urban maintenance and construction tax as well as education surtax

Pursuant to Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surtax Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated on 18 October 2010, and with effect from 1 December 2010, the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) promulgated in 1985 and amended on 8 January 2011 and the Tentative Provisions on the Collection of Educational Surtax (徵收教育費附加的暫行規定) promulgated in 1986 by the State Council and subsequently amended in 1990, 2005 and 2011 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. The rates of urban maintenance and construction tax shall be 7% for a taxpayer in a city. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual.

REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign currency exchange

Pursuant to the Foreign Currency Administration Rules of the PRC (中華人民共和國外匯管理條例) promulgated by State Council on 29 January 1996 and amended on 1 August 2008 and various regulations issued by SAFE and other PRC regulatory agencies, Renminbi is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of Renminbi into a foreign currency, and remittance of the foreign currency outside the PRC.

Dividend distribution

The principal regulations governing distribution of dividends of foreign holding companies include the PRC Company Law promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the Wholly Foreign-owned Enterprise Law promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the Implementation Rules promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in China, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprise. These reserves are not distributable as cash dividends.

Circular 75

On 21 October 2005, the SAFE issued the "Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles" (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**Circular 75**"), which became effective as of 1 November 2005. According to Circular 75, (a) a PRC citizen (a "PRC Citizen") must register with the local SAFE branch before he or she establishes or controls a SPV for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Citizen must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Citizen must, within thirty days after the occurrence of such event, register such change with the local SAFE branch. Moreover, Circular 75 applies retroactively.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

M&A Regulations and Overseas Listings

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, China Securities Regulatory Commission ("**CSRC**") and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**M&A Rule**"), which became effective on 8 September 2006 and was amended on 22 June 2009. This M&A Rule, among other things, includes provisions that purport to require that a SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

OTHER RELEVANT LAWS AND REGULATIONS

Bid and Tender Law

Under the "Bid and Tender Law of the People's Republic of China" (中華人民共和國招標投標法) promulgated by the Standing Committee of the National People's Congress dated 30 August 1999 and implemented on 1 January 2000, tender is compulsory with respect to following projects such as large-scale infrastructure facilities and public utilities relating to social public interests and public security, or projects which are, completely or partly, invested by the state-owned funds or funded through state financing. Tender and bid activities for a project subject to tender according to law shall not be restricted by areas or departments. No unit or person may illegally restrict or exclude legal persons or other organisations from other areas or systems to take part in bidding or interfere in tender and bid activities in any form.

Tenders include public tenders and invitational tenders. A public tender means that a tenderee, in the form of tender announcement, invites unspecified legal persons or other unspecified organisations to submit their bids; an invitational tender means that a tenderee, in the form of invitation for submission of bid, invite specified legal persons or other specified organisation to submit their bids. A tenderee who adopts the public tender method shall issue a tender announcement. The tender announcements of projects subject to tender according to law must be issued in newspaper, periodicals, information network or other media designated by the state. A tenderee who adopts the invitational tender method shall issue invitations for submission of bids to three more specified legal persons or other specified organisations capable of undertaking the project subject to tender and having a good reputation and creditworthiness. A tender announcement shall clearly contain such particulars as the name and address of the tenderee, nature of the project subject to tender, quantity, place and time of implementation and methods to acquire the tender documents.

Production safety

The Production Safety Law of the PRC (中華人民共和國安全生產法) promulgated on 29 June 2002 and became effective since 1 November 2002, is the principal law governing the supervision and administration of production safety and labour protection. The law requires that construction units shall set up organisations or be manned with full-time persons for the control of work safety. Safety facilities of new construction, re-construction or expansion projects shall be designed, constructed, and put into production and used simultaneously with main construction area of the projects.

Intellectual property laws and regulations

China has adopted legislation related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Regulations on copyright for computer software

The computer software, as one form of works enjoy the copyright in accordance with the Copyright Law of the PRC (中華人民共和國著作權法) which became effective on 1 June 1991 and was amended on 27 October 2001 and 26 February 2010 respectively. Pursuant to the Regulations on the Protection of Computer Software (計算機軟件保護條例) promulgated on 20 December 2001 and amended on 8 January 2011, the computer software copyright shall come into being on the day of the completion of development. For the computer software copyright of a legal person or other organisation, the term of protection is 50 years, ending on 31 December of the fiftieth year after the first publication of the computer software, however, these regulations will no longer protect the computer software if it has not been published within 50 years since the completion of development.

The software copyright owners may make registration at the software registration organs accredited by the administrative department of copyright under the State Council. The certificates of registration issued by the software registration organs shall be the preliminary certification of the registered matters. The Measures on Registration of Copyright for Computer Software (計算機軟件著作權登記辦法) promulgated on 20 February 2002, which applies to the registration of copyright for computer software, the licensing contract of exclusive exploitation of computer software copyright and the transfer contract of computer software copyright, sets forth the application, examination, approval and notice of registration of computer software copyright.

Regulations on patents

Under the revised Patent Law of the PRC (中華人民共和國專利法) promulgated on 27 December 2008 and effective on 1 October 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the "first to file" principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for the sake of an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

Although patent rights are national rights, the Patent Cooperation Treaty to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

Regulations on trademarks

Both Trademark Law of the PRC (中華人民共和國商標法) promulgated by the National People's Congress Standing Committee in 1982 and amended in 2001, and the Regulation on Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) ("**Trademark Law**") promulgated by the State Council in 2002 give protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorisation; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing the marks of a registered trademark of others without authorisation, or selling the marks of a registered trademark forged or manufactured without authorisation; and (iv) causing other damage to the right to exclusive use of a registered trademark of another person.

Violation of the Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Labour protection

The Employment Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and became effective on 1 January 2008 and the Implementing Regulations of the PRC Employment Contracts Law (中華人民共和國勞動合同法實施條例) promulgated and became effective on 18 September 2008. This law and its implementation govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract shall be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010 which became effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) promulgated by the State Council and became effective on 22 January 1999, Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) promulgated by the Ministry of Labour on 14 December 1994 which became effective on 1 January 1995, the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated by the State Council on 27 April 2003 which became effective on 1 January 2004 and amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council and become effective on 3 April 1999 which was amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

CORPORATE DEVELOPMENT AND BUSINESS HISTORY

ERG HK

ERG HK, currently one of our wholly owned subsidiaries, was incorporated in 1984 by Vix Engineering. At the time of its incorporation, Vix Engineering beneficially held the entire equity interest of ERG HK. Vix Engineering is a wholly owned subsidiary of Vix Holdings. Vix Holdings, through its 100% equity interest in Vix East Asia, currently holds 30% equity interest in ERG Greater China BVI, one of our Controlling Shareholders. Vix Holdings is a directly wholly owned subsidiary of Vix Transportation.

After its incorporation, ERG HK, then a member of the Vix Group, participated in the smart card project in Hong Kong which was the first contactless smart card system in the world. The system was launched in September 1997 and currently remains the largest system of its kind in the world. On 2 August 1999, Vix Engineering transferred its entire equity interest in ERG HK to Vix Holdings.

ERG HK, as a member of the Vix Group, also participated in various AFC system projects in Hong Kong, including the MTR TKO extension project from 2000 to 2002 for the design, building and integration of the AFC System for the Tseung Kwan O line and the Light Rail AFC extension project from 2001 to 2003 which involved extending the AFC System to 12 new stations, etc. In 2000, ERG HK also started to provide maintenance and technical support services to a bus operator in Hong Kong. On 16 November 2009, Vix Holdings transferred its entire equity interest in ERG HK to Vix Technology, a directly wholly owned subsidiary of Vix Transportation, at a consideration of HK$25,234,487.85 which was determined based on the net asset value of ERG HK at the material time. ERG HK had not become a member of our Group until its transfer to ERG Greater China in March 2010, details of which are further described below. In 2010, ERG HK, as our wholly owned subsidiary, participated with member(s) of the Vix Group in the project for the provision of clearing house application solutions to Bangkok Smartcard.

ERG BJ

In 2006, ERG BJ, currently one of our wholly owned subsidiaries, was established by Vix Holdings in the PRC. At the time of its establishment, the registered capital and total investment of ERG BJ was RMB10,000,000 and RMB12,000,000, respectively. ERG BJ became our wholly owned subsidiary upon the transfer becoming effective in May 2009, details of which are further described below. As a member of the Vix Group and after it became our wholly owned subsidiary, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the ACC System since its establishment in 2006. During 2009 and 2010, ERG BJ, after becoming a member of our Group, was awarded the ACC and TCC Integration Project for five lines of the Beijing Subway. These included Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. In 2011, ERG BJ was further awarded the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II.

Mr. Cao and the establishment of BETIT Australia

Mr. Cao, one of our Controlling Shareholders, has been in the telecommunications and information technology field since 1996. He joined Beijing Development (Hong Kong) Limited ("**Beijing Development**"), a company whose shares are currently listed on the Main Board of the Stock Exchange (Stock Code: 154) in 2001 and was appointed as an executive director of such company in 2005. He had been a director and the general manager of Beijing Enterprises Teletron Information Technology Co., Ltd., a company which became a subsidiary of Beijing Development in 2001. He has served as a director of other companies within the Beijing Development group. During the Track Record Period, Mr. Cao was also the executive director and vice president of Beijing Development which supplies applications solutions and products to operators of public transport systems, including the underground trains in Shenzhen, Guangzhou and Shanghai.

With the robust development of the Beijing Subway since 2000 and the construction and opening of new subway lines before the Beijing Olympics in 2008, coupled with Mr. Cao's ample experience in the industry of management, technology and communication, he saw the potential for growth in Beijing's public transport systems and the need for developing network-level systems to integrate and monitor the functions of the line-level systems and standardisation of subsystems within the public transport system. In 2008, Mr. Cao established BETIT Australia as an investment holding company with Ms. Wang and Ms. Jiang. At the time of its establishment, BETIT Australia was held as to 50% by Mr. Cao, 30% by Ms. Wang and 20% by Ms. Jiang. In July 2010, the interests held by Ms. Jiang in BETIT Australia was transferred to Sino Choice Trust of which Mr. Chen and Ms. Jiang are the beneficiaries.

The establishment of a joint venture structure by way of BETIT Australia's acquisition of 70% equity interests in ERG Greater China and the transfer of ERG BJ from Vix Holdings to ERG Greater China

In January 2009, both Mr. Cao and the Vix Group considered that it would be beneficial to both parties to transfer ERG BJ to ERG Greater China with a view that ERG Greater China would operate its business under a joint venture structure. In particular, the Vix Group wanted to capture the opportunity to expand their businesses in China and at the same time, Mr. Cao and ERG Greater China needed the licensed technology and expertise owned by the Vix Group to operate the business under the joint venture. As such, Vix Holdings and BETIT Australia entered into the Joint Venture Agreement, in relation to the establishment and operations of ERG Greater China.

Vix Holdings and BETIT Australia entered into the Joint Venture Agreement on 23 January 2009, in relation to the establishment and operations of ERG Greater China. Pursuant to the Joint Venture Agreement, ERG Greater China was incorporated in February 2009 with an authorised capital of AUD100.00 divided into 100 shares of AUD1.00 each. At the time of its incorporation, ERG Greater China was held as to 100% by Vix Holdings. The joint venture was for a term of three years during which the parties provided to the joint venture license to use the intellectual property of the parties including any license technology, technical support, warranties, additional support development charges and designation of office and staff. Pursuant to the Joint Venture Agreement, Vix Holdings had an option to transfer its entire shareholding in ERG Greater China to BETIT Australia within a period between the date of the Joint Venture Agreement and the date falling three months prior to end of the term of the agreement. The parties were restricted from transferring in part or in whole their interests in ERG Greater China during the term of the joint venture. The Joint

Venture Agreement also provides that in the event of a deadlock amongst board members or between the parties to the agreement, the parties must confer to resolve the deadlock. If the parties are unable to resolve the deadlock, one party may offer to sell its shares in the joint venture to the receiving party by serving an offer notice to the receiving party pursuant to the Joint Venture Agreement. The Joint Venture Agreement includes, amongst other things, the following shareholders' terms: composition of the board, matters that require unanimous approval of the board (including winding up of the joint venture, acquisition of share of another company, acquisitions or disposal of assets exceeding RMB1 million), pre-emptive and tag-along rights, anti-dilution of shareholder and dividend policy. Further, pursuant to the Joint Venture Agreement, Mr. Cao was appointed a director of ERG Greater China in April 2009. The reason for entering into the joint venture arrangement was because both Mr. Cao and the Vix Group considered that it would be beneficial to both parties to operate the business of ERG BJ under a joint venture arrangement.

In March 2009, Vix Holdings entered into an equity transfer agreement with ERG Greater China, the then wholly owned subsidiary of Vix Holdings, to transfer its entire equity interests in ERG BJ to ERG Greater China at nil consideration. In anticipation of the transfer of the entire interests in ERG BJ to ERG Greater China pending effective completion and pursuant to the Joint Venture Agreement, BETIT Australia acquired 70% equity interests in ERG Greater China from Vix Holdings for a consideration of RMB5.0 million in April 2009. After the said acquisition, the remaining 30% of ERG Greater China was held by Vix Holdings. Pursuant to the Joint Venture Agreement, the voting right of shareholders at the general meetings shall be made at all times in proportion to the equity interests held by the respective shareholders. Pursuant to the constitutional documents of ERG Greater China, all dividends are apportioned and paid proportional to the respective equity interest of the shareholders. The consideration was arrived at after arm's length negotiations between the parties thereto with reference to the net asset value of ERG BJ of approximately RMB5.8 million as at 31 December 2008 based on the unaudited management accounts of ERG BJ for the year ended 31 December 2008. The consideration was satisfied in the form of BETIT Australia's assumption of a debt of RMB5.0 million owed by Vix Holdings to ERG BJ. Upon completion of the said acquisition, ERG Greater China was owned as to 70% by BETIT Australia and 30% by Vix Holdings. Mr. Cao, through the 80% equity interests in BETIT Australia owned by him and his spouse, Ms. Wang, became beneficially interested in the shares of ERG Greater China. In May 2009, the transfer of the entire equity interests in ERG BJ from Vix Holdings to ERG Greater China became effective upon issuance of the certificate of approval from PRC authorities. Through Mr. Cao's experience in the industry and business networks, ERG BJ was able to participate in various projects relating to the ACC System thus resulting in an improvement in the business of ERG BJ. In 2009, the registered capital and the total investment of ERG BJ was increased to RMB12,550,000 and RMB17,920,000, respectively.

Transfer of ERG HK from Vix Technology to ERG Greater China

On 30 March 2010, Vix Technology transferred its entire equity interests in ERG HK to ERG Greater China at a consideration of HK$4,000,000 which was determined based on the net asset value of ERG HK at the material time. Given the improvement in ERG BJ's business subsequent to its transfer to ERG Greater China operated under the joint venture arrangement, both Mr. Cao and the Vix Group considered that it would be beneficial to both parties to operate ERG HK's business under the joint venture structure and the guidance of Mr. Cao.

BII ERG

Prior to the establishment of BII ERG in September 2009, it was agreed among BII, ERG BJ, and Beijing Huatong Kefeng that they would jointly establish BII ERG as they recognised the potential growth and development of BII ERG in the industry. Prior to the establishment of BII ERG, our Group had no relationship with BII except that BII is the sole shareholder of one of our major customers, Beijing Metro Network. Prior to the establishment of BII ERG, our Group had no relationship with Beijing Huatong Kefeng. In September 2009, to further expand our business and products in Beijing, ERG BJ and BII, as the initial shareholders, established BII ERG to develop the line-level subsystems for Beijing's public transport systems. At the time of its establishment, the registered capital of BII ERG was owned as to 51% by BII and 49% by ERG BJ. In March 2010, the registered capital of BII ERG was increased from RMB10,000,000 to RMB20,000,000. Due to internal delays in relation to the establishment of Beijing Huatong Kefeng by Beijing Railway Construction, Beijing Huatong Kefeng became one of the shareholders of BII ERG in March 2010. Thereafter, the registered capital of BII ERG became owned as to 46% by BII, 44% by ERG BJ, an indirectly wholly owned subsidiary of our Company, and 10% by Beijing Huatong Kefeng.

BII ERG currently provides software in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System specifically for each individual subway line. Beijing Huatong Kefeng, one of the shareholders of BII ERG, is the wholly owned subsidiary of Beijing Railway Construction. Beijing Huatong Kefeng is primarily engaged in the management of new rail lines construction, preliminary design organisation of new rail lines, construction design of new rail lines procurement tenders, building renovation, equipment installation, supporting municipal projects and corresponding implementation of projects and operational management. BII is one of the shareholders of BII ERG, our associated company. BII is the sole shareholder of one of our customers, Beijing Metro Network, a company established for setting up and operating the railway transport command centre in Beijing. BII is also the sole beneficial shareholder of one of our Pre-IPO Investors, BII HK. Therefore, BII is indirectly interested in our Shares.

During 2009 and 2010, our associated company, BII ERG, was also awarded various contracts at the line level by the operators of public transport systems such as the Beijing Subway and the Changchun Light Rail for the provision of application solutions or products for different systems used by the various lines including ACC System, TCC System, BAS, PSCADA, PIS, etc. During the same period, ERG BJ also provided maintenance and technical support services to the Beijing Subway for its ACC System and TCC System.

We have successfully expanded our business to service and maintain the rapid growth and expansion of the public transport system in Beijing. We plan to further develop our existing business with the Beijing Subway and to expand our customer base to other potential customers in the Greater China region and overseas.

Reorganisation

In preparation for the Listing, we underwent our Reorganisation whereby our Company became the holding company of our operating subsidiaries. Details of our Reorganisation are set out in the section headed "Reorganisation" in this prospectus. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 January 2011. In March 2011, as part of our Reorganisation, ERG Greater China and Beijing City Railway entered into a sale and

purchase agreement to transfer ERG Greater China's entire equity interests in ERG BJ to Beijing City Railway, a directly wholly owned subsidiary of our Company, at nil consideration. On 11 May 2011, the said transfer became effective upon issuance of the certificate of approval from the PRC authorities. As part of our Reorganisation, ERG Greater China BVI was incorporated in March 2011 in the BVI as a holding company of our Company and the beneficial shareholding structure mirrors that of ERG Greater China. The Joint Venture Agreement was terminated pursuant to a termination agreement entered into amongst ERG Greater China, Vix Holdings and BETIT on 16 June 2011. On the same day, Vix East Asia, More Legend, Landcity and ERG Greater China BVI entered into a shareholders' agreement in relation to the management and operations of ERG Greater China BVI to replicate the terms of the Joint Venture Agreement in relation to ERG Greater China. The said shareholders' agreement substantially mirrors the terms, rights and obligations of the Joint Venture Agreement and govern the management and operations of ERG Greater China BVI during the period between the date of the agreement until the Listing Date. Pursuant to our Reorganisation, Mr. Cao and Ms. Wang, through their respective 75% and 25% equity interests in More Legend, are interested in 56% interests in ERG Greater China BVI, one of our Controlling Shareholders. The Sino Choice Trust, through its 100% equity interests in Landcity, is interested in 14% equity interests in ERG Greater China BVI. In June 2011, as part of our Reorganisation, the entire issued share capital of ERG HK was transferred by ERG Greater China to Beijing City Railway, for nil consideration. Further details on our Reorganisation are set out in the section headed "Reorganisation" in this prospectus.

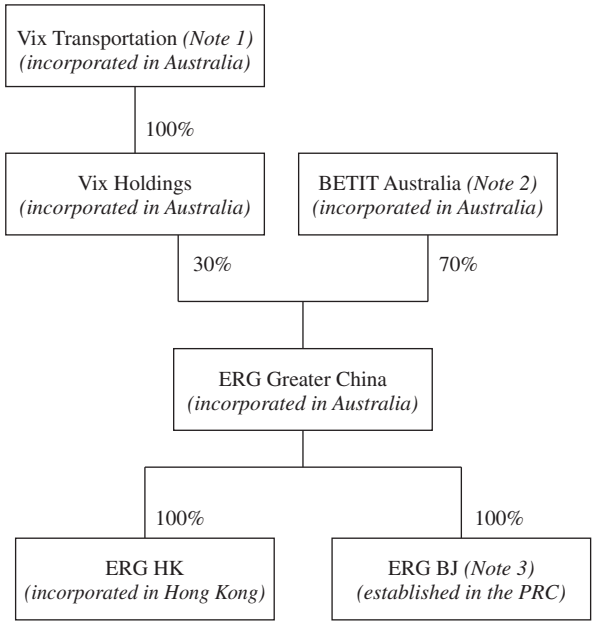
In addition, we have entered into Subscription Agreements with our Pre-IPO Investors. Pursuant to the Subscription Agreements, on 6 July 2011, the Pre-IPO Investors, our Company, ERG Greater China BVI, Great Legend, More Legend, Beijing City Railway, ERG HK, ERG BJ and BII ERG entered into a shareholders' agreement, namely, the Management and Operation Agreement in relation to the management and operation of our Company during the period between the date of the completion of the Subscription Agreements and the Listing Date. Further details on the terms of the Management and Operation Agreement are set out in the section headed "Pre-IPO Investors" in this prospectus.

SIGNIFICANT MILESTONES

Year	Event
1984	Establishment of ERG HK by Vix Engineering, a wholly owned subsidiary of Vix Holdings
2006	Establishment of ERG BJ and its participation in various projects relating to the ACC System

Year	Event
2009	Establishment of BII ERG to expand provision of application solutions and services in Beijing
	Mr. Cao, through interest of him and his spouse in BETIT Australia, acquired 70% interests in ERG Greater China
	ERG Greater China acquired the entire interests in ERG BJ from Vix Holdings
2010	ERG HK worked together with Vix Technology to provide clearing house application solutions to Bangkok Smartcard
	ERG Greater China acquired the entire interests in ERG HK from Vix Technology, a wholly owned subsidiary of Vix Holdings
	BII ERG entered into contracts with the operator of the Changchun Light Rail for the procurement of BAS and PSCADA equipment for the Changchun Light Rail
	ERG BJ and BII ERG were awarded the certificates for High & New Technology Enterprise (高新技術企業證書)

Our shareholding structure immediately prior to our Reorganisation was as follows:



Notes:

1. 100% equity interests of Vix Transportation is held by Vix Mobility Pty Ltd, whose ultimate beneficial owner is Mr. Duncan Paul Saville.

2. BETIT Australia are held as to 50% by Mr. Cao, 30% by Ms. Wang and 20% by Sino Choice Trust, the beneficiaries of which are Mr. Chen and Ms. Jiang.

3. On 19 March 2009, Vix Holdings entered into an equity transfer agreement with ERG Greater China in relation to the transfer of its entire equity interests in ERG BJ to ERG Greater China for nil consideration. The transfer became effective in May 2009 upon issuance of the certificate of approval from PRC authorities.

Further details on our Group's corporate development are set out in the section headed "History and development" in this prospectus.

OUR REORGANISATION

In preparation for the Listing, our Reorganisation consisted of the following principle steps: (1) establishment of our Company and intermediate holding companies; (2) reorganisation of our Controlling Shareholders; and (3) acquisitions of our group companies. The following sets out the detailed steps of our Reorganisation.

(1) Establishment of our Company and intermediate holding companies

Pursuant to our Reorganisation, our Company was incorporated on 7 January 2011 in the Cayman Islands to be the listing vehicle of our Group. Upon its incorporation, our Company became wholly owned by ERG Greater China, a company incorporated under Australian law with limited liability, then held as to 30% and 70% by Vix Holdings and BETIT Australia, respectively. In preparation for the Listing and as part of our Reorganisation, our Company incorporated intermediate holding companies, Great Legend and Beijing City Railway.

Pursuant to our Reorganisation, the following intermediate holding companies were incorporated:

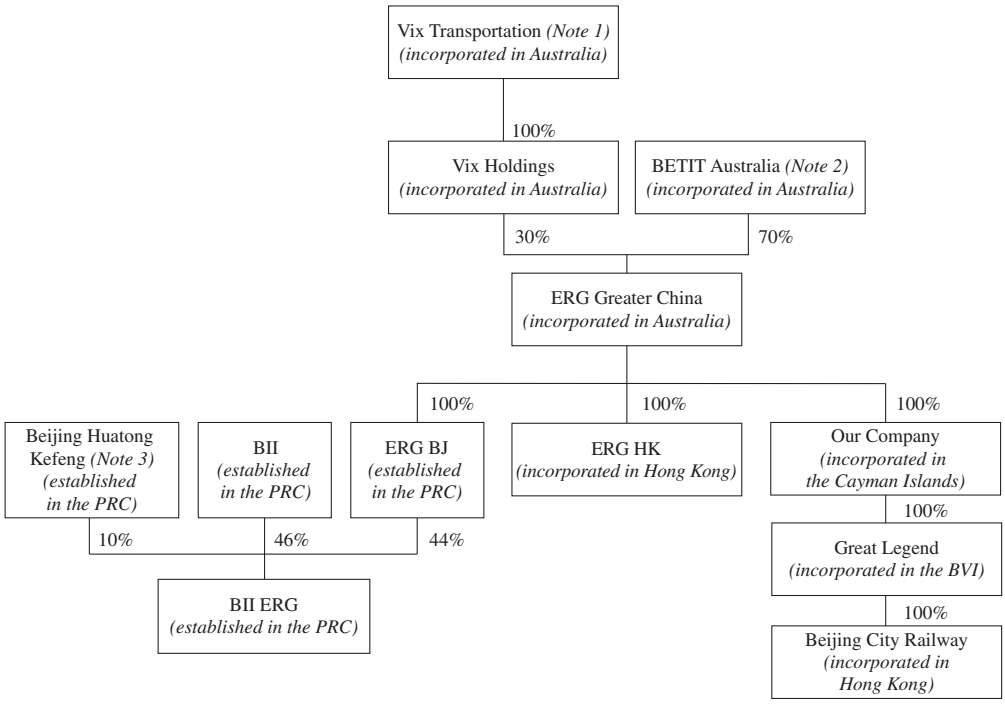
(a) Great Legend

Great Legend was incorporated on 11 February 2011 in the BVI to be the intermediate holding company of Beijing City Railway. Upon its incorporation, 50,000 shares of US$1 each, representing the entire issued share capital of Great Legend, were allotted and issued, credited as fully paid at par, to our Company. As a result, it became a wholly owned subsidiary of our Company.

(b) Beijing City Railway

Beijing City Railway (formerly known as Smart Tone Development Limited) was incorporated on 29 October 2010 in Hong Kong to act as the intermediate holding company of all of our group companies. On 29 October 2010, Beijing City Railway allotted and issued, credited as fully paid at par, one share of HK$1 in its share capital to Acota Services Limited. Subsequently, on 26 November 2010, Acota Services Limited transferred its one share of HK$1 of Beijing City Railway to Mr. Cao at a consideration of HK$1. On 1 March 2011, Mr. Cao transferred his one share of HK$1 in Beijing City Railway to Great Legend at a consideration of HK$1. On 25 March 2011, Beijing City Railway allotted and issued, credited as fully paid at par, 9,999 shares of HK$1 each in its share capital to Great Legend. As a result, Beijing City Railway became a wholly owned subsidiary of Great Legend.

Immediately after the incorporation of our Company and the intermediate holding companies, our shareholding structure was as follows:



Notes:

1. 100% equity interests of Vix Transportation is held by Vix Mobility Pty Ltd, whose ultimate beneficial owner is Mr. Duncan Paul Saville.

2. BETIT Australia are held as to 50% by Mr. Cao, 30% by Ms. Wang and 20% by Sino Choice Trust, the beneficiaries of which are Mr. Chen and Ms. Jiang.

3. At the time of its establishment in September 2009, the registered capital of BII ERG was owned as to 51% by BII and 49% by ERG BJ. Beijing Huatong Kefeng became one of the shareholders of BII ERG in March 2010. Thereafter, BII ERG was owned as to 46% by BII, 44% by ERG BJ and 10% by Beijing Huatong Kefeng.

(2) Reorganisation of our Shareholders

Pursuant to our Reorganisation, the following holding companies of our Shareholders were incorporated:

(a) ERG Greater China BVI

ERG Greater China BVI was incorporated on 8 March 2011 in the BVI as a holding company of our Company. ERG Greater China BVI has an initial authorised capital of US$50,000 divided into 50,000 shares of US$1 each, of which 15,000 shares, 28,000 shares and 7,000 shares, representing 30%, 56% and 14% equity interests, was issued to Vix East Asia, More Legend and Landcity, respectively.

(b) More Legend

More Legend was incorporated on 4 March 2011 in the BVI. Mr. Cao and Ms. Wang are the shareholders of More Legend. More Legend has an initial authorised capital of US$50,000 divided into 50,000 shares of US$1 each, of which 37,500 shares and 12,500 shares was issued to Mr. Cao and Ms. Wang, representing 75% and 25% equity interests, respectively. Ms. Wang is the spouse of Mr. Cao.

(c) Landcity

Landcity was incorporated on 4 March 2011 in the BVI. Sino Choice Trust is currently the sole shareholder of Landcity. Landcity has an initial authorised capital of US$50,000 divided into 50,000 shares of US$1 each, of which 50,000 shares was issued to Sino Choice Trust.

(d) Vix East Asia

Vix East Asia was incorporated on 10 June 2011 in Hong Kong. Vix Holdings is currently the sole shareholder of Vix East Asia. Vix East Asia has an initial authorised capital of HK$10,000 divided into 1,000 shares of HK$10 each, of which one paid share was transferred from Tricor Nominees Limited to Vix Holdings and 999 paid shares was issued to Vix Holdings.

Pursuant to our Reorganisation, ERG Greater China transferred its shares in our Company to ERG Greater China BVI on 21 June 2011 at nil consideration pursuant to a sale and purchase agreement entered into between ERG Greater China and ERG Greater China BVI on the same day.

(3) Acquisitions of the group companies – ERG BJ and ERG HK

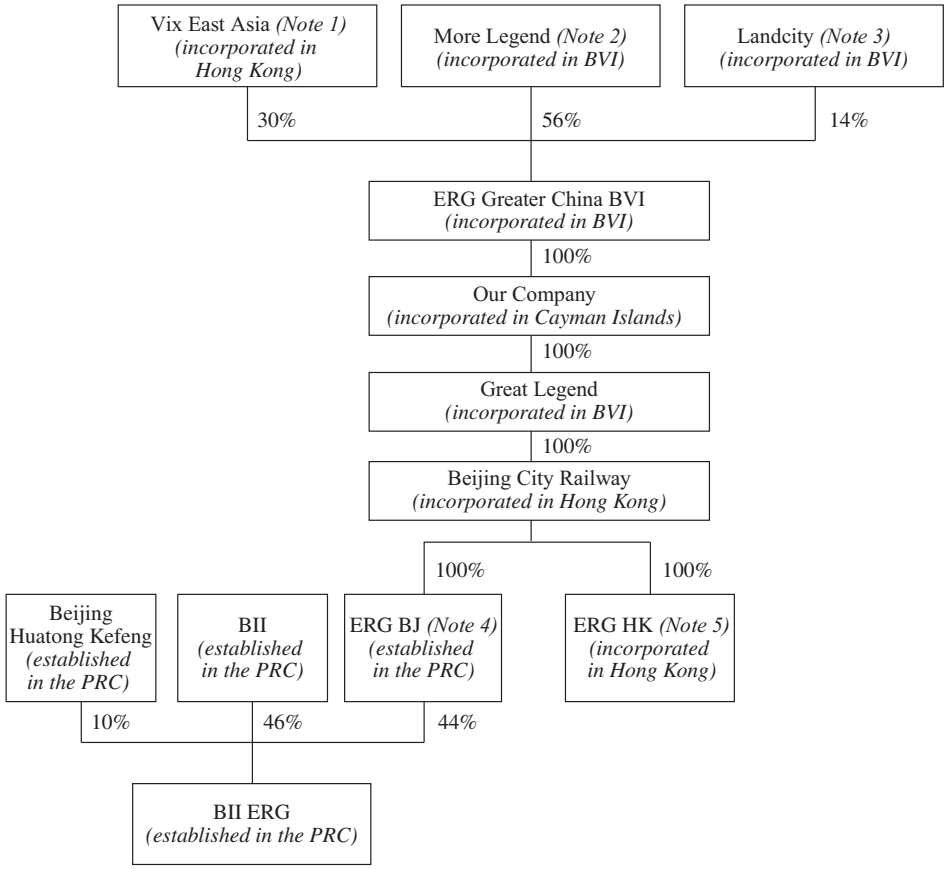
ERG BJ was incorporated on 1 September 2006 in the PRC by Vix Holdings. On 22 March 2011, ERG Greater China and Beijing City Railway entered into a sale and purchase agreement to transfer ERG Greater China's entire equity interests in ERG BJ to Beijing City Railway at nil consideration. On 11 May 2011, the said transfer became effective upon issuance of the certificate of approval from PRC authorities. Further details on the corporate development of ERG BJ are set out in the section headed "History and development" in this prospectus.

ERG HK was incorporated on 17 July 1984 in Hong Kong by Vix Engineering, a wholly owned subsidiary of Vix Holdings. On 27 June 2011, ERG Greater China transferred its entire equity interests in ERG HK to Beijing City Railway at nil consideration. Further details on the corporate development of ERG HK are set out in the section headed "History and development" in this prospectus.

In April 2009, BETIT Australia, which was established and controlled by Mr. Cao, purchased 70% equity interests of ERG Greater China. In May 2009, the transfer of the 100% interests in ERG BJ from Vix Holdings to ERG Greater China pursuant to an equity transfer agreement entered into in March 2009 became effective upon the issuance of the certificate of approval from the PRC authorities. Thus, Mr. Cao indirectly acquired the relevant interests in ERG BJ. Our PRC Legal Advisers are of the opinion that this is not a round trip investment through a special purpose vehicle as defined in Circular 75 and the provisions in Circular 75 is not applicable to our Company.

According to Article 2 of the M&A Rules, mergers and acquisitions of a domestic enterprise by foreign investors shall mean that foreign investors, by agreement, purchase equity interest from shareholders of domestic enterprise with no foreign investment ("**Domestic Company**") or subscribe to the increase in the registered capital of the Domestic Company with the result that such Domestic Company changes into a foreign investment enterprise; or the foreign investors establish a foreign investment enterprise and then, through such enterprise, purchase the assets of a domestic enterprise by agreement and operate such assets, or the foreign investors purchase the assets of a domestic enterprise by agreement and use such assets as investment to establish a foreign investment enterprise to operate such assets. ERG BJ was established as a wholly foreign owned enterprise on 1 September 2006. It is not a domestic company as defined in M&A Rules. Accordingly, our PRC Legal Advisers are of the opinion that the M&A Rules is not applicable to our Company. Further, our PRC Legal Advisers are also of the opinion that our Group has obtained all requisite permits, licences and approvals for each stage of our Reorganisation and that our Reorganisation has complied with all applicable laws and regulations.

Immediately following completion of our Reorganisation and prior to the subscriptions of our shares by our Pre-IPO Investors, our shareholding structure was as follows:



Notes:

1. 100% equity interests in Vix East Asia is beneficially held by Vix Holdings.

2. 100% equity interests in More Legend is beneficially held by Mr. Cao and Ms. Wang.

3. 100% equity interests in Landcity is beneficially held by Sino Choice Trust.

4. 100% equity interests of ERG BJ was transferred from ERG Greater China to Beijing City Railway on 11 May 2011.

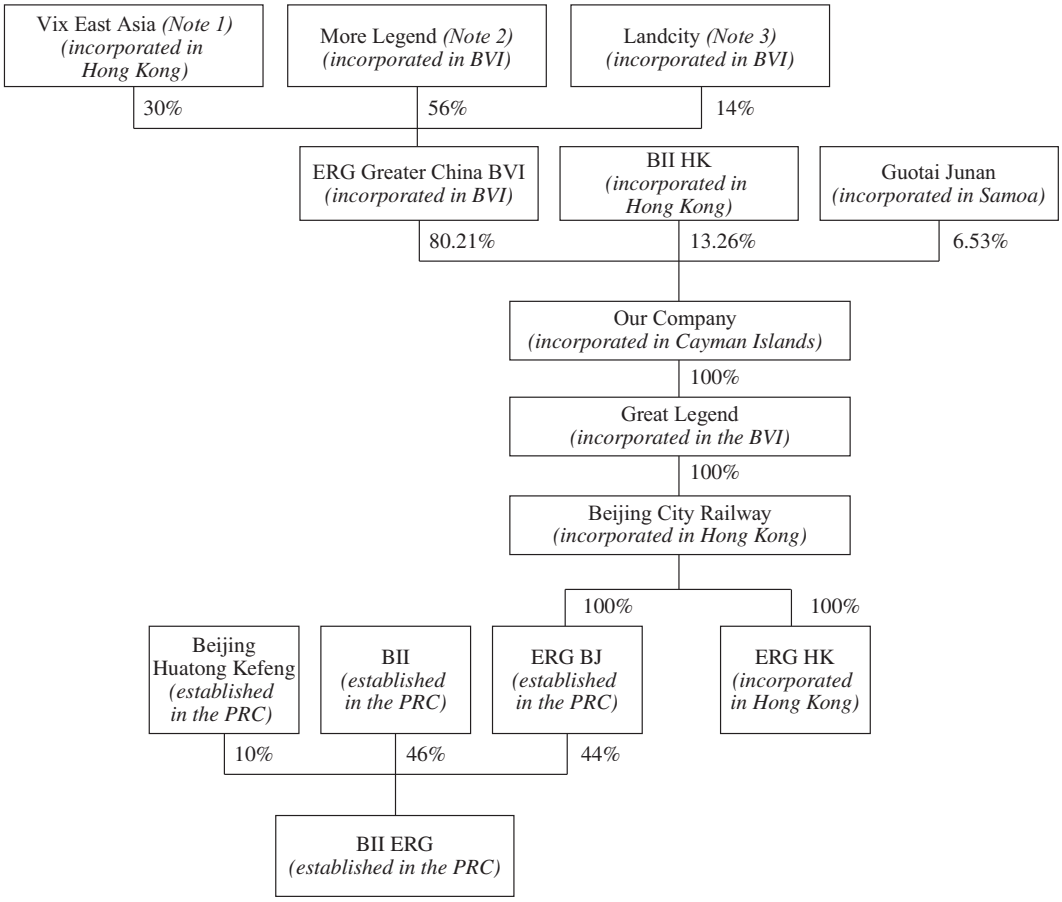
5. 100% equity interests of ERG HK was transferred from ERG Greater China to Beijing City Railway on 27 June 2011.

OUR PRE-IPO INVESTORS

On 23 May 2011, BII HK entered into a subscription agreement with our Company and ERG Greater China BVI in relation to the subscription of 1,419 new shares of our Company by BII HK at an aggregate subscription price of HK$19,511,300, equivalent to a subscription price of approximately HK$13,750 per share. On 31 May 2011, Guotai Junan entered into a subscription agreement with our Company and ERG Greater China BVI in relation to the subscription of 698 new shares of our Company by Guotai Junan at an aggregate subscription price of HK$22,855,000, equivalent to a subscription price of approximately HK$32,744 per share. After completion of the subscription by BII HK and Guotai Junan as our Pre-IPO Investors, our Company became owned

as to approximately 80.21% by ERG Greater China BVI, approximately 13.26% by BII HK and approximately 6.53% by Guotai Junan. On 6 July 2011, the Pre-IPO Investors, our Company, ERG Greater China BVI, Great Legend, More Legend, Beijing City Railway, ERG HK, ERG BJ and BII ERG entered into the Management and Operation Agreement in relation to the management and operation of our Company during the period between the date of the completion of the Subscription Agreements and the Listing Date. Further details on the terms of the Management and Operation Agreement are set out in the section headed "Pre-IPO Investors" in this prospectus.

Immediately after completion of our Reorganisation and the subscription by our Pre-IPO Investors but before the Capitalisation Issue and the Global Offering, our shareholding structure was as follows:



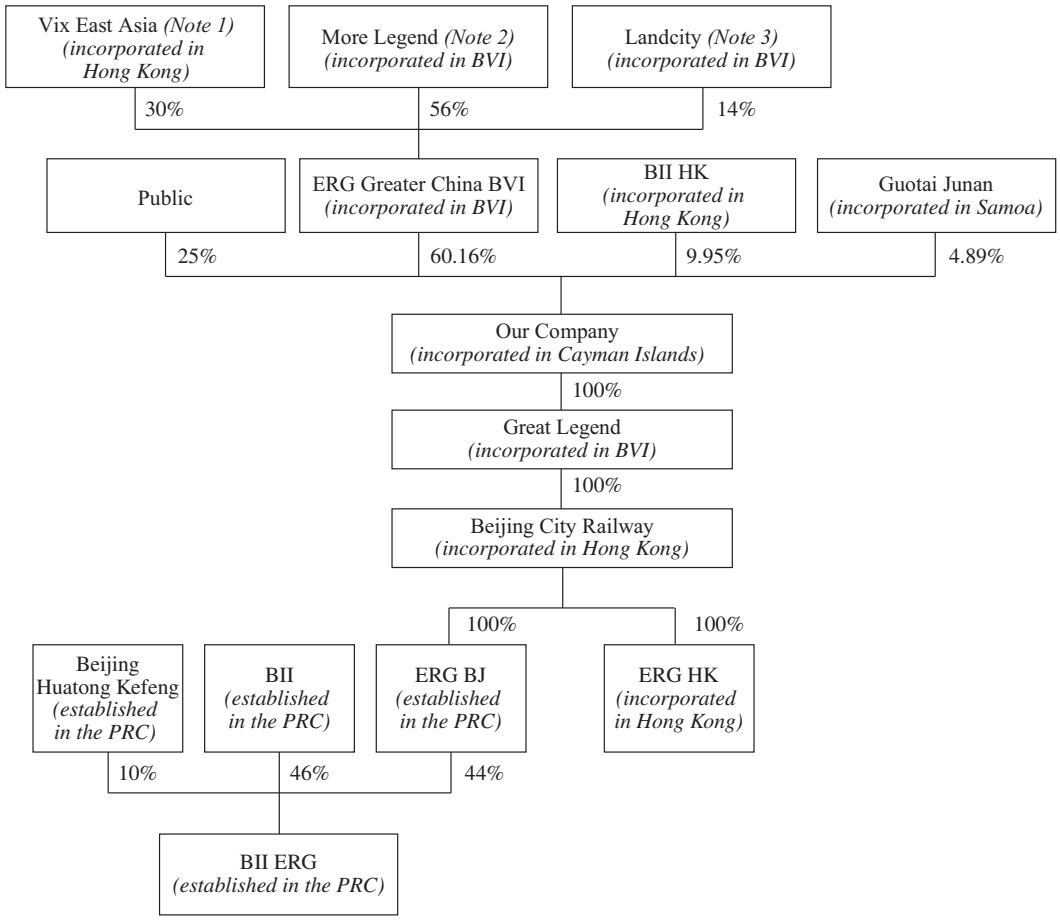
Notes:

1. 100% equity interests in Vix East Asia is beneficially held by Vix Holdings.

2. 100% equity interests in More Legend is beneficially held by Mr. Cao and Ms. Wang.

3. 100% equity interests in Landcity is beneficially held by Sino Choice Trust.

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and there is no allotment or issue of new Shares under the Share Option Scheme) our shareholding structure will be as follows:



Notes:

1. 100% equity interests in Vix East Asia is beneficially held by Vix Holdings.

2. 100% equity interests in More Legend is beneficially held by Mr. Cao and Ms. Wang.

3. 100% equity interests in Landcity is beneficially held by Sino Choice Trust.

The Subscription Agreements and the Management and Operation Agreement

The table below sets forth details of our Pre-IPO investments:

Name of the Pre-IPO Investor	Date of investment	Consideration paid	Payment date of consideration	Cost per Share paid by each Pre-IPO Investor	Discount to Offer Price *(Note)*	Approximate percentage of shareholding interests held by the Pre-IPO Investor in our Company upon Listing
BII HK	23 May 2011	HK$19,511,300	11 July 2011	HK$0.2452	74.2% to 80.1%	9.95%
Guotai Junan	31 May 2011	HK$22,855,000	31 May 2011	HK$0.5838	38.5% to 52.5%	4.89%

Note: Such discount was calculated based on the Offer Price of not more than HK$1.23 per Offer Share but not less than HK$0.95 per Offer Share unless otherwise announced by our Company.

On 23 May 2011, BII HK entered into a subscription agreement with our Company and ERG Greater China BVI, as amended and supplemented by two supplemental subscription agreements dated 6 July 2011 and 31 October 2011, respectively in relation to the subscription of the then 14.19% equity interest in our Company. BII HK is an investment holding company incorporated in Hong Kong and a directly wholly-owned subsidiary of BII, whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company and our subsidiaries. BII is wholly owned by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and is engaged in infrastructure design projects and capital investment and financing in relation to Beijing's metro transportation system. Pursuant to the BII HK Subscription Agreement, BII HK subscribed for 1,419 new shares of our Company at an aggregate subscription price of HK$19,511,300 (the "**BII HK Pre-IPO Investment Amount**"), equivalent to a subscription price of HK$13,750 per share based on 5.5 times the net profit of our Company for the 12 months ended 31 December 2010. BII HK's investment in our Company is financial and contractual in nature. BII HK has appointed a representative to participate in the management and operation of our Company. The BII HK Pre-IPO Investment Amount was irrevocably settled by BII HK and received by our Company on 11 July 2011. Therefore, the completion of the pre-IPO investment by BII HK is in compliance with the interim guidance dated 13 October 2010 issued by the Stock Exchange. Such amount could be utilised by our Group freely without being subject to any condition and such amount has been fully utilised for payment of legal and professional fees for the Listing and for our general daily operations.

On 6 July 2011, BII HK, our Company and ERG Greater China BVI entered into the first supplemental subscription agreement pursuant to which our Company agreed to a net profit guarantee of HK$40,000,000 for the financial year ended 30 June 2011 and a net profit guarantee of HK$80,000,000 for the financial year ending 30 June 2012 ("**Profit Guarantee**"). Our audited net profit for the financial year ended 30 June 2011 is determined according to the Accountants'

Report set out in Appendix I to this prospectus, as confirmed by the Pre-IPO Investors and our Company. Our audited net profit for the financial year ending 30 June 2012 will be disclosed in our audited financial results for the financial year ending 30 June 2012, which are expected to be published within the timeframe prescribed in the applicable GEM Listing Rules after the Listing. Where our audited net profit is less than the Profit Guarantee, BII HK is entitled to a cash compensation ("**BII HK Cash Compensation**") which is equal to the net profit guarantee of the relevant financial year minus our Group's audited net profit for that financial year divided by the net profit guarantee of the relevant financial year multiplied by the original subscription price paid by BII HK. Pursuant to the second supplemental subscription agreement dated 31 October 2011 entered into amongst BII HK, our Company and More Legend, it was agreed that the BII HK Cash Compensation is to be paid by More Legend, as an indirect Shareholder. Where our Company's audited net profit is less than the Profit Guarantee, the BII HK Cash Compensation is payable within seven Business Days of BII HK serving written notice to More Legend indicating the payment of the BII HK Cash Compensation.

On 31 May 2011, Guotai Junan entered into a subscription agreement with our Company and ERG Greater China BVI in relation to the subscription of 6.53% equity interests in our Company. Guotai Junan is an investment holding company incorporated under the laws of Samoa and is a directly wholly owned subsidiary of Guotai Junan International Holdings Limited, whose ultimate beneficial owners are, to the best of the knowledge, information and belief of our Directors, independent of and not connected with our Company and our subsidiaries. Guotai Junan International Holdings Limited is primarily engaged in the business of securities and futures dealing and brokerage services for various financial markets, corporate finance and equity capital markets services, asset and fund management services and financing services such as margin financing and other types of financing, and its shares are currently listed on the Main Board of the Stock Exchange. Pursuant to the Guotai Junan Subscription Agreement, Guotai Junan subscribed for 698 new shares of our Company at an aggregate subscription price of HK$22,855,000, equivalent to a subscription price of HK$32,744 per share based on 14 times the net profit of our Company for the 12 months ended 31 December 2010. Guotai Junan's investment in our Company is solely financial in nature. Guotai Junan does not participate in the management and operation of our Company and does not have any representation on our Board. The proceeds from such issue of new shares of our Company would be principally applied towards our working capital and other general corporate purposes. Pursuant to the Guotai Junan Subscription Agreement, our Company agreed to the Profit Guarantee. Where our Company's audited net profit is less than the Profit Guarantee, Guotai Junan is entitled to a cash compensation ("**Guotai Junan Cash Compensation**"), which is equal to the net profit guarantee of the financial year minus our Group's audited net profit for that financial year divided by the net profit guarantee of such financial year multiplied by the original subscription price paid by Guotai Junan. Pursuant to the supplemental agreement dated 31 October 2011, entered into amongst, Guotai Junan, our Company and More Legend, it was agreed that the Guotai Junan Cash Compensation is to be paid by More Legend as an indirect Shareholder. Where our Company's audited net profit is less than the Profit Guarantee, the Guotai Junan Cash Compensation is payable within seven Business Days of Guotai Junan serving of written notice to More Legend indicating the payment of the Guotai Junan Cash Compensation.

Upon completion of the subscription of the new shares of our Company ("**Subscription Shares**") pursuant to the Subscription Agreements by the Pre-IPO Investors, BII HK and Guotai Junan held 1,419 Subscription Shares and 698 Subscription Shares, representing approximately 13.26% and 6.53% of the then issued share capital of our Company as enlarged by the issue of the Subscription Shares, respectively. Immediately after completion of the Subscription Agreements,

our Company became owned as to approximately 80.21% by ERG Greater China BVI, approximately 13.26% by BII HK and approximately 6.53% by Guotai Junan. Immediately after completion of the Capitalisation Issue and the Global Offering, BII HK and Guotai Junan will hold 79,584,969 Shares and 39,147,504 Shares, representing approximately 9.95% and 4.89% of the enlarged share capital of our Company (assuming a public float of 25% and the Over-allotment Option is not exercised), respectively. The Shares held by each of the Pre-IPO Investors are considered part of the public float for the purposes of Rule 11.23 under the GEM Listing Rules.

To the best of our knowledge, information and belief, (i) the Pre-IPO Investors have never acted as members of a controlling group of Shareholders that could enable their interests to be aggregated with our Controlling Shareholders; and (ii) each of the Pre-IPO Investors is an independent professional institutional investor with a distinct and individual interest. Each of the Pre-IPO Investors, to the best of our knowledge, information and belief, is owned and managed by separate entities and there is no cross management among such entities. There has been no understanding, agreement or arrangement that the Pre-IPO Investors would vote in any coordinated manner consistent with our Controlling Shareholders.

Given the industry experience of the beneficial owners of BII HK in the PRC, we believe that BII HK will be able to provide strategic input in the management and operations of our Company, ranging from the improvement of financial internal controls and general corporate governance practices to the sharing of expertise in the development of technology and industry. We believe that the long-term relationship between our Company and BII HK will assist us to achieve an effective long-term growth.

On 6 July 2011, the Pre-IPO Investors, our Company, ERG Greater China BVI, Great Legend, More Legend, Beijing City Railway, ERG HK, ERG BJ and BII ERG entered into the Management and Operation Agreement in relation to the management and operation of our Company during the period between the date of the completion of the Subscription Agreements and the Listing Date.

Pursuant to the Management and Operation Agreement, the Pre-IPO Investors have certain special rights ("**Equity Special Rights**") which are not normally available to the public Shareholders and will be terminated upon the Listing. The Equity Special Rights include:

(a) the right ("**Director Nomination Right**") to appoint one director ("**Investor Director**") to our Board by BII HK. Mr. Tian Zhenqing was appointed as the Investor Director as a representative of BII HK on our Board effective as of 6 July 2011.

(b) unless approved by a simple majority of the members of our Board which must include the Investor Director, our Company and our subsidiaries must not (subject to certain exceptions), among other things:

- approve of business plans in relation to operations of our Group, including but not limited to the annual budget, profit distribution plan and deflect recovery plan of our Group;

- amend their constitutional documents;

- issue any shares or securities;

- grant, create, incur or suffer to exist any encumbrances on any of their assets; and
- sell or otherwise dispose of all or substantially all of their assets;

(c) an option to require More Legend, as the Controlling Shareholder, to purchase all or part of the shares of our Company which are the subject of the Subscription Agreements, amongst other things, if:

- there is a material breach of any of the terms of any of the Subscription Agreements and/or the Equity Pledge Agreement (as defined below);
- an order is passed or petition presented or a resolution is passed for the winding up or administration of any company of our Group;
- Mr. Cao ceases to be a member of the Board; or
- Mr. Cao disposes of any of his interests in More Legend, the Controlling Shareholder; and

(d) other customary provisions for the protection of minority shareholders.

On 6 July 2011, BII HK, Beijing City Railway and ERG BJ entered into an equity pledge agreement ("**Equity Pledge Agreement**"), whereby 70% interest in the registered capital of ERG BJ held by Beijing City Railway was pledged to BII HK as collateral for More Legend's payment obligation ("**More Legend Payment Obligation**"), as Controlling Shareholder, to BII HK to repurchase the shares of our Company held by BII HK in the event that our Company fails to complete the Listing on or before 30 June 2012 as provided under the Management and Operation Agreement. According to relevant PRC laws and regulations, as ERG BJ is a wholly foreign owned enterprise in the PRC, approval and registration by the relevant government authority are required to be obtained in relation to the Equity Pledge Agreement. It was expected that such approval would be obtained by 20 August 2011. As an interim arrangement pending the said approval ("**Interim Arrangement**"), on 6 July 2011, Beijing City Railway, BII HK and ERG BJ entered into a supplemental equity pledge agreement ("**Supplemental Equity Pledge Agreement**"), whereby ERG BJ's 44% interest in BII ERG was pledged to BII HK as part of the collateral for the More Legend Payment Obligation. The pledge over ERG BJ's 44% in BII ERG was expected to be released after obtaining the approval and the completion of registration of the Equity Pledge Agreement on or before 20 August 2011.

In conjunction with the Supplemental Equity Pledge Agreement, on 6 July 2011, Beijing City Railway, BII HK and our Company entered into a first entrustment agreement ("**First Entrustment Agreement**"), whereby our Company, upon the request by More Legend, directed Beijing City Railway to deposit HK$8 million ("**First Entrustment Amount**") into BII HK's bank account at Nanyang Commercial Bank ("**BII HK Account**") as the remaining part of the collateral for the More Legend Payment Obligation pursuant to the Interim Arrangement. The First Entrustment Amount required to be deposited in the BII HK Account was expected to be returned after obtaining the approval and the completion of registration of the Equity Pledge Agreement on or before 20 August 2011. The First Entrustment Amount was not to be withdrawn from the BII HK Account without the consent of our Company and BII HK provided monthly statements of the BII HK

Account under the First Entrustment Agreement as evidence that the First Entrustment Amount had not been withdrawn. The approval and registration of the equity pledge of 70% interests in the registered capital of ERG BJ pursuant to the Equity Pledge Agreement was granted on 15 August 2011 and the collateral in relation to 44% interests in the registered capital of BII ERG pursuant to the Supplemental Equity Pledge Agreement was released on 1 September 2011 as agreed under the Interim Arrangement. The First Entrustment Amount was returned to Beijing City Railway on 6 September 2011. The 70% interests in the registered capital of ERG BJ, held by Beijing City Railway and pledged to BII HK as collateral for More Legend Payment Obligation pursuant to the Management and Operation Agreement was released on 16 December 2011 in anticipation of the Listing according to our then Listing timetable.

Due to the subsequent delay in our Listing timetable, coupled with the need to update our financial information in this prospectus, it was then envisaged that the Listing might not occur in the first quarter of 2012. Further, as the equity pledge of the 70% interests in the registered capital of ERG BJ pursuant to the Equity Pledge Agreement has been released earlier in anticipation of Listing in the fourth quarter of 2011, BII HK again requested More Legend to provide security to secure the More Legend Payment Obligation. Having considered the extensive registration period of an equity pledge in relation to a wholly foreign owned enterprise in the PRC such as ERG BJ, BII HK requested for an alternative form of collateral other than equity pledge to secure the More Legend Payment Obligation. After commercial negotiations among BII HK, More Legend and us, it was agreed that a sum of HK$19,511,300 (the "**Second Entrustment Amount**") would be deposited into the BII HK Account as collateral to secure the More Legend Payment Obligation. To facilitate the making of the deposit, our Company, at the request of More Legend, agreed to lend the said amount to More Legend pursuant to a legally binding oral loan agreement. In this connection, on 23 December 2011, Beijing City Railway, BII HK and our Company entered into a second entrustment agreement ("**Second Entrustment Agreement**") pursuant to which our Company, upon the request by More Legend, directed Beijing City Railway to deposit the Second Entrustment Amount, on behalf of More Legend, into the BII HK Account as collateral for the More Legend Payment Obligation. When the Second Entrustment Amount plus interest accrued thereon was returned to us on 10 April 2012 pursuant to the Second Entrustment Agreement, such sum was utilized to settle the loan owing by More Legend to us, and the interest accrued thereon was recognised as interest income paid by More Legend.

In the event that our Company fails to complete the Listing on or before 30 June 2012 and BII HK decides to exercise the right to request More Legend to purchase its shares in our Company, More Legend (but not our Company) is legally obliged under the Management and Operation Agreement to repurchase such shares and pay for the same at a consideration equal to the BII HK Pre-IPO Investment Amount plus interest accrued thereon on a debt instrument of the same amount ("**Repurchase Amount**") irrespective of the Second Entrustment Agreement. The primary obligor under the Management and Operation Agreement to repurchase such shares is More Legend. There is no obligation on our Company to purchase any of those shares or to pay for the Repurchase Amount or any compensation to BII HK. Our Company only, at the request of More Legend, arranged the Second Entrustment Amount to be deposited with BII HK on its behalf.

Pursuant to the Second Entrustment Agreement, upon satisfaction of the Repurchase Amount by More Legend, BII HK must return the entire Second Entrustment Amount to our Company. Such sum would, in turn, be utilised to settle the loan owing to us by More Legend if such loan has not been repaid to us by More Legend before then.

Such amount deposited with BII HK on behalf of More Legend pursuant to the Second Entrustment Agreement was a loan to More Legend from our Company and it was derived from our internal resources. The amount representing the Second Entrustment Amount was independent from the BII HK Pre-IPO Investment Amount paid under the Pre-IPO investment. The Second Entrustment Amount was collateral for the More Legend Payment Obligation and could not be utilised by BII HK without our Company's consent. Since the date of the Second Entrustment Agreement and up to the date of release of the Second Entrustment Amount, no such consent was given by our Company to BII HK to utilise the collateral. The subscription of shares in our Company by BII HK was completed in July 2011 when the BII HK Pre-IPO Investment Amount was irrevocably settled and received in full by our Company, and BII HK has since then been able to exercise full rights as a shareholder of our Company.

As at 30 June 2011, our Company's cash balances amounted to approximately HK$33.02 million. After taking into account the cash inflow of HK$19,511,300 as a result of the completion of the BII HK Pre-IPO investment on 11 July 2011, our Company's cash balances amounted to approximately HK$52.53 million. As at 30 November 2011, our Company's cash balances amounted to approximately HK$51.73 million. The table below illustrates the cash movement of our Company between 1 July 2011 and 30 November 2011:

	HK$ (million)
As at 30 June 2011	33.02
Receipt of BII HK Pre-IPO Investment Amount	19.51
Cash outflow during the period	(32.91)
Cash inflow during the period	32.11
As at 30 November 2011	51.73

During the period between 1 July 2011 and 30 November 2011, the entire BII HK Pre-IPO Investment Amount of HK$19,511,300 had been fully utilised by our Group, without subject to any conditions, for payment of legal and professional fees for the Listing and for our general daily operations which was evidenced by an aggregate cash outflow of approximately HK$32.91 million. As at 30 November 2011, after the utilisation of BII HK Pre-IPO Investment Amount in full and taking into account the said cash outflow of approximately HK$32.91 million and the cash inflow of approximately HK$32.11 million, our Company still had an available cash balances of approximately HK$51.73 million from which we made available the loan to More Legend for the purpose of providing collateral to the More Legend Payment Obligation.

The BII HK Pre-IPO Investment Amount was irrevocably settled by BII HK on 11 July 2011 because subsequent to such settlement, our Company was not under any legal obligation to return the BII HK Pre-IPO Investment Amount and BII HK became the legal and beneficial owner of shares of our Company on the date of completion of the BII HK Subscription Agreement.

The terms of the Second Entrustment Agreement and the amount deposited with BII HK as collateral pursuant to the Second Entrustment Agreement were commercial terms subsequently agreed among BII HK, More Legend and us taking into account prevailing circumstances at the relevant time, among which, a possible delay in our Listing timetable as originally contemplated by the parties. Therefore, our Directors are of the view that the subsequent agreement among BII HK, More Legend and us regarding the terms of the Second Entrustment Agreement and the loan by us to More Legend does not affect the time of completion of the subscription of shares in our Company by BII HK. The Joint Sponsors are of the view that it is in compliance with the interim guidance dated 13 October 2010 issued by the Stock Exchange.

Save as disclosed above, there is no other agreement or arrangement between the Pre-IPO Investors and our Company and/or our Company's connected persons with respect to the control, management, operations and development of our Group.

OVERVIEW

We are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. A public transport system mainly comprises computer systems and infrastructures which forms a network. Our application solutions are used at the network level of a public transport system where lines within such system are connected to. Our application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre. Our application solutions for the ACC System and the TCC System and the application solutions for the PCC System to be developed by us can link up the three important network-level functions required for a public transport system, namely the ticketing and fare and data collection, transport control, and passenger-related functions, and allow exchange of information among these systems.

Our application solutions for the ACC System consolidate the ticketing and transport fare and data collection subsystems of individual lines within a public transport system at the network level, while our application solutions for the TCC System consolidate the transport control of individual lines at the network level. We are currently developing our application solutions for the PCC System which will in turn connect and centralise the passenger-related functions at the network level.

While we provide software and hardware application solutions for the ACC System and the TCC System for use at the network level of a public transport system, BII ERG, our associated company, provides software and hardware in application solutions and products for the AFC System and the subsystem(s) of the TCC System (including the SIG System, ISCS, PSCADA System, BAS, PSD and FAS) and the PCC System (i.e. PIS) at the line level and technical services for maintenance service. Both our Group and BII ERG have entered into licensing agreements separately with the Vix Group. Both the ERG BJ Licensing Agreement and the BII ERG Licensing Agreement licenses to the licensee certain technology, owned by the Vix Group, which include a range of application solutions and products that may be applied and used in automatic fare collection systems at the network level and/or at the line level depending on the business of the licensee.

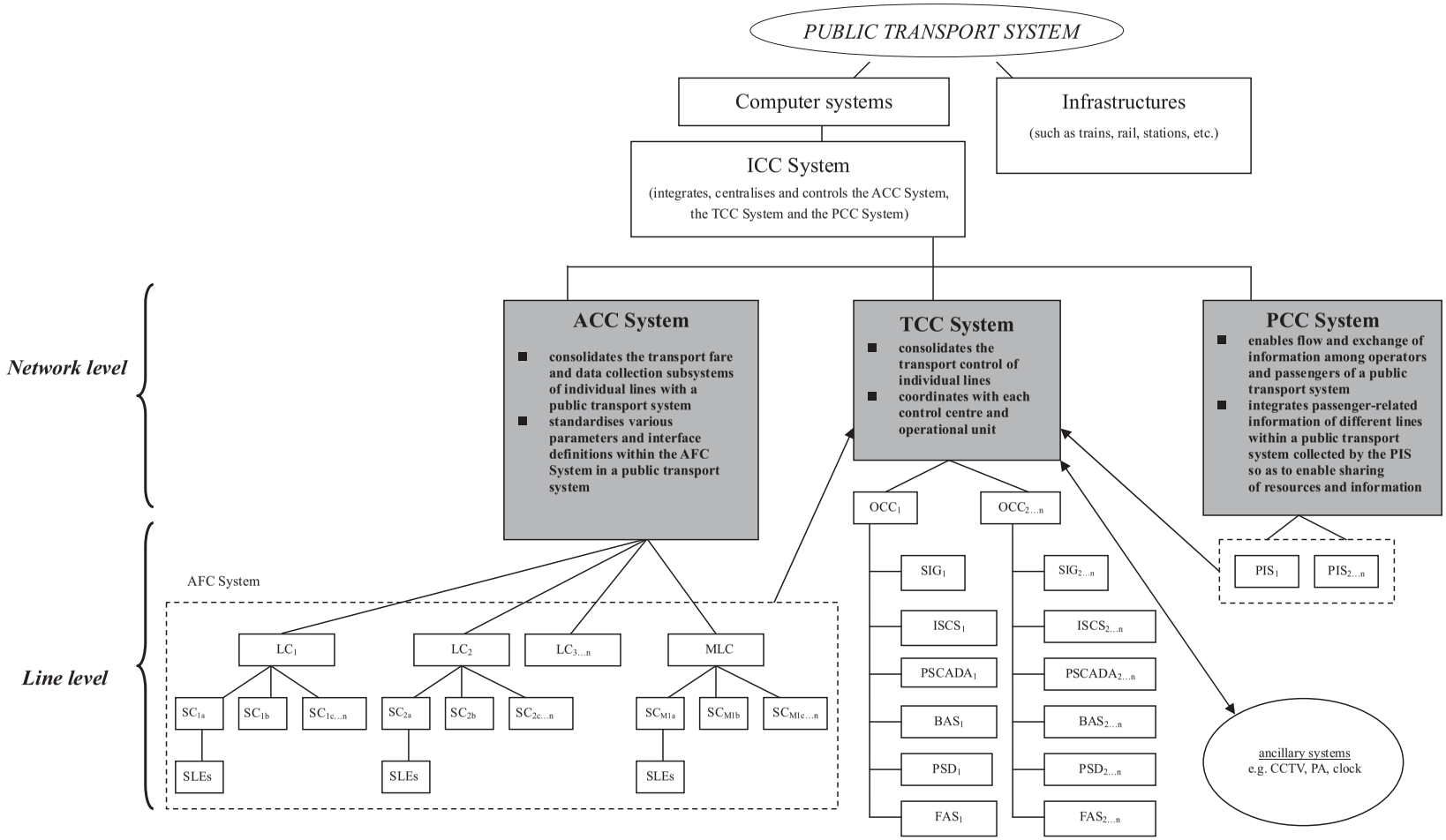
Our Directors believe that as the line-level application solutions will be linked up with and integrated into the network-level systems, if a solution provider (or solution providers belonging to the same group) has the capabilities to design and provide application solutions at both line level and network level, using application solutions provided by the same provider could enable a more efficient integration of the systems at these two levels and ensure the compatibility of the line-level systems with the network-level systems; and it could also enable more efficient maintenance and management of the systems. Therefore, we believe that by being able to provide application solutions and products at both line level and network level, we (together with our associated company, BII ERG, as a corporate group) are able to provide better services to our customers and to attract potential customers.

According to the HuiCong Research Report, during 2009 and 2010, the number and contract value of subway system projects offered in Beijing ranked the highest among all the places in the PRC, the total contract value of the projects offered during the period was estimated to be about RMB2.55 billion, which represented approximately 30% of the total contract sum of the projects offered in the PRC.

According to the HuiCong Research Report, the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively.

With a centralised computer platform, operators of a public transport system can effectively and efficiently control, monitor and manage the public transport system at a line level as well as for the entire network. We believe that with the continuous growth of the economy and the growth of population in the PRC and hence increase in the number of passengers and public transport systems, the network will become more complicated, and more efficient control, monitoring and management will in turn be required. We believe that being one of the few companies with the ability to provide a broad spectrum of application solutions and products for public transport systems, we are well-positioned to grow our business as public transport systems continue to develop.

Below is a simplified diagram to illustrate the structure of a public transport system and the interactions among the different systems at the network level and the line level.



Keys:

⟷ The TCC System and the ancillary systems are interactive and there is an exchange of information between them.

⟶ The ACC System and the PIS delivers information to the TCC System as the TCC System coordinates and supervises the respective control centres.

BAS: building automation system, a line-level system which controls internal air circulation for human and operating devices, supervises and manages operating devices including lighting, drainage, gates, PSDs and escalators in a public transport system

FAS: fire alarm system

ISCS: integrated supervision and control system, a line-level system which provides facilities for integrated, centralised and local control as well as the supervision of electrical and mechanical subsystems remotely located at passenger stations, online power substations and tunnels

LC: line centre, a line-level system which receives system data and commands from SCs and the ACC System, monitors the operation of SCs and SLEs of the relevant line within a public transport system, upload data to the ACC System, reconcile accounts with the ACC System, manages equipment and ticketing of the relevant line

MLC: multiple LC

OCC: operating control centre system, a line-level system which consolidates and connects different subsystems to the TCC System

PIS: passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems

PSCADA: power supervisory control and data acquisition system, a line-level system which enables railway operators to remotely monitor and control power substations, by managing devices within substation sites, providing alarming and reporting capabilities, diagnosing and facilitating troubleshooting of equipment failures

PSD: platform screen doors, a line-level safety system used mainly in subway to separate subway platforms from the railway track, by way of sliding doors installed on the subway platform which interact with train doors while opening and closing simultaneously

SC: station computer, which is responsible for consolidation of all transaction records, audit registers and status sent by SLEs, providing commands and control functions to SLEs by receiving control parameters from line central computer and disseminating the same to SLEs

SLE: station-level equipment, comprising automatic ticket vending machines, booking office machines, automatic gates and automatic ticket checking machines, and which performs various functions, including value-adding of tickets, sale, checking, rebate and substitution of tickets, application for and loss reporting of tickets, and ticket information service

SIG: signaling system, a line-level system which implements the supervising and controlling functions of the TCC System, including designing and preparing monitoring diagrams for each station and line

A public transport system (e.g., metro, train, etc.) mainly comprises computer systems and infrastructures. Through the computer systems (i.e the ICC System), it integrates, centralises and controls different information technology systems, which can be broadly divided into, at the network level, the ACC System, the TCC System and the PCC System. The main function of the ICC System is to consolidate the management of various parts of a public transport system including traffic control, passenger management, electricity supply, equipment monitoring, emergency control and ticketing. The ICC System enables collection, recording, organisation, sharing, exchanging and analysis of necessary information and data. We currently provide application solutions and technical services in respect of the ACC System and the TCC System.

The ACC System mainly handles fare collection, clearing, settlement and apportionment functions and it also manages and controls tickets and functions of SLEs of a public transport system at the network level. The AFC System manages and controls ticketing and functions of SLEs of a public transport system at the line level, handles the calculation, collection and settlement of fares. The clearing centre functions of the ACC System are typically important where different lines of a public transport system are operated by more than one operator (e.g., the Beijing Subway is operated by two operators), or where passengers can interchange for different modes of transport (e.g., from trains to buses) at certain junctions and thus related fare has to be settled among two or more transport system operators.

The TCC System is the traffic control centre of a public transport system. It monitors and coordinates the operation among different operating units (e.g., different railway or subway lines or routes), electrical and mechanical subsystems, emergency control and sharing of information. To enhance the consolidated monitoring functions of the TCC System, each of the AFC System and the PIS is connected to the TCC System to ensure sharing of information.

We are currently developing the application solutions for the PCC System. The PCC System is the passenger information system control centre. It centralises the functions of compiling and disseminating multimedia information and day-to-day operational data and it also integrates passenger information subsystems of different lines within a public transport system so as to enable sharing of resources and information, such as weather, news, music, advertisement, such information can be communicated to passengers through the use of various broadcasting or display systems.

Our customers and entities to which we have provided application solutions include Beijing Metro Network, Bangkok Smartcard and operators of public transport systems in Hong Kong including, MTR, CTB, KMB, NWFB and NWFF. During the Track Record Period, all of the projects we participated in the PRC took place in Beijing. In 2010, the Beijing Subway ranked fifth in track length among metros in the world, after the metros of New York, Shanghai, London and Tokyo; and fifth in annual ridership after those of Moscow, Tokyo, Seoul and Shanghai. During 2009 and 2010, the number and contract value of public transport system projects offered in Beijing ranked the highest among all the places in the PRC. According to the HuiCong Research Report, the total market size of the projects for the subway system in Beijing in terms of contract value during the period between 2006 and 2010 contributed more than 25% to the entire market in the PRC during the same period.

The first ACC System in the PRC was established and implemented in Shanghai in 2005. In the same year, the construction of the ACC System in Beijing also commenced and trial operation took place in 2008. The establishment of the first TCC System in the PRC commenced in Beijing in 2006 with its operation and integration with eight of the lines of the Beijing Subway to the system in 2008. The first ISCS, a subsystem of the TCC System, in the PRC was also established in Beijing in 2000. In 2010, we, at the network level, had been awarded the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line through a single tender from Beijing Metro Network. In 2011, ERG BJ was further awarded the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II.

As a provider of application solutions, we design and develop application solutions for our customers based on their requirements. After the sales of our application solutions to our customers, we may provide maintenance and technical services to our customers to assist them to manage, upgrade and maintain the application solutions. We also provide operational support services, technical consultancy services and maintenance and technical services to customers.

For the two years ended 30 June 2011 and the five months ended 30 November 2011, we recorded revenue of approximately HK$24.45 million, HK$72.05 million and HK$65.25 million and net profit of approximately HK$4.95 million, HK$40.47 million and HK$26.03 million respectively.

So far as our Directors are aware, the recent credit crisis in the PRC did not have a material impact on our operations or financial conditions. In particular, our Group did not have any bank borrowings during the Track Record Period and up to the Latest Practicable Date we had not experienced any cancellation or delay of contracts with our customers or default by our customers in settlement of the amount payable by them. Our Directors also believe that there will not be any difficulty for our Group to obtain bank financing should any need arise in the future.

Completed projects

The major completed projects/works in which our Group had participated during the Track Record Period, and from which we generated revenue of approximately HK$14.21 million for the year ended 30 June 2010, HK$7.53 million for the year ended 30 June 2011 and HK$2.90 million for the five months ended 30 November 2011, are set out below:

Year of project/duration	Project name	Our subsidiary which participated in the relevant project/work	Public transport system/customer to which product or service is provided	Brief description	Status as at 30 November 2011
Major completed projects					
PRC projects *(Note 1)*					
2009/ 1 January 2009 to 31 December 2009	ACC Application System Maintenance Project	ERG BJ	Beijing Subway	Provision of maintenance services for ACC System application software *(Note 3)*	Completed
2009/ 1 January 2009 to 31 December 2009	Network System and TCC Server Maintenance Project	ERG BJ	Beijing Subway	Provision of maintenance services for TCC server	Completed
2010/ 1 January 2010 to 31 December 2010	ACC and TCC Hardware Maintenance Project	ERG BJ	Beijing Subway	Provision of maintenance services for ACC and TCC Systems hardware *(Note 3)*	Completed

Year of project/duration	Project name	Our subsidiary which participated in the relevant project/work	Public transport system/customer to which product or service is provided	Brief description	Status as at 30 November 2011
2010/ 1 January 2010 to 31 December 2010	ACC Application System Maintenance Project	ERG BJ	Beijing Subway	Provision of maintenance services for ACC System application software *(Note 4)*	Completed
Hong Kong projects *(Note 2)*					
2008/ 1 July 2008 to 30 June 2011	NWFF Maintenance Project	ERG HK	NWFF	Provision of maintenance services for AFC System	Completed
2010/ 1 September 2010 to 31 August 2011	CTB Maintenance Project	ERG HK	CTB	Provision of maintenance services for AFC System	Completed
2010/ 1 October 2010 to 30 September 2011	KMB Maintenance Project	ERG HK	KMB	Provision of maintenance services for AFC System	Completed
2010/ 1 September 2010 to 31 August 2011	NWFB Maintenance Project	ERG HK	NWFB	Provision of maintenance services for AFC System	Completed

	Revenue		
	Year ended 30 June		Five months ended 30 November
	2010	2011	2011
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Major completed projects (as disclosed above) Sub-total:	14,208	7,531	2,901
Others Sub-total:	5,814	9,072	2,668
Total:	**20,022**	**16,603**	**5,569**

Notes:

1. The aggregate contract sum of all of our completed projects in the PRC during the Track Record Period was approximately RMB52.29 million.

2. The aggregate contract sum of all of our completed projects in Hong Kong during the Track Record Period was approximately HK$51.76 million.

3. A contractor which is an Independent Third Party was engaged by us as subcontractor.

4. BII ERG and another contractor which is an Independent Third Party were engaged by us as subcontractors.

Ongoing projects

The major ongoing projects/works in which our Group had participated as at 30 November 2011, and from which we generated revenue of approximately HK$3.66 million for the year ended 30 June 2010, HK$50.81 million for the year ended 30 June 2011 and HK$54.35 million for the five months ended 30 November 2011, are set out below:

Year of project/duration (if applicable)	Project name	Our subsidiary which participated in the relevant project/work	Public transport system/customer to which product or service is provided	Brief description	Status as at 30 November 2011	Revenue to be recognised as at 30 November 2011 (%)
Major ongoing projects						
PRC projects *(Note 1)*						
2010 *(Note 7)*	ACC and TCC Integration Project regarding Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line	ERG BJ *(Note 2)*	Beijing Subway	Provision of services for integration of ACC and TCC Systems *(Note 3)*	In progress (65% certified)	11.67
2011/ 1 January 2011 to 31 December 2013	Beijing Subway ACC and TCC Hardware and Software Maintenance Project	ERG BJ	Beijing Subway	Provision of technical services for the ACC System and the TCC System of Beijing Subway and other network systems, including daily monitoring, handling of breakdown of equipment and upgrading of hardware	In progress *(Note 4)*	69.44 *(Note 5)*

Year of project/duration (if applicable)	Project name	Our subsidiary which participated in the relevant project/work	Public transport system/customer to which product or service is provided	Brief description	Status as at 30 November 2011	Revenue to be recognised as at 30 November 2011 (%)
2011/ 1 January 2011 to 31 December 2013	ACC Application System Maintenance Project	ERG BJ	Beijing Subway	Provision of technical services for the ACC System of Beijing Subway *(Note 3)*	In progress *(Note 4)*	69.44 *(Note 5)*
2011/ 2 November 2011 to 30 June 2012 *(Note 8)*	Procurement of card reader for Line 8, Line 9, Line 10 Phase II, Line 15, Yizhuang Line, Changping Line, Daxing Line and Fangshan Line	ERG BJ	Beijing Subway	Sales of card reader	In progress	33.00
Hong Kong projects *(Note 6)*						
2011/ 10 November 2011 to 31 December 2011	Network Emergency Communications Command System Design and Development Project	ERG BJ	Beijing Subway	Provision of design and installation of network emergency communications command system	In progress	30.00
2011/ 1 September 2011 to 31 August 2012 (Option for CTB to renew for one year)	CTB Maintenance Project	ERG HK	CTB	Provision of maintenance services for AFC System	In progress *(Note 4)*	75.00 *(Note 5)*
2011/ 1 October 2011 to 30 September 2012	KMB Maintenance Project	ERG HK	KMB	Provision of maintenance services for AFC System	In progress *(Note 4)*	83.33 *(Note 5)*
2011/ 1 September 2011 to 31 August 2012 (Option for NWFB to renew for one year)	NWFB Maintenance Project	ERG HK	NWFB	Provision of maintenance services for AFC System	In progress *(Note 4)*	75.00 *(Note 5)*

Year of project/duration (if applicable)	Project name	Our subsidiary which participated in the relevant project/work	Public transport system/customer to which product or service is provided	Brief description	Status as at 30 November 2011	Revenue to be recognised as at 30 November 2011 (%)
2011/ 1 July 2011 to 30 June 2012 (Option for NWFF to renew for one year)	NWFF Maintenance Project	ERG HK	NWFF	Provision of maintenance services for AFC System	In progress *(Note 4)*	58.33 *(Note 5)*

		Revenue		
		Year ended 30 June		Five months ended 30 November
		2010	2011	2011
		(HK$'000)	*(HK$'000)*	*(HK$'000)*
Major ongoing projects (as disclosed above)	Sub-total:	3,663	50,805	54,346
Others	Sub-total:	769	4,639	5,332
	Total:	**4,432**	**55,444**	**59,678**

Notes:

1. The aggregate contract sum of all of our ongoing projects in the PRC as at 30 November 2011 was approximately RMB109.56 million.

2. The revenue sharing ratio among ERG BJ, 紫光捷通科技股份有限公司 and 奔訊電子科技(北京)有限公司 was over 75%, approximately 2% and 22% respectively.

3. BII ERG and two other contractors which are independent third parties were engaged by us as subcontractors.

4. Maintenance projects do not require certification of progress.

5. The revenue was recognised monthly by reference to the duration of the contract and the contract sum.

6. The aggregate contract sum of all of our ongoing projects in Hong Kong as at 30 November 2011 was approximately HK$20.63 million.

7. The agreement does not stipulate the duration of the contract which is to be fixed by mutual agreement between our Group and the relevant customer.

8. The agreement does not stipulate the expected completion date. The date of delivery of the first batch of card readers to the customer as required under the agreement was 31 December 2011. Based on our Directors' understanding, the remaining card readers would be delivered in accordance with the timetable mutually agreed between our Group and the relevant customer.

All of the major completed and ongoing projects set out in the table above were delivered in accordance with the milestone or timetable mutually agreed with our customers during the Track Record Period and as at the Latest Practicable Date. Our Directors do not foresee any penalties to arise under the terms and conditions of the relevant agreements.

Our associated company

During the Track Record Period, BII ERG, our associated company, had completed the design and development of the MLC and it had successfully won the tender for the procurement and installation of MLC for the Beijing Subway which had the capacity to cater for the connection with 10 subway lines. Such project, being the first MLC in the PRC, was completed and launched in December 2010 and as at the Latest Practicable Date, five of the lines of the Beijing Subway which started operation in 2010 had been integrated into the MLC. During the Track Record Period, BII ERG has also performed research and development works on components in the PSD System and as at the Latest Practicable Date, BII ERG has entered into a contract for the procurement and installation of PSD for Phase II of Line 10 of the Beijing Subway. As at the Latest Practicable Date, BII ERG has also entered into contract for the procurement and installation of PSCADA and BAS for the Changchun Light Rail.

Currently, our Group does not provide application solutions or products for use at the line level of a public transport system in the PRC, while BII ERG does not provide application solutions and products for use at the network level of a public transport system in the PRC. On 24 April 2012, BII ERG has given an irrevocable undertaking in favour of our Group, particulars of which are set out in the paragraph headed "Competition" in the section headed "Business" in this prospectus. Our Directors consider that the required expertise and know-how for the two types of work are different. BII ERG is not competing with our Group, and as the expertise and business direction of our Group and BII ERG are not the same, our Directors also believe that BII ERG will not potentially compete with our Group. However, our Directors believe that the business of our Group and that of BII ERG could complement each other.

Our Group's share of loss from BII ERG amounted to approximately HK$0.54 million for the year ended 30 June 2010 and recorded a share of profit of approximately HK$13.34 million for the year ended 30 June 2011. For the five months ended 30 November 2010 and 30 November 2011, our Group's share of loss from BII ERG amounted to approximately HK$0.44 million and HK$1.41 million respectively.

COMPETITIVE STRENGTHS

We believe that our success to date and potential for future long-term growth can be attributed to our following strengths.

We are an experienced provider of application solutions and maintenance and technical support services to owners and operators of public transport systems with core technological expertise and experience in the implementation of various contracts awarded by operators of public transport systems in Beijing

ERG BJ became a member of our Group in 2009. In the PRC, ERG BJ has been providing the Beijing Subway with maintenance and technical support services in relation to its ACC System since 2008. Since the establishment of ERG BJ in 2006, ERG BJ has participated in various

contracts for the provision of application solutions or products for different systems used by the Beijing Subway including the ACC System and the TCC System. In 2010, we, at the network level, had been awarded the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. In 2011, ERG BJ had been further awarded the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II. During the Track Record Period, we made our tender applications jointly with other contractors and we were the leading party in such joint applications. ERG HK became a member of our Group in 2010. ERG HK was involved in the installation coordination and testing smart card project in Hong Kong from 1995 to 1997 when it was a wholly-owned subsidiary of Vix Technology. Since then, ERG HK has been providing application solutions and products, maintenance and technical support services to public transport service providers in Hong Kong, including MTR, KMB, CTB, NWFB and NWFF.

During these years, we have accumulated expertise and experiences in the business of providing application solutions and the provision of maintenance and technical support services to operators or owners of various public transport systems. We also possess core technological expertise and experience in the implementation of various contracts for the Beijing Subway.

We believe that we have established a good reputation in our industry through our business track record, which was evidenced by our market share in Beijing. The HuiCong Research Report states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. We are one of the suppliers providing application solutions for the Beijing Subway, which was one of the top five metros in the world both in terms of track length and ridership as of 2010. We also have been working with other major public transport operators in Hong Kong including MTR. Therefore, we believe that our business track record will enhance our ability to obtain further contracts from existing customers as well as potential customers such as other owners or operators of public transport systems. In addition to the 14 subway lines in operation in Beijing, there are at least seven lines under construction which are scheduled to open from 2011 to 2014. We believe that with our past working experience with the Beijing Subway and our ability to provide a broad spectrum of application solutions and products, it is possible for us to obtain further contracts for the Beijing Subway in respect of its new networking systems and upgrades of existing systems.

We were awarded the ACC and TCC Integration Project for the Beijing Subway when it opened five new lines in 2010. We believe that while we provided the application solutions for the integration of the relevant systems, we had a competitive advantage to obtain the corresponding maintenance contract with our knowledge, expertise and know-how of the relevant systems, which in turn provided steady source of income for us.

According to the HuiCong Research Report, during 2009 and 2010, the number and contract value of subway system projects offered in Beijing ranked the highest among all the places in the PRC, the total contract value of the projects offered during the period was estimated to be about RMB2.55 billion, which represented approximately 30% of the total contract sum of the projects offered in the PRC. The HuiCong Research Report also states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ

having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively.

We possess expertise and licensed technology solutions covering a broad spectrum of applications within public transport systems

ERG HK and ERG BJ are licensed by Vix IP to utilise any intellectual property owned by or licensed to Vix IP or its affiliates which is capable of being used in an automatic fare collection system, product or service. On 28 February 2012, ERG HK and ERG BJ, respectively, entered into the Licensing Agreements with Vix IP for a period commencing from the date of the agreement and ending on 20 July 2014, then subject to renewal and negotiation upon expiry every three years pursuant to the terms of each of the Licensing Agreements. Pursuant to the Licensing Agreements, Vix IP, as licensor, grants to ERG HK and ERG BJ, each as the licensee respectively, a non-exclusive and non-transferable licence to use the technology owned by or licensed to Vix IP or an affiliate of Vix IP. Pursuant to the Licensing Agreements, ERG HK and ERG BJ may be subject to additional support charges payable to the Vix Group depending on the type of support provided by the Vix Group to ERG HK and ERG BJ during the term of the Licensing Agreements. The Vix Group may be subject to additional charges payable to ERG HK and ERG BJ depending on the type of service provided to the Vix Group. Additional information on the Licensing Agreements is set out in the section headed "Continuing connected transactions" in this prospectus.

Our staff in Hong Kong has worked with members of the Vix Group for a number of years and gained experience in various aspects of the ACC System and the AFC System. As a former subsidiary of Vix Technology, ERG HK has a long history of providing application solutions to operators of public transport systems in Hong Kong and we continue to provide maintenance and technical support services to major public transport operators in Hong Kong, including MTR, KMB, CTB, NWFB and NWFF. During the Track Record Period, members of the Vix Group also subcontracted to us various aspects of the projects obtained by them because our Hong Kong staff possesses the expertise, experience and technological know-how and staff, and operation costs are typically lower in Hong Kong compared to our Australian counterpart.

Our management and personnel also possess experiences and expertise in the provision of application solutions and products in different aspects of the TCC System.

We believe that our integrated business model and our expertise and experiences in the provision of application solutions for a broad spectrum of applications in public transport systems allow us to better satisfy and cater to our customers' needs and further develop our client relationships.

We have an experienced design and engineering team with customisation capabilities

We have the ability to design and engineer a broad range of application solutions for use in public transport systems. As at the Latest Practicable Date, we had more than 40 staff members engaged in design and engineering work, and a majority of them has received tertiary education. Key members of our design and engineering staff possesses experiences in the design and provision of application solutions and products for various systems for use in public transport systems, covering the ACC System and the TCC System.

Since 1995, ERG HK has participated in various projects in Hong Kong providing AFC System application solutions and products, including the contactless smart card project from 1995 to 1997 and the MTR Tseung Kwan O line extension project from 2000 to 2002. Since 2006, ERG BJ had also been providing application solutions as well as maintenance and technical services to the Beijing Subway, which is one of "busiest" metros in the world with 14 subway lines and over 1.8 billion passengers in 2010.

Our design and engineering team customises and develops application solutions to address specific customer requirements and for use in different operating environments. We believe that through the variety of customers that we had served over the years, we have accumulated experience in the provision of application solutions for public transport systems as well as customisation capabilities. We provide application solutions for various aspects to different types of public transport systems ranging from one of the busiest metros in the world to other public transport systems such as buses, light rails and ferries.

A number of our softwares have been registered, details of which are set out in the paragraph headed "Major intellectual property rights" below. In November 2010, we were accredited as "Software Enterprise" (軟件企業) by Beijing Municipal Commission of Economy and Information Technology (北京市經濟和信息化委員會). In December 2010, we were accredited as "High and New Technology Enterprise" (高新技術企業) by Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, Beijing Municipal Office of State Administration of Taxation and Beijing Local Taxation Bureau. According to the Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Printing and Distributing the Administrative Measures for Recognition of High and New Tech Enterprises (Guo Ke Fa Huo [2008] No. 172) 《關於印發 <高新技術企業認定管理辦法 >的通知》 (國科發火[2008]172號) and the Notice on Printing and Distributing the Guiding Measures for Recognition of High and New Tech Enterprises (Guo Ke Fa Huo [2008] No. 362) 《關於印發 <高新技術企業認定管理工作指引 >的通知》 (國科發火[2008]362號), the recognition authorities formed by provincial technology authority, financial authority and taxation authority ("**recognition authorities**") shall be in charge of the High and New Technology recognitions of enterprises registered within the administrative region. The enterprises apply for the recognition of High and New Technology Enterprise shall self-evaluate, register in and submit required documents on the appointed web site. The recognition authorities shall evaluate the application submitted and publish its evaluation results. Without any objection, the recognition authorities shall issue the certificates to the enterprise recognised. Our PRC Legal Advisers are of the opinion that ERG BJ has legally acquired the Certificate of High and New Technology Enterprise, and such certificate is valid. We believe such accreditations also demonstrate our competitive edge over other application solutions providers in terms of quality and technological advancement.

Commitment to provide high quality services and products

We are committed to providing high quality and timely services and products for our customers and have placed strong emphasis on quality and efficient customer services. We are a supplier of application solutions for public transport systems and our customers are mostly owners or operators of such systems in China, Hong Kong and other parts of Asia which are limited in number in each place. With the limited number of public transport system operators or owners in each place, we believe that it is imperative for us to provide high quality services and products to our customers in order to retain our customer base.

We have been accredited with ISO 9001 quality management system certification by the Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司) in respect of our subway system software, and design, development and services of our integration system which is valid until August 2013.

We believe that our business track record and customer base, our stringent quality control standards and the accreditations awarded to us or to the projects we participated in enhance our market reputation and strengthen our customers' confidence in our services. Further, as we obtain our project agreements through tender process, the required standards from our customers are stipulated prior to our engagement and regular reviews on our work are performed by us, together with our customers. During the Track Record Period, no material deviation from such standards was found in our services and we did not have any material dispute with any of our customers.

We have an experienced team with sound industry knowledge, management skills and technical know-how

Our design and engineering team possesses experience in the information technology field, in particular in the provision of application solutions for use in public transport systems. We believe that our experienced team enables us to capture market opportunities and to formulate and execute sound business strategies. They have proven ability and success in obtaining and executing different kinds of projects for the Beijing Subway and various operators or owners of public transport systems in both China and Hong Kong. We also provide our staff with training courses to ensure that their skills and know-how are constantly kept abreast of the technological developments in the industry.

Good relationships with prominent and other customers

Our management focuses on maintaining good relationships with customers. Our customers include the Beijing Metro Network, MTR, KMB, CTB, NWFB and NWFF. We have established and maintained good relationships with our customers. Through such business relationships with our customers, we understand their requirements well and could provide efficient and effective services to cater to their needs. In addition, we offer after sale services to our customers who may contact us anytime through our 24-hour hotline.

With our quality services and products, together with our pragmatic and responsive customer services, we believe we have successfully established and maintained strong relationships with our customers. Our established customer base is a clear demonstration of our capabilities and we believe that it will help us attract and procure more new customers.

With a solid customer base and close relationships with our customers, we are also able to gain further insight into our customers' requirements as well as the trend in the development of the public transport systems. In turn we believe that such insight in the industry can help us develop our products and design our expansion plans more effectively.

BUSINESS STRATEGIES

The HuiCong Research Report states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during

2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively. With our market position and customer base, we believe that we are well-positioned to further expand our business with existing customers in the PRC and Hong Kong and to capture new business opportunities in the expanding PRC market as well as expanding our business in Hong Kong.

With our experiences covering a broad spectrum of application solutions within a public transport system, it is our mission to capitalise on our capabilities to be an active player in the public transport systems industry and improve the efficiency of public transport systems by integrating different application subsystems in the public transport systems and by gradually standardising the use of application solutions and products throughout the public transport systems. We believe that standardisation through the use of similar and interchangeable application solutions can be achieved over time through enhancement of existing systems and the use of similar and interchangeable application solutions and products in the process of expanding the public transport systems.

We believe that standardisation of application solutions in the industry may not only improve the efficiency of the public transport systems, but may also lower the procurement costs and costs for maintenance. It can also enable operators or owners of the public transport systems to more effectively monitor and oversee the operation of the systems, more efficiently detect and deal with problems arising from daily operations, to process and make use of the data available and to enhance communication between passengers and operators of the public transport systems; and it can also provide better information for the public about their transport choices.

While we are implementing our long term goal towards the standardisation of application solutions in the industry, we will continue to build on our industry experiences, customer base and our market position in the PRC and to expand our business in the PRC and Hong Kong. To achieve this, we plan to implement our following business strategies:

Expand our business

In view of the continuous growth of the economy and population of the PRC, as well as the expected rising number of passengers and growth of the public transport systems, we plan to expand our business by acquiring, investing in or entering into business cooperation with companies which possess relevant technical know-how and production techniques within our industry, or we may expand our workforce and recruit personnel with relevant technical know-how and production techniques.

Entities which we plan to acquire or invest in include those provide TCC System application solutions, design and manufacture card readers and also include entities which are principally engaged in the construction of infrastructures of public transport systems. We will target at entities which provide TCC System application solutions, in particular, those focus on maintenance and development of TCC System software, but have not yet had a significant market share. There exists some small to medium sized business operations in the market and our Directors believe that our Company should be able to identify suitable acquisition target among those available in the market. Our Directors also believe that as our Company's current acquisition targets are small to medium

operations, the funding currently allocated for such purpose should be sufficient. Through attending promotional events organised by our industry players, we may get to know more potential acquisition targets and we will take into account a number of factors when we identify our acquisition target including its reputation, expertise and experience in the relevant area. Further, we intend to absorb entities with the capabilities to design and manufacture hardware for card readers in order to integrate with our present ability to develop software for card readers. In addition, we may be able to expand our business by acquiring or investing in entities focusing on construction of infrastructure of public transport system, in particular, the construction and maintenance of data transmission systems for railway systems which enable data to be transmitted within railway system and with other recipients through the use of cables or other means of data transmission agents. Other than acquiring or investing into such entities, we may enter into business cooperation with them to expand our business. If we cannot identify suitable target for acquisition, we may also expand our workforce and recruit personnel with the relevant know-how to expand our business into such areas.

In preparation of our business expansion, our Group has recruited relevant personnel to undertake research and development functions and formed part of the design and engineering team. Such research and development team possesses extensive experience in the development, production and sale of card readers and the provision of application solutions for the smart card system. The main products under the scope of research and development include card readers for automatic ticketing system for railway transport as well as card readers for highway fare collection and their respective application solutions. In order to facilitate product research and development, our Group has recruited relevant management personnel who had participated in the setting up of the standards of AFC System and its subsequent execution as well as laboratory testing. Such personnel would be responsible for implementation of proposals and management of product quality. Requirements of ISO 9000 regarding quality management would be strictly adhered to for product development. We currently possess the ability to develop software for card readers. In order to reduce costs in engaging other entities to supply the hardware of card readers, we plan to absorb entities with the capabilities to design and manufacture hardware for card readers so that we could expand our business in sale of card readers more cost-effectively. It is also expected that new technicians will be recruited for such expansion of business. Apart from card readers, infrastructure also plays an important role in a public transport system. Through our experience in application solutions for various systems of a railway, we gain knowledge in relation to the infrastructure business. We believe the expansion of our business by acquiring or investing in such kind of entities can enhance our technical capabilities, expand our income stream and extend our market share in the industry.

Enhance our expertise and technical know-how on development of new application solutions

To support our expansion plan, we intend to invest additional resources to further strengthen our design and engineering capabilities and to improve our expertise and technical know-how in relation to product knowledge and production techniques for our application solutions for public transport systems. As the Beijing Subway is expanding its subway lines and planning for various systems upgrades, our Directors plan to initially focus our resources on application solutions for railway transport systems. We will continue to improve and strengthen our capabilities in the core areas of our business during the Track Record Period, i.e., application solutions for the ACC System and the TCC System; while we will also expand our business into other key elements of the railway transport system including the PCC System and the ICC System. We also aim at expanding into other industries where automated fare collection and clearing functions are involved should opportunities arise.

We will enhance the quality and stability of our application solutions whilst improving the production techniques and efficiency and reducing costs of our production process. We also plan to enhance the capacity of our current software systems and other databases so that they can handle larger volume of data processing to cater to our business expansion plans.

We plan to enhance the capacity of our current software systems and database for the ACC System. We intend to increase the number of lines supported by the ACC System, enlarge its capacity in terms of passenger flow and enhance its efficiency in terms of processing of statistical information in relation to transactions. Currently, the ACC System is able to process over 7 million passengers per day and support 14 lines; and the existing capacity to support 14 lines has been fully utilised. It is intended that the ACC System would be enhanced to process up to 11 million passengers per day and support 23 lines. New parameters will also be imposed on the ACC System so as to increase its effectiveness and flexibility and it is also envisaged that human resources would also be enhanced in line with the development of the ACC System. We also plan to submit bidding proposal for the construction of Phase II of the TCC System of the Beijing Subway.

We plan to recruit more professionals to join our design and engineering team, purchase more equipment, and provide more training to improve the capabilities of our design and engineering team.

We will continue to work closely with the Vix Group, to tap into their industry know-how and resources; and we also plan to continue to submit bidding proposals and work with the Vix Group for any business opportunities arisen.

Enhance our reputation

We believe that reputation and image are essential to our business and a strong and reputable customer base is also important as it demonstrates our capabilities and distinguishes us from other service providers in the market.

We will continue to build up our reputation and image as a provider of integrated, standardised and quality application solutions and services. To this end, we believe that it is important to continue to provide innovative and quality application solutions and services to suit customer requirements. We believe that it is also important to maintain close relationship with our existing and potential customers. Our design and engineering and marketing staff will keep abreast of the technological developments in the industry. They will also liaise closely with our customers to provide after-sales services and technical support, and to understand their business development directions and related requirements. We believe that this will enable us to proactively respond and cater to our customers' requirements, and to provide customised and innovative solutions and to assist in the implementation of our customers' business plans.

Further, we will focus on developing our application solutions for the PCC System and other railway systems to maintain our reputation being a provider of a broad spectrum of application solutions and products for public transport systems. The PCC System connects and centralises the passenger-related functions at the network level. Components of the PCC System include various devices or software systems. For instance, a server consists of media servers, data servers, interface servers, storage servers and web proxy servers. Software systems encompass operating systems, database management systems that store, modify and extract information from a database, data

warehouses for collecting data to the network management system, information portal systems that disseminate data from the data warehouse to different locations or users, etc. For devices, there are servers, storage device system, safety device, network device, network disaster backup system and other components. In order to develop application solutions for the PCC System, we intend to acquire more software systems and devices, including servers and databases, and recruit relevant technical and marketing staff. We also plan to participate in industry promotional events and other marketing activities.

In general, we will also participate in more marketing events designed for our target customers or organised for players in the industry, industry exhibitions and technical conferences to enhance customers' awareness of our Group, our business track record and expertise.

Expand our customer base

We aim to position ourselves as a preferred business partner for owners and operators of public transport systems, providing not only application solutions on a project basis but also technical services to our customers on an on-going basis, as well as to be their business partner to provide consultancy services to them on their business developments. We will continue to promote our application solutions and services and expand our customer base.

We plan to actively participate in tender offered by existing and potential customers. Subject to our further in-house research and costing analysis, we will decide whether to submit bidding proposals for forthcoming tenders available. We will continue to strengthen our marketing efforts in the PRC and Hong Kong and promote our services to customers in other potential markets in the PRC not already covered by our network. According to the HuiCong Research Report, approval for the construction of urban subway system has been obtained by 28 cities in the PRC, which also provides our Group with the potential for future growth. In 2010, Beijing Subway was consisted of 14 railway lines with an extensive railway structure. ERG BJ had been providing application solutions as well as maintenance and technical services to the Beijing Subway since 2006 and was awarded two ACC and TCC Integration Projects for a total of nine of the lines of the Beijing Subway up to the Latest Practicable Date. Our cooperation with Beijing Subway provides us with the experience and capabilities to participate in the establishment of transport in other new markets. By the end of February 2012, although government approval had been obtained for subway system establishment, the subway systems in Changchun, Qingdao and Zhengzhou were still at the line level and establishment of the ACC System was yet to be commenced. As the number of lines in the subway system of these places is increasing and their structures are becoming more complicated, the ACC System could help consolidate the ticketing and transport fare and data collection subsystems of individual lines within those systems. Our Group plans to replicate the experience and model of the ACC System adopted in Beijing in these new markets. Potential projects for our application solutions and maintenance services are available in these new markets where ACC System has not yet been established. Beijing Subway also has room for development given that the number of lines supported by the ACC System shall be increased and its capacity in terms of passenger flow shall be enlarged. As at the Latest Practicable Date, our Group has not yet submitted bidding proposals for projects offered in these new markets as we are currently conducting researches and analysis for these new markets and no appropriate tender has been offered yet. It is expected that appropriate tenders would be offered later this year and bidding proposals will be submitted. Similar to the bidding requirements for ACC integration projects of Beijing Subway, it is expected that the ACC projects in these new markets would require the bidders to possess Grade 1 CISI Qualification. Therefore, our Directors expect that our Group would make joint tender applications with its business partners for these new projects.

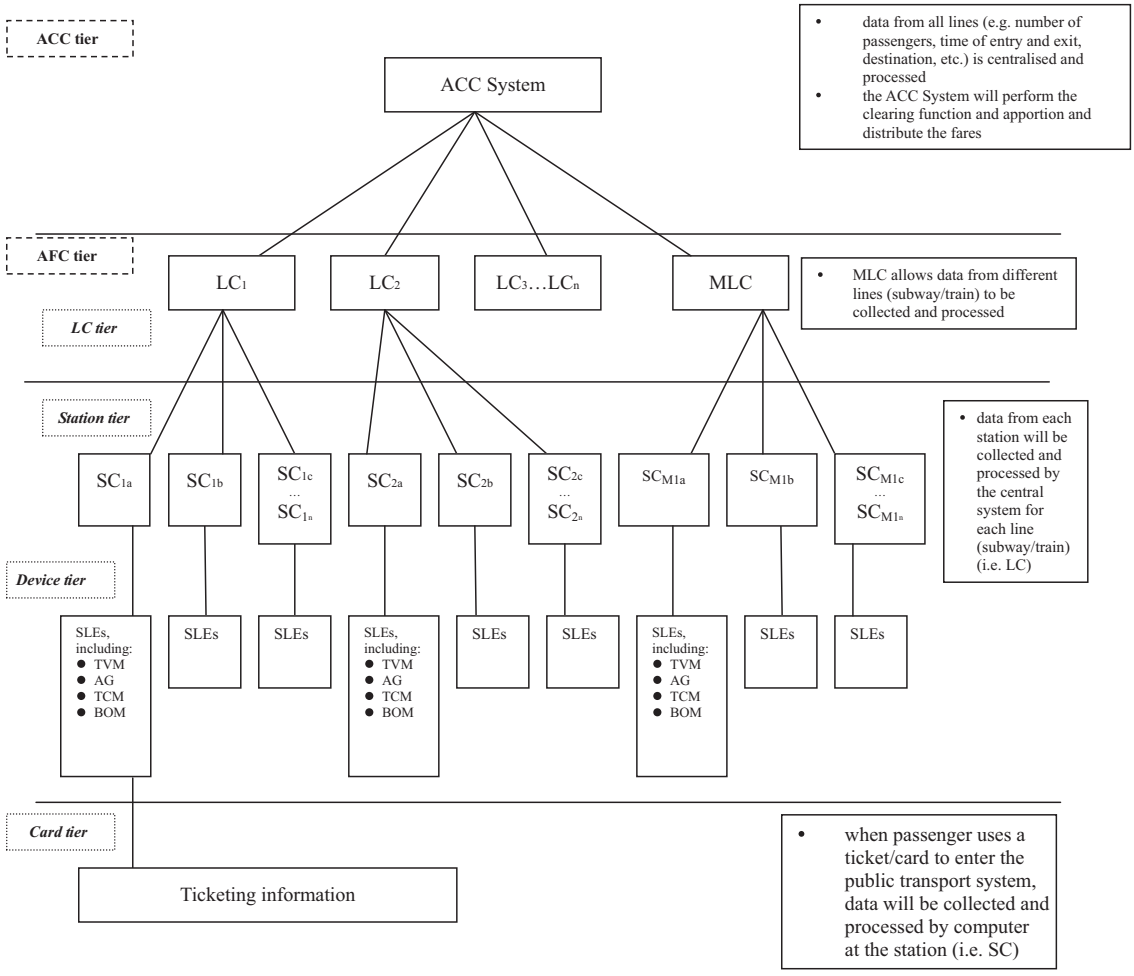
Our Group aims to expand into new markets and will establish a market development team with approximately 10 employees. In accordance with the geographical division of Eastern China, Northern China and Southern China, the team would attempt to replicate the successful experience and model adopted in Beijing in other cities in the PRC, such as Zhengzhou, Chengdu, Kunming and Changchun. We are currently in the course of preparing promotional materials to introduce our business to other places in the PRC. We have paid visits to potential customers located in other cities in the PRC, such as Zhengzhou, Chengdu, Kunming and Changchun to promote our Group's business and inquire into their needs and demands. We have also kept in contact with them so as to keep abreast of the latest development of the public transport system in these places. During such visits, we have introduced our Group's working experience in Beijing to our potential customers.

We also aim to utilise our technology and application solutions in other industries where automated fare collection and clearing functions are involved should opportunities arise.

PUBLIC TRANSPORT SYSTEM

ACC System

A brief system structure of an ACC System and an AFC System is set out below:



AG: automatic gate

BOM: booking office machine

LC: line centre, a line-level system which receives system data and commands from SCs and the ACC System, monitors the operation of SCs and SLEs of the relevant line within a public transport system, upload data to the ACC System, reconcile accounts with the ACC System, manages equipment and ticketing of the relevant line

MLC: multiple LC

SC: station computer, which is responsible for consolidation of all transaction records, audit registers and status sent by SLEs, providing commands and control functions to SLEs by receiving control parameters from line central computer and disseminating the same to SLEs

SLE: station-level equipment, comprising automatic ticket vending machines, booking office machines, automatic gates and automatic ticket checking machines, and which performs various functions, including value-adding of tickets, sale, checking, rebate and substitution of tickets, application for and loss reporting of tickets, and ticket information service

TCM: automatic ticket checking machine

TVM: automatic ticket vending machine

The main function of the ACC System is to standardise the various parameters and interface definitions within the AFC System in a public transport system. The ACC System, at a network level, collects the statistical information in relation to transactions and financial data recorded by the AFC System for the processing of settlement, apportionment and reconciliation. Specific technical requirements as to ticketing management, operational management and system maintenance management are all formalised by the ACC System.

AFC System

The AFC System, at a line level, handles mainly fare collection and manages and controls tickets and functions of SLEs of a public transport system. Depending on the characteristics of different public transport systems, the AFC System can include hardware and software for tickets, card readers, automatic gates interface to data processing and analysis.

LC and MLC

LC is a line-level system which collects and records information from each station in the relevant line, including ticketing, accounting and passenger flow information. LC also monitors and controls the operational status of the equipment at each station in the relevant line. Reports on data processing and statistics for a certain period of time can be printed out from LC.

MLC has a larger capacity and data and information of SCs of different lines in a public transport system can be integrated and processed by MLC. It can replace the use of LCs so that the ACC System can communicate with a few MLCs, instead of a number of LCs, to enhance efficiency and standardisation. MLC unifies the graphic user interface of each LC and enables tracing of data recorded by each SC and each components of SLE.

SC and SLE

SC is available at each station and it is responsible for collecting information from TVM, BOM, TCM and AG of the relevant station. It communicates with LC in real time, allowing uploading of data by each station and downloading of data by LC. SC operates and controls the equipment of the station, including the closing and opening of gates, etc.. It monitors the operational status of SLE at the station, collects and records relevant information. Similar to LC, SC allows the printing out of reports on data processing and statistics for a certain period of time for information.

SLE is the main equipment comprises the AFC System, including TVM, BOM, AG and TCM.

TVM is an automatic ticketing machine which can be self-operated by passengers. Passengers may select the ticketing fare for their destinations, inject appropriate amount of fare and the corresponding ticket will be issued.

BOM is a ticketing machine operated by the staff at the station. Passengers may request the staff at the information desk for buying, updating, rebate or substitution of tickets and adding value to their tickets through BOM.

AG is the gate passengers pass by when they check in to and out from a public transport system. The main functions of AG are to verify the validity of a ticket, record time, equipment number and other travelling information of a ticket.

TCM is an automatic machine for passengers to check the remaining value and other travelling information of a ticket.

ACC System and AFC System solutions

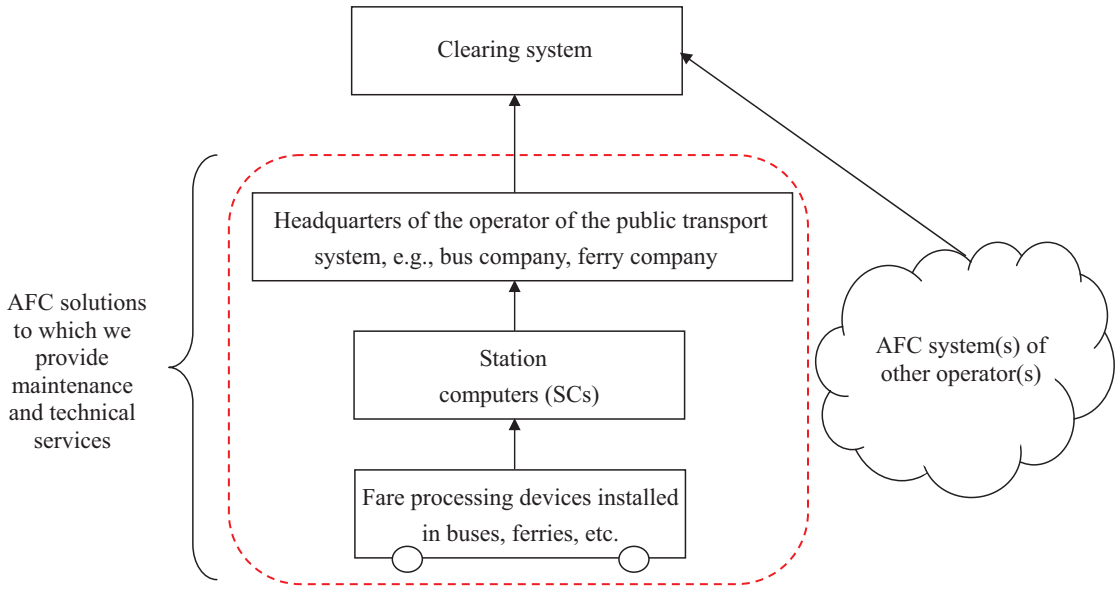
Since the establishment of ERG BJ in 2006, it has participated in various ACC System projects. In 2006, ERG BJ participated in the setting up of the first ACC System in Beijing for the Beijing Subway. Trial operation of the system took place in 2008. Since then, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the ACC System.

During the Track Record Period, we had also participated in other projects for the integration of the ACC System for the Beijing Subway.

Provision of integration services for the ACC System for the Beijing Subway has to be provided by companies with certain qualifications, i.e. 計算機信息系統集成資質證書 (CISI Qualification Certificate). As at the Latest Practicable Date, we did not possess such qualification. Hence, during the Track Record Period, we had submitted bidding proposal in relation to integration of ACC System jointly with companies which possess such qualifications, such as 紫光捷通科技股份有限公司, an Independent Third Party. Further details of our cooperation with business partners are set out in the paragraph headed "Cooperation with business partners" below.

ERG HK had been involved in installation coordination and testing in the smart card project in Hong Kong from 1995 to 1997 when it was then an indirectly wholly-owned subsidiary of Vix Technology. Such smart card system was the first contactless smart card system in the world and has since grown into a widely used payment system in Hong Kong covering various forms of public transport in Hong Kong and is also used for payment at convenience stores, supermarkets and other point-of-sale applications. Since then, ERG HK had participated in various AFC System projects in Hong Kong, including the MTR TKO extension project, the Light Rail AFC extension project, etc. and it has also been providing maintenance and technical support services to public transport service providers in Hong Kong, including MTR, KMB, CTB, NWFB and NWFF. During the Track Record Period, ERG HK provided maintenance and support services in respect of AFC solutions to major transport operators in Hong Kong, including MTR, KMB, CTB, NWFB and NWFF.

The following simplified diagram is an illustration of the maintenance and technical services provided by ERG HK in respect of AFC solutions to certain operators or owners of public transport systems in Hong Kong.



Examples of the ACC System and the AFC System projects/works our group companies have participated in during the Track Record Period are set out under the paragraphs headed "Completed projects" and "Ongoing projects" above.

TCC System

TCC System is the traffic control centre within a public transport system at a network level. It coordinates with each control centre and operational unit. TCC System possesses the functions of integrated monitoring, coordination of operation among different operating units (e.g., different railway or subway lines or routes), electrical and mechanical subsystems, emergency control and sharing of information. To enhance the consolidated monitoring functions of the TCC System, each of the AFC System and the PIS is connected to the TCC System to ensure sharing of information. Depending on the characteristics or scale of the public transport system, a TCC System may include OCC, SIG, ISCS, PSCADA, BAS and PSD.

OCC

OCC is an operations control centre system which is a line-level system consolidating and connecting different subsystems, namely ISCS, PSCADA, BAS and PSD to the TCC System.

SIG

SIG is a line-level system which implements the supervising and controlling functions of the TCC System, including designing and preparing monitoring diagrams for each station and line.

ISCS

ISCS is a consolidated monitoring system at a line level, through system integration, connects information and resources of various software platforms, e.g. PSCADA, BAS, PSD and FAS.

PSCADA

PSCADA is responsible for the monitoring and management of the operation of electricity-supply equipment within a public transport system at a line level. It ensures normal operation of the electricity supply.

BAS

BAS is responsible for the monitoring and management of the operation of emergency equipment within a public transport system at a line level, including ventilation system, chilled water system, drainage, illumination and escalator. It ensures the smooth functioning of traffic under emergency circumstances.

PSD

PSD is a line-level system monitoring and controlling the operation of safety or screen doors on the platform. It ensures the safety of passengers and prevents passengers waiting on the platform from falling into the track.

TCC solutions

During the Track Record Period, we participated in the project(s) for the integration of the TCC System and provided maintenance services of hardware of the TCC System for the Beijing Subway. At present, our Group possessed certain technologies in a TCC system, such as obtaining data for railway construction design, drawing and designing of railway monitoring diagrams, gathering and processing monitored information, updating data in the database and testing of network connection.

Examples of the TCC System projects/works our group companies have participated in during the Track Record Period are set out under the sub-paragraphs headed "Completed projects" and "Ongoing projects" above.

PCC System

PCC System is a network-level system and it integrates passenger information subsystems of different lines within a public transport system collected by the PIS System at the line level so as to enable sharing of resources and information. It aims to provide passenger with comprehensive informative services and ensures smooth operational and administrative management.

PIS enables information such as, weather information, advertisements, news clippings, etc. to be communicated to passengers through the use of various means including audio-broadcasting and digital display systems.

BUSINESS MODEL

We are principally engaged in the design and implementation of application solutions to operators or owners of public transport systems, including metro, buses and ferries. Our application solutions are target for use at the network level of the public transport systems, they enable different

computer subsystems performing different functions at the line level of the public transport systems to be integrated and linked up whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre.

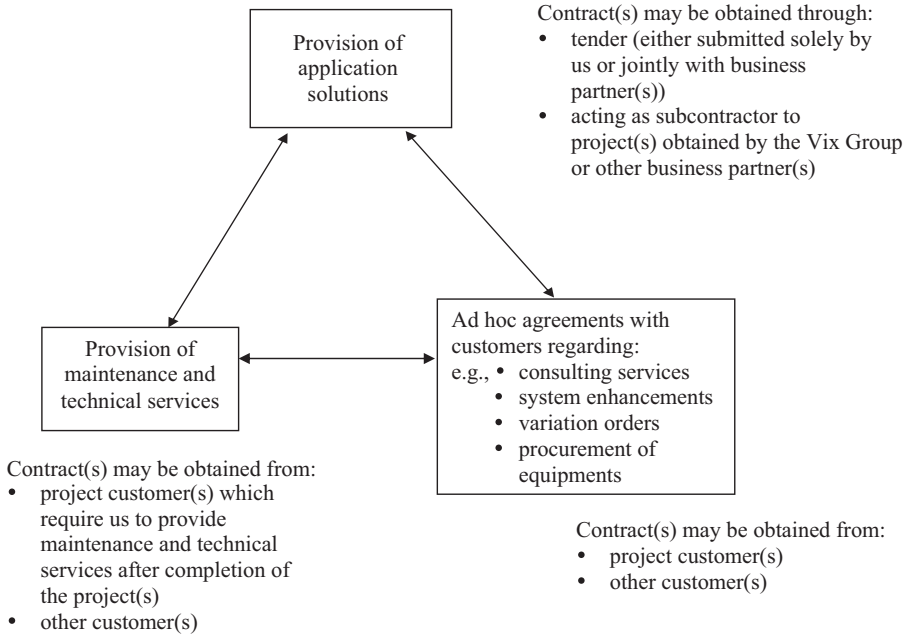
We provide software and hardware application solutions and related maintenance services for the ACC System and the TCC System for use at network level of public transport systems primarily in the PRC and maintenance services in relation to the AFC System in Hong Kong. The Group has entered into licensing agreements with the Vix Group. The Licensing Agreements license to ERG BJ and ERG HK certain technology, owned by the Vix Group, which include a range of application solutions and products that may be applied and used in automatic fare collection systems at the network level and/or at the line level depending on the business of the licensee. Currently, our Group does not provide application solutions or products for use at the line level of a public transport system in the PRC.

During the Track Record Period, none of the projects undertaken by our Group required the contractors to provide application solutions and products for public transport systems at both network level and line level.

We also provide maintenance and technical services for owner or operators of public transport systems. Our maintenance contracts are usually on a yearly basis and they may have a term for more than one year. We obtain our project agreements for application solutions through tender process. All of the tender bids offered by our customer(s) or potential customer(s) require contractor(s) to possess certain certification in order to undertake such contract(s), hence, when submitting bidding proposals for these types of contracts, we will submit the bidding proposals jointly with other contractor(s) which possess(es) such certification. We also work together with the Vix Group for procurement or technical services in relation to overseas projects awarded to them.

In addition, we also provide consulting services and sale of equipments and related products from time to time.

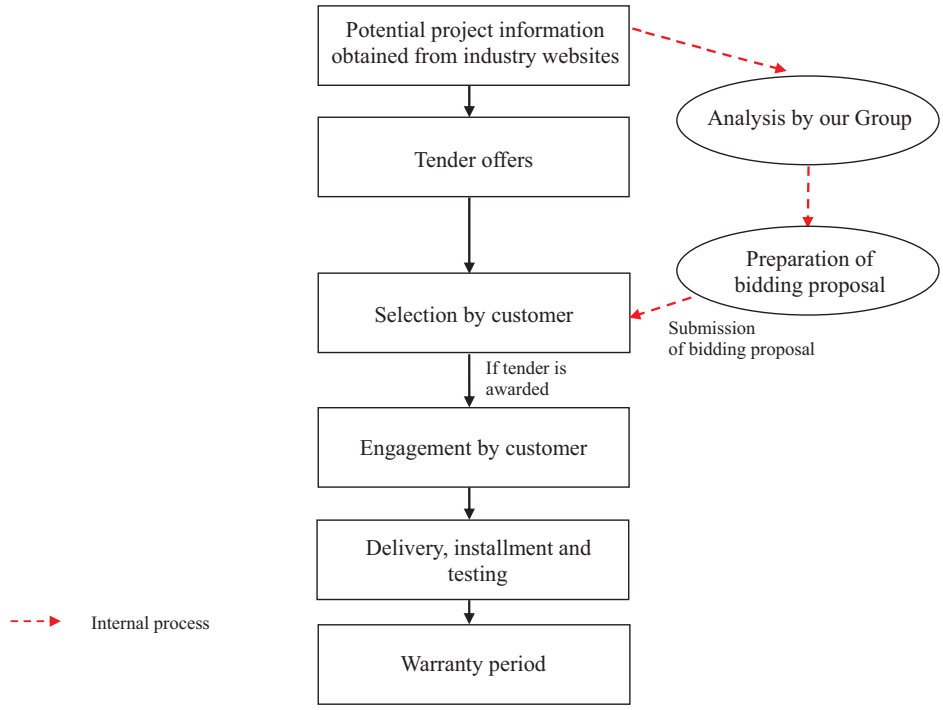
The following is a simplified diagram which illustrates different segments of our business operations and the possible overlapping of customers among our business segments.



Project agreements and maintenance agreements

Project agreements

The following diagram illustrates a typical tender process where we obtain our project agreements.



Under our current business model, our contracts for application solutions and products are obtained on a project basis through tender process. We provide design, delivery and installation, testing and inspection services to our customers.

We obtain potential project information from industry websites from time to time. We are a registered user of the China Bidding (中國國際招標網) from which we can obtain regular updates on industry information and keep abreast with potential offer of tenders. We are also a registered user under the "E-Tendering System" of the website of MTR, from there we will obtain information in relation to the tenders and contracts offered by MTR from time to time. We may also obtain relevant information from other public transport system operators through regular communications with them. Other than that, our customers or potential customers may approach us and discuss with us their business development plan which may require procurement of application systems and/or equipment.

When we are aware of a potential tender or when our customer or potential customer approach us with their business development plan, we will conduct research and analysis of such project or plan to be performed. Various factors, including budget, pricing, timetable, competitive landscape, qualification requirements, software and hardware components and related technical and business architecture and risk, will be taken into account when we analyse the feasibility of the potential project. When the potential tender is originated from our customers or potential customers, we will also discuss with them and share with them our views on the proposed plan. Exchange of information and communication between the potential customers and our Group will take place from time to time.

After feasibility studies are completed, our management will consider whether a detailed bidding proposal shall be prepared for such potential project based on the results of the feasibility studies. If our management takes the view that an application for the tender is feasible, we will start to prepare the detailed bidding proposal. Depending on the qualification and technological requirements of the relevant tender, we will liaise with relevant companies which possess necessary qualifications for tenders or necessary technology to be joint applicants for the tender. During the Track Record Period, ERG BJ made tender application jointly with a company which possesses requisite qualifications, namely 紫光捷通科技股份有限公司 and a company which possesses necessary technology, namely 奔訊電子科技(北京)有限公司. For the tender application made by us in China jointly with our business partners during the Track Record Period, we were the leading party in such tender. In Greater China region (other than the PRC), the tender bids were either made by members of the Vix Group alone or jointly by members of the Vix Group and ERG HK.

We believe that potential customers will generally take into account three main areas when awarding tenders namely, "technological capabilities", "pricing" and "business". The "technological capabilities" aspect covers, among others, the technological know-how possessed by a certain applicant and experience of its technical staff. The "pricing" aspect covers, among others, reasonableness of the offer price, budget and cost analysis. The "business" aspect covers, among others, the past track record experience of a certain applicant, its relevant qualifications and further due diligence items including the financial records of the relevant applicant and whether the relevant applicant is involved in any legal proceedings. We were normally required to provide tender bonds and performance bonds under the project agreements obtained in the PRC during the Track Record Period. For tender bonds, around 1% of the contract sum was made to the tender agency generally. If the tender bid is successful, the bonds would be refunded upon signing of the agreement and the payment of the performance bonds. If the tender bid is unsuccessful, the money would be refunded to our Group after the successful bidder is determined and agreement is signed with that bidder. No tender bond is required for projects in Hong Kong. The outstanding tender bonds as at 30 November 2011 and up to the Latest Practicable Date was approximately HK$491,000. For performance bonds, our Group was required to pay 3% to 10% of the contract sum for any loss that may be suffered by the customer as a result of its failure to complete its undertakings under the agreement. This sum would be refunded to our Group upon completion of all its undertakings under the agreement. There was no outstanding performance bonds as at 30 November 2011 and up to the Latest Practicable Date.

Pricing for our project agreements is generally determined taking into account the hardware and software required, upgrading of software services required, installation and testing work to be undertaken and the provision of relevant technical services. Different levels of compensation are stipulated in the relevant agreement according to the type of faults or accidents in relation to quality of services, progress and coordination of project. For instance, regarding the quality of services, penalty may be imposed if the project manager, engineers or team members are changed without customer's consent, or mistakes are found in the submitted technical proposal. In respect of project progress, our Group may be penalised if there is any delay in the provision of services or testing which affects completion of the project. As for project coordination, there may be penalty if our Group fails to coordinate with our customers or supervisory bodies. Generally, the level of compensation ranges from RMB500 to the whole of the contract sum. The total amount of compensation depends on the nature and the number of faults or accidents involved. The quantum of the maximum compensation is thus unable to be estimated.

Generally, our customers may terminate the agreements in whole or in part by giving written notice where our Group, among others: (i) fails to provide the goods within the time stipulated under the agreement or the extended time limit as agreed between the parties; (ii) fails to fulfill relevant obligations under the agreement; or (iii) commits bribery or fraud. Our customers may also terminate the agreement without any default on our Group's part by giving reasonable notice in writing specifying the degree of default and the effective date of termination. Within 30 days after the notice is served, our Group would be entitled to payment for goods or services already procured or provided in accordance with the contract terms, or an amount as agreed between the parties. For outstanding goods or services, our customers may pay us according to the contract terms, or may cancel such procurement. During the Track Record Period and as at the Latest Practicable Date, we had not experienced any customers terminating our agreements as mentioned above.

When a tender is awarded to our Group, we will commence negotiation with our customers for the signing of relevant project agreement. Detailed scope of services required will also be discussed and agreed upon. We will then proceed to execute the project in accordance with the requirements and timetable pursuant to such project agreement and relevant implementation plans approved by our customers. Progress reviews and discussions are held regularly between our customers and our Group to keep track on our work and to resolve problems encountered during execution of the project. When the project is completed and the deliverables are ready, our customer will organise inspection and testing, and when they are satisfied with the inspection and testing the deliverables will be accepted. After completion of the project, there is usually a warranty period ranging from one to three years during which we will provide repair and maintenance services to our customers free of charge.

Our PRC Legal Advisers advised that our tendering process is in compliance with applicable laws and regulations in the PRC.

Agreements in relation to the projects undertaken by our Group were usually for a fixed term depending on each particular project, and details of the requirements, including timeline for stage completion, if any, will be contained in the tender document and the subsequent project agreement entered into by us. During the Track Record Period, our Group was engaged in 14 projects. During the Track Record Period and up to the Latest Practicable Date, ERG BJ had submitted bidding proposal for and was awarded two ACC and TCC Integration Projects for a total of nine of the lines of the Beijing Subway and one ACC Project for the provision of goods and technical services, etc. for the ACC System. In respect of ERG HK, it had submitted, jointly with members of the Vix Group, bidding proposals for one project in Hong Kong and one project in Macau but they were not granted with such project agreements. During the Track Record Period, all of our work were delivered in accordance with the milestone or timetable mutually agreed with our customers.

During the Track Record Period, we also engaged subcontractors and services providers to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements. During the Track Record Period, BII ERG was the largest subcontractor of our Group. For the year ended 30 June 2011, our subcontracting fee was mainly paid to BII ERG, an associated company of our Group, as BII ERG possessed the licensor technology pursuant to the licence agreement entered into between BII ERG and Vix R&D on 3 December 2009. The subcontracting fee paid to BII ERG accounted for approximately 37.8% and 56.8% of our total subcontracting fee for the two years ended 30 June 2011 respectively. For the five months ended 30 November 2011, our Group had not entered into any subcontracting

arrangement since none of the work undertaken by our Group during that period required the use of such licensor technology. ERG BJ has entered into the ERG BJ Licensing Agreement with Vix IP. Hence, it is expected that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required. Other than BII ERG, we have also entered into subcontracting arrangements with other contractors which are PRC-based corporations mainly engaged in IT services, datacenter and infrastructure solutions, or intelligent transportation business. There are numerous potential subcontractors with relevant expertise in the market. Further, we possess the relevant expertise, know-how and technology for the work performed by the contractors under these subcontracting arrangement. We entered into these arrangements with them in the event of tight work schedule and large quantity of work. Other than the previous business relationships, all of them do not have any past or present relationships with our Company, our subsidiaries, their shareholders, directors, senior management or any of the respective associates. For each of the two financial years ended 30 June 2011, subcontracting fee to 3 and 9 of our subcontractors represented more than 99% and 99% of our total subcontracting fee for the respective period. We did not engage any subcontractor for the five months ended 30 November 2011.

The subcontracting agreements entered into by our Group during the Track Record Period mainly involved the engagement for technological development, consultancy services and technical services in relation to system testing, software and product maintenance. We entered into subcontracting agreements on a project basis or for a specific term. Subcontracting fees are determined with reference to, among others, type of work, amount of human resources involved and duration of project.

Going forward, the use of subcontractors would decrease because ERG BJ entered into the ERG BJ Licensing Agreement with Vix IP on 28 February 2012 and therefore, was licensed to use the ACC technology for the project relating to the ACC System of the Beijing Subway and other technology, namely additional support development and additional support, updated from time to time. Hence, our Group expects that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required. For the five months ended 30 November 2011, no subcontracting arrangement had been entered into with subcontractors. We would, however, still engage subcontractors depending on the work schedule and quantity of work.

Maintenance agreements

Our contracts for maintenance and technical services are obtained through commercial negotiation with potential customers.

After completion of a project, we believe that our customer will engage us to provide ongoing maintenance and technical services to them in respect of such system. We believe that if the system is provided by us, it will be more efficient for us to undertake the ongoing maintenance work as we are familiar with the technical details of the system.

Over the years, we have participated in various projects, in particular ACC System and TCC System projects, and we believe that we have accumulated experience and recognition in the public transport systems industry.

Our maintenance agreements are generally renewed annually and some of them may be for a term of up to three years. Pricing for our maintenance agreements is generally determined with

reference to the type of services provided, such as technical services, inspection of hardware and software, software support and consultancy services required. Payment terms will be set out in the relevant agreement. For maintenance work, fees may be payable to us on a regular basis, depending on the terms of the relevant contracts. Generally, our customers have the right to terminate the maintenance agreements by giving reasonable notice in writing where there are accidents or faults and our Group would not be entitled to any compensation. In some cases, three months' notice would have to be given by our customers for early termination and our Group would be entitled to a certain portion of the contract sum depending on the time of termination. In some other cases, our customers may terminate the agreement where event of default under the relevant agreement is triggered. Some of the events of default include, where our Group (i) ceases or disposes of our Group's main business or threatens to do so; (ii) begins proceedings for voluntary winding up, (iii) is subject to proceedings under the law of any country or territory relating to insolvency, bankruptcy, distress, receivership, administration or the relief of creditors; or (iv) enters into an arrangement benefiting its creditors. In addition, different levels of compensation are stipulated in the relevant agreement according to the frequency and type of faults or accidents that may occur during the period of service. The more frequent or the more serious the type of faults or accidents occurs, the larger the contract sum would be deducted. In 2011, we entered into contracts for the provision of maintenance services to the ACC System and the TCC System of the Beijing Subway for a term of two years ending 31 December 2013. During the Track Record Period, our Group was engaged in 23 maintenance projects.

Cooperation with business partners

The MII promulgated the CISI Rules in December 1999 and has implemented, on a trial basis, the certification procedures for computer information system integration solutions providers since 1 January 2000. All providers of computer information system integration solutions in the PRC are required to obtain a 計算機信息系統集成資質證書 (CISI Qualification Certificate). Relevant qualification certificate is classified into four different grades which are determined taking into account, among others, the level of experience and industry expertise of the applicant, value of completed projects and the amount of revenue generated from system integration for the last three years of the applicant's business. Certificate for Grade 1 CISI Qualification is the highest level certification and enterprises with such certification can independently carry out system integration work at state level. Certificate for Grade 2 CISI Qualification allows the enterprise to independently undertake system integration work at provincial level. Grade 3 and Grade 4 CISI Qualifications allow enterprises to undertake medium sized and small sized projects respectively. Further details of the CISI Qualification are set out in the paragraph headed "Computer Information System Integration Certification" in the section headed "Regulations" in this prospectus.

As far as our PRC Legal Advisers are aware, as at the Latest Practicable Date, there was no law or regulation that particularly requires a participant of public transport system projects to possess a certain level of CISI Qualification. The grade of CISI Qualification required is subject to tenderees' requirements. As at the Latest Practicable Date, ERG BJ did not possess such qualification. ERG BJ has never applied for such qualification. We confirm that according to our current operation and development strategy, it is not mandatory to apply for the CISI Qualification since ERG BJ can make joint tender together with business partner possessing CISI Qualification. Besides, as confirmed by our Company and based on the due diligence exercise performed by our PRC Legal Advisers, the authority in charge of the CISI Qualification (i.e. the MIIT) is currently amending the Grade 1 to Grade 3 CISI Qualification requirements and it currently does not accept applications for Grade 1 to Grade 3 CISI Qualification.

On 10 October 2003, MIIT promulgated the Assessment Requirements of Qualification of Computer Information System Integration (Revised) (Xin Bu Gui (2003) No. 440)《計算機信息系統集成資質等級評定條件(修訂版)》(信部規[2003]440號), which sets out the requirements for Grade 1 to Grade 4 CISI Qualification. On 8 March 2011, MIIT issued the Circular of Relevant Administrative Issues on Qualification of Computer Information System Integration Enterprises and Qualification of Information System Engineering Supervision Enterprises (Gong Xin Ji Zi (2011) No. 3)《關於計算機信息系統集成企業資質和信息系統工程監理單位資質管理有關事項的通知》(工信計資[2011]3號), which sets out the new requirements for Grade 4 CISI Qualification and stated that the requirements for Grade 1 to Grade 3 CISI Qualification were in the process of being revised, and all the applications for Grade 1 to Grade 3 CISI Qualification shall be suspended until the new requirements are issued. As far as our PRC Legal Advisers are aware, as at the Latest Practicable Date MIIT has not yet indicated as to when these new requirements will be published.

As at the Latest Practicable Date, ERG BJ had 22 technical workers. Except for the requirement of having not less than 50 technical workers (including six project managers), ERG BJ conformed to all the other requirements for Grade 3 CISI Qualification under the original assessment requirements issued in 2003. ERG BJ will conform to all requirements for Grade 4 CISI Qualification if it is to employ two more technical workers as project manager. During the Track Record Period and as at Latest Practicable Date, ERG BJ did not fulfill the requirements for Grade 4 CISI Qualification and did not possess certificate for Grade 4 CISI Qualification. Since ERG BJ intends to recruit around 30 technical workers, subject to the promulgation of the new requirements, we plan to apply for qualification of Grade 3 CISI Qualification when ERG BJ is able to satisfy the new requirements to be published by MIIT. Our Directors consider that it would be more cost-effective for ERG BJ to apply for Grade 3 CISI Qualification directly. We also plan to expand our workforce and recruit experienced personnel with relevant technical know-how for the expansion of our business. We will make assessment when the new requirements for Grade 3 CISI Qualification are published and take appropriate action thereafter.

Our PRC Legal Advisers are of the opinion that when ERG BJ satisfies the conditions under the CISI Rules and relevant policies, and submits its application in accordance with the requirements of the MIIT or the authorities MIIT appointed, there is no substantive legal impediment for ERG BJ to obtain such qualification. Details of the conditions under the CISI Rules are set out in the paragraph head "Computer Information System Integration Certification" in the section headed "Regulations" in this prospectus. Taking into account the existing eligibility requirements for obtaining Grade 1 CISI Qualification, our Directors are of the view that it is not likely for ERG BJ to be granted Grade 1 CISI Qualification in the near future.

According to the requirements of the bidding document issued by Guoxin Tendering Group in August 2010 for ACC and TCC Integration Project of Daxing Line, Yizhuang Line, Changping Line, Fangshan Line and Line No. 15 of Beijing Subway, it was required that the bidder should have obtained certificate for Grade 1 CISI Qualification. As ERG BJ currently does not possess such relevant qualification, depending on the qualification requirements of the relevant tender offer, we have to continue to cooperate with other enterprise which possesses the requisite qualification certificate when we submit the bidding proposal for such tender.

According to the HuiCong Research Report, during 2009 and 2010, among the tenders offered in relation to integration of TCC System, integration of ACC System and construction of AFC System in Beijing, approximately 77% of such tenders were awarded to applicants bidding as

consortium. Those consortiums are generally formed by entities possessing relevant CISI Qualification together with entities without such qualification as such three types of projects require the relevant CISI Qualification. Our Directors and the Joint Sponsors are of the view that our cooperation with business partners in bidding tender is a common practice in the industry.

When we decide to submit bidding proposal for a relevant tender in the PRC, we will liaise with relevant companies which possess the necessary qualification to be joint applicant with us for the tender. Depending on the technological requirements set out in the tender offer, we may also invite other enterprises which possess certain required technological know-how as a business partner and joint applicant with us in the proposal. We will enter into agreement with such business partner(s) and such agreement will set out, among others, the roles of each party in the project, the respective rights and obligations as well as the revenue sharing ratio of each party.

During the Track Record Period, we had made tender application jointly with 紫光捷通科技股份有限公司 and 奔訊電子科技(北京)有限公司 in the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. According to the requirements of the bidding document issued by Guoxin Tendering Group in August 2010 for ACC and TCC Integration Project of Daxing Line, Yizhuang Line, Changping Line, Fangshan Line and Line No.15 of Beijing Subway, it was required that the bidder should have obtained certificate for Grade 1 CISI Qualification; if the tender is a consortium, at least one party of the consortium shall satisfy the above requirement, and the consortium shall submit the joint arrangement contracts.

According to Article 31 of the Law of the People's Republic of China on Tenders and Bids 《中華人民共和國招標投標法》 , two or more legal persons or other organisations may form a consortium and jointly submit their bids. After their due diligence, our PRC Legal Advisers are of the opinion that the joint tender arrangements entered into between ERG BJ and its business partners are in compliance with requirements of the tenderee and are also in compliance with PRC laws and regulations. For the year ended 30 June 2010, we did not generate any revenue from the joint tender arrangement with our business partners. For the year ended 30 June 2011 and the five months ended 30 November 2011, approximately 39.4% and 2.6% of our revenue was generated from the joint tender arrangement with our business partners respectively. Our Directors currently anticipate that our Group will continue to enter into joint tender arrangements with our business partners in the future. Our Directors are of the view that joint tender arrangement with our business partners will be required from time to time in order to meet relevant pre-qualifications or technological requirements set out in tender offers where applicable. Our Directors also plan to cooperate with various business partners to avoid any undue reliance on business partners.

So far as our Directors are aware, 紫光捷通科技股份有限公司 was formerly the intelligent transportation business department of a company in the PRC. It is principally engaged in the intelligent transportation business and it cooperated with Tsinghua University in terms of technological and human resources development. It was awarded Certificate for Grade 1 CISI Qualification. It focuses on three main aspects of the intelligent transportation industry: (i) electrical engineering; (ii) products and (iii) services.

So far as our Directors are aware, 奔訊電子科技(北京)有限公司 is an information technology company established in Beijing in 1999. It is wholly owned by a software development company in Singapore. It is principally engaged in (i) project maintenance; (ii) software development and (iii) project testing. It possesses human resources and experience in project management in relation to the maintenance of TCC System.

As 紫光捷通科技股份有限公司 and 奔訊電子科技(北京)有限公司 do not possess extensive experience in the ACC System, they cooperated with our Group to participate in the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line awarded in 2010. Other than their business relationship in participating in this project and our cooperation with 奔訊電子科技(北京)有限公司 in respect of the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II, each of 紫光捷通科技股份有限公司 and 奔訊電子科技 (北京)有限公司 does not have any past or present relationships with our Company, our subsidiaries, their shareholders, directors, senior management and any of their respective associates.

In the entire bidding process for the project, 紫光捷通科技股份有限公司, 奔訊電子科技(北京)有限公司 and our Group were mutually reliant. Under the aforementioned project, 紫光捷通科技股份有限公司 was the only party, out of the three parties participated in such project, which possessed Certificate for Grade 1 CISI Qualification. However, 紫光捷通科技股份有限公司 did not have the necessary experience in the integration of TCC System possessed by 奔訊電子科技(北京)有限公司 and the necessary extensive experience in ACC System possessed by our Group. As the selection of the winning bidders for the said project was based on a number of assessment criteria including the technical and financial capability of the bidders and their qualifications, at the time of submitting the bid, we believe none of the other two parties considered that they would be able fulfill all the above criteria on their own and therefore they did not bid for the tender for such project separately. In order to increase the rate of successful tender bids, they decided to make the tender bid jointly with our Group.

A TCC System performs various functions, including railway operation, exchange of data through integrated platform, provision of electronic tools to support daily operation and handling of ad hoc incidents as well as assistance for decision-making by way of collecting, collating and analysing data. A TCC System involves a broad range of technologies, which includes, but not limited to, data collection, integrated monitoring, data exchange, information management and survey analysis. At present, our Group possessed certain technologies in a TCC system, such as obtaining data for railway construction design, drawing and designing of railway monitoring diagrams, gathering and processing monitored information, updating data in the database and testing of network connection. 奔訊電子科技(北京)有限公司 possesses other necessary technology in the integration of TCC System.

For the tender application made by us jointly with our business partners in the PRC during the Track Record Period, we were the leading party in such tender. In the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line awarded in 2010, a major proportion of such project was handled by our Group (including parts regarding integration of the ACC System and hardware of the integration of the TCC System). 奔訊電子科技(北京)有限公司 was responsible for the part regarding the integration of software of the TCC System; while 紫光捷通科技股份有限公司 was responsible for assisting ERG BJ, the leading party, with the supervision of system installation, adjustment and testing, technical management and coordination as well as liaising with contractors, without any technological involvement. ERG BJ, being the leading party in such tender, was responsible for all aspects in relation to the integration of the ACC System as well as the on-site work of the integration of the TCC System. In addition, ERG BJ was the leading party responsible for coordinating and carrying out all the administrative, commercial and project management for the

consortium and shall represent the other two parties to such agreement when dealing with customers. Hence, for such project, we were entitled to over 75% of the contract sum while 奔訊電子科技(北京)有限公司 and 紫光捷通科技股份有限公司, with lesser participation, was entitled to approximately 22% and 2% of the contract sum, respectively.

Given that (i) 紫光捷通科技股份有限公司 does not possess requisite core technology and experience in ACC System and TCC System of the Beijing Subway; (ii) 奔訊電子科技(北京)有限公司 does not possess requisite technology in ACC System and Certificate for Grade 1 CISI Qualification; (iii) neither of these two business partners possesses the core technology of the ACC System of the Beijing Subway possessed by our Group nor could they find another company which has the experience in the ACC System of the Beijing Subways as our Group is the only company with such experience in the industry thus far (since the establishment of the ACC System of the Beijing Subway in 2006, ERG BJ, as a former subsidiary of the Vix Group, has been the only company which participate with Vix Group to provide services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway); and (iv) as described below, our Group can easily find other business partners who possess requisite CISI Qualification and technology to cooperate with in the event that these business partners do not work with us in future projects, our Directors are of the view that the rate of successful bidding for either of these business partners, if they were going to bid on its own or jointly with other companies, would be low, as compared to making a joint bid with us such as the one in the past.

Based on the above, our Directors and the Joint Sponsors are of the view that it is unlikely for the business partners to choose to bid for the tenders on their own.

Further, our Directors expect that future projects offered by Beijing Metro Network in relation to the integration of the ACC System and TCC System for Beijing Subway would be in the form of a combination of both the ACC System and TCC System, similar to the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line awarded to us in 2010. Hence, our Directors believe that with our competitiveness in obtaining such kind of projects, there would not be any material adverse impact on our Group as we would be able to find other replacement business partners even if these two business partners did not choose to bid with us.

According to the website of MIIT, there are more than 3,000 entities in the PRC possessing CISI Qualification, out of which more than 600 entities are located in Beijing. Should any business opportunities arise in the future, our Company would look into the opportunity of cooperating with these market participants where necessary. Our management believes that with our solid customer base and established business relationship with our customers, we are able to understand our customers' requirements as well as the development trend of the public transport systems. We are also able to successfully find appropriate business partners with necessary qualifications and technology for cooperation.

For tender offers in Hong Kong, the qualification and other requirements are normally set out in the tender documents. Generally, pre-qualifications such as relevant past experience and financial track record are required to be fulfilled for submitting bidding proposals for tenders offered in Hong Kong, but no specific license is required for making such proposals. From time to time, bidding proposals for projects in Hong Kong had been either made by members of the Vix Group alone or jointly by the members of the Vix Group and ERG HK, as members of the Vix Group possessed the

qualifications required by the tenders offered in Hong Kong. ERG HK did not make any bidding proposals as it did not have the required qualifications. Bidding proposals which were successful and hence the resulting projects in which ERG HK participated in the past were made by members of the Vix Group alone. Further, as most of the previous contracts in Hong Kong were performed under Videlli Limited (a member of the Vix Group, formerly known as ERG Limited and delisted from the Australian Securities Exchange in June 2009) as the party making the relevant bidding proposals, we believe that submitting bidding proposals in conjunction with members of the Vix Group would better illustrate our past experience and hence increase our rate of successful bidding. In addition, joining with members of the Vix Group to form relevant project teams and design teams could enhance the effective utilisation of our resources in order to satisfy the pre-qualifications under the bids. Since the Track Record Period commences, no project agreement had been awarded to our Group and the Vix Group under our joint tender arrangement and we did not generate any revenue from such joint tender arrangement.

According to the non-competition undertaking given by Vix Transportation in favour of our Group, Vix Transportation or any holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding and/or companies controlled by Vix Transportation will not bid for any tender containing scope in the area of passenger auto fare collection in the Greater China region without our Group's consent.

Given the above, our Directors and the Joint Sponsors consider that it is unlikely for the Vix Group to bid for the tenders on their own.

Vix Transportation has given an irrevocable undertaking in favour of our Group on 24 April 2012 pursuant to which Vix Transportation, as covenantor, irrevocably undertakes to our Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding and/or companies controlled by Vix Transportation shall engage in any business or activity similar to or which competes or may compete with the business of our Group. To protect our Group from any potential competition, Vix Transportation has, among other matters, irrevocably and unconditionally undertaken with our Group that at any time during the relevant period, Vix Transportation shall not, and shall procure that none of the affiliates of Vix Transportation and/or companies controlled by Vix Transportation (other than our Group): (i) whether or not for compensation, in any manner or capacity, engage in (whether as principal, agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, director, unit holder or in any other capacity) any business or activity similar to or which will or may compete with our Group's business; (ii) at any time induce or attempt to induce any director, manager or employee of our Group to terminate his or her employment with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment; and (iii) solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to our Group's business to cease from dealing with our Group or to reduce the amount of business which the person would normally do with our Group. Further, Vix Transportation undertakes to grant to our Group a first right of refusal to bid or provide a proposal for an opportunity in the scope of our Group's business. Further details of the Vix Group's non-competition undertaking are set out in the paragraph headed "Vix Group's Non-competition Undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus.

Subcontracting agreements with the Vix Group

The Vix Group may from time to time make bidding proposals for various projects in Asia (other than the Greater China region). When a tender is awarded to the Vix Group, they may subcontract certain parts of such projects, including equipment supply sourcing and product manufacturing support, to us. Our staff in Hong Kong has worked with members of the Vix Group for a number of years and gained experience in various aspects of the ACC System and the AFC System. As a former subsidiary of Vix Technology, ERG HK has a long history of providing application solutions to operators of public transport systems in Hong Kong and during the Track Record Period, we had provided maintenance and technical support services to major public transport operators in Hong Kong, including MTR, KMB, CTB, NWFB and NWFF. Since our Hong Kong staff possesses the expertise, experience and technological know-how and staff, and operation costs are typically lower in Hong Kong compared to their Australian counterpart, members of the Vix Group also subcontracted to us various aspects of the projects obtained by them. During the Track Record Period, the Vix Group had been awarded tenders in relation to the smart card project in Bangkok and Hong Kong and subcontracted to us certain parts of such process. For the year ended 30 June 2010, we did not generate any revenue from the subcontracting works from the Vix Group. For the year ended 30 June 2011 and the five months ended 30 November 2011, approximately 5.7% and 6.2% of our revenue was generated from the subcontracting works from the Vix Group respectively.

Ad hoc agreements

We enter into ad hoc agreements with our customers for the sale of equipment and related products required for their maintenance work of software systems. We also provide consulting services to our customers, for instance, performing feasibility studies on the use of software systems, and provide technical services regarding variation orders in certain public transport system, for instance, updating of software systems. For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, approximately 13.7%, 9.6% and 73.0% of our revenue was generated from ad hoc agreements.

Contracts awarded after the Track Record Period

Subsequent to the Track Record Period and up to the Latest Practicable Date, the aggregate contract value of the new contracts awarded to our Group amounted to approximately HK$36.53 million.

Taking into account various factors as described below, our Directors and the Joint Sponsors consider that our Group's track record results were representative of our Group's future performance and that we will be able to sustain our business going forward. First of all, there are numerous potential business partners available in the market. According to the website of MIIT, there are more than 3,000 entities in the PRC possessing CISI Qualification, out of which more than 600 entities are located in Beijing. Should any business opportunities arise in the future, our Company would look into the opportunity of cooperating with these market participants where necessary. Our Group has a competing edge against these market participants given our experience and technology in the ACC and TCC System acquired through participation in various ACC and TCC projects for the Beijing Subway. CISI Qualification is only one of the selection criteria for ACC and TCC projects. We believe that other market participants may not necessarily possess the

requisite technology and experience in the ACC and TCC System which are crucial in the implementation of ACC and TCC projects. Further, our Group has a cooperation arrangement with the Vix Group which is a world leading provider of auto fare collection technology. The Vix Group has granted ERG HK and ERG BJ a non-exclusive and non-transferable license for the use of technology which is capable of being used in an AFC System, and its related product or service as well as the ACC technology for the project relating to the ACC System of the Beijing Subway, which strengthens our competitive edge. In addition, there are few major customers in our industry, which are operators or owners of public transport systems. Our Group has a stable relationship with some of these customers in both Hong Kong and the PRC. With our established business relationship with Beijing Metro Network in particular, our Directors believe that our Group has a secured source of income. Given that we also plan to actively participate in tenders offered by existing and potential customers, we continue to strengthen our marketing efforts in the PRC and Hong Kong and promote our products to potential customers and in other potential markets in the PRC not already covered by our network, such as Zhengzhou, Chengdu, Kunming and Changchun, our Directors and the Joint Sponsors consider our Group's business to be sustainable.

Since 1 December 2011 and up to the Latest Practicable Date, we had participated in the following project and maintenance agreements, subcontracting agreements with the Vix Group and ad hoc agreements:

Project and maintenance agreements

Project name	Group company which participated in the relevant project/work	Public transport system/customer to which product/service is provided	Type of goods/services	Expected duration/ duration	Status as at the Latest Practicable Date
NWFF Maintenance Project	ERG HK	NWFF	Provision of maintenance services for the AFC System	1 July 2011 to 30 June 2012	Ongoing
NWFB Maintenance Project	ERG HK	NWFB	Provision of maintenance services for the AFC System	1 September 2011 to 31 August 2012	Ongoing
CTB Maintenance Project	ERG HK	CTB	Provision of maintenance services for the AFC System	1 September 2011 to 31 August 2012	Ongoing

Project name	Group company which participated in the relevant project/work	Public transport system/customer to which product/service is provided	Type of goods/services	Expected duration/ duration	Status as at the Latest Practicable Date
KMB Maintenance Project	ERG HK	KMB	Provision of maintenance services for the AFC System	1 October 2011 to 30 September 2012	Ongoing
ACC Project	ERG BJ *(Note 1)*	Beijing Subway	Provision of goods, technological development and technical services for the ACC System	11 October 2011 to 1 January 2013	Ongoing
Network Emergency Communications Command System Design and Development Project	ERG BJ *(Note 2)*	Beijing Subway	Provision of design and installation of network emergency communications command system	10 November 2011 to 31 December 2011	Completed
ACC and TCC Integration Project regarding Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II	ERG BJ *(Note 3)*	Beijing Subway	Provision of services for integration of the ACC and TCC systems	13 December 2011 to 31 December 2013	Ongoing

Notes:

1. This project was obtained through joint tender arrangement with an Independent Third Party. The revenue sharing ratio between ERG BJ and such Independent Third Party was approximately 52% and 48%.

2. This project was not obtained through joint tender arrangement. The project was subcontracted to ERG BJ and the end user of such project was Beijing Subway.

3. This project was obtained through joint tender arrangement with 奔訊電子科技(北京)有限公司 and an independent third party. The revenue sharing ratio between ERG BJ, 奔訊電子科技(北京)有限公司 and such independent third party was over 78%, approximately 18% and 4% respectively.

4. Except for those specified, the above projects were not obtained through joint tender arrangement.

The aggregate amount of backlog order in respect of all of our projects and maintenance agreements as at the Latest Practicable Date was approximately HK$131.54 million.

Subcontracting agreements with the Vix Group

Project name	Group company which participated in the relevant project/work	Public transport system/customer to which product/service is provided	Type of goods/services	Expected duration/ duration	Status as at the Latest Practicable Date
Bangkok Smartcard System Project	ERG HK	Bangkok Smartcard System	Provision of configuration data signing service	11 January 2011 to 31 May 2012 *(Note 2)*	Ongoing
Bangkok Smartcard System Project	ERG HK	Bangkok Smartcard System	Provision of specific transit product to subsystem and refund station	9 February 2011 to 31 May 2012 *(Note 2)*	Ongoing
Bangkok Smartcard System Project	ERG HK	Bangkok Smartcard System	Development of retail terminal solution	16 May 2011 to 31 May 2012 *(Note 2)*	Ongoing

Notes:

1. All of the above subcontracting agreements with the Vix Group were not obtained through joint tender arrangement. Most of the services provided by ERG HK under the Bangkok Smartcard System Project took place in Hong Kong.

2. The agreement does not stipulate the expected completion date which is to be fixed by mutual agreement between our Group and the relevant customer. The date stated herein is an estimate by our Group based on the progress of the project.

The aggregate amount of backlog order in respect of all of our subcontracting agreements with the Vix Group as at the Latest Practicable Date was approximately HK$7.03 million.

Ad hoc agreements

Type of goods/services	Group company which participated in the relevant project/work	Public transport system/customer to which product/service is provided	Expected duration/duration	Status as at the Latest Practicable Date
Provision of technical support services	ERG HK	MTR	19 September 2011 to 31 December 2011	Completed
Octopus card replacement	ERG HK	NWFF	15 March 2011 to 31 December 2011	Completed
Octopus card replacement	ERG HK	NWFB and CTB	4 March 2011 to 31 December 2011	Completed
Sale of card reader	ERG BJ	Beijing Subway	2 November 2011 to a date to be mutually agreed with the customer	Ongoing *(Note 2)*

Notes:

1. All of the above ad hoc agreements were not obtained through joint tender arrangement.

2. The agreement does not stipulate the expected completion date. The date of delivery of the first batch of card readers to the customers as required under the agreement is 31 December 2011. Based on our Directors' understanding, the remaining card readers would be delivered in accordance with the timetable mutually agreed between our Group and the relevant customer. There is no stipulation in the agreement as to the number of batches the card readers are to be delivered.

The aggregate amount of backlog order in respect of all of our ad hoc agreements as at the Latest Practicable Date was approximately HK$49.56 million.

Status of agreement

As at the Latest Practicable Date, approximately 25.8% of the backlog order was obtained through joint tender arrangement. The aggregate contract value of completed ad hoc agreements from 1 December 2011 to the Latest Practicable Date was approximately HK$0.54 million. None of the contracts awarded by the Vix Group has been completed since 1 December 2011 to the Latest Practicable Date.

All of the project and maintenance agreements, subcontracting agreements with the Vix Group and ad hoc agreements above were delivered in accordance with the milestone or timetable mutually agreed with our customers up to the Latest Practicable Date. Our Directors do not foresee any penalties to arise under the terms and conditions of the relevant agreements.

PROCUREMENT

Suppliers and quality control

We purchase the components and equipment required by us from third parties. Our main procurement items include modems, data processors, servers, computers, hardware for card reader and spare parts required for provision of our maintenance services. For project works that we undertake, our customers will normally set out the technical requirements and specifications of the project, including specifications of components and equipments and sometimes also with required supplier(s), in their tender offers. We procure components required for our projects on a project-by-project basis. In cases where our customers have specified the components and/or equipment required, we will procure such items according to the requirements of our customers. When we procure components and/or equipment required for our projects, our technical personnel usually select those suppliers which we have previously worked with. If we have to procure certain components and/or equipment from suppliers which have not worked with us previously, our technical personnel will discuss our requirements with the relevant supplier(s) and ensure the components and/or equipment supplied to us will be suitable for our use.

We source the components and equipment we required mainly in the PRC and Hong Kong. For components and equipment that we sourced in the PRC, purchases will be settled in RMB, while for components and equipment that we sourced in Hong Kong, purchases are mainly settled in HK$. During the Track Record Period, we also engaged subcontractors and service providers to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements. The subcontracting agreements entered into by our Group during the Track Record Period mainly involved the engagement for technological development, consultancy services and technical services in relation to system testing, software and product maintenance. The provision of such services did not require any license.

Our suppliers include suppliers of components and equipment and our subcontractors. Purchases from our top five suppliers together accounted for approximately 76.7%, 72.3% and 93.7% of our total purchases for the two years ended 30 June 2011 and the five months ended 30 November 2011 respectively, while purchases from our largest supplier accounted for approximately 29.9%, 43.6% and 89.3% of our total purchase during the same period.

Our purchases from our largest supplier increased to approximately 89.3% of our total purchases for the five months ended 30 November 2011 because of a one-off purchase of card readers by us that amounted to approximately HK$28.28 million. Our largest supplier for the five months ended 30 November 2011 was the only supplier of hardware for our card readers. For better quality control as well as product uniformity and in consideration of the pricing and capability of the supplier, we only procured the card reader hardware from one supplier.

Subcontracting fees charged to our top five subcontractors together accounted for approximately 99.1% and 90.6% of our total subcontracting fees for the two years ended 30 June 2010 and 30 June 2011 respectively. While for the five months ended 30 November 2011, no subcontracting fee was incurred.

We entered into subcontracting agreements and purchase agreements on a project basis or for a specific term. There is no specific term stipulating that payment would only be made to subcontractors when we receive payments from our customers. However, the subcontracting or purchase agreements specified that payment to subcontractors or suppliers will be made upon acceptance of their work or materials by our Group and the end-users, which is generally in line with the acceptance and billing progress of the projects. We make payments once progress billing is received from customers. Payment to our suppliers are generally made by us within 15 days from date of receipt of payment request from our suppliers or within a credit period of about 45 days.

As at the Latest Practicable Date, save as the fact the BII was interested in our Company as to approximately 13.26% through BII HK and BII was interested in BII ERG (one of our five largest suppliers during the Track Record Period) as to 46%, none of our Directors, the chief executive, or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries or their respective associates (as defined under the GEM Listing Rules) had any interest in any of our five largest suppliers during the Track Record Period. We do not have any outstanding material disputes with our existing suppliers.

Inventory control

Our inventory mainly consists of components and equipment and other common items for our application solutions and spare parts for our maintenance services.

As most of our services are provided on a project basis, we procure components required for our projects on a project-by-project basis. Hence, the nature of our business does not require us to keep a large inventory.

No provision for obsolete inventories was made during the Track Record Period.

QUALITY CONTROL

Generally, a warranty of one to three years from delivery and acceptance of our products or services is provided under our project agreements. During the warranty period, we will closely monitor the running of the systems to ensure stable and smooth operation of relevant systems; and our technical personnel will attend to on-site inspections, both on-site and off-site "problem-shooting" from time to time. During the warranty period, complimentary after-sales maintenance and repair services are typically provided to our customers. These include technical support, system inspection, equipment repair, replacement and maintenance. During the warranty period, customers are provided with after-sales services and access to a telephone hotline for technical enquiries, while monthly on-site inspections may be carried out by us in accordance with the terms of the contract. Inspections may also be provided to customers on request. Upon expiry of the warranty period, the retention money (if any), which is normally about 5% of the contract amount, will be paid by the customers in accordance with the terms of the contract. Further, progress reviews and discussions are held regularly between our customers and our Group to keep track on our work and to solve problems encountered during execution of the agreements. During the Track Record Period, no expense was incurred for after-sales services since all of the projects with warranty were recently completed or are still in progress and no complimentary after-sales maintenance and repair services were provided. Our Directors consider that no provision for warranty is required for ongoing projects based on the historical experience that there was minimal expenses incurred during the warranty period of the completed projects.

Components and equipment sourced from suppliers are subject to testing and quality inspection by us before being used in the projects to ensure that such materials comply with the quality standard required. In the event that the components or equipment do not meet our standard requirements, they will be returned to the relevant suppliers for replacement or reworking.

We have been accredited with ISO 9001 quality management system certification by the Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司) ("**UICC**") which is valid until August 2013 in respect of our railway transport system software, and design, development and services of our integration system. UICC is a certification body that is approved by Certification and Accreditation Administration of the People's Republic of China ("**CNCA**") to provide quality, environmental, health and safety management system certification and product certification, and is an approved training body by CNCA to provide training for national qualified auditors and internal auditors on management systems. UICC is also a United Kingdom Accreditation Service accredited certification body on quality and environment management system certification.

ISO 9001 is a set of standards and guidelines relating to quality management systems, and represents an international consensus on good quality management practices. ISO 9001 is maintained by International Organisation for Standardisation, and is administered by accreditation and certification bodies. Our certification to ISO 9001 standard certifies that consistent business process are being applied, and provides an objective standard against which third parties can assess the quality of our management and production process. Our quality management system meets both the domestic and international standards of quality assurance and attests to the superior quality of our products.

As at 30 November 2011, our quality control team comprised a total of two employees. Our quality control team closely monitors our services. To ensure compliance with the contract terms and relevant laws and regulations by our subcontractors, we also monitor the performance of work by our subcontractors. For instance, for technical services such as system testing, our subcontractors would be required to conduct testing up to satisfactory standards. For product maintenance, they would be required to adhere to a standard set by our Group and provide services that conform with the technical requirements under the tender documents. For software maintenance, technological development and consultancy services, payment would only be made upon approval of the contents and quality of the work after completion, and in some cases, upon receipt of testing or evaluation report. Further, we require our subcontractors to compensate our Group for breach of contract as a result of failing to complete its undertakings pursuant to the relevant contracts. Our subcontractors may also give undertakings to our Group. For example, to compensate our Group or make relevant replacement where there is any fault on their part, which brings loss or damage to our Group, or compensate an agreed portion of the contract sum where there is any delay in the provision of services. During the Track Record Period, we had not received any complaints from our customers regarding the quality of our services which are of a material nature.

SALES AND MARKETING

Customers

For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, our total revenue amounted to approximately HK$24.45 million, HK$72.05 million and HK$65.25 million respectively. During the Track Record Period, our revenue was generated from the PRC and Hong Kong. Our customers mainly included Beijing Metro Network, MTR, KMB, CTB, NWFB, NWFF and Beijing Jianyi. Our business relationship with customers ranges from approximately six months to three years.

One of our major customers is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, production and sale of smart end-products as well as the provision of smart card system application solutions ("**2012 Major Customer**"). The business relationship between ERG BJ and our 2012 Major Customer commenced in 2011. Our 2012 Major Customer was established in 2004 with a registered capital of RMB10 million and had been the smartcard application service provider to major railway transportation operators, financial institutions and toll road operators in the PRC. It is a subsidiary of a group headquartered in Hong Kong, which developed parking meters and contactless card readers with international standards and had been the supplier of IC card parking meters in both Hong Kong and Beijing. Our 2012 Major Customer undertook the AFC System project for the Beijing Subway and engaged our Group to provide card readers. When the new lines of the Beijing Subway were about to be in operation, we received a one-off order from such customer in early November 2011 for the procurement of our card readers for eight Beijing Subway lines of which approximately 67.0% of the order had been delivered by 30 November 2011. Our Directors believe our 2012 Major Customer engaged our Group for the procurement of card readers having considered that (i) our Group has derived the necessary technology for card readers through our participation in the ACC projects for the Beijing Subway; and (ii) such card readers can be applied to the existing ACC System for the Beijing Subway as data exchange devices.

The business relationship between ERG BJ and Beijing Jianyi commenced in 2011. Beijing Jianyi is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, design, production, installation and after-sale services in relation to the AFC System and PSD. Beijing Jianyi was established in 2004 with a registered capital of RMB10 million and was the supplier of AFC and PSD equipment for various Beijing Subway lines as well as other city railway transportation operators in other cities in China. It has branch offices in both Shanghai and Kunming and possesses qualifications such as ISO 9001 quality management system certification and China railway product certification, and was recognised as a High and New Technology Enterprise. Beijing Jianyi undertook the setting up of the network emergency communications command system design and development for the Beijing Subway and engaged our Group to provide software technical services and data of the Beijing Subway. The Network Emergency Communications Command System Design and Development Project with Beijing Jianyi was a one-off project. Our Directors believe Beijing Jianyi engaged us for this project as our Group had obtained a large amount of data of the Beijing Subway through our cooperation with the Beijing Subway in TCC projects, which would be necessary for the setting up of the network emergency communications command system design and development for the end-user, the Beijing Subway.

The nature of the projects from each of Beijing Jianyi and our 2012 Major Customer is different from the nature of the projects undertaken by our Group with Beijing Metro Network in the Track Record Period. The projects from Beijing Jianyi and our 2012 Major Customer involve the setting up of the network emergency communications command system and card readers for the Beijing Subway and our Group did not possess extensive experience in these projects.

The aggregate sales to our top five customers amounted to approximately HK$22.15 million, HK$69.50 million and HK$60.30 million, representing approximately 90.6%, 96.5% and 92.4% of our total revenue for the two years ended 30 June 2011 and the five months ended 30 November 2011 respectively. For the two financial years ended 30 June 2011, our largest customer was Beijing Metro Network, while for the five months ended 30 November 2011, our largest customer was our 2012 Major Customer. Our largest customer accounted for approximately 69.2%, 70.7% and 43.3% of our total revenue for the two years ended 30 June 2011 and the five months ended 30 November 2011 respectively. For each of the two financial years ended 30 June 2011, out of our business with our largest customer, approximately 11.2% and 49.0% of our total revenue was attributable to project-based services provided to such customer and approximately 58.1% and 21.7% of our total revenue was attributable to maintenance services provided to such customer respectively, while for the five months ended 30 November 2011, the entire income from our largest customers was attributable to sales of spare parts. The revenue from Beijing Metro Network dropped during the five months ended 30 November 2011 given that (i) a majority part of the revenue from the ACC and TCC Integration Project for five of the lines of the Beijing Subway had already been recognised; and (ii) the ACC and TCC Integration Project for four of the lines of Beijing Subway was only undertaken in December 2011 and the revenue therefrom was not recognised during the five months ended 30 November 2011. To our Directors' knowledge, Beijing Metro Network was established to set up and operate the railway transport command centre in Beijing and related tenders for the Beijing Subway are offered by Beijing Metro Network, thus it is likely for players in our industry to have their revenue generated from one major customer.

Going forward, our Group will continue to focus on the design and implementation of application solutions at the network level. The concentration of business in the sale of spare parts for the five months ended 30 November 2011 was merely due to a one-off order from our 2012 Major Customer. However, we would still engage in the sale of spare parts should such demand arise in the future.

The business relationship between ERG BJ and Beijing Metro Network commenced in 2006 and Beijing Metro Network had been our customer throughout the Track Record Period. It is expected that our business relationship with Beijing Metro Network will continue as we entered into contracts for the provision of maintenance services to the ACC System and the TCC System of the Beijing Subway for a term of two years ending 31 December 2013. Further, ERG BJ has been the only company which participated with Vix Group to provide services in relation to the establishment, integration and maintenance of the ACC System of the Beijing Subway since ERG BJ's establishment in 2006.

Historically, Beijing Metro Network had also relied on ERG BJ for expertise and the provision of licensed technology solutions. In 2006, ERG BJ, while it was then a member of the Vix Group, participated in the setting up of the ACC System in Beijing for the Beijing Subway. Trial operation of the system took place in 2008. The establishment of the first TCC System in the PRC also commenced in Beijing in 2006 with its operation and integration with eight of the lines of the

Beijing Subway to the system in 2008. Since then, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the ACC System and the hardware of the TCC System. During 2009 and 2010, ERG BJ, after becoming a member of our Group, was awarded the ACC and TCC Integration Project for five of the lines of the Beijing Subway. These included Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. In 2011, we entered into contracts for the provision of maintenance services to the ACC System and the TCC System of the Beijing Subway for a term of two years ending 31 December 2013. In 2011, ERG BJ was further awarded the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II. We have been engaged to provide services in relation to the establishment, integration and maintenance of the existing ACC System of the Beijing Subway.

Our Directors believe that we have been working closely with Beijing Metro Network regarding the two important network level systems of the Beijing Subway, namely the ACC System and the TCC System, both in terms of the maintenance of the existing systems and the expansion of such systems. Further, due to the complexity and sophistication of the application solutions we developed as well as the requisite associated technical know-how to carry out the maintenance work, we believe that our customers will normally rely on us for after-sales maintenance and technical support services as well as future upgrades and other integration services. From 2006 to the Latest Practicable Date, BII ERG and ERG BJ were the only companies in the PRC that possessed the licensed technology solutions from the Vix Group in relation to the ACC System currently used by the Beijing Subway. Other industry players possess technology related to the ACC System which is different from the licensed technology of the Vix Group. We also believe that our customers would tend to choose or prefer the same supplier or a supplier that has prior experience in the implementation or provision of maintenance work to their existing system(s) and a good track record from previous working relationship with them, should there be an expansion of the existing system(s) or development of new systems, as we believe that it would be more efficient for our customers to work with the supplier which is familiar with their system(s) both in terms of implementation of work, problem-shooting as well as ongoing maintenance work. This can be demonstrated by the fact that we were awarded contracts for the provision of maintenance services for the ACC System and the TCC System of the Beijing Subway in 2011 for a term of two years ending 31 December 2013.

Based on the above, our Directors believe that our business relationship with Beijing Metro Network is one of mutual reliance and beneficial to each other and that our established business relationship with Beijing Metro Network, together with our market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010 according to the HuiCong Research Report, would further enhance our cooperation with Beijing Metro Network in the future. However, despite the mutual reliance, there remains the possibility that Beijing Metro Network may not cooperate with our Company in the future.

Our sales in the PRC are denominated in RMB while our sales in Hong Kong are denominated in Hong Kong dollars.

As at the Latest Practicable Date, save as the fact that BII was interested in our Company as to approximately 13.26% through BII HK and Beijing Metro Network (one of our five largest customer during the Track Record Period) was a wholly owned subsidiary of BII, none of our Directors, the chief executive, or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital or any of our subsidiaries or their respective associates (as defined under the GEM Listing Rules) had any interest in any of our five largest customers during the Track Record Period.

Our management believes that with our solid customer base and established business relationship with our customers, we are able to gain further insights into our customers' requirements as well as the development trend of the public transport systems, which in turn can help us develop our products and design our expansion plans more effectively. We also plan to actively participate in tender offered by existing and potential customers. We will continue to strengthen our marketing efforts in the PRC and Hong Kong and promote our products to potential customers and in other potential markets in the PRC not already covered by our network.

Payment terms

For work that we provide to our customers on a project basis, payment terms and schedules are usually set out in the tender offers of our customers and are agreed upon and incorporated into the relevant project agreement(s) entered into in respect of the project. Contracts sums are usually payable by our customers by instalments at different stages of the project. Down-payment is usually payable upon signing of the project agreement (or shortly thereafter). Depending on the expected duration and value of the project, part-payment may be payable at completion of different stages of the project and when stage-payment is payable, payment may be made after certain deliverables are available or certain milestones are reached. We usually submit inspection reports to our customers at relevant stage of project completion and project management company engaged by customers will certify completion of the appropriate stage of the project. Such project management company, which is an enterprise subordinated to the Ministry of Railways of the PRC and an Independent Third Party, may perform their own inspection and testing on our works. Generally, payments are made in five stages. 10% of the contract sum is paid upon execution of agreement; 25% of the contract sum is paid after passing the testing of software system; 30% of the contract sum is paid after passing the testing of line integration while another 30% is paid after passing the initial inspection of the system. The remaining 5% would be settled after the warranty period has passed.

In practice, our Group usually grants a credit period of approximately 60 days after the issuance of invoices to our customers on a case by case basis. The project agreements do not usually provide that payments will only be made by customers upon receiving payment from the end users. However, in practice, our customers would generally conduct inspection on our work at different stages and a final inspection upon completion of the project. For customers who are the end user or the intermediate user of our services, we would issue an invoice after each of these inspections. So far as our Directors are aware, customers who are intermediate user of our services usually pay after they receive payments from the end user. In general, for both cases, we would receive payments from our customers within 60 days after the issuance of invoices.

A majority of the contract sum, usually up to 95% will have been paid upon completion and acceptance of the relevant work by our customers, subject to any retention money (if any) which will be withheld by customers until expiry of the warrant period for such project. The retention money (if any), subject to any permitted deduction agreed by the contracting parties, which is usually not more than 5% of the contract sum will be settled by our customers upon expiry of the warranty period. During the Track Record Period, we had not experienced any deduction imposed on the retention money. Generally, a warranty of one to three years from delivery and acceptance of our products or services is provided under our project agreements. During the warranty period, complimentary after-sales maintenance and repair services are typically provided to our customers. For both project agreements and maintenance agreements, different levels of compensation are stipulated in the relevant agreement according to the type of faults or accidents that may occur during the period of service. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any product liability claims, litigation, complaints or adverse publicity in relation to our application solutions.

For maintenance and technical services and other ad hoc agreements with our customers, payment terms will be set out in the relevant agreement. For maintenance work, fees may be payable to us on a regular basis, depending on the terms of the relevant contracts.

A majority of our customers in China and Hong Kong settle their payments by cheques.

To ensure timely settlement of our accounts receivables, we have designated staff to follow up with the relevant customers on the outstanding payments. During the Track Record Period, we did not have any bad debts or doubtful debts provided for.

Historically we did not experience any risk of cash flow mismatch. Our revenue is recognised using the percentage of completion method. Generally, we receive payments from customers when the milestones are achieved in accordance with the terms of the contracts. We normally make payments to our suppliers, which comprise primarily service subcontractors and suppliers for materials, when payments are received from customers. Hence, the timing of our revenue recognition generally coincide with our cash outflow.

Marketing team

As at 30 November 2011, our marketing team consists of six employees, all of whom have established experience in sales and marketing. Our marketing team regularly reports to us our customers' requirements and collects market data for our analysis. Based on our customers' feedback and the statistics and information collected by our marketing team, our management is able to continuously improve our services and products and develop new products for our customers.

We do not always enter into long-term sales contracts with our customers. Our business with our project customers has been, and is expected to continue to be, conducted on project basis from time to time. For our service customers, our agreements with them typically vary from a fixed term of one to three years. We expect that we will continue to enter into such fixed term agreements with our service customers in future. We believe that the above is the commercial practice in our industry in both China and Hong Kong.

Pricing policy

Our pricing policy is, to a large extent, affected by the tenders offered by our customers as the cost analysis in our bidding proposal has to be in line with the requirements and within the budget of our customers. For maintenance and technical services contracts, the price is usually determined by the parties based on commercial negotiation. When we estimate our cost for provision of the required service, we will take into account complexity of the service to be provided, expected manpower required to perform such service, cost estimates for spare parts and other equipment required and plus a margin which we consider is acceptable to our customers.

Customer complaints

During the Track Record Period, we did not receive any material complaint from our customers in respect of the application solutions or services we provided to them.

Marketing and promotion

We participate in seminars and talks organised by industry players from time to time. As our Group provides services to operators and owners of public transport system and obtains most of our business through tender process, we do not rely heavily on promotional activities. We have built up our customer base by solid track records and reputation in the industry. Our marketing staff is mainly responsible for the overall supervision of a sales cycle, which includes, coordinating workflow, issuing invoices and monitor settlement of payments. We intend to participate in more promotional events organised by our industry players in the future to further enhance our reputation and customer base.

DESIGN AND ENGINEERING

We recognise the importance of our design and engineering in order to provide quality services.

As at the Latest Practicable Date, our design and engineering team consisted of more than 40 members. A majority of them completed tertiary education. Our design and engineering team primarily focuses on five main areas, namely (1) to improve/enhance our existing software systems to increase efficiency and capacity; (2) to design better or novel products and technologies for customers; (3) to gather market intelligences; (4) to provide technical services and on-the-job training for our staff; and (5) to follow new trend in our industry globally.

As at the Latest Practicable Date, we had obtained six computer software copyrights from the National Copyright Administration of the PRC. Further details of our major intellectual property rights are set out in the paragraph headed "Major intellectual property rights" below.

Our design and engineering team works closely with academic institutions through discussions and exchanging ideas with them on new software systems and further development and improvement on existing software systems that meet consumers' needs. We will continue to cooperate with universities or academic or research institutes from time to time to further strengthen our capabilities in developing new software systems and enhancing our technologies.

EMPLOYEES

As at 30 November 2011, we had 62 full-time employees respectively. The following table shows a breakdown of our employees by division as at 30 November 2011:

Division	Number of employees
Management	2
Procurement	3
Marketing	6
Design and engineering	42
Quality control	2
Corporate administration	3
Finance	4
Total	62

As at 30 November 2011, our design and engineering team is the largest division of our Group and it consisted of more than 40 members. Over 80% of them completed tertiary education and among them over two-thirds graduated with a degree in computer science or engineering. Members of our design and engineering team participated in various ACC and TCC projects in Beijing and certain smart card projects in Hong Kong. They have prior experience working as engineers, software programmers or project managers in such projects and amongst them, approximately 50% have five years of relevant experience or less, approximately 30% have six to ten years of relevant experience and approximately 20% have over 10 years of relevant experience.

We provide training to our staff on a regular basis to enhance their technical and product knowledge including industry quality standards, safety standards and customers sales skills. We also constantly carry out staff evaluation to assess their performance from time to time. We encourage our staff to take job-related courses to better equip themselves with necessary technical knowledge and we will reimburse their education fees.

We contribute to social insurance scheme in accordance with applicable PRC laws and regulations. We entered into a trust agreement with Beijing Foreign Enterprise Human Resources Service Co., Ltd. ("**FESCO**") in 2009 and employed FESCO to manage our social insurance matters, enhance our human resources management and reduce human resources management cost. FESCO is a company established in China in 1979 providing professional service of human resources to foreign enterprises' representative offices in China, foreign financial institutions and economic organisations. FESCO has confirmed that, since 1 April 2009, we have paid all social insurance fees required by PRC laws and regulations. Our PRC Legal Advisers also advised that our Group has made all social insurance and housing provident fund contribution required by relevant PRC laws and regulations.

As required by the employment laws in Hong Kong, our Group participates in the mandatory provident fund scheme to provide retirement benefits for our Hong Kong staff. Our employees are entitled to medical welfare and they may also be entitled to fixed and/or discretionary bonus provided by our Group.

We maintain good relationships with our staff. We believe that our working environment and benefits offered to our employees have contributed to building good employer/employee relations and staff retention. As at the Latest Practicable Date, we had not experienced any strikes or any labour disputes with our staff which have had a material effect on our business.

AWARDS AND ACCREDITATIONS

ERG BJ has received the following awards and accreditations:

Date of grant/ Date of expiry	Award/Certificate	Awarding body
24 December 2010/ 23 December 2013	High and New Technology Enterprise (高新技術企業)	Beijing Municipal Science and Technology Commission (北京市科學技術委員會) Finance Bureau of Beijing (北京市財政局) Beijing Municipal Office, State Administration of Taxation (北京市國家稅務局) Beijing Local Taxation Bureau (北京市地方稅務局)
17 August 2010/ 16 August 2013	ISO 9001 quality management system certification	Beijing United Intelligence Certification Co., Ltd. (北京聯合智業認證有限公司)

INSURANCE

In Hong Kong, we maintain insurance in relation to, among others, employees' compensation, product liability, professional indemnity, property and business interruption. Our Directors are of the view that our insurance coverage is in line with industry practice in Hong Kong.

In the PRC, social insurance is provided for our employees including insurance for retirement, unemployment, sickness and injury as required by the PRC social security regulations. We do not maintain product liability insurance in the PRC as we purchase insurance in accordance with each project based on the tender documents. Our PRC Legal Advisers have confirmed that product liability insurance is a kind of commercial insurance, which is not mandatory under PRC laws and regulations. As confirmed by our Company and after due diligence performed by our PRC Legal Advisers, product liability insurance is not required for any current valid contracts that ERG BJ is involved in. Generally, a warranty of one to three years from delivery and acceptance of our products or services is provided under our project agreements obtained through tender process. During the warranty period, complimentary after-sales maintenance and repair services are typically provided to our customers. For both project agreements and maintenance agreements, different levels of compensation are stipulated in the relevant agreement according to the type of faults or accidents that may occur during the period of service. During the Track Record Period and up to the Latest Practicable Date, our Group has not subject to any product liability claims, litigation, complaints or adverse publicity in relation to our application solutions. We believe that the coverage of insurance in the PRC is adequate for our Group's operation and in line with industry practice. As at the Latest Practicable Date, we had not been the subject of any insurance claims which are material to us.

During the Track Record Period, we have not experienced any material claims from third parties as a result of the quality of the services and products of our Group.

MAJOR INTELLECTUAL PROPERTY RIGHTS

Our Group's intellectual property rights are important to our business and as at the Latest Practicable Date, our Group had been granted two licences. The details are summarised as follows:

Licensor	Licensee	Duration of the licence	Licensed technology	Covered area
Vix IP	ERG BJ	28 February 2012 to 20 July 2014	Non-exclusive and non-transferable licence to use the ACC technology for the project relating to the ACC System of the Beijing Subway and other technology	PRC
Vix IP	ERG HK	28 February 2012 to 20 July 2014	Non-exclusive and non-transferable licence to use any technology owned by or licensed to Vix IP or an affiliate of Vix IP which is capable of being used in an AFC System, product or service	Hong Kong, Macau and Taiwan

Further information in relation to the above licensing arrangements are set out in the section headed "Continuing connected transactions" in this prospectus. Since ERG HK and ERG BJ did not enter into licensing agreements during the Track Record Period, we subcontracted the work that required the use of licensed technology to BII ERG, which possessed the licensed technology. There was no revenue derived from such indirect use of licensed technology for the year ended 30 June 2010 and the five months ended 30 November 2011. For the year ended 30 June 2011, 26.8% of the revenue was derived from the indirect use of licensed technology. Up to the Latest Practicable Date, approximately 15.3% of our project backlog orders utilised the licensor technology. Our Directors are of the view that the licensed technology would be a technology required to be used in our projects from time to time. At the current stage, our Directors estimate that approximately 10% of our revenue for the year ending 30 June 2012 will be generated from the projects which require the use of such licensed technology. Our Directors believe that it is likely that Vix IP would renew the licence agreement with ERG HK and ERG BJ upon their expiry in 2014 having considered that Vix Holdings is a shareholder of the Company at present and has an interest in the Company.

The Vix Group is a world leading provider of auto fare collection technology, including payment processing, smart technology and associated hardware. The Vix Group designs, develops, and supplies front-office and back-office solutions for the automatic fare collection industry with operations in Australia, the United States, Thailand, China and various other countries. The Vix Group offers customised software solutions including MASS, eO and eBrio (as defined below) to transport operators as well as hardware that will issue and read smart cards and perform validation and authorisation functions. The Vix Group offers integrated fare management and software systems, including bus computers, bus and rail validators, which include ticket processors, ticket vending machines, card readers and viper processors for embedded device requirements. The Vix Group's products enable ticket issuance, smart card issuance, smart card loading, and fare

processing applications in buses, trams, ferries, station platforms, point of sale sites, and ticket offices. The Vix Group offers open payment, integrated payment, single/multimodal transit, and turnkey AFC solutions and also provides AFC consulting, product design, managed, and hosted services.

The three types of technologies, MASS, eO and eBrio (as defined below) are currently owned by the Vix Group and licensed to our Group. The Vix Group does not use these technologies in their business. Instead, it develops or customises, licenses and sells software solutions. The said three types of technologies are amongst the many types of software technologies developed and owned by the Vix Group which the Vix Group licenses to other transport operators globally. Currently, the Vix Group has also granted to BII ERG a non-exclusive license to the said technologies pursuant to a the Joint Venture Agreement for the use of the ACC technology in the project relating to the ACC System of the Beijing Subway. Other than ERG BJ, ERG HK and BII ERG, the Vix Group has not granted the licensed technology to any other companies in the Greater China region. The Vix Group has no intention to transfer the licensed technology to our Group as the Vix Group is a global company and it is one of their businesses to license technology to other third parties around the world. It is intended for the Vix Group to continue to license the technologies to our Group prior to and subsequent to the Listing pursuant to the Licence Agreements which will allow our Group to use the licensed technology as and when necessary. To protect our Group from any potential competition, Vix Transportation has given to our Group an undertaking in favour of our Group pursuant to which Vix Transportation, as covenantor, irrevocably undertakes to the Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding, engage in any business or activity which competes or may compete with the business of our Group. Further details on the Vix Group's non-competition undertaking is set out in the paragraph headed "Vix Group's Non-competition Undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus.

There are three types of technologies currently owned by the Vix Group and licensed to our Group, namely MASS, eBrio and eO (all of which are defined below). MASS or Multi Application Smartcard System is the Vix Group's large-scale integrated fare collection solution that has been the cornerstone of some of the world's largest smart-card payment and billings systems. The MASS software suite covers fare collection equipment applications, station or depot computer systems, operator head-office computer systems and a high-volume transactional clearinghouse for the clearing and settlement of funds between multiple transport operators. The eBrio system is the Vix Group's medium range automated fare collection system targeted at single transport operators. The eBrio suite of software includes central server software with a web front end, fare collection equipment applications (including smartcard validators, driver's consoles, handheld validators, ticket vending machines and gates), station and depot level computer systems. The eBrio system processes smartcard transactions generated at fare collection equipment on vehicles and at stations and generates financial and statistical reports allowing operators to manage their business. Finally, the eO system is a hosted AFC system designed to enable transit operators to electronically collect fares from riders in an affordable, secure, and open manner. The main feature of the eO system is that it is a back-office, account-based solution with the business intelligence and fare processing rules located in a central processing system, as opposed to on the fare collection devices in the field. This architecture allows the system to support both contactless smartcards and contactless credit cards which are presented to transit operators' fare collection devices as a simple irrefutable token. Transactions created on these devices are then sent to the eO back office system for post-processing where business rules are applied to yield a net fare calculation and subsequent debiting of the owner's account. All of these three types of technologies were equally important technologies that have been adopted in our projects related to the ACC System and AFC System.

Historically, certain technology owned by the Vix Group and further modified by ERG HK in certain cases was used by ERG HK in the smart card project in Hong Kong from 1995 to 1997, the MTR TKO Extension Project from 2000 to 2002, the Light Rail AFC Project from 2001 to 2003 and the Nam Cheong Station AFC Project in 2003. At the time, there was no license agreement in place between the Vix Group and ERG HK and ERG HK used such technology owned by the Vix Group free of charge from the Vix Group because it was then an indirect wholly owned subsidiary of Vix Technology. For these projects, the tender bids were won by members of the Vix Group and subsequently subcontracted to ERG HK. At the time, there was also no licensing agreement entered into between the Vix Group and ERG BJ. Therefore, part of the ACC and TCC Integration Project awarded to ERG BJ in 2010 which required the use of the licensed technology was subcontracted to our associated company, BII ERG. BII ERG had entered into a licensing agreement with Vix IP on 3 December 2009 and was licensed to use such licensed technology pursuant to the agreement. The BII ERG Licensing Agreement licenses to the licensee certain technology, owned by the Vix Group in automatic fare collection systems, which include a range of application solutions and products that may be applied and used by the licensee at the network level and/or at the line level depending on the business of the licensee.

As there was no licensing agreement entered into between the Vix Group and our Group, part of our projects which required the use of the licensed technology was subcontracted to BII ERG during the Track Record Period. As such, we did not generate any revenue from using the licensed technology from the Vix Group during the Track Record Period.

In addition, as at the Latest Practicable Date, we had six computer software copyrights in the PRC:

Name of software	Applicant	Application number	Registration date
Rail Transit Station Simulator Software	ERG BJ	2010SR050849	26 September 2010
Metro Environment and Equipment Monitoring System (BAS System)	ERG BJ	2010SR051132	27 September 2010
AFC System Real Time Monitoring Software (Real Time Monitoring Software)	ERG BJ	2010SR051098	27 September 2010
AFC System Operation Monitoring Software (Operation Monitoring Software)	ERG BJ	2010SR050524	24 September 2010
Clearing Settlement Report System (ACC Clearing System)	ERG BJ	2010SR050918	26 September 2010
Clearing Management Centre Consolidated Search System (Consolidated Search System)	ERG BJ	2010SR051099	27 September 2010

We have confidentiality protection arrangements in place to protect our trade secrets, including the requirement for our technical and management personnel to enter into confidentiality agreements to ensure that our trade secrets are not passed onto any third party.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our operational activities do not generate industrial pollutants and our operations do not raise any material safety or health related concerns and we did not incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. As confirmed by the Environmental Protection Bureau of Haidian District in Beijing and our Directors, there is no record in relation to any penalty imposed on ERG BJ regarding breaches of environmental protection laws, regulations or policies between 2009 and 2011. Our PRC Legal Advisers consider that the Environmental Protection Bureau of Haidian District in Beijing is a competent and appropriate authority to issue such confirmation for our Group. As at the Latest Practicable Date, we have not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection and safety or any complaints from our customers or the public in respect of safety and health issues relating to the use of, or any incidents arising from, the use of our application solutions.

Our Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of our application solutions and services in any material respect, and that our operational activities are in compliance with the application laws and regulations of the PRC in respect of environmental protection and safety.

COMPETITION

We are engaged in the design and implementation of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. Our application solutions are for use at the network level of a public transport system where lines within such system are connected to. Our application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked-up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre.

The public transport systems industry in the PRC has been growing rapidly in recent years. We face competition from numerous participants offering application solutions and products in relation to the computer systems of railways transports. Market participants in this industry in the PRC are normally competing on technology, pricing and after sales services.

During 2009 and 2010, there were two corporate group participants in the network-level subway system projects in Beijing. Most of such participants were specialised in one or few particular aspects, for instance, providing application solutions for solely the ACC System, the TCC System, the AFC System or other subsystems.

We are also granted licences in relation to certain technology, owned by the Vix Group, which include a range of application solutions and products that may be applied and used in automatic fare collection system to maintain our technology level and gain comparative advantages over our

competitors. ERG HK and ERG BJ are both licensed by Vix IP to utilise any intellectual property owned by or licensed to Vix IP or its affiliates which is capable of being used in automatic fare collection system from time to time in the Greater China region.

Further, we were awarded the ACC and TCC Integration Project for the Beijing Subway when it opened five new lines in 2010, we believe that while we provided the application solutions for the integration of the relevant systems, we would gain advantage in obtaining the corresponding maintenance contract with our knowledge of the relevant systems and which will be steady source of income for us.

There is no special regulatory barrier to enter into the public transport systems industry. So far as our Directors are aware, tenders in relation to application solutions of a public transport system offered in the PRC are not confined to bidders with prior working experience with the relevant project owners. However, as qualification and technological requirements, such as the CISI Qualification, technological know-how and experience of technical staff and relevant past track record experience, may be required for relevant tenders, our Directors believe that it will not be easy for new entrants to meet such requirements or to cooperate with appropriate business partners to make joint application for tenders. During the Track Record Period, we had made tender application jointly with 紫光捷通科技股份有限公司 and 奔訊電子科技(北京)有限公司 in the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. For the tender application made by us in the PRC jointly with our business partners during the Track Record Period, we were the leading party in such tenders.

Our Directors are of the view that industry players with prior business relationships with relevant project owners might gain advantage in obtaining contracts at locations with established public transport systems since relevant past track record and cooperation experience could enhance project owners' confidence in the potential suppliers. In particular, suppliers providing application solutions for the existing systems would gain advantage in obtaining maintenance projects and ad hoc projects, such as system upgrading projects, in relation to such existing systems.

Currently, our Group does not provide application solutions or products for use at the line level of a public transport system in the PRC, while BII ERG does not provide application solutions and products for use at the network level of a public transport system in the PRC. To protect our Group from potential competition, BII ERG has given an irrevocable undertaking in favour of our Group on 24 April 2012 that, so long as our Shares remain listed on the Stock Exchange, BII ERG or its subsidiaries, shall not (i) directly or indirectly, by any association, partnership, cooperation, joint venture or other contractual relationship participate in business anywhere in the world which will or may compete with our Group's business of application solutions that are currently used or will be used in the ACC System, the TCC System and the PCC System at the network level of a public transport system; and (ii) directly or indirectly hold shares of any company or enterprise located at anywhere in the world the business of which will or may compete with the business of ERG BJ or our Group directly or indirectly. Further, BII ERG also undertakes to grant our Group a first right of refusal in the event BII ERG receives enquiries in respect of all actual or potential business opportunity in relation to any network level or line level business in the PRC, BII ERG shall inform our Group and provide us with sufficient information. BII ERG shall only participate in the business opportunity upon confirmation from our Group that our Group will not bid, provide or participate in such business opportunity.

To protect our Group from further potential competition, Vix Transportation has given an irrevocable undertaking in favour of our Group on 24 April 2012 pursuant to which Vix Transportation shall not, and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding and/or companies controlled by Vix Transportation (other than our Group): (i) whether or not for compensation, in any manner or capacity, engage in (whether as principal, agent and whether undertaken directly or through any body corporate, partnership, joint venture or other contractual or other arrangement) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, director, unit holder or in any other capacity) any business or activity similar to or which will or may compete with the business of our Group; (ii) at any time induce or attempt to induce any director, manager or employee of our Group to terminate his or her employment with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment; and (iii) solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to our Group's business to cease from dealing with our Group or to reduce the amount of business which the person would normally do with our Group. Further, Vix Transportation undertakes to grant to our Group a first right of refusal to bid or provide a proposal for an opportunity in the scope of our Group's business. Further details of the Vix Group's non-competition undertaking are set out in the paragraph headed "Vix Group's non-competition undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus.

Our Controlling Shareholders and Directors do not have any interest in a business part from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business.

PROPERTIES

As at the Latest Practicable Date, to support our business activities and operations, we leased (i) one premises in the PRC; and (ii) two premises in Hong Kong, with a total floor area of approximately 10,237 sq.ft. in aggregate as offices. All of our leases are entered into with Independent Third Parties and we are using the leased premises in accordance with the purposes stated in the respective tenancy agreements. Further details regarding all our property interests are set out in Appendix III to this prospectus.

REGULATORY COMPLIANCE

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had duly obtained approvals, permits, consents, licences and registrations relating to our incorporation. Our PRC Legal Advisers also confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had duly obtained approvals, permits, consents, licences and registrations all of which are presently in force, necessary for the conduct of our business. Additional information on laws and regulations applicable to our operations in the PRC is set out in the section headed "Regulations" in this prospectus.

As advised by our legal advisers as to Hong Kong, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations and had obtained all requisite permits, licenses and approvals for our operations in Hong Kong.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance.

DIRECTORS

Our Board consists of seven Directors, three of whom are independent non-executive Directors. Our Board has the general powers and duties for the management and conduct of our business.

The table below sets forth certain information regarding our Directors:

Name	Age	Position
CAO Wei	48	Chief Executive Officer and Executive Director
CHEN Rui	37	Executive Director
TIAN Zhenqing	46	Chairman and non-executive Director
Steven Bruce GALLAGHER	47	Non-executive Director
HU Zhaoguang	73	Independent non-executive Director
BAI Jinrong	61	Independent non-executive Director
KONG Shin Long, Johnny	64	Independent non-executive Director

Executive Directors

CAO Wei (曹瑋), Mr. Cao, aged 48, is our Chief Executive officer and executive Director. He was appointed as Director on 7 January 2011 and redesignated as executive Director on 7 December 2011. Mr. Cao joined our Group in April 2009. Mr. Cao is a director and is indirectly interested in the shares of ERG Greater China through his 50% equity interest in BETIT Australia. ERG Greater China was the owner of the entire issued share capital of ERG HK and ERG BJ prior to our Reorganisation. The substance of Mr. Cao's responsibilities and contribution to the business of our Group was demonstrated through his shareholding and directorship in ERG Greater China. Mr. Cao has over 14 years of experience in the management technology and communications industry and has developed strong business relationship and networks in the industry. Through Mr. Cao's experience in the industry and business networks, ERG BJ was able to participate in various projects relating to the ACC System. Because ERG BJ was awarded these projects under Mr. Cao's guidance to develop and manage the business and resulting in an improvement in ERG BJ's business, ERG Greater China subsequently acquired 100% equity interest of ERG HK in March 2010. At the material time, both Mr. Cao and the Vix Group considered that it would be beneficial to both parties to operate ERG HK's business under the joint venture structure and the guidance of Mr. Cao. Mr. Cao has been serving as director of ERG BJ and ERG HK since his appointment in May 2011 and April 2010, respectively. He had been a director and the general manager of Beijing Enterprises Teletron Information Technology Co., Ltd., a company which became a subsidiary of Beijing Development in 2001. From 2005 to 2010, Mr. Cao was an executive director and vice president of Beijing Development (Hong Kong) Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 154)). From 1996 to 2001, Mr. Cao was the general manager of Beijing Telecom Network Technology Co., Ltd.. Mr. Cao obtained a bachelor's degree in industrial automation from Harbin Institute of Technology in July 1985 and received his certification as senior engineer in 1996. Mr. Cao subsequently obtained an executive MBA (EMBA) from Tsinghua University in July 2009. Save as disclosed above, Mr. Cao had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

CHEN Rui (陳睿), Mr. Chen, aged 37, is our executive Director. He was appointed as a Director on 7 January 2011 and redesignated as executive Director on 7 December 2011. Mr. Chen joined our Group in April 2009 as a general manager of ERG BJ. He was appointed as a director of ERG BJ in March 2011. From March 2011 to August 2011, he concurrently served as the general manager of Vix Technology in East Asia. In March 2009, Mr. Chen was also appointed as a director of ERG Greater China. Mr. Chen has over six years of experience in the management technology and communications industry. From January 2008 to March 2009, Mr. Chen was engaged in the chartered financial analyst self-study program offered by the CFA Institute to investment and financial professionals. From May 2005 to December 2007, Mr. Chen was the deputy general manager of Vix Technology in East Asia. From July 1997 to October 2002, Mr. Chen worked at the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). He obtained his bachelor's degree in English from Xiamen University in 1997 and a master's degree in business administration from the University of Western Australia in March 2005. Mr. Chen had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

Chairman and non-executive Directors

TIAN Zhenqing (田振清), Dr. Tian, aged 46, is our Chairman and non-executive Director. Dr. Tian joined our Group and was appointed as a Director on 6 July 2011 as nominated by BII HK, one of our Pre-IPO Investors, pursuant to the terms of the BII HK Subscription Agreement and the Management and Operation Agreement. Dr. Tian was subsequently redesignated as our Chairman and non-executive Director on 7 December 2011 because of his extensive experience in city metro operation and management. Dr. Tian has extensive industry experience and expertise and currently holds a senior position in BII. As a matter of good corporate governance practices, Dr. Tian, as our Chairman, is not involved in the day-to-day operations of our Group. Dr. Tian's role as our Chairman is to provide leadership for the Board in terms of strategic and business development of our Group, particularly in our Group's expansion plans to capture business opportunities in the expanding PRC market. Dr. Tian concurrently serves as the director and the general manager of BII. Since May 2009, Dr. Tian also concurrently serves as a director of Metro Land Corporation Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 600683)) and as a director of Beijing MTR Corporation Limited, a joint venture company formed amongst MTR Corporation Limited, Beijing Capital Group Co., Ltd. and BII. Dr. Tian joined BII in 2005 and prior to that he was the vice general manager of Beijing Chemical Industry Group Corporation Co., Ltd.. Dr. Tian obtained a doctorate degree from Huazhong University of Science and Technology in December 2011. Dr. Tian obtained a bachelor's degree in metallurgical machinery from Wuhan University of Science and Technology (formerly known as Wuhan Institute of Iron and Steel) in July 1988 and a master's degree in business administration from Renmin University of China in January 2001. Dr. Tian received his certification as senior engineer in October 1998. Save as disclosed above, Dr. Tian had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

Steven Bruce GALLAGHER, Mr. Gallagher, aged 47, is our non-executive Director. He was appointed a Director on 7 January 2011 and redesignated as non-executive Director on 7 December 2011. Mr. Gallagher joined our Group as a director of ERG Greater China in February 2009. Mr. Gallagher has over 20 years of experience in the management technology and communications industry. Mr. Gallagher concurrently serves as an executive director of Vix Technology, a member of the Vix Group. He has served as an executive director of Vix Technology since July 2007. As

stated in the financial report of Videlli Limited (formerly known as ERG Limited and delisted from the Australian Securities Exchange in June 2009) for the year ended 30 June 2009, from June 2007 to March 2009, Mr. Gallagher was an executive director of Videlli Limited. As confirmed by Mr. Gallagher, during the period from 1991 to 2005, he served in various posts with Siemens Australia Ltd and later with Siemens China Ltd. his resignation in 2005. Mr. Gallagher obtained his bachelor's degree in engineering from the University of Melbourne in 1986. Save as disclosed above, Mr. Gallagher had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

Independent non-executive Directors

HU Zhaoguang (胡昭廣), Mr. Hu, aged 73, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Mr. Hu has over 20 years of experience in economics, finance and corporate management and was widely recognised for his work in these areas. Mr. Hu has been the chairman of audit committee and an independent non-executive director of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 861)) since September 2004, and an independent non-executive director of BBMG Corporation (a company listed on the Main Board of the Stock Exchange (Stock Code: 2009)) since August 2008. Prior to joining our Group, Mr. Hu was successively chairman of the board of directors of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 392)) between April 1997 and May 2003, chairman of Beijing Holdings Limited from May 1997 to May 2003 and an independent non-executive director of China Overseas Land and Investment Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 688)) from April 2000 to May 2003. From February 1993 to January 1998, Mr. Hu served as vice mayor of Beijing. He obtained his bachelor's degree in electrical engineering from Tsinghua University in July 1965. Save as disclosed above, Mr. Hu had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

BAI Jinrong (白金榮), Mr. Bai, aged 61, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Mr. Bai has over 25 years of experience in economics, finance and enterprise management. As confirmed by Mr. Bai, prior to joining our Group, Mr. Bai was the vice board chairman and general manager of Beijing Enterprises Group Company Limited from 2005 to 2010; from 2003 to 2004, he was the deputy director of Beijing State-owned Assets Supervision and Administration Commission; from June 2005 to June 2011, Mr. Bai was the executive director of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 392)); from 1992 to 1997, he served as a deputy director of Beijing Economic Structure Reforms Committee; from 1984 to 1992, he served as a deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. Mr. Bai graduated from Beijing Normal University in 1985. Save as disclosed above, Mr. Bai had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

KONG Shin Long, Johnny (龔興隆), Dr. Kong, aged 64, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Dr. Kong has over 20 years of experience in accounting. Dr. Kong serves as an independent non-executive Director of East China Engineering Science and Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 002140)). From 2003 to 2011, Dr. Kong was an independent non-executive director of Chifeng Fulong Thermal Power Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 000426)). From 2007 to 2011, he was also an independent non-executive director of China Merchants Property Development Company Limited (a company listed on the Shenzhen Stock Exchange (Stock Code: 000024)). From 2002 to 2010, Dr. Kong was also an independent director of Hebei Chengde Lolo Company Limited (a company listed on the Shenzhen Stock Exchange (Stock Code: 000848). Dr. Kong was a practising accountant at Pan-China Certified Public Accountant Co., Ltd. In 1997, he was the chief financial officer of Asia Pacific Media Company. In 1993, Dr. Kong was financial controller and subsequently financial and accounting manager of Philips Electronics South-East Asia Holding B.V. In March 1990, Dr. Kong was an executive director in financial services of Bell South International (Asia/Pacific) Inc. At present, Dr. Kong is a member of the audit committee of Beijing-MTR. Between 1998 and 2009, Dr. Kong has also assumed part-time teaching positions with various universities including Renmin University of China and Peking University. Dr. Kong successfully passed the national open examination in 1996 and has been a practising member of the Chinese Institute of Certified Public Accountants since 2001. Dr. Kong obtained a doctorate degree of Management from Renmin University of China in July 2000. Save as disclosed above, Dr. Kong had not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the Latest Practicable Date.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (w) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management members are Cao Wei, Chen Rui, Zhang Yong, Cao Ying, Wu Xiao and Lau Kwok Fai Patrick. Cao Wei is our Chief Executive Officer and executive Director and Chen Rui is our executive Director. Details of their experience are set out in the paragraph headed "Executive Directors" above.

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
ZHANG Yong	49	Deputy General Manager
CAO Ying	37	Deputy General Manager
WU Xiao	32	Deputy General Manager
LAU Kwok Fai Patrick	39	Financial Controller and Company Secretary

ZHANG Yong (張勇), Mr. Zhang, aged 49, joined our Group and was appointed as Deputy General Manager of our Group on 11 April 2011. Mr. Zhang has over 20 years of experience in the management technology and communications industry. Mr. Zhang concurrently serves as general manager of our operating subsidiary, BII ERG. From 1996 to 2010, Mr. Zhang was the China regional head of Shanghai Axis Communication Equipment Trading Co., Ltd. (上海安訊士網絡通訊設備貿易有限公司*), Extreme Networks China Limited (極進網絡中國有限公司*), Nokia (China) Investment Corporation (諾基亞(中國)投資有限公司*) and Racal Asia Ltd.. In 1996, Mr. Zhang worked at Novell, Inc. and from 1987 to 1993, he worked at China Hewlett-Packard Co., Ltd. (中國惠普有限公司*). Mr. Zhang obtained a bachelor's degree and a master's degree in engineering from Harbin Institute of Technology in 1984 and 1987 respectively. Mr. Zhang received his certification as assistant engineer in 1988. Mr. Zhang is primarily responsible for our Group's business development in the PRC.

CAO Ying (曹穎), Ms. Cao, aged 37, joined our Group and was appointed as Deputy General Manager of our Group on 11 April 2011. Ms. Cao has over eight years of experience in the management technology and communications industry. Ms. Cao was appointed as a director of ERG BJ in March 2011. She concurrently serves as a director of ERG BJ and is the business director of BII ERG. Prior to joining our Group, Ms. Cao was the administrative manager at Beijing Development (Hong Kong) Limited and the business development director at Beijing Beikong Telecom Information Technology Limited. Ms. Cao obtained a bachelor's degree in polymer chemical engineering from the Beijing University of Chemical Technology in 1997. Ms. Cao is primarily responsible for administrative and business management of our Group.

WU Xiao (吳筱), Ms. Wu, aged 32, joined our Group and was appointed as Deputy General Manager of our Group on 1 November 2010. Ms. Wu has more than six years of experience in asset management, equity capital markets and investment banking. Prior to joining our Group, Ms. Wu held the position of marketing director at CMS Asset Management (HK) Co., Limited where she mainly focused on product design and marketing. Ms. Wu was awarded employee of the year award in 2007 at China Merchants Securities (HK) Co., Ltd.. Between 2004 and 2006, Ms. Wu worked in the investment banking and equity capital markets department at China Merchants Securities (HK) Co., Ltd. Ms. Wu obtained a bachelor's degree in international finance from Jinan University in 2002 and a master's degree in banking and finance from the University of Stirling in 2005. Ms. Wu is primarily responsible for investor relations, marketing and capital markets activities of our Group.

LAU Kwok Fai Patrick *CPA, FCCA* **(劉國煇)**, Mr. Lau, aged 39, joined our Group and was appointed as Financial Controller and Company Secretary of our Group on 1 July 2011 and 7 December 2011, respectively. Mr. Lau has over 14 years of experience in the accounting and finance field. Prior to joining our Group, Mr. Lau served the financial advisory services group at KPMG for over 10 years. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau is primarily responsible for financial and company secretarial matters of our Group.

COMPANY SECRETARY

LAU Kwok Fai Patrick *CPA, FCCA* **(劉國煇)**. Description of Mr. Lau's experience is set out in the paragraph headed "Senior management" above.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 8 December 2011, which comprises Kong Shin Long, Johnny as the chairman, Hu Zhaoguang and Bai Jinrong as members. Our audit committee has adopted the written terms of reference in compliance with paragraph C3.3 and 3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Group. The committee will be assisted by the professional accounting firm engaged by our Group, which will conduct regular internal audits and report to the committee.

Remuneration committee

Our Company established a remuneration committee on 8 December 2011, which comprises Hu Zhaoguang as the chairman, Cao Wei and Bai Jinrong as members. Our remuneration committee has adopted written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our remuneration committee are, among other things, to evaluate the performance and to make recommendations on the remuneration package of our Directors and senior management.

Nomination committee

Our Company established a nomination committee on 8 December 2011, which comprises Tian Zhenqing as the chairman, Hu Zhaoguang and Bai Jinrong as members. Our nomination committee has adopted written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our nomination committee are to nominate potential candidates for directorship, to review the nomination of directors and to make recommendations to the Board on terms of such appointment.

COMPLIANCE ADVISER

Our Company is expected to appoint Guotai Junan Capital Limited as its compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules. The compliance adviser will advise our Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after Listing. The material terms of the compliance adviser's agreement to be entered into between our Company and the compliance adviser are summarised as follows:

(i) our Company will appoint Guotai Junan Capital Limited as compliance adviser for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, that is, 30 June 2014, or until the agreement is terminated, whichever is the earlier;

(ii) the compliance adviser shall provide our Company with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable laws, rules, codes and guidelines;

(iii) our Company will indemnify the compliance adviser for certain actions against it and losses incurred by it arising out of or in connection with the performance by the compliance adviser of its duties under the agreement; and

(iv) our Company shall have the right, without compensation to terminate the appointment of the compliance adviser under the agreement only if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable by our Company to the compliance adviser as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance adviser shall have the right to resign or terminate its appointment as a compliance adviser in accordance with the terms of the agreement.

STAFF OF OUR GROUP

As at 30 November 2011, our Group had 62 full-time employees.

SHARE OPTION SCHEME

Our Company proposes to adopt the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in the recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

RELATIONSHIP WITH ERG GREATER CHINA BVI

Immediately following the completion of the Global Offering, ERG Greater China BVI will remain as our largest Shareholder and is expected to hold approximately 60.16% of our Shares (assuming the Over-allotment is not exercised) and 57.98% of our Shares (assuming the Over-allotment is exercised in full, without taking into account any exercise of options granted and/or to be granted under the Share Option Scheme).

As at the Latest Practicable Date, ERG Greater China BVI was held as to 56% by More Legend, 30% by Vix East Asia and 14% by Landcity. As at the Latest Practicable Date, More Legend was held as to 75% by Mr. Cao and as to 25% by Ms. Wang, the spouse of Mr. Cao. Mr. Cao, as our executive Director and a director to all of our subsidiaries and as a majority shareholder of More Legend, is a connected person to our Company. Ms. Wang, as a Substantial Shareholder of More Legend and as the spouse of Mr. Cao, is also our connected person. As of the Latest Practicable Date, Vix East Asia was held as to 100% by Vix Holdings and Landcity was held as to 100% by Sino Choice Trust, whose beneficiaries are Mr. Chen and Ms. Jiang. Mr. Chen, as our executive Director and a director to all of our subsidiaries and as a beneficiary to Sino Choice Trust, a Substantial Shareholder of ERG Greater China BVI, is a connected person to our Company. Ms. Jiang, as a beneficiary to Sino Choice Trust, a Substantial Shareholder of ERG Greater China BVI and as spouse of Mr. Chen, is also our connected person.

Mr. Cao and Ms. Wang, through More Legend, are and will continue to be, after Listing, our Controlling Shareholders as defined under the GEM Listing Rules. Each of our Controlling Shareholders and our Directors have confirmed that none of them has any direct or indirect interest in any businesses or companies that are engaged in any business activities that compete or may compete with our business activities.

RELATIONSHIP WITH THE VIX GROUP

ERG Greater China BVI is also held as to 30% by Vix East Asia. As at the Latest Practicable Date, Vix East Asia was held as to 100% by Vix Holdings and was part of the Vix Group. At the inception of each of ERG HK and ERG BJ, Vix Holdings was interested in their entire equity interest and members of the Vix Group have been working together with ERG HK and ERG BJ in various projects. All the projects (other than maintenance agreements) which ERG HK participated in were tenders won by the Vix Group.

The Vix Group comprises Vix Transportation and its subsidiaries. Vix Transportation is an Australian-based company. The Vix Group is a world leading provider of auto fare collection technology, including payment processing, smart technology and associated hardware. The Vix Group has operations in Australia, the United States, Thailand and China. The Vix Group has provided a non-competition undertaking not to compete with the Group's business in the Greater China Region. Further, there is no restriction preventing our Group from expanding the business to countries other than the Greater China region in the future. However, the Vix Group may compete with our Group in such case.

Each of ERG HK and ERG BJ has entered into Licensing Agreements with Vix IP pursuant to which each of ERG HK and ERG BJ was granted a non-exclusive and non-transferable license to use certain licensor technology in the Greater China region. Additional information on the

Licensing Agreements are set out in the section headed "Continuing connected transactions" in this prospectus. Further, during the Track Record Period, members of the Vix Group also subcontracted to us various aspects of the projects obtained by them in Hong Kong because our staff in Hong Kong possessed the necessary technical expertise and experience and staff and operation costs are typically lower in Hong Kong than in Australia.

Vix Group's non-competition undertaking

Vix Transportation has given an irrevocable undertaking ("**Vix Undertaking**") in favour of our Group on 24 April 2012 pursuant to which Vix Transportation, as covenantor, irrevocably undertakes to our Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding ("**Vix Affiliate**") and/or companies controlled by Vix Transportation shall engage in any business or activity similar to or which competes or may compete with the Business (as defined below) of our Group. To protect our Group from any potential competition, Vix Transportation has, among other matters, irrevocably and unconditionally undertaken with our Group that at any time during the Relevant Period (as defined below), Vix Transportation shall not, and shall procure that none of the Vix Affiliates and/or companies controlled by Vix Transportation (other than our Group), save for the Exempted Business (as defined below):

(i) directly or indirectly, whether or not for compensation, in any manner or capacity, engage in (whether as principal, agent and whether undertaken directly or through any body corporate, partnership, joint venture or other contractual or other arrangement) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, director, unit holder or in any other capacity) any business or activity similar to or which will or may compete with the Business (as defined below) of our Group;

(ii) directly or indirectly, at any time, induce or attempt to induce any director, manager or employee of the Group to terminate his or her employment with the Group, whether or not such act of that person would constitute a breach of that person's contract of employment; and

(iii) directly or indirectly, solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Business (as defined below) to cease from dealing with our Group or to reduce the amount of business which the person would normally do with our Group.

Vix Transportation also undertakes to grant to our Group a first right of refusal pursuant to which the Vix Transportation shall make reasonable enquiry by serving a written notice to our Group and upon receiving a written confirmation from our Group within 20 days of the date of such notice that our Group has not and will not, bid or provide a proposal for an opportunity containing the scope in the area of passenger auto fare collection, the Vix Transportation or Vix Affiliates shall be entitled to provide a bid or proposal for such opportunity. Should our Group bid or provide, or will bid or provide, a proposal for such opportunity, our Group shall provide a written reply to the Vix Transportation within 20 days of such written notice to indicate this intention.

The Vix Transportation irrevocably undertakes to our Company that it will refer all enquiries and actual or potential business opportunities in relation to the Business (as defined below) received by it and/or companies under its control and it will provide or procure the companies under its control to provide sufficient information to enable our Company or the relevant member of our Group to reach an informed view and assessment on such business opportunities.

Vix Transportation also irrevocably undertakes to our Company, so long as the Vix Transportation or a Vix Affiliate holds, directly or indirectly, more than 12.5% equity interest in our Company, that the Vix Group or any Vix Affiliate shall not license to any third parties other than our Group and BII ERG in the Greater China region, the licensed technology as licensed under the Licensing Agreements.

BII ERG has given an irrevocable undertaking in favour of our Group on 24 April 2012 that, so long as our Shares remain listed on the Stock Exchange, BII ERG or its subsidiaries, shall not (i) directly or indirectly, by any association, partnership, cooperation, joint venture or other contractual relationship participate in business anywhere in the world which will or may compete with our Group's business of application solutions that are currently used or will be used in the ACC System, the TCC System and the PCC System at the network level of a public transport system; and (ii) directly or indirectly hold shares of any company or enterprise located at anywhere in the world the business of which will or may compete with the business of ERG BJ or our Group directly or indirectly. Further, BII ERG also undertakes to grant our Group a first right of refusal in the event BII ERG receives enquiries in respect of all actual or potential business opportunity in relation to any network level or line level business in the PRC, BII ERG shall inform our Group and provide us with sufficient information. BII ERG shall only participate in the business opportunity upon confirmation from our Group that our Group will not bid, provide or participate in such business opportunity.

For the above purpose:

(A) the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earliest of the dates below upon serving a written notice of termination by any party:

  (i) the date on which our Shares cease to be listed and traded on the Stock Exchange; or

  (ii) the principal business of the Group ceases to be the Business (as defined below); or

  (iii) the date upon which Vix Transportation or any Vix Affiliate ceases to have 10% or more of the shareholding interest in our Company and the representative of Vix Transportation or any Vix Affiliate ceases to be director of our Company or its subsidiaries, and the obligations of Vix Transportation under the Vix Undertaking shall be deemed discharged;

(B) the "Business" means any activity consisting of or relating to the design and implementation of application solutions and provision of technical and maintenance services for the networking and centralised controlling functions of public transport

systems in the Greater China region (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) from time to time our Group engages;

(C) the "Exempted Business" means:

(a) Vix Transportation or a Vix Affiliate taking a passive interest in a company of less than 12.5% equity interest, by way of debt, equity or otherwise, in companies or businesses that compete in the area of auto fare collection hardware and software;

(b) the fields of telecommunications and real-time passenger information systems that Vix Transportation or a Vix Affiliate is engaged in, or industries other than passenger auto fare collection hardware and software.

The Vix Undertaking applies to our Group's Business in the Greater China region. Our Group is currently not engaged in the fields of telecommunications and real-time passenger information systems that Vix Transportation or a Vix Affiliate is engaged in.

The Vix Undertaking, however, does not prevent Vix Transportation or a Vix Affiliate from (i) taking a passive interest meaning an equity interest in a company of less than 12.5% by way of debt, equity or otherwise, in companies or businesses that compete in the area of auto fare collection hardware and software and no representation on the board of directors in such company or business; and (ii) engaging in the fields of telecommunications, real-time passenger information systems that Vix Transportation or a Vix Affiliate is engaged in, or industries other than passenger auto fare collection hardware and software. Further, in circumstances where our Company does not, or where Vix Transportation believes that our Company has not and will not after making reasonable enquiry, bid for or provide a proposal for an opportunity containing the scope in the area of passenger auto fare collection, Vix Transportation or a Vix Affiliate is entitled to prove a bid or proposal for such opportunity. Our Board will decide whether our Group will bid or not bid for any business opportunity and/or transactions. The interested Director(s) will abstain from voting and the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. The basis of such decisions made at the relevant meeting of our Board shall be disclosed in the interim and annual reports in accordance with corporate governance measures.

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with the Business (as defined below) of our Group. To protect our Group from any potential competition, our Controlling Shareholders ("**Covenantors**") have given an irrevocable Non-competition undertaking ("**Non-competition Undertaking**") in favour of our Group on 24 April 2012 pursuant to which each of the Covenantors has, among other matters, irrevocably and unconditionally undertaken with our Group on a joint and several basis that each of the Covenantors shall, and shall procure that their respective associates and/or companies controlled by him/her/it (other than our Group) shall, without the prior written consent of independent shareholders of the Company, directly or indirectly do any of the following:

(i) not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the Business (as defined below) currently and from time to time engaged by our Group;

(ii) not, at any time, induce or attempt to induce any director, manager or employee of our Group to terminate his or her employment with our Group for employment by them or their respective associates, whether or not such act of that person would constitute a breach of that person's contract of employment;

(iii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group); and

(iv) not, without the consent from our Company, make use of any information pertaining to the Business (as defined below) of our Group which may have come to their knowledge in their capacity as the controlling shareholders and/or Directors for the purpose of competing with Business (as defined below).

Each of the Covenantors also irrevocably undertakes to our Group that he/she/it will refer all enquiries and actual or potential business opportunities in relation to the Business (as defined below) received by him/her/it and/or companies under his Control (as defined below) and he/she/it will provide or procure the companies under his/her/its control to provide sufficient information to enable our Company or the relevant member of our Group to reach an informed view and assessment on such business opportunities. Our Board will decide whether our Group will bid or not bid for any business opportunity and/or transactions. The interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. The basis of such decisions made at the relevant meeting of our Board shall be disclosed in the interim and annual reports in accordance with corporate governance measures.

For the above purpose:

(A) The Deed of Non-competition shall remain effective until (a) its expiry on the date upon which the aggregate shareholding of the Covenantors and their associates in our Company is less than 30% of the entire issued share capital of our Company and the Covenantors and their associates together is no longer regarded as a controlling shareholder (as defined in the GEM Listing Rules) of our Company, and the obligations of each of the Covenantors under the Non-competition Undertaking shall be deemed discharged; or (b) otherwise terminated upon occurrence of any of the following events:

    (i) the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange; or

    (ii) the principal business of our Group ceases to be the Business (as defined below).

(B) the "Business" means any activity consisting of or relating to the design and implementation of application solutions for the networking and centralised controlling functions of public transport systems as described in this prospectus (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) from time to time our Group engages.

(C) "Control" means the power of a person to secure:

(i) by means of the holding of shares or other securities or the possession of voting power in or in relation to the relevant body corporate or any other body corporate; or

(ii) by virtue of any powers conferred by the laws, memorandum and articles of association or other constitution document regulating the relevant body corporate or any other body corporate that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of such person.

The Non-competition Undertaking applies to our Group's Business.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders, including:

(a) review by our independent non-executive Directors on an annual basis on the compliance with the Non-competition Undertaking by our Controlling Shareholders, the options, the pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses;

(b) undertakings by our Controlling Shareholders that they will provide to us all information necessary for the enforcement of the Non-competition Undertaking, and confirm to us on an annual basis as to whether he or she or it has complied with the above Non-competition Undertaking;

(c) disclosure by us on decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Undertaking in our annual report; and

(d) our Controlling Shareholders making an annual statement on compliance with the Non-competition Undertaking in our annual report, including the disclosure on how the Non-competition Undertaking was complied with and enforced, which is consistent with the principles of making voluntary disclosure in the corporate governance report of the annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as the proposed transactions with our Company's connected persons as disclosed in the section headed "Continuing connected transactions" in this prospectus, our Directors do not expect that there will be any significant transactions between our Controlling Shareholders and us upon Listing. On this basis, we are capable of carrying on our business independent of and does not place undue reliance on our Controlling Shareholders taking into consideration the following factors:

Management independence

Our Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Mr. Cao, our Chief Executive Officer and executive Director, and Ms. Wang are our Controlling Shareholders.

Each of our executive Directors has entered into a service agreement with our Company for a term of three years. Hence, each of them is committed to devote substantial amount of their time for the service of our Group. Each of our Directors is fully aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefit and in our best interests and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum.

Our management team is responsible for all the essential management functions of our Group under the overall supervision of our Board. Members of our senior management are also independent from our Controlling Shareholders and their respective associates.

Business independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our Directors and senior management are responsible for the conduct of our business. We have established our own organisational structure made up of functional departments, each with specific areas of responsibility. We have also established a set of internal controls to facilitate the effective operation of our business. Transactions with companies controlled by our Substantial Shareholders are governed by agreements entered into in the ordinary course of our business and on normal commercial terms. Save as the Licensing Agreements disclosed in the section headed "Continuing connected transactions" in this prospectus, there are no continuing connected transactions between us and any connected persons. Our Directors are satisfied that we have been operating independently from our Controlling Shareholders and Substantial Shareholders during the Track Record Period and up to the Latest Practicable Date and will continue to operate independently.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders and that we employ a sufficient number of dedicated financial accounting personnel responsible for the financial audit of our accounts. We maintain independent bank accounts and independent tax registration.

Pursuant to the Management and Operation Agreement, 70% equity interest in the registered capital of ERG BJ held by Beijing City Railway was pledged to BII HK as collateral for More Legend's payment obligation under the Management and Operation Agreement. The equity pledge was released on 16 December 2011. Pursuant to the Subscription Agreements, as amended and supplemented, it was agreed that each of the Pre-IPO Investors is entitled to a cash compensation which is the net profit guarantee of the agreed financial year minus our Group's audited net profit for that financial year divided by the net profit guarantee of such financial year multiplied by the original consideration paid by each Pre-IPO Investor. Such cash compensation is to be paid by More Legend, as one of our Controlling Shareholders. Further details are set out in the section headed "Pre-IPO Investors" in this prospectus. Except as disclosed above, there are no outstanding borrowings, securities and guarantees provided to and by the Controlling Shareholders.

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering, but not taking into account of the Over-allotment Option, any Shares which may be allotted and issued pursuant to the exercise of options that were granted or may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in Appendix V to this prospectus, the following persons/entities will have an interest and/or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Long position in Shares

Name	**Capacity and nature of interest**	**Class of securities** *(Note 1)*	**Number of Shares held immediately after the completion of the Capitalisation Issue and Global Offering** *(Note 2)*	**Approximate percentage interest in the share capital of our Company immediately after completion of the Capitalisation Issue and Global Offering** *(Note 2)*
ERG Greater China BVI	Beneficial owner *(Note 3)*	Ordinary Shares (L)	481,267,527	60.16%
More Legend	Interest in a controlled corporation *(Note 4)*	Ordinary Shares (L)	481,267,527	60.16%
Ms. Wang	Interest of spouse *(Notes 4 & 5)*	Ordinary Shares (L)	481,267,527	60.16%
BII HK	Beneficial owner *(Note 6)*	Ordinary Shares (L)	79,584,969	9.95%
BII	Interest in a controlled corporation *(Note 7)*	Ordinary Shares (L)	79,584,969	9.95%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.

2. Assuming no exercise of the Over-allotment Option and any options that were granted or may be granted under the Share Option Scheme.

3. These Shares will be registered in the name of and be beneficially owned by ERG Greater China BVI. ERG Greater China BVI is held as to 30% by Vix East Asia, as to 56% by More Legend and as to 14% by Landcity.

4. More Legend is the legal and beneficial owner of about 56% of the entire issued share capital of ERG Greater China BVI. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the spouse of Ms. Wang, and thus, Ms. Wang is deemed to be interested in the same number of Shares in which Mr. Cao is interested.

5. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 481,267,527 Shares held by More Legend.

6. There Shares will be registered in the name of and be beneficially owned by BII HK. BII HK is a wholly owned subsidiary of BII.

7. BII is the legal and beneficial owner of the entire issued share capital of BII HK, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

CONTINUING CONNECTED TRANSACTIONS

We have entered into two agreements with Vix IP, a subsidiary of Vix Holdings. The transactions contemplated under such agreements will constitute continuing connected transactions of our Company upon Listing.

Vix IP is a wholly owned subsidiary of Vix Holdings, which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of our shareholders through his indirect interest in Vix Holdings. Accordingly, Vix IP is an associate of our Company under the GEM Listing Rules and thus will be regarded as connected person of our Company under the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The Licensing Agreements

(a) ERG HK Licensing Agreement

On 28 February 2012, ERG HK entered into the ERG HK Licensing Agreement with Vix IP for a period commencing from the date of the agreement and ending on 20 July 2014, then subject to renewal and negotiation upon expiry every three years pursuant to the terms of the ERG HK Licensing Agreement. Pursuant to the ERG HK Licensing Agreement, Vix IP, as licensor, grants to ERG HK, the licensee, a non-exclusive and non-transferable licence to use the licensor technology, namely, any technology owned by or licensed to Vix IP or an affiliate of Vix IP which is capable of being used in an automatic fare collection system, product or service ("**ERG HK Licensor Technology**").

The amount payable by ERG HK to Vix IP under the ERG HK Licensing Agreement will be the greater of AUD50,000 (equivalent to approximately HK$400,000) or 1% of the portion of the contract price attributable to the use of the ERG HK Licensor Technology, payable in AUD, of each identified contract or subcontract to which ERG HK is involved whether as a contractor or subcontractor and where it utilises the ERG HK Licensor Technology. The license fee is payable in full upon execution of each project contract or subcontract, as applicable. The territory in which the ERG HK Licensing Agreement covers include Hong Kong, Macau and Taiwan. In addition, ERG HK may be subject to support charges payable to the Vix Group depending on the type of support development service provided to ERG HK during the term of the ERG HK Licensing Agreement, or alternatively, the Vix Group may be subject to additional charges payable to ERG HK for additional services ("**HK Additional Services**") that are necessary for development of or additions to the ERG HK Licensor Technology. The fees chargeable for HK Additional Services are as set out in the ERG HK Licensing Agreement depending on the amount of time and the level of technical expertise and/or skills required for the HK Additional Services.

(b) ERG BJ Licensing Agreement

On 28 February 2012, ERG BJ entered into the ERG BJ Licensing Agreement with Vix IP for a period commencing from the date of the agreement and ending on 20 July 2014, then subject to renewal and negotiation upon expiry every three years pursuant to the terms of the ERG BJ Licensing Agreement. Pursuant to the ERG BJ Licensing Agreement, Vix IP, as licensor, grants to ERG BJ, the licensee, a non-exclusive and non-transferable licence to use the licensor technology, namely Vix IP's technology which is the ACC technology for the project relating to the ACC System of the Beijing Subway and other technology, namely additional support development and additional support, updated from time to time, as defined therein ("**ERG BJ Licensor Technology**", together with the ERG HK Licensor Technology, the "**Licensor Technology**"), solely for the purposes (i) to enable ERG BJ to use the ERG BJ Licensor Technology in automatic fare collection systems to be adopted in the future development of the subway lines in the city of Beijing; and (ii) to enable the marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ, as applicable, within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing.

The amount payable by ERG BJ to Vix IP for ERG BJ to use the ERG BJ Licensor Technology in automatic fare collection systems to be adopted in the future development of the subway lines in the city of Beijing, under the ERG BJ Licensing Agreement will be the greater of AUD50,000 (equivalent to approximately HK$400,000) or 1% of the portion of the contract price attributable to the use of the ERG BJ Licensor Technology, as agreed by Vix IP and ERG BJ, payable in AUD, of each identified project in which ERG BJ is involved whether as contractor or subcontractor and where it shall utilise the ERG BJ Licensor Technology. The license fee is payable in full upon execution of each project contract or subcontract, as applicable. The amount payable by ERG BJ to Vix IP for the marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ, as applicable, within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing, will be the greater of AUD100,000 (equivalent to approximately HK$800,000) or 1.5% of the portion of the contract price attributable to the use of the ERG BJ Licensor Technology, as agreed by Vix IP and ERG BJ, payable in AUD, of each identified project in which ERG BJ is involved whether as contractor or subcontractor and where it shall utilise the ERG BJ Licensor Technology. The license fee is payable in three equal monthly instalments with the first instalment commencing upon the date of execution of each identified project or subcontract as applicable. The territory in which the ERG BJ Licensing Agreement covers include the PRC.

In addition, ERG BJ may be subject to support charges payable to the Vix Group depending on the type of support development service provided to ERG BJ during the term of the ERG BJ Licensing Agreement, or alternatively, the Vix Group may be subject to additional support or development charges payable to ERG BJ for additional services ("**BJ Additional Services**", together with HK Additional Services, the "**Additional Services**") that are necessary for development of or additions to the BJ Licensor Technology. The fees chargeable for BJ Additional Services are as set out in the BJ Licensing Agreement depending on the level of technical expertise required for the BJ Additional Services.

Under the Licensing Agreements, the Additional Services means any necessary development of or additions to the Licensor Technology and are chargeable based on the hourly rate and sophistication of the service required. Additional Services may range from work completed by a

project manager, senior developer, operations engineer to a hardware engineer. The basis of calculating the fees charged under the Licensing Agreements was negotiated on an arm's length basis and the fair market value of such services was determined based on the general cost of development of the relevant technology such as staff costs and other costs on research and development, the geographical location of the license, relevant tax considerations of different jurisdictions and the age of the technology. The fees may be increased or decreased on the anniversary of the date of the Licensing Agreements in accordance with the consumer price index. The fees and charges for Additional Services are similarly determined with independent third parties.

During the Track Record Period, neither the Licensor Technology nor the Additional Services were utilised under the Licensing Agreements as they were not required under the then existing arrangements with the Vix Group for ERG HK or ERG BJ to carry on its business and operations. In particular, the Licensor Technology under the Licensing Agreements was not used by ERG HK under the existing arrangements with the Vix Group during the Track Record Period. Instead, the tender bids won by members of the Vix Group were subcontracted to ERG HK and ERG HK worked together with the Vix Group to provide the technology for the projects.

Historically, certain technology owned by the Vix Group and further modified by ERG HK in certain cases was used by ERG HK in the smart card project in Hong Kong from 1995 to 1997, the MTR TKO Extension Project from 2000 to 2002, the Light Rail AFC Project from 2001 to 2003 and the Nam Cheong Station AFC Project in 2003. At the time, ERG HK used such technology owned by the Vix Group free of charge because it was an indirect wholly owned subsidiary of Vix Technology until March 2010. Further, the Licensor Technology was not used by ERG BJ during the Track Record Period. Historically, the Licensor Technology has also been used in the ACC and TCC Integration Project in 2010. The project was awarded to ERG BJ but at the time, there was no license agreement in place between any member of the Vix Group and ERG BJ. Instead, part of the project which required use of the Licensor Technology was subcontracted to our associated company, BII ERG. BII ERG had entered into a license agreement with Vix IP on 3 December 2009 and was licensed to use the Licensor Technology pursuant to the agreement. Therefore, ERG HK and ERG BJ did not pay any licensing fee or additional support/development charges to Vix IP during the Track Record Period and we did not generate any revenue from using the licensed technology from the Vix Group during the Track Record Period.

Given the above, there is no historical transaction amount as a basis for calculation of the proposed annual cap amount. When ERG Greater China acquired ERG BJ and ERG HK, the Vix Group had no intention to transfer the licensed technology to our Group. It is intended for the Vix Group to continue to license the technologies to our Group prior to and subsequent to the Listing pursuant to the Licensing Agreements which will allow our Group to use the licensed technology as and when necessary.

For each of the three financial years ending 30 June 2012, 2013 and 2014, we expect that the Licensor Technology will be utilised under the Licensing Agreements by each of ERG HK and ERG BJ to carry on its business and operations. Accordingly, we expect that Additional Services will be required of each ERG HK and ERG BJ.

The table below illustrates the proposed annual caps of the fees payable by the respective parties to the Licensing Agreements.

Payment to	Payment from	Type of service	Proposed annual cap
(1) ERG HK Licensing Agreement			
Vix Group	ERG HK	HK Licensed Technology	AUD50,000
Vix Group	ERG HK	HK Additional Services	AUD25,000
ERG HK	Vix Group	HK Additional Services	AUD30,000
(2) ERG BJ Licensing Agreement			
Vix Group	ERG BJ	BJ Licensed Technology	AUD100,000
Vix Group	ERG BJ	BJ Additional Services	AUD25,000
ERG BJ	Vix Group	BJ Additional Services	AUD20,000

Two licensing fee options are available pursuant to the ERG BJ Licensing Agreement depending on the purpose of utilising the ERG BJ Licensor Technology. The proposed annual cap for ERG BJ is based on the proposed licensing fee payable by ERG BJ for the purposes to enable marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ, as applicable, within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing. This proposed annual cap is the larger of the proposed licensing fee options available pursuant to the ERG BJ Licensing Agreement.

Technical support from the Vix Group provided to ERG HK and ERG BJ includes support from project managers, senior developer/operations engineer/business analyst, software development engineer, test and integration staff and hardware engineers.

The table below illustrates the calculation of the proposed fees for technical support payable to the Vix Group by our subsidiaries.

Name of subsidiary	Weighted average hourly rate *(AUD)*	Expected demand *(No. of hours)*	Expected aggregate cost *(AUD)*	Expected number of projects annually	Expected number of projects annually requiring licensed technology
ERG HK	116	170	19,720	1	1
ERG BJ	116	170	19,720	1	1
Total	116	340	39,440	2	2

Additional Services from ERG HK includes services from project/engineering managers, software team leader/specialist, software developer, junior software developer, tester, hardware coordinator and project administrator. Additional Services from ERG BJ includes services from project/engineering managers, software team leader/senior developer/business analyst, software development engineer and test and integration staff.

The table below illustrates the calculation of the proposed fees for Additional Services payable to our subsidiaries by the Vix Group.

Name of subsidiary	Weighted average hourly rate *(AUD)*	Expected demand *(No. of hours)*	Expected aggregate cost *(AUD)*	Expected number of projects annually	Expected number of projects annually requiring licensed technology
ERG HK	45.8	620	28,396	1	1
ERG BJ	36	430	15,480	1	1
Total	41.8	1,050	43,845	2	2

The proposed total consideration between by our Group and the Vix Group is expected not to exceed an annual amount of AUD250,000 (approximately HK$2,000,000) comprising (i) a proposed licensing fee payable by our Group of an annual amount not exceeding a total of AUD150,000 (approximately HK$1,200,000) comprising a proposed licensing fee payable annually by (a) ERG HK in the amount of AUD50,000 (approximately HK$400,000) and (b) ERG BJ in the amount of AUD100,000 (approximately HK$800,000) and (ii) the proposed Additional Services fees payable by the Vix Group to our Group or by our Group to the Vix Group (as the case may be) of an annual amount not exceeding AUD100,000 (approximately HK$800,000) comprising a proposed fee for Additional Services payable annually pursuant to (a) the ERG HK Licensing Agreement in the amount of AUD55,000 (approximately HK$440,000); and (b) the ERG BJ Licensing Agreement in the amount of AUD45,000 (approximately HK$360,000), for each of the three financial years ending 30 June 2012, 2013 and 2014.

In arriving at the above caps, we have taken into account (i) the estimated amount of time expected to complete a project; (ii) the estimated number of people and the respective level of technical expertise and/or skills expected to complete a project; and (iii) the estimated number of projects expected for each of the three financial years ending 30 June 2012, 2013 and 2014. In relation to ERG HK, the nature of the projects which we expect will require the use of the HK Licensor Technology by ERG HK involves the marketing, sale, supply, operation, maintenance, modification, upgrade or replacement of automatic fare collection systems, products or services. In relation to ERG BJ, the nature of the projects which we expect will require the use of the BJ Licensor Technology by ERG BJ involves the future development of the subway lines in the city of Beijing and the marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing.

For the reason that each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 19.07 of the GEM Listing Rules in respect of the license fee under the Licensing Agreements paid by ERG HK and ERG BJ is less than 25% and the annual consideration is less than HK$10 million, the transactions contemplated under the Licensing Agreements are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Application for waivers

Our Directors (including our independent non-executive Directors) confirm that each of the continuing connected transactions has been entered into in the ordinary and usual course of our business, on normal commercial terms (or better to us), and are fair and reasonable and in the interests of our Shareholders as a whole. Our Directors also confirm that the proposed transaction amount set out herein is fair and reasonable. We have applied for and the Stock Exchange has granted to us waiver from compliance with the announcement requirements related to the non-exempt continuing connected transactions under the GEM Listing Rules.

In relation to the non-exempt continuing connected transaction as described under the paragraph headed "Continuing connected transaction exempt from the independent Shareholders' approval requirements", the applicable percentage ratios under Chapter 20 of the GEM Listing Rules for such transactions will be, on an annual basis, less than 25% and the annual consideration is less than HK$10 million. Such transaction would be subject to the annual review requirements set out in Rules 20.37 to 20.40 of the GEM Listing Rules and the reporting, announcement requirements but exempt from independent shareholders' approval requirements set out in Rule 20.45 to 20.47 under the GEM Listing Rules.

Confirmation from our Directors and the Joint Sponsors

Our Directors (including our independent non-executive Directors) and the Joint Sponsors have reviewed the relevant documents, information and historical figures provided by us and participated in due diligence and discussions with us. Based on the above, our Directors and the Joint Sponsors are of the view that the continuing connected transactions (including the pricing terms which form part of the terms of such transactions) and the proposed annual caps have been and shall be conducted in the ordinary and usual course of our business, on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole.

Investors should read this section in conjunction with the consolidated financial information, including the notes thereto ("Financial Information"), set forth in Appendix I to this prospectus. The Financial Information have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by our Company in light of its experience and perception of historical trends, current condition and expected future developments, as well as other factors that it believes are appropriate under the circumstances. However, whether actual outcome and developments will meet the expectations and predictions of our Company depends on a number of factors over which the Company has no control. Investors should review the section headed "Risk factors" in this prospectus for discussion of important factors that could cause the actual results of our Company to differ materially from the results described in or implied by forward-looking statements.

OVERVIEW

We are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. A public transport system mainly comprises computer systems and infrastructures which forms a network. Our application solutions are used at the network level of a public transport system where lines within such system are connected to. Our application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre. Our application solutions for the ACC System and the TCC System and the application solutions for the PCC System to be developed by us can link up the three important network-level functions required for a public transport system, namely the ticketing and fare and data collection, transport control, and passenger-related functions, and allow exchange of information among these systems.

Our application solutions for the ACC System consolidate the ticketing and transport fare and data collection subsystems of individual lines within a public transport system at the network level, while our application solutions for the TCC System consolidate the transport control of individual lines at the network level. We are currently developing our application solutions for the PCC System which will in turn connect and centralise the passenger-related functions at the network level.

We provide software and hardware application solutions and related maintenance services for the ACC System and the TCC System for use at network level of public transport systems primarily in the PRC and maintenance services in relation to the AFC System in Hong Kong. The Group has entered into licensing agreements with the Vix Group. The ERG BJ Licensing Agreement licenses to ERG BJ certain technology, owned by the Vix Group, which include a range of application solutions and products that may be applied and used in automatic fare collection systems at the network level and/or at the line level depending on the business of the licensee. Currently, our Group does not provide application solutions and products for use at the line level of a public transport system in the PRC.

According to the HuiCong Research Report, during 2009 and 2010, the number and contract value of subway system projects offered in Beijing ranked the highest among all the places in the PRC, the total contract value of the projects offered during the period was estimated to be about RMB2.55 billion, which represented approximately 30% of the total contract sum of the projects offered in the PRC. The HuiCong Research Report also states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our Directors consider the factors set forth below may have affected our Group's business and historical financial results and may also affect our future financial results. The following should be read in conjunction with the sections headed "Risk factors" and "Regulations" in this prospectus.

Reliance on major customers

During the Track Record Period, our business relied mainly on a few customers, namely, Beijing Metro Network, KMB, CTB, NWFB and Beijing Jianyi. For the two financial years ended 30 June 2011 and the five months ended 30 November 2011, our five major customers accounted for approximately 90.6%, 96.5% and 92.4% of our total revenue, of which our largest customer accounted for approximately 69.2%, 70.7% and 43.3% of our total revenue. Out of our business with our largest customer, approximately 11.2% and 49.0% of our total revenue was attributable to project-based services and approximately 58.1% and 21.7% of our total revenue was attributable to maintenance services provided to such customer for the two financial years ended 30 June 2011 respectively, while for the five months ended 30 November 2011, all of the revenue from our largest customer was attributable to the sales of spare parts.

Parts of our business were mainly secured by way of public tendering. To our Directors' knowledge, Beijing Metro Network was established to set up and operate the railway transport command centre in Beijing and related tenders for the Beijing Subway are offered by Beijing Metro Network, thus it is likely for players in our industry to have their revenue generated from one major customer. There is no assurance that our major customers will continue to do business with us at the same level or increased levels or at all. In the event that there is a significant reduction of work, either in terms of volume or value, from our major customers, and our Group is unable to secure work contracts from existing or new customers to compensate for such loss of business, our Group's business, results of operations and profitability may be adversely affected.

Nonetheless, we have an established business relationship with Beijing Metro Network. In 2006, ERG BJ, while it was then a member of the Vix Group, participated in the setting up of the first ACC System in Beijing for the Beijing Subway. Trial operation of the system took place in 2008. The establishment of the first TCC System in the PRC also commenced in Beijing in 2006 with its operation and integration with eight of the lines of the Beijing Subway to the system in 2008. Since then, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the

ACC System and the hardware of the TCC System. During 2009 and 2010, ERG BJ, after becoming a member of our Group, was awarded the ACC and TCC Integration Project for five of the lines of the Beijing Subway. These included Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line. In 2011, we entered into contracts for the provision of maintenance services to the ACC System and the TCC System of the Beijing Subway for a term of two years ending 31 December 2013. In 2011, ERG BJ was further awarded the ACC and TCC Integration Project for four other lines of the Beijing Subway, namely Line 6 Phase I, Line 8 Phase II, Line 9 and Line 10 Phase II. We have been engaged to provide services in relation to the establishment, integration and maintenance of the existing ACC System of the Beijing Subway.

Our Directors believe that we have been working closely with Beijing Metro Network regarding the two important network level systems of the Beijing Subway, namely the ACC System and the TCC System, both in terms of the maintenance of the existing system and the expansion of such systems. Historically, Beijing Metro Network had also relied on ERG BJ for expertise and the provision of licensed technology solutions. Further, due to the complexity and sophistication of the application systems we developed as well as the requisite associated technical know-how to carry out the maintenance work, our client will normally have to rely on us for after sales maintenance and technical support services as well as future upgrades and other integration services. For instance, ERG BJ took part in the construction of the ACC System of the Beijing Subway in 2006. Upon completion, ERG BJ had been awarded the maintenance contract for the ACC System of the Beijing Subway since 2009, and such contract was renewed in 2011 for a term of three years. For the two financial years ended 30 June 2011 and the five months ended 30 November 2011, the percentage of revenue from maintenance services from customers using application solutions developed by our Group were approximately 55.6%, 32.4% and 14.2% respectively, while the percentage of revenue from maintenance services from customers using application solutions developed by other service provider were approximately 22.2%, 11.4% and 4.0% respectively. Our Directors believe that our stable business relationship with Beijing Metro Network, together with our market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010 according to the HuiCong Research Report, our cooperation with Beijing Metro Network will be sustained and enhanced in the future.

Apart from that, there were 28 approved urban railway construction proposals in the PRC as at the Latest Practicable Date. From 2011 to 2015, railway of additional length of approximately 2,800 km and 324 km are expected to be put into operation in the PRC as a whole and Beijing respectively. Beijing had the largest number of projects during 2009 and 2010. The market size of the industry of subway system in Beijing regarding computer systems amounted to approximately RMB5.7 billion from 2006 to 2010. It is expected that such market size would reach approximately RMB8.3 billion for 2011 to 2015. Given the potential market growth, we plan to actively participate in tender offered by existing and potential customers. Subject to our further in-house research and costing analysis, we will decide whether to submit bidding proposals for forthcoming tenders available. We will continue to strengthen our marketing efforts in the PRC and Hong Kong and promote our products to potential customers and in other potential markets in the PRC not already covered by our network. In view of such, our Directors believe that our Group's revenue in the future can be maintained.

Unanticipated fluctuations in cost of service

Most of our Group's revenue is from fixed-price contracts. Under these contracts, we execute our projects or perform our services at a fixed price and, as a result, we may be unable to recover any cost overruns. In determining the price of the contracts, our Group needs to estimate the costs of executing the projects or performing our services including but not limited to the costs of engineering, material, spare parts and labour. The actual costs may differ from our Group's estimation due to unanticipated technical problems which may require us to incur costs we cannot recoup, failure to properly estimate the repair or maintenance requirements of our customers and other unforeseen reasons. In the event that the costs of the contracts increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 7 January 2011 as part of the Reorganisation undertook by our Group. Upon completion of our Reorganisation on 27 June 2011, our Company became the holding company of the companies now comprising our Group, details of which are set out in the section headed "Reorganisation" in this prospectus. The companies taking part in our Reorganisation were controlled by Mr. Cao and Ms. Wang during the Track Record Period.

Because the companies now comprising our Group were controlled by Mr. Cao and Ms. Wang before and after our Reorganisation and, consequently there was a continuation of the risks and benefits to Mr. Cao and Ms. Wang, the Financial Information has been prepared using the merger basis of accounting as if our Group has always been in existence. The net assets of the companies comprising our Group are consolidated using the book values from the perspective of Mr. Cao and Ms. Wang.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group for the Track Record Period as set out in Appendix I to this prospectus include the results of operations of the companies now comprising our Group for the Track Record Period (or where the companies were incorporated/established/acquired by our Group at a date later than 1 July 2009, for the period from the date of incorporation/establishment/acquisition to 30 November 2011) as if the current group structure had been in existence throughout the entire Track Record Period. The consolidated balance sheets of our Group as at 30 June 2010, 30 June 2011 and 30 November 2011 have been prepared to present the state of affairs of the companies comprising our Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Our Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that

the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in note 1 to the Financial Information set out in Appendix I to this prospectus. Management believes the following significant accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 1(i)(ii) of the Financial Information set out in Appendix I to this prospectus. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. Our Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment for trade and other receivables

Our Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. Our Group bases its estimates on the ageing of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the result in future periods.

(c) Income taxes

Our Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes are different from the amounts that were initially recorded, such differences may impact the income tax and deferred tax provisions in the year/period in which such determinations are made.

(d) Revenue recognition

As explained in policy note 1(p)(i) to the Financial Information set out in Appendix I to this prospectus revenue recognition on an uncompleted project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on our Group's recent experience and the nature of the services activity undertaken by our Group, our Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 12 to the Financial Information set out in Appendix I to this prospectus will not include profit which our Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth our Group's consolidated income statements for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Revenue	24,454	72,047	16,988	65,247
Cost of sales	(11,555)	(24,576)	(6,604)	(15,593)
Business tax and surcharge	(865)	(2,668)	(402)	(1,273)
Gross profit	**12,034**	**44,803**	**9,982**	**48,381**
Other net income/(loss)	11	12	(11)	27
Selling, general and administrative expenses	(5,396)	(12,384)	(3,311)	(14,186)
Profit from operations	**6,649**	**32,431**	**6,660**	**34,222**
Investment income	63	48	–	–
Share of (loss)/profit of associate	(535)	13,341	(439)	(1,411)
Profit before taxation	**6,177**	**45,820**	**6,221**	**32,811**
Income tax	(1,229)	(5,350)	(1,060)	(6,781)
Profit for the year/period	**4,948**	**40,470**	**5,161**	**26,030**
Attributable to:				
Equity shareholders of the Company	**4,948**	**40,470**	**5,161**	**26,030**

Consolidated statements of comprehensive income

	Year ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period	**4,948**	**40,470**	**5,161**	**26,030**
Other comprehensive income for the year/period				
Exchange differences on translation of financial information of entities outside Hong Kong	938	1,409	249	834
Total comprehensive income for the year/period	**5,886**	**41,879**	**5,410**	**26,864**
Attributable to:				
Equity shareholders of the Company	**5,886**	**41,879**	**5,410**	**26,864**

OVERVIEW OF MAJOR INCOME STATEMENT ITEMS

Revenue

Our revenue during the Track Record Period was derived from our subsidiaries in Beijing and Hong Kong. The following table sets forth the breakdown of our Group's revenue by location of subsidiaries during the Track Record Period and the corresponding period ended 30 November 2010:

Revenue by location of subsidiaries

	Year ended 30 June				Five months ended 30 November			
	2010		**2011**		**2010**		**2011**	
	HK$'000	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Beijing	19,195	78.5	51,354	71.3	8,482	49.9	53,143	81.4
Hong Kong	5,259	21.5	20,693	28.7	8,506	50.1	12,104	18.6
Total	24,454	100.0	72,047	100.0	16,988	100.0	65,247	100.0

Our Group's revenue is derived from:

(i) the provision of design and implementation of application solutions services for the networking and controlling systems of public transport companies as well as related maintenance and technical support services (collectively known as "transportation system design, installation and maintenance services"); and

(ii) sales of spare parts.

During the Track Record Period, our Group's revenue was mainly generated from the provision of transportation system design, installation and maintenance services, including technical support and general consultancy services, in relation to the ACC System, the AFC System and the TCC System. The following table sets forth the breakdown of our Group's revenue by segment for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

Revenue by segment

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
					(unaudited)			
Transportation system design and installation services								
ACC	–	–	23,977	33.3	1,408	8.3	1,711	2.6
TCC	–	–	9,076	12.6	–	–	–	–
AFC *(Note 1)*	600	2.5	4,095	5.7	1,403	8.2	5,765	8.8
Technical support and general consultancy *(Note 3)*	2,889	11.8	479	0.7	145	0.9	17,458	26.8
	3,489	**14.3**	**37,627**	**52.3**	**2,956**	**17.4**	**24,934**	**38.2**
Maintenance services								
ACC	12,539	51.2	12,711	17.6	5,405	31.8	4,732	7.3
TCC	2,831	11.6	3,310	4.6	1,344	7.9	1,312	2.0
AFC *(Note 2)*	3,663	15.0	15,574	21.6	6,771	39.9	5,814	8.9
	19,033	**77.8**	**31,595**	**43.8**	**13,520**	**79.6**	**11,858**	**18.2**
Sales of spare parts	**1,932**	**7.9**	**2,825**	**3.9**	**512**	**3.0**	**28,455**	**43.6**
Total	**24,454**	**100.0**	**72,047**	**100.0**	**16,988**	**100.0**	**65,247**	**100.0**

Notes:

1. The services in relation to the AFC System were provided by ERG HK and were mainly related to the Bangkok Smartcard System Project, most of which were provided in Hong Kong.

2. The services in relation to the AFC System were provided by ERG HK in Hong Kong and were mainly related to the maintenance projects with MTR, KMB, CTB, NWFB and NWFF.

3. These technical support and general consultancy services related to the provision of technical services to, among others, MTR in relation to the contactless smartcard system and the Network Emergency Communications Command System Design and Development Project with Beijing Jianyi during the five months ended 30 November 2011 (Further details on Beijing Jianyi and the Network Emergency Communications Command System Design and Development Project are set out in the paragraph headed "Customers" in the section headed "Business" in this prospectus).

In view of the nature of our business, our Group's revenue was largely derived from a few major customers. For the two financial years ended 30 June 2011 and the five months ended 30 November 2011, our five major customers accounted for approximately 90.6%, 96.5% and 92.4% of our total revenue. The following table sets forth the breakdown of our Group's revenue by customer for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
					(unaudited)			
2012 Major Customer *(Notes 1 and 2)*	–	–	–	–	–	–	28,280	43.3
Beijing Jianyi *(Note 2)*	–	–	–	–	–	–	17,109	26.2
Beijing Metro Network	16,938	69.2	50,958	70.7	8,092	47.6	7,755	11.9
Vix Technology	600	2.5	4,094	5.7	1,403	8.3	4,021	6.2
KMB	2,092	8.6	8,703	12.1	4,126	24.3	3,134	4.8
CTB	781	3.2	3,204	4.4	1,349	7.9	1,395	2.1
NWFB	689	2.8	2,607	3.6	1,051	6.2	1,073	1.6
NWFF	196	0.8	760	1.1	315	1.9	331	0.5
Others	3,158	12.9	1,721	2.4	652	3.8	2,149	3.4
Total	24,454	100.0	72,047	100.0	16,988	100.0	65,247	100.0

Notes:

1. Our 2012 Major Customer is a company established in the PRC and an Independent Third Party, whose principal activities include the research and development, production and sale of smart end-products as well as the provision of smart card system application solutions. Consent to disclose the name of our 2012 Major Customer is not granted.

2. The end user of the services and/or spare parts provided by our Group to our 2012 Major Customer and Beijing Jianyi is Beijing Subway. To the best knowledge of our Directors, our 2012 Major Customer and Beijing Jianyi are independent from Beijing Metro Network.

Revenue arising from the provision of transportation system design, installation and maintenance services

Our Group's transportation system design, installation and maintenance services are mainly target for use at the network level of public transport systems, which enable different computer subsystems performing different functions at the line level of public transport systems to be integrated and linked-up, whereby operators of public transport systems can monitor and oversee the operation of the entire public transport system at the control centre.

In general, because of the complexity and sophistication of the application solutions we developed as well as the requisite associated technical know-how for repair and maintenance, there will be certain needs from our customers to retain us for after sales services such as, maintenance and technical support services, future upgrade as well as integration services. Our Group also possesses the ability to undertake maintenance and support services in relation to other application

solutions developed by other service provider upon request. For instance, the TCC System of the Beijing Subway was constructed by other application solutions provider in 2006. However, we had been awarded the maintenance contract for the TCC System of the Beijing Subway since 2009, and such contract was renewed in 2011 for a term of three years. For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, the revenue from maintenance services from customers using application solutions developed by our Group accounted for approximately 55.6%, 32.4% and 14.2% of our Group's total revenue respectively, while the revenue from maintenance services from customers using application solutions developed by other service provider accounted for approximately 22.2%, 11.4% and 4.0% of our Group's total revenue respectively.

Our Group's revenue from maintenance services represents the income arising from the provision of repair and maintenance services to our customers in relation to the application systems developed by our Group as well as by other service providers.

Our revenue from transportation system design and installation projects may fluctuate according to the construction progress of public transport system, however, our revenue from maintenance services may remain stable or increase. We have successfully renewed our maintenance agreements with our major customer, Beijing Metro Network, and extended the term of such maintenance agreements from one year to three years, which secures our revenue stream from existing maintenance services. On the other hand, in respect of the projects we provide design and installation services, we are well-positioned to obtain subsequent maintenance contracts from the customers, which drives continuous growth of our revenue from maintenance services. Taking into account the importance of the application solutions and the associated technical know-how to service the system, there is a need for our customers to retain us to provide maintenance services to the system to avoid system breakdown. In light of this, maintenance services provide a steady recurring income stream to our Group and is chargeable at around 10% of the initial set up cost per annum.

For each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, the revenue generated from the provision of maintenance services accounted for approximately 77.8%, 43.8% and 18.2% of our Group's total revenue.

The reason for the fluctuation of proportion of revenue from transportation system design and installation services and maintenance services during the Track Record Period was that in the year ended 30 June 2010, our Group had just been established through the acquisition of 70% interest in ERG Greater China, the then holding company of ERG BJ in May 2009, and the acquisition of ERG HK by ERG Greater China in March 2010, and we were at the stage of re-formulating our marketing strategy, therefore our revenue was largely generated from maintenance services that had continuously been provided by our business operating entities, namely, ERG BJ and ERG HK pursuant to agreements entered into by them prior to our Group's acquisition of such companies. With the formulation of our marketing strategy catering for the expansion of Beijing Subway, our Group had undertaken more large scale transportation system design and installation services which led to the reduction in the proportion of revenue generated from provision of maintenance services for the year ended 30 June 2011 and onwards.

We expect that revenue from maintenance services will continue to provide a steady income stream for us but we expect the proportion of revenue from design and installation services will increase over time as we undertake more project work.

Revenue arising from sales of spare parts

Our Group's revenue from sales of spare parts was primarily arising from the sales of spare parts related to our application solutions, including data security system software, batteries as well as card readers. The spare parts we sold were usually specified by our customers before we made our procurement.

For each of the two financial years ended 30 June 2011, our revenue arising from the sales of spare parts were mainly related to data security system software and batteries. While for the five months ended 30 November 2011, our spare parts sales revenue were mainly generated from the sales of card readers for use in eight subway lines of Beijing Subway.

Smartcard reader is part of the AFC System and is used for reading and writing smartcard information. The software of the card reader we sold was developed by us and the hardware was procured from third parties. Since the establishment of our Group, we have been promoting our card reader to our customers. When the new lines of Beijing Subway were about to be in operation, we received an one-off order from our customer in early November 2011 for the procurement of our card readers for eight Beijing Subway lines of which approximately 67.0% of the order had been delivered by 30 November 2011.

Historically, the revenue arising from the sales of spare parts only accounted for a small percentage of our Group's total revenue as it only comprised the sales of minor spare parts including batteries and data security system software that were sold on a small scale. However, during the five months ended 30 November 2011, our Group received a large order for the purchase of our self-developed card readers. As a result, the proportion of our revenue arising from sales of spare parts increased to approximately 43.6% of our total revenue for the five months ended 30 November 2011 as compared to approximately 7.9% and 3.9% for each of the two financial years ended 30 June 2011 respectively.

The card reader order we received during the five months ended 30 November 2011 was being procured for the eight Beijing Subway lines of which approximately 67.0% of the order had been completed by 30 November 2011 leaving approximately 33.0% of the order to be delivered after 30 November 2011. With our plans to absorb entities with the capabilities to design and manufacture hardware for card readers in order to integrate with our present ability to develop software for card readers as disclosed in the section headed "Use of net proceeds from the Global Offering" in this prospectus, it is expected that our card reader business will continue after Listing. However, the level of such sales may not be as high as that recorded during the Track Record Period as we expect that there will only be approximately three new Beijing Subway lines opening up per year in the near future.

Cost of sales

Our Group's overall cost of sales includes subcontracting fee, direct labour costs, cost of materials and other direct costs. The composition of the cost of sales varies, and is affected mainly by factors such as the nature and complexity of the work undertaken, the intensity of labour as well as the types of materials required. The following table sets forth the breakdown of our Group's overall cost of sales for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Subcontracting fee	5,410	46.8	13,748	55.9	2,308	34.9	–	–
Direct labour costs	3,595	31.1	7,598	30.9	2,925	44.3	4,255	27.3
Cost of materials	1,633	14.1	2,177	8.9	562	8.5	10,821	69.4
Other direct costs	917	8.0	1,053	4.3	809	12.3	517	3.3
Total	11,555	100.0	24,576	100.0	6,604	100.0	15,593	100.0

Cost of sales in respect of transportation system design and installation services

Our Group's cost of sales in respect of transportation system design and installation services comprises subcontracting fee, direct labour costs, cost of materials and other direct costs. The following table sets forth the breakdown of our Group's cost of sales in respect of transportation system design and installation services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Subcontracting fee	–	–	10,135	74.0	–	–	–	–
Direct labour costs	501	83.5	2,879	21.0	436	61.7	2,529	90.6
Cost of materials	–	–	–	–	7	1.0	81	2.9
Other direct costs	99	16.5	678	5.0	263	37.3	182	6.5
Total	600	100.0	13,692	100.0	706	100.0	2,792	100.0

Our Group's cost of sales in respect of transportation system design and installation services accounted for approximately 5.2%, 55.7% and 17.9% of our Group's total cost of sales for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

Subcontracting fee

Subcontracting fee in respect of transportation system design and installation services represented charges and fees paid to subcontractors and services providers of our Group which provide labour, materials and services necessary for the completion of certain parts of the services undertaken by our Group.

For the year ended 30 June 2010 and for the five months ended 30 November 2011, no subcontracting fee was incurred in respect of transportation system design and installation services mainly because our Group had not undertaken any transportation system design and installation services that required the use of the Vix licensed technology that if required would be subcontracted to BII ERG, an associated company of our Group and the only licensee to the Vix licensed technology in the PRC during the Track Record Period.

For the year ended 30 June 2011, our Group's subcontracting fee in respect of transportation system design and installation services accounted for approximately 74.0% of our total cost of sales in respect of transportation system design and installation services. The main reason for the engagement of subcontractor during this period was because of the undertaking of certain system integration projects by our Group in the PRC that required the use of Vix licensed technology and the subcontracting fee incurred during the period was mainly paid to BII ERG. BII ERG had entered into a license agreement with Vix IP on 3 December 2009 and was licensed to use the Vix licensed technology. ERG BJ entered into ERG BJ Licensing Agreement with Vix IP on 28 February 2012. Hence, our Group expects that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required. In addition, subcontracting arrangements with other contractors were mainly due to tight work schedule and large quantity of work. All those contractors are China-based corporations mainly engaged in IT services, datacenter and infrastructure solutions, or intelligent transportation business. Other than the previous business relationships, none of them has any past or present relationships with our Company, our subsidiaries, their shareholders, directors, senior management and any of their respective associates.

The subcontracting agreements entered into by our Group in respect of transportation system design and installation services during the year ended 30 June 2010 mainly involved the engagement for technical and research and development services. We entered into subcontracting agreements on a project basis or for a specific term. Subcontracting fees are determined with reference to, among others, type of work, amount of human resources involved and duration of project. Payment to our suppliers (which include suppliers of components and equipment and our subcontractors) are generally made by us within 15 days from the date of receipt of payment request from our suppliers or within a credit period of about 45 days.

Direct labour costs

Direct labour costs in respect of transportation system design and installation services represent the costs of labour incurred for the provision of system design and installation services, including salary for non-administrative staff. Direct labour costs in respect of transportation system design and installation services accounted for approximately 83.5%, 21.0% and 90.6% of the total cost of sales in respect of transportation system design and installation services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively. Following the relocation of experienced technical staff from BII ERG back to ERG BJ and

considering the ERG BJ Licensing Agreement taking effect, our Group expects that direct labour costs in respect of transportation system design and installation services will become our Group's major costs component going forward.

Cost of materials

Regarding transportation system design and installation services, we were generally responsible for the development of the system software only. In some cases where our customer requested us to provide the related hardware, it would normally be ordered separately as sales of spare parts. As such, cost of materials in respect of transportation system design and installation was limited and usually comprised minor spare parts only. For each of the two financial years ended 30 June 2011, there was no cost of materials incurred in respect of transportation system design and installation service. While for the five months ended 30 November 2011, cost of materials accounted for approximately 2.9% of our total cost of sales in respect of transportation system design and installation services.

Other direct costs

Other direct costs in respect of transportation system design and installation services mainly comprised consumables, travelling expenses and other service administrative expenses which accounted for approximately 16.5%, 5.0% and 6.5% of our total cost of sales in respect of transportation system design and installation services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

Cost of sales in respect of maintenance services

Our Group's cost of sales in respect of maintenance services comprise subcontracting fee, direct labour costs, cost of materials and other direct costs. The following table sets forth the breakdown of our Group's cost of sales in respect of maintenance services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				**Five months ended 30 November**			
	2010		**2011**		**2010**		**2011**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Subcontracting fee	5,410	57.5	3,613	38.3	2,308	40.8	–	–
Direct labour costs	3,094	32.9	4,719	50.1	2,489	44.1	1,726	83.7
Cost of materials	177	1.9	768	8.1	333	5.9	272	13.2
Other direct costs	734	7.7	328	3.5	521	9.2	63	3.1
Total	9,415	100.0	9,428	100.0	5,651	100.0	2,061	100.0

Our Group's cost of sales in respect of maintenance services accounted for approximately 81.5%, 38.4% and 13.2% of our Group's total cost of sales for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

Subcontracting fee

Subcontracting fee in respect of maintenance services represented charges and fees paid to subcontractors and services providers of our Group which provide labour, materials and services necessary for the completion of certain parts of the services undertaken by our Group.

For each of the two financial years ended 30 June 2011, subcontracting fee in respect of maintenance services accounted for approximately 57.5% and 38.3% of our total cost of sales in respect of maintenance services respectively. While for the five months ended 30 November 2011, there was no subcontracting fee incurred in respect of maintenance services.

For each of the two financial years ended 30 June 2011, in view of the undertaking of certain system integration projects by our Group in the PRC that required the use of Vix licensed technology, our Group had subcontracted part of the related maintenance work to BII ERG during the period as BII ERG possessed the licensed technology pursuant to the licence agreement entered into between BII ERG and Vix R&D on 3 December 2009. As a result, the subcontracting fee in respect of maintenance services incurred during the period was mainly paid to BII ERG. Apart from BII ERG, our Group also engaged other subcontractors to carry out part of our maintenance services during the period when facing tight work schedule and large quantity of work. All those contractors are China-based corporations mainly engaged in IT services, datacenter and infrastructure solutions, or intelligent transportation business. Other than the previous business relationships, none of them has any past or present relationships with our Company, our subsidiaries, their shareholders, directors, senior management and any of their respective associates. Since ERG BJ entered into the ERG BJ Licensing Agreement with Vix IP on 28 February 2012, our Group expects that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required.

The subcontracting agreements entered into by our Group in respect of maintenance services during the year ended 30 June 2010 and 30 June 2011 mainly involved the engagement for technical support, research and development and maintenance services. We entered into subcontracting agreements on a project basis or for a specific term. Subcontracting fees are determined with reference to, among others, type of work, amount of human resources involved and duration of project. Payment to our suppliers (which include suppliers of components and equipment and our subcontractors) are generally made by us within 15 days from the date of receipt of payment request from our suppliers or within a credit period of about 45 days.

For each of the two financial years ended 30 June 2011, subcontracting fee to 3 and 9 of our subcontractors represented more than 99% and 99% of our total subcontracting fee for the respective period. While for the five months ended 30 November 2011, no subcontractor was engaged by our Group.

Direct labour costs

Direct labour costs in respect of maintenance services represent the costs of labour incurred for the provision of repair and maintenance services, including salary for non-administrative staff. Apart from normal routine maintenance services, our Group was also responsible for the provision of technical support and maintenance services on demand. As such, direct labour costs in respect of maintenance services mainly varied depending on the number of non-routine services carried out as well as the complexity of the case. Direct labour costs in respect of maintenance services accounted for approximately 32.9%, 50.1% and 83.7% of the total cost of sales in respect of maintenance services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively. Following the relocation of experienced technical staff from BII ERG back to ERG BJ, our Group expects that direct labour costs in respect of maintenance services will become our Group's major costs component going forward.

Cost of materials

Cost of materials in respect of maintenance services mainly comprised spare parts consumed for the provision of maintenance services which accounted for approximately 1.9%, 8.1% and 13.2% of our Group's total cost of sales in respect of maintenance services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

Other direct costs

Other direct costs in respect of maintenance services mainly comprised consumables, travelling expenses and other service administrative expenses which accounted for approximately 7.7%, 3.5% and 3.1% of our total cost of sales in respect of maintenance services for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

Cost of sales in respect of sales of spare parts

Our Group's cost of sales in respect of sales of spare parts comprised cost of materials and other direct costs. The following table sets forth the breakdown of our Group's cost of sales in respect of its sales of spare parts for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				**Five months ended 30 November**			
	2010		**2011**		**2010**		**2011**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
					(unaudited)			
Cost of materials	1,456	94.5	1,409	96.8	222	89.9	10,468	97.5
Other direct costs	84	5.5	47	3.2	25	10.1	272	2.5
Total	1,540	100.0	1,456	100.0	247	100.0	10,740	100.0

Our Group's cost of sales in relation to sales of spare parts accounted for approximately 13.3%, 5.9% and 68.9% of our Group's total cost of sales for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively.

As shown in the table above, the major cost item was the cost of materials, which accounted for approximately 94.5%, 96.8% and 97.5% of the total cost of sales in relation to the sales of spare parts for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively. Cost of materials represent the cost of acquiring the spare parts or goods for sale. In general, our Group will only procure the spare parts according to customers' specification, therefore the nature of spare parts sold may vary from time to time as requested by customer.

Other direct costs mainly comprised sales contract administration expenses, including travelling and entertainment expenses.

Gross profit

Gross profit represents revenue less cost of sales and business tax and surcharge. Our Group's gross profit for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010 are as follows:

	Year ended 30 June		**Five months ended 30 November**	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)	
Gross profit	12,034	44,803	9,982	48,381

Our Group's gross profit has been increasing over the period as a result of increase in undertaking of higher gross margin work and reducing subcontracting arrangement.

Other net income

Our Group's other net income consists of bank interest income and foreign exchange gain or loss.

Selling, general and administrative expenses

Our Group's selling, general and administrative expenses refer to expenses incurred on a regular basis to our Group's normal course of business, including principally staff costs, office expenses, travelling expenses, legal and professional fees as well as rental expenses.

The following table sets forth the breakdown of our Group's selling, general and administrative expenses for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 and its corresponding period ended 30 November 2010:

	Year ended 30 June				Five months ended 30 November			
	2010		2011		2010		2011	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
					(unaudited)			
Staff costs	1,781	33.0	6,657	53.7	1,568	47.4	2,678	18.9
Office expenses	1,061	19.7	1,428	11.5	474	14.3	729	5.2
Travelling expenses	771	14.3	1,085	8.8	302	9.1	685	4.8
Legal and professional fees	777	14.4	1,049	8.5	135	4.1	8,431	59.4
Rental expenses	463	8.6	1,048	8.5	436	13.2	996	7.0
Others	543	10.0	1,117	9.0	396	11.9	667	4.7
Total	5,396	100.0	12,384	100.0	3,311	100.0	14,186	100.0

Our Group's selling, general and administrative expenses accounted for approximately 22.1%, 17.2% and 21.7% of our Group's total revenue for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 respectively. The increase in such percentage for the five months ended 30 November 2011 was mainly attributable to the increase in legal and professional fees incurred for the intended listing of our company.

The major selling, general and administrative expenses for each of the two financial years ended 30 June 2011 was staff costs, representing approximately 33.0% and approximately 53.7% of our Group's selling, general and administrative expenses respectively. The major selling, general and administrative expenses for the five months ended 30 November 2011 was legal and professional fees which mainly include expenses incurred for retaining lawyers, accountants and financial institution for our Company's intended listing, representing approximately 59.4% of our Group's selling, general and administrative expenses for the period.

Investment income

Our Group's investment income amounted to approximately HK$63,000 and HK$48,000 for each of the two years ended 30 June 2011 respectively. During the two financial years ended 30 June 2010 and 2011, our Group subscribed certain financial products which matured with principal and investment income. These financial products represent short term held-to-maturity debt investments launched by the financial institutions in the PRC. For the five months ended 30 November 2011, our Group did not subscribe such financial products.

Historically, our Group invested in such financial products when we had excess cash over our operation in order to achieve a higher return than deposits at bank with similar maturity. Our Directors confirm that our Group will not subscribe such financial products after Listing.

Share of loss or profit of associate

Our Group's share of loss or profit of associate consists of the share of loss or profit from our associated company BII ERG, a company primarily engaged in providing software in application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System.

Income tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory income tax rate of our Company's subsidiaries registered in Hong Kong is 16.5%. PRC's statutory income tax rate is 25%. ERG BJ was recognised as a High Technology Enterprise and is entitled to a reduced tax rate of 15% for the calendar years from 2010 to 2012.

The income taxes imposed on our Group consist of Hong Kong profits tax from ERG HK and PRC corporate income tax from ERG BJ. Except for these two companies, no provision for income tax has been provided for during the Track Record Period as they did not have assessable profits subject to income tax.

REVIEW OF HISTORICAL OPERATING RESULTS

Comparison of our Group's results for the five months ended 30 November 2011 with the five months ended 30 November 2010

Revenue

Our Group's revenue increased by approximately 284.0% from approximately HK$16.99 million for the five months ended 30 November 2010 to approximately HK$65.25 million for the five months ended 30 November 2011. The increase was mainly attributable to the increase in the provision of transportation system design, installation and maintenance services, in particular the Network Emergency Communications Command System Design and Development Project as well as the increase in the sales of spare parts, especially card readers.

Revenue arising from the provision of transportation system design and installation services

Our Group's revenue arising from the provision of transportation system design and installation services increased by approximately 742.2% from approximately HK$2.96 million for the five months ended 30 November 2010 to approximately HK$24.93 million for the five months ended 30 November 2011. The increase was mainly attributable to the provision of the Network Emergency Communications Command System Design and Development Project for Beijing Subway subcontracted to us by Beijing Jianyi.

Revenue arising from maintenance services

Our Group's revenue arising from the provision of maintenance services decreased by approximately 12.3% from approximately HK$13.52 million for the five months ended 30 November 2010 to approximately HK$11.86 million for the five months ended 30 November 2011. The decrease was mainly because during the previous period, one of our customers requested us to provide additional one off repair and maintenance services in addition to our normal maintenance services while there was none during the five months ended 30 November 2011. Other than that, our revenue arising from maintenance services was generally maintained at similar level.

Revenue arising from sales of spare parts

Our Group's revenue arising from the sales of spare parts increased by approximately 5,480.4% from approximately HK$0.51 million for the five months ended 30 November 2010 to approximately HK$28.46 million for the five months ended 30 November 2011. The increase was mainly attributable to the sale of card readers to our 2012 Major Customer for use in eight lines of Beijing Subway, which accounted for approximately 99.4% of our revenue arising from sales of spare parts for the period.

Cost of sales

Our Group's overall cost of sales has increased by approximately 136.2% from approximately HK$6.60 million for the five months ended 30 November 2010 to approximately HK$15.59 million for the five months ended 30 November 2011. The increase in the overall cost of sales was primarily due to the procurement of hardware for the card readers ordered by our customer.

Cost of sales in respect of transportation system design and installation services

Our Group's cost of sales in respect of transportation system design and installation services increased by approximately 293.0% from approximately HK$0.71 million for the five months ended 30 November 2010 to approximately HK$2.79 million for the five months ended 30 November 2011. The increase was mainly due to the increase in direct labour costs incurred during the period.

There was no subcontracting fee incurred in respect of transportation system design and installation services for both the five months ended 30 November 2010 and the five months ended 30 November 2011.

Direct labour costs in respect of transportation system design and installation services increased by approximately 475.0% from approximately HK$0.44 million for the five months ended 30 November 2010 to approximately HK$2.53 million for the five months ended 30 November 2011. The increase was mainly attributable to the increase in technical staff mainly transferred back from BII ERG to substitute subcontractors' work.

Cost of materials incurred in respect of transportation system design and installation services increased by approximately 700.0% from approximately HK$0.01 million for the five months ended 30 November 2010 to approximately HK$0.08 million for the five months ended 30 November 2011. As transportation system design and installation services normally did not require much materials, the amount of cost of materials was minimal.

Other direct costs in respect of transportation system design and installation services decreased by approximately 30.8% from approximately HK$0.26 million for the five months ended 30 November 2010 to approximately HK$0.18 million for the five months ended 30 November 2011. The decrease was mainly due to reduction in other direct general and administrative expenses for the execution of services including travelling expenses.

Cost of sales in respect of maintenance services

Our Group's total cost of sales in respect of maintenance services decreased by approximately 63.5% from approximately HK$5.65 million for the five months ended 30 November 2010 to approximately HK$2.06 million for the five months ended 30 November 2011. The decrease was mainly due to the reduction in subcontracting fee during the period.

Subcontracting fee in respect of maintenance services was approximately HK$2.31 million for the five months ended 30 November 2010 and there was no subcontracting fee incurred for the five months ended 30 November 2011. The decrease in subcontracting fee was mainly due to the reorganisation of our human resources by transferring technical staff back from BII ERG that possessed the required technical knowhow to handle our maintenance work. ERG BJ had also entered into ERG BJ Licensing Agreement with Vix IP on 28 February 2012. In light of this, our Group expects that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required.

Direct labour costs in respect of maintenance services decreased by approximately 30.5% from approximately HK$2.49 million for the five months ended 30 November 2010 to approximately HK$1.73 million for the five months ended 30 November 2011. The decrease was mainly attributable to the reduction in non-routine technical support and maintenance services carried out during the five months ended 30 November 2011. In addition, following the relocation of experienced technical staff back to our Group, we were able to deliver more efficient maintenance service to our customer, thus further saved us certain direct labour costs in rendering our services.

Cost of materials in respect of maintenance services decreased by approximately 18.2% from approximately HK$0.33 million for the five months ended 30 November 2010 to approximately HK$0.27 million for the five months ended 30 November 2011. The decrease was mainly attributable to the reduction in the number of maintenance cases that required the replacement of spare parts during the five months ended 30 November 2011.

Other direct costs in respect of maintenance services decreased by approximately 88.5% from approximately HK$0.52 million for the five months ended 30 November 2010 to approximately HK$0.06 million for the five months ended 30 November 2011. The decrease was mainly due to the reduction in non-routine technical support and maintenance services carried out for the five months ended 30 November 2011.

Cost of sales in respect of sales of spare parts

Our Group's total cost of sales in respect of sales of spare parts increased by approximately 4,196.0% from approximately HK$0.25 million for the five months ended 30 November 2010 to approximately HK$10.74 million for the five months ended 30 November 2011. The increase was mainly attributable to the increase in cost of materials.

The cost of materials in respect of sales of spare parts increased by approximately 4,659.1% from approximately HK$0.22 million for the five months ended 30 November 2010 to approximately HK$10.47 million for the five months ended 30 November 2011. The increase was primarily attributable to the procurement of hardware for the card readers ordered by our customer.

Other direct costs mainly comprised direct general expenses for the execution of the sales contract including travelling and other administrative expenses.

Gross profit

Our Group's gross profit increased by approximately 384.8% from approximately HK$9.98 million for the five months ended 30 November 2010 to approximately HK$48.38 million for the five months ended 30 November 2011. The increase in gross profit was mainly attributable to the increase in the provision of higher margin services particularly, the Network Emergency Communications Command System Design and Development Project as well as the increase in the sales of higher margin spare parts, in particular, card readers.

Other net loss/income

Our Group's other net loss for the five months ended 30 November 2010 amounted to approximately HK$11,000 and the other net income for the five months ended 30 November 2011 amounted to approximately HK$27,000. Our Group's other net income consists of bank interest income and foreign exchange loss. The amount of bank interest income recorded for the five months ended 30 November 2010 and the five months ended 30 November 2011 amounted to approximately HK$2,000 and HK$33,000 respectively. The amount of foreign exchange loss for the five months ended 30 November 2010 and the five months ended 30 November 2011 amounted to approximately HK$13,000 and HK$6,000 respectively.

Selling, general and administrative expenses

Our Group's selling, general and administrative expenses increased by approximately 328.7% from approximately HK$3.31 million for the five months ended 30 November 2010 to approximately HK$14.19 million for the five months ended 30 November 2011. The increase was mainly due to the increase in legal and professional fees, staff costs and rental expenses.

Legal and professional fees increased by approximately 5,921.4% from approximately HK$0.14 million for the five months ended 30 November 2010 to approximately HK$8.43 million for the five months ended 30 November 2011. The increase was mainly due to the engagement of lawyers, accountants, financial institution and other professional firms for our Company's listing.

Staff costs increased by approximately 70.7% from approximately HK$1.57 million for the five months ended 30 November 2010 to approximately HK$2.68 million for the five months ended 30 November 2011. It was mainly due to the employment of three senior management staff to oversee the Group's corporate finance, business development and accounting matters.

Rental expenses increased by approximately 127.3% from approximately HK$0.44 million for the five months ended 30 November 2010 to approximately HK$1.00 million for the five months ended 30 November 2011. The increase was mainly attributable to the rental of our newly set up management and administrative office in Hong Kong commencing from July 2011.

Profit from operations

Our Group's profit from operations increased by approximately 413.8% from approximately HK$6.66 million for the five months ended 30 November 2010 to approximately HK$34.22 million for the five months ended 30 November 2011. The increase in profit from operations is primarily attributable to the increase in the provision of transportation system design, installation and maintenance services as well as increase in customer order for our spare parts, in particular, card readers.

Share of loss of associate

Our Group's share of loss of associate increased by approximately 220.5% from a share of loss of approximately HK$0.44 million for the five months ended 30 November 2010 to a share of loss of approximately HK$1.41 million for the five months ended 30 November 2011. The increase was mainly attributable to the increase in direct and indirect labour costs and reduction in operating income of our associate. The increase in direct and indirect costs was generally due to employment of new technical staff and increase in salary for existing staff. The reduction in operating income was largely due to a substantial part of the existing contracts had already been completed in previous period, thus the income generated from existing contracts during the five months ended 30 November 2011 was limited. Furthermore, some of the new contracts awarded to our associate during the five months ended 30 November 2011 were only being awarded near the period end, therefore, no income had been generated from the new contracts during the period as these contracts were still at their planning stage. With the execution of these new contracts awarded to our associate near the period ended 30 November 2011 and the new contract awarded to our associate subsequently up to the Latest Practicable Date, it is envisaged that our associate would have a better performance in the second half of the financial year ending 30 June 2012.

Profit before taxation

Our Group's profit before taxation increased by approximately 427.5% from approximately HK$6.22 million for the five months ended 30 November 2010 to approximately HK$32.81 million for the five months ended 30 November 2011. The increase in profit before taxation was primarily attributable to the increase in provision of transportation system design, installation and maintenance services as well as increase in customer order for our spare parts, in particular, card readers.

Income tax

Our Group's income tax increased approximately by 539.6% from approximately HK$1.06 million for the five months ended 30 November 2010 to approximately HK$6.78 million for the five months ended 30 November 2011. The increase was generally in line with the growth in our profit before taxation. As our profits grew, income tax also increased accordingly.

For the five months ended 30 November 2010 and the five months ended 30 November 2011, our effective income tax rate was 17.0% and 20.7% respectively. The increase in our effective tax rate was mainly due to the increase in non-deductible expenses incurred during the five months ended 30 November 2011, mainly arising from the newly set up management and administrative office in Hong Kong.

Profit attributable to equity shareholders of the Company

Our Group's profit attributable to equity shareholders of our Company increased by approximately 404.5% from approximately HK$5.16 million for the five months ended 30 November 2010 to approximately HK$26.03 million for the five months ended 30 November 2011. The increase was primarily due to the growth in revenue and improvement in gross profit.

Comparison of our Group's results for the year ended 30 June 2011 with the year ended 30 June 2010

Revenue

Our Group's revenue increased by approximately 194.7% from approximately HK$24.45 million for the year ended 30 June 2010 to approximately HK$72.05 million for the year ended 30 June 2011. The continued rapid expansion of the railway network in China, the winning of various large scale ACC and TCC solutions projects by ERG BJ as well as the inclusion of the full year operating results of ERG HK, a subsidiary acquired on 30 March 2010, had contributed to the growth in our Group's revenue from the provision of transportation system design, installation and maintenance services for the year ended 30 June 2011. Based on our Group's business strategy, revenue generated from provision of services will continue to be our main sources of revenue.

Revenue arising from the provision of transportation system design and installation services

Our Group's revenue arising from the provision of transportation system design and installation services increased by approximately 978.2% from approximately HK$3.49 million for the year ended 30 June 2010 to approximately HK$37.63 million for the year ended 30 June 2011. The increase was mainly attributable to the provision of ACC and TCC application solutions integration services by ERG BJ in relation to the ACC and TCC Integration Project regarding five of the lines of the Beijing Subway, namely Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line awarded by Beijing Metro Network that accounted for approximately 75.4% of the total revenue generated from the provision of transportation system design and installation services for the year ended 30 June 2011.

Revenue arising from maintenance services

Our Group's revenue arising from the provision of maintenance services increased by approximately 66.1% from approximately HK$19.03 million for the year ended 30 June 2010 to approximately HK$31.60 million for the year ended 30 June 2011. The increase was mainly attributable to the inclusion of the full year's operating results of ERG HK who largely engaged in the provision of transportation system maintenance services, for which its revenue deriving from maintenance services accounted for approximately 49.3% of our Group's total revenue generated from the provision of maintenance services for the year ended 30 June 2011. Whereas, for the year ended 30 June 2010, only three months operating results of ERG HK was included since our Group's acquisition on 30 March 2010.

Revenue arising from sales of spare parts

Our Group's revenue arising from the sales of spare parts increased by approximately 46.6% from approximately HK$1.93 million for the year ended 30 June 2010 to approximately HK$2.83 million for the year ended 30 June 2011. The increase was mainly attributable to the supply of spare parts for data exchange and clearing system for Phase I of Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line of the Beijing Metro Network.

Cost of sales

Our Group's overall cost of sales has increased by approximately 112.6% from approximately HK$11.56 million for the year ended 30 June 2010 to approximately HK$24.58 million for the year ended 30 June 2011. The increase in the overall cost of sales was primarily due to the increase in our business volume through winning of various large scale ACC and TCC System projects by ERG BJ, as well as the inclusion of the full year operations of ERG HK, a subsidiary acquired on 30 March 2010.

Cost of sales in respect of transportation system design and installation services

Our Group's total cost of sales in respect of transportation system design and installation services increased by approximately 2,181.7% from approximately HK$0.60 million for the year ended 30 June 2010 to approximately HK$13.69 million for the year ended 30 June 2011. The increase was generally in line with the growth of our Group's revenue derived from the provision of transportation system design and installation services.

There was no subcontracting fee incurred in respect of transportation system design and installation services for the year ended 30 June 2010. The subcontracting fee incurred for the five months ended 30 November 2011 was approximately HK$10.14 million and was mainly arising from the subcontracting arrangement entered into with BII ERG in relation to the provision of the ACC and TCC Integration Project for the Beijing Subway regarding Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line that required the use of the Vix licensed technology.

Direct labour costs in respect of transportation system design and installation services increased by approximately 476.0% from approximately HK$0.50 million for the year ended 30 June 2010 to approximately HK$2.88 million for the year ended 30 June 2011. The increase was mainly attributable to the increase in provision of our transportation system design and installation services in particular, the ACC and TCC Integration Project for the Beijing Subway regarding Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line.

There was no cost of materials incurred in respect of transportation system design and installation services for each of the two financial years ended 30 June 2011.

Other direct costs in respect of transportation system design and installation services increased by approximately 580.0% from approximately HK$0.10 million for the year ended 30 June 2010 to approximately HK$0.68 million for the year ended 30 June 2011. The increase was mainly associated with the increase in the provision of services undertaken by our Group for the year ended 30 June 2011.

Cost of sales in respect of maintenance services

Our Group's total cost of sales in respect of maintenance services increased by approximately 0.1% from approximately HK$9.42 million for the year ended 30 June 2010 to approximately HK$9.43 million for the year ended 30 June 2011. The increase was mainly due to the rise in direct labour costs and materials consumption during the period.

Subcontracting fee in respect of maintenance services decreased by approximately 33.3% from approximately HK$5.41 million for the year ended 30 June 2010 to approximately HK$3.61 million for the year ended 30 June 2011. The decrease was mainly attributable to the completion of a one off maintenance contract that was partially subcontracted to our subcontractors during the year ended 30 June 2010.

Direct labour costs in respect of maintenance services increased by approximately 52.8% from approximately HK$3.09 million for the year ended 30 June 2010 to approximately HK$4.72 million for the year ended 30 June 2011. The increase was mainly attributable to the increase in the provision of maintenance services rendered by ERG HK during the year ended 30 June 2011 as ERG HK was only being acquired by our Group on 30 March 2010, only three months operating results from ERG HK was included for the year ended 30 June 2010.

Cost of materials in respect of maintenance services increased by approximately 327.8% from approximately HK$0.18 million for the year ended 30 June 2010 to approximately HK$0.77 million for the year ended 30 June 2011. The increase was mainly attributable to the increase in the provision of maintenance services rendered by ERG HK during the year ended 30 June 2011 as ERG HK was only being acquired by our Group on 30 March 2010, only three months operating results from ERG HK was included for the year ended 30 June 2010.

Other direct costs in respect of maintenance services decreased by approximately 54.8% from approximately HK$0.73 million for the year ended 30 June 2010 to approximately HK$0.33 million for the year ended 30 June 2011. The decrease was mainly attributable to reduction in related travelling and entertainment expenses during the year ended 30 June 2011.

Cost of sales in respect of sales of spare parts

Our Group's total cost of sales in respect of sales of spare parts decreased by approximately 5.2% from approximately HK$1.54 million for the year ended 30 June 2010 to approximately HK$1.46 million for the year ended 30 June 2011.

The cost of materials in respect of sales of spare parts decreased by approximately 3.4% from approximately HK$1.46 million for the year ended 30 June 2010 to approximately HK$1.41 million for the year ended 30 June 2011. The decrease was primarily attributable to the difference in nature of spare parts sold in each of the two years ended 30 June 2011. In general, our Group will only procure the spare parts according to customers' specification, therefore the nature of spare parts sold may vary from time to time as requested by customer.

Other direct costs mainly comprised sales contract administration expenses, including travelling and entertainment expenses.

Gross profit

Our Group's gross profit increased by approximately 272.4% from approximately HK$12.03 million for the year ended 30 June 2010 to approximately HK$44.80 million for the year ended 30 June 2011. The increase in gross profit was mainly attributable to the increase in undertaking of higher gross margin work and reducing subcontracting arrangement as well as increase in the amount of our services awarded as a result of the rapid development of the railway transportation system in China and through the acquisition of ERG HK on 30 March 2010.

Other net income

Our Group's other net income for each of the two financial years ended 30 June 2011 amounted to approximately HK$11,000 and HK$12,000 respectively. Our Group's other net income consists of bank interest income and foreign exchange gain or loss. The amount of bank interest income recorded for each of the two financial years ended 30 June 2011 were approximately HK$9,000 and HK$24,000 respectively. The amount of foreign exchange gain was approximately HK$2,000 for the year ended 30 June 2010 and the amount of foreign exchange loss was approximately HK$12,000 for the year ended 30 June 2011.

Selling, general and administrative expenses

Our Group's selling, general and administrative expenses increased by approximately 129.3% from approximately HK$5.40 million for the year ended 30 June 2010 to approximately HK$12.38 million for the year ended 30 June 2011. The increases were mainly due to:

(i) our Group's selling, general and administrative expenses for the year ended 30 June 2010 only included three months' selling, general and administrative expenses of ERG HK because it only became part of our Group on 30 March 2010, whereas, the selling, general and administrative expenses for the year ended 30 June 2011 included ERG HK's full year's related expenses, which accounted for approximately 51.5% of our Group's total selling, general and administration expenses for the year ended 30 June 2011;

(ii) the increase in staff costs mainly relates to the salaries of administrative, marketing and finance staff. Staff costs were the major item under selling, general and administrative expenses for each of the two financial years ended 30 June 2011, representing approximately 33.0% and 53.7% of the total selling, general and administrative expenses for the respective year. During the year ended 30 June 2011, we increased our human resources to accommodate the development of our Group's business and operation needs thus increased part of our staff costs. In addition, similar to (i) above, the increase in staff costs was the result of the inclusion of ERG HK's full year's operating results for the year ended 30 June 2011.

Profit from operations

Our Group's profit from operations increased by approximately 387.7% from approximately HK$6.65 million for the year ended 30 June 2010 to approximately HK$32.43 million for the year ended 30 June 2011. The increase in profit from operations is primarily attributable to the increase

in the amount of services rendered for the year ended 30 June 2011 as a result of the increase in demand for our services by transport system owners and operators, especially in China, to cater for the swift development of the railway transportation network. In addition, improvement in cost control also contributed to the increase in our Group's profit from operations for the year ended 30 June 2011, in particular, the selling, general and administrative expenses as a percentage of our Group's total revenue decreased from approximately 22.1% for the year ended 30 June 2010 to approximately 17.2% for the year ended 30 June 2011.

Share of loss or profit of associate

Our Group's share of loss or profit of associate consists of the share of loss or profit from BII ERG. The improvement from a loss of HK$0.54 million for the year ended 30 June 2010 to a profit of HK$13.34 million for the year ended 30 June 2011 was mainly because BII ERG was established in September 2009 and few projects were obtained from its customers during the year ended 30 June 2010. For the year ended 30 June 2011, BII ERG achieved strong business performance through the provision of various application solutions projects at the line level awarded by Beijing Metro Network.

Profit before taxation

Our Group's profit before taxation increased by approximately 641.4% from approximately HK$6.18 million for the year ended 30 June 2010 to approximately HK$45.82 million for the year ended 30 June 2011. The increase in profit before taxation was primarily attributable to the growth in provision of services undertaken by our Group as well as the growth in the share of profit of associate for the year ended 30 June 2011.

Income tax

Our Group's income tax increased approximately by 335.0% from approximately HK$1.23 million for the year ended 30 June 2010 to approximately HK$5.35 million for the year ended 30 June 2011. The increase was primarily due to the increase in profit before taxation from approximately HK$6.18 million for the year ended 30 June 2010 to approximately HK$45.82 million for the year ended 30 June 2011.

For the year ended 30 June 2010 and 2011, our effective income tax rate was 19.9% and 11.7% respectively. The decrease in our effective tax rate was mainly due to the tax effect of share of profit or loss of associate. In accordance with the relevant tax rules and regulations in the PRC, share of profit or loss of associate is neither taxable nor deductible. For the year ended 30 June 2010, we recognised non-deductible share of loss of associate of approximately HK$0.54 million, which resulted in an increase in our effective tax rate by approximately 2.2% from its notional tax on profit before taxation. For the year ended 30 June 2011, we recognised non-taxable share of profit of associate of approximately HK$13.34 million, which resulted in a decrease in our effective tax rate by approximately 7.3% from its notional tax on profit before taxation.

Profit attributable to equity shareholders of the Company

Our Group's profit attributable to equity shareholders of our Company increased by approximately 717.6% from approximately HK$4.95 million for the year ended 30 June 2010 to approximately HK$40.47 million for the year ended 30 June 2011. The increase was primarily due to growth in revenue, improvement in gross profit, increase in share of profit of associate as well as the inclusion of the full year's operating results of ERG HK that was acquired on 30 March 2010.

KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios of our Group for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

		Years ended 30 June		Five months ended 30 November
	Note	**2010**	**2011**	**2011**
Profitability ratios				
Gross profit margin (%)	*1*	49.2	62.2	74.1
Net profit margin (%)	*2*	20.2	56.2	39.9
Return on assets (%)	*3*	20.9	47.0	18.6
Return on equity (%)	*4*	22.4	98.8	23.6
Liquidity ratios				
Current ratio	*5*	8.0	1.5	4.0
Capital adequacy ratio				
Gearing ratio (%)	*6*	N/A	37.4	N/A

Notes:

1. Gross profit margin is calculated based on the gross profit for the year/period divided by total revenue for the year/period and multiplied by 100%.

2. Net profit margin is calculated based on the net profit for the year/period divided by total revenue for the year/period and multiplied by 100%.

3. Return on assets is calculated based on the net profit for the year/period divided by the total assets at the end of the year/period and multiplied by 100%.

4. Return on equity is calculated based on the net profit for the year/period divided by issued share capital and reserves at the end of the year/period and multiplied by 100%.

5. Current ratio is calculated based on the total current assets at the end of the year/period divided by the total current liabilities at the end of the year/period.

6. Gearing ratio is calculated based on total debt at the end of the year/period divided by total assets at the end of the year/period and multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business, including advanced cash injection from investor, amount due to shareholder and profit distribution payable but excluding trade payables.

ANALYSIS ON KEY FINANCIAL RATIOS

Gross profit margin

The following table sets forth the breakdown of our Group's gross profit margins for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Years ended 30 June		Five months ended 30 November
	2010	2011	2011
	%	%	%
Gross profit margin			
– Transportation system design and installation services	79.9	58.8	84.9
– Maintenance services	46.5	67.4	80.0
– Sales of spare parts	20.3	48.5	62.3
Overall	49.2	62.2	74.1

Our Group's overall gross profit margin increased from approximately 49.2% for the year ended 30 June 2010 to approximately 62.2% for the year ended 30 June 2011 was mainly attributable to the improvement in costs control. Our Group's gross profit margin further increased to approximately 74.1% for the five months ended 30 November 2011 was mainly due to the reduction in subcontracting arrangement and received higher margin sales order from customers for our spare parts sales.

The gross profit margin in respect of each of the respective transportation system design, installation and maintenance services undertaken by our Group ranged from approximately 3.7% to 93.3%, from approximately 47.4% to 87.3% for the two financial years ended 30 June 2011 and from approximately 59.6% to 92.1% for the five months ended 30 November 2011 respectively. The main characteristics of the contracts with low gross profit margins (below 5%) and high gross profit margins (above 90%) during the Track Record Period are as follows:

- Contracts with gross profit margins below 5%:

  There was only one contract with gross profit margin below 5% during the Track Record Period. The contract was awarded by Beijing Metro Network for the provision of maintenance services for the Beijing Subway ACC Application System. Due to the undertaking of certain system integration projects by our Group in the PRC that required the use of Vix licensed technology, our Group had subcontracted a substantial part of the contract to BII ERG. As a result, the gross profit margin of such contract was relatively low.

- Contracts with gross profit margins above 90%:

  There were three contracts with gross profit margin above 90% during the Track Record Period. The contracts were awarded by Vix Technology and MTR. All of these contracts were ad hoc in nature, being mainly provision of AFC system modification services and minor variation orders related to the Bangkok Smartcard System Project which largely involved direct labour costs only. For the AFC system modification services, as the system was developed by us and only required small scale modification, the direct labour costs incurred was low which led to a high gross profit margin. For the variation orders, as it largely involved data signing, the costs incurred was limited.

Our Group's gross profit margin in respect of transportation system design and installation services decreased from approximately 79.9% for the year ended 30 June 2010 to approximately 58.8% for the year ended 30 June 2011 and increased to approximately 84.9% for the five months ended 30 November 2011. The particularly low gross profit margin for the year ended 30 June 2011 was primarily attributable to the use of subcontractors, mainly our associated company BII ERG, which was the only company in China that possessed the requisite licensed technology awarded by the Vix Group in relation to the ACC System during the period, to undertake certain parts of our work during the year ended 30 June 2011. We engaged external subcontractors when we had a tight work schedule and large quantity of work. We engaged subcontractors and services providers to provide labour, materials and services necessary for completion of certain parts of the services undertaken by our Group under the project agreements. There was no subcontracting arrangement for the year ended 30 June 2010 and the five months ended 30 November 2011. For the year ended 30 June 2011, subcontractors were engaged for the ACC and TCC Integration Project regarding Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping line as the use of licensed technology was required. BII ERG was engaged because certain project agreements required the use of the licensor technology. BII ERG was the only company which had been licensed to use the Vix licensed technology pursuant to the licence agreement entered into between BII ERG and Vix R&D on 3 December 2009.

Other than BII ERG, we have also entered into subcontracting arrangements with other contractors which are PRC-based corporations mainly engaged in IT services, datacenter and infrastructure solutions, or intelligent transportation business. There are numerous potential subcontractors with relevant expertise in the market. Further, we possess the relevant expertise for the work performed by the subcontractors under these subcontracting arrangements but we entered into these arrangements with them in the event of tight work schedule and large quantity of work. The subcontracting agreements entered into by our Group during the Track Record Period mainly involved the engagement for technological development, consultancy services and technical services in relation to system testing, software and product maintenance.

Our Group's profit margin in respect of transportation system design and installation services increased from approximately 58.8% for the year ended 30 June 2011 to approximately 84.9% for the five months ended 30 November 2011. The increase was mainly due to the reduction in subcontracting fee because our Group had not undertaken any work that required the use of the Vix licensed technology and other subcontractor's assistance during the period.

In addition, the high gross profit margin of approximately 88.1% achieved by the newly awarded Network Emergency Communications Command System Design and Development Project had significantly contributed to the increase in our overall gross profit margin in respect of transportation system design and installation services for the five months ended 30 November 2011 as the revenue from such project accounted for approximately 68.6% of our total revenue arising from transportation system design and installation services for the five months ended 30 November 2011. The project was subcontracted to our Group by Beijing Jianyi to assist them in the development of the Geographic Information System ("GIS"), a sub-system of the Network Emergency Communications Command System for the Beijing Subway. GIS is a system designed to capture, store, manipulate, analyse, manage, and present all types of geographically referenced data. The main purpose for the development of the GIS for the Beijing Subway is to provide instant accurate positioning information of the Beijing Subway in case of emergency, including but not limited to information regarding the floor layout, structural information, exit and entrance location, transformer station location of each individual Beijing Subway station as well as information regarding the structure of the Beijing Subway network. Considering our Group had already obtained those requisite data during the course of the development of the ACC System and the TCC System of the Beijing Subway previously, Beijing Jianyi entered into a subcontracting arrangement with our Group. The official subcontracting agreement was entered into on 10 November 2011, however, our Group had to deliver our work by the end of 31 December 2011. In view of the tight deadline, we were able to bargain a higher premium for this project. In addition, given the work to be delivered was almost readily available, the labour costs involved was limited. As a result, our Group was able to achieve a high gross profit margin for this project.

Our Group's gross profit margin in respect of maintenance services increased from approximately 46.5% for the year ended 30 June 2010 to approximately 67.4% for the year ended 30 June 2011 and further increased to approximately 80.0% for the five months ended 30 November 2011. The increase was largely attributable to the strengthening of our Group's servicing team to undertake the work that used to be carried out by subcontractors. In addition, as certain of our staff who participated in the development of the ACC System in Beijing and were seconded to BII ERG during its establishment had returned to ERG BJ in the end of June 2011, we were able to deliver more efficient maintenance service to our customer by leveraging on their experience, thus further lower our costs of service. Moreover, maintenance services mainly involve routine regular check-ups and non-routine ad hoc technical support services; as fewer ad hoc technical support services were demanded during the five months ended 30 November 2011, less costs were incurred during the period and we were able to achieve a higher gross profit margin during this period with fixed-price maintenance contracts. However, during the Track Record Period, the need for subcontractors would still arise where our Group required the use of licensed technology or was in short of man power.

Going forward, we expect the use of subcontractors would decrease because certain of our staff who participated in the development of the ACC System in Beijing and were seconded to BII ERG during its establishment had returned to ERG BJ. ERG BJ has also entered into the ERG BJ Licensing Agreement with Vix IP and would therefore, possess technology which is capable of being used in an AFC System, and its related product or service as well as the ACC technology for the project relating to the ACC System of the Beijing Subway. Hence, our Group expects that the subcontracting arrangement between ERG BJ and BII ERG in the area of ACC System will no longer be required. For the five months ended 30 November 2011, no subcontracting arrangement had been entered into with subcontractors. We would, however, still engage subcontractors depending on the work schedule and quantity of work.

During the Track Record Period, certain parts of our transportation system design, installation and maintenance services contract had not been fully completed. The following table sets forth the comparison between our Group's gross profit margin in respect of the outstanding contracts commenced and completed during the Track Record Period and our Group's expected gross profit margin in respect of outstanding contracts commenced but not yet completed up to the Latest Practicable Date:

	Completed contracts	**Outstanding contracts**
	%	%
Gross profit margin		
Transportation system design and installation services *(Note)*	65.4%	63.4%
Maintenance services *(Note)*	59.6%	75.7%

Note: The gross profit margin in relation to the transportation system design, installation and maintenance services is calculated after taking into account the business tax and surcharge. There is no material difference between the key contract terms of the completed contracts and the outstanding contracts. All of the contracts are fixed-price contracts.

Our Group's gross profit margin in respect of sales of spare parts increased approximately from 20.3% for the year ended 30 June 2010 to 48.5% for the year ended 30 June 2011 and further increased to approximately 62.3% for the five months ended 30 November 2011. The improvement was primarily attributable to the selling of higher margin products in particular, card readers which accounted for approximately 99.4% of our total revenue arising from sales of spare parts for the five months ended 30 November 2011. As the core component namely the software of the card reader was developed by our Group, we were able to achieve a higher margin for such product. While in previous period, all of the spare parts we sold were sourced from third party suppliers, therefore, the gross profit margin for the previous period were relatively lower than that for the five months ended 30 November 2011.

Net profit margin

The following table sets forth our Group's net profit margin for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Year ended 30 June		**Five months ended 30 November**
	2010	**2011**	**2011**
	%	%	%
Net profit margin	20.2	56.2	39.9

The net profit of our Group for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011 were approximately HK$4.95 million, HK$40.47 million and HK$26.03 million respectively.

Our Group's net profit margin increased from approximately 20.2% for the year ended 30 June 2010 to approximately 56.2% for the year ended 30 June 2011. The increase in net profit margin was mainly the result from the growth in profit of associate during the year ended 30 June 2011 and increase in gross profit margin. In addition, ERG BJ was entitled to a reduced income tax rate of 15% for the calendar years from 2010 to 2012, therefore, ERG BJ was entitled to a full year reduced income tax rate for the year ended June 2011 thus further increases our Group's net profit margin.

Our Group's net profit margin decreased to approximately 39.9% for the five months ended 30 November 2011. The decrease in net profit margin was mainly due to the increase in selling, general and administrative expenses, in particular, legal and professional fees incurred for the Listing of our Company amounting to approximately HK$8.31 million and the increase in share of loss of associate from a share of profit of approximately HK$13.34 million for the year ended 30 June 2011 to a share of loss of approximately HK$1.41 million.

During the three months ended 29 February 2012, in addition to our existing contracts on transportation system design and installation projects, maintenance services and sales of spare parts, our Group had secured five new contracts in relation to the provision of transportation system design and installation services with an aggregate contract value of approximately HK$30.21 million and one new contract in relation to sales of spare parts with an aggregate contract value of approximately HK$3.00 million. Based on our revenue and results for the five months ended 30 November 2011 and our recent work progress, our Directors expect that there would be an increase in our revenue for the year ending 30 June 2012. However, as there was an increase in the head count of our staff in our design and engineering team since December 2011 and also an increase in our direct labour costs since January 2012 due to salary review of our existing technical staff, our Directors expected that our gross profit margin for the year ending 30 June 2012 would be lower than that recorded for the five months ended 30 November 2011 as the increase in labour costs would be recognised in our financial year ending 30 June 2012. Likewise, our Directors also expect there would be an increase in our selling, administration and general expenses for the year ending 30 June 2012 as a result of, among other things the increase in staff-related costs and listing expenses relating to the engagement of professionals for the Listing. Taking into account the above, our Directors expect that our net profit margin for the year ending 30 June 2012 would be lower than that for the five months ended 30 November 2011.

Return on assets

Return on assets for each of the two financial years ended 30 June 2010 and 30 June 2011 was approximately 20.9% and 47.0% respectively. For the year ended 30 June 2011, our net profit and total asset increased by approximately 717.9% and 262.8% respectively as compared with that for the year ended 30 June 2010. The increase in our net profit was mainly resulted from the growth in the share of profit of associate as well as attributable to the reduction in income tax rate of ERG BJ. The increase in total assets was mainly attributable to the increase in investment in associated company and increase in cash injected by investor. The higher return on assets for the year ended 30 June 2011 as compared with that for the year ended 30 June 2010 was due to the rate of increase in net profit exceeded the rate of increase in total assets.

Return on assets for the five months ended 30 November 2010 and 30 November 2011 was approximately 15.7% and 18.6% respectively. For the five months ended 30 November 2011, our net profit and total asset increased by approximately 404.4% and 325.4% respectively as compared

with that for the five months ended 30 November 2010. The increase in our net profit was mainly resulted from the growth in operating profit while the increase in total asset for was mainly attributable to the increase in investment in associated company and increase in cash injected by investor. The higher return on assets for the five months ended 30 November 2011 as compared with that for the five months ended 30 November 2010 was mainly due to the rate of increase in net profit exceeded the rate of increase in total assets.

Return on equity

Return on equity for each of the two financial years ended 30 June 2010 and 30 June 2011 was approximately 22.4% and 98.8% respectively. For the year ended 30 June 2011, our net profit and equity increased by approximately 717.9% and 85.1% respectively as compared with that for the year ended 30 June 2010. Both net profit and equity of our Group had grown over the year ended 30 June 2011, however, the increase in net profit outweighed the increase in equity, thus led to an increase in return on equity for the year ended 30 June 2011 as compared with that for the year ended 30 June 2010.

Return on equity for each of the five months ended 30 November 2010 and 30 November 2011 was approximately 18.7% and 23.6% respectively. For the five months ended 30 November 2011, our net profit and equity increased by approximately 404.4% and 300.3% respectively as compared with that for the five months ended 30 November 2010. Both net profit and equity of our Group had grown over the five months ended 30 November 2011, however, the increase in net profit outweighed the increase in equity, thus led to an increase in return on equity for the five months ended 30 November 2011 as compared with that for the five months ended 30 November 2010.

Current ratio

As at 30 June 2010, 30 June 2011 and 30 November 2011, the current ratios of the Group were 8.0, 1.5 and 4.0 respectively. The high current ratio as at 30 June 2010 was mainly because most of the trade payables were settled near year end. The decrease of current ratio to 1.5 as at 30 June 2011 was mainly because of the share issuance to Guotai Junan, one of our Pre-IPO Investors, was completed only after 30 June 2011, therefore the cash injection of approximately HK$22.86 million received from Guotai Junan was recognised as a liability as at 30 June 2011. The current ratio increased to 4.0 as at 30 November 2011 mainly because of the amount due to Guotai Junan had been transferred into equity of our Company. In addition, the Group received cash injection from another Pre-IPO Investor of approximately HK$19.51 million. Out of our current assets as at 30 November 2011, approximately 43.2% was cash. We believe that our current ratio maintained at a reasonable level.

Gearing ratio

Our Group did not have any bank borrowings, long term debts and payables incurred not in the ordinary course of business during the year ended 30 June 2010. However, our Group received a capital injection of approximately HK$22.86 million from Guotai Junan for the subscription of our shares on 1 June 2011 that was subject to the approval of our Board and our Shareholders as at 30 June 2011. Furthermore, our Group received advances from a Controlling Shareholder of approximately HK$4.50 million and incurred a profit distribution of approximately HK$4.88 million payable to an original shareholder for the year ended 30 June 2011. As such, our Group's gearing ratio increased to 37.4% for the year ended 30 June 2011.

During the five months ended 30 November 2011, the HK$22.86 million capital injection from Guotai Junan was fully transferred into equity. In addition, the HK$4.50 million shareholder advances and the HK$4.88 million profit distribution payable were fully settled. Furthermore, as at 30 November 2011, our Group did not have any bank borrowings, long term debts, and payables incurred not in the ordinary course of business. As such, our Group's gearing ratio decreased to nil as at 30 November 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

	Year ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	11,524	22,553	6,103	5,693
Net cash used in investing activities	(8,763)	(207)	(155)	(1,710)
Net cash generated from financing activities	–	4,685	10	14,699
Net increase in cash	2,761	27,031	5,958	18,682
Cash as at beginning of year/period	2,997	5,812	5,812	33,021
Effect of changes in foreign exchange rate	54	178	160	29
Cash as at end of year/period	5,812	33,021	11,930	51,732

Cash flow from operating activities

The net cash generated from operating activities for the year ended 30 June 2010 amounted to approximately HK$11.52 million. Our profit before taxation was approximately HK$6.18 million. Positive cash flow adjustments was primarily attributable to the decrease in trade and other receivables of approximately HK$6.86 million, mainly due to settlement of service fees by customers. The positive cash flow adjustment were partially offset by (i) decrease in trade and other payables of approximately HK$1.25 million, largely due to settlement of subcontracting fees; and (ii) payment of income tax of approximately HK$1.05 million.

The net cash generated from operating activities for the year ended 30 June 2011 amounted to approximately HK$22.55 million, representing an increase of approximately 95.7% compared to the year ended 30 June 2010. Our profit before taxation was approximately HK$45.82 million. Positive cash flow adjustments were primarily due to: (i) increase in trade and other payables of approximately HK$15.58 million, mainly due to increase in amount due to Controlling Shareholder of approximately HK$4.50 million, increase in profit distribution payable to original shareholder of approximately HK$4.88 million and increase in amount due to an associate of approximately

HK$8.00 million; and (ii) cash received from associates in respect of profit appropriation of approximately HK$5.01 million. The positive cash flow adjustments were offset partially by (i) payment of income tax of approximately HK$5.36 million; (ii) increase in trade and other receivables of approximately HK$25.54 million, largely because more projects were completed close to the end of year and; (iii) adjustment for the share of profit of associate.

For the five months ended 30 November 2010, our net cash generated from operating activities was approximately HK$6.10 million. Our increase in trade and other receivables was offset by our increase in trade and other payables, and our net cash from operating activities is close to our profit before taxation, being approximately HK$6.22 million.

The net cash generated from operating activities decreased by approximately 6.7% from approximately HK$6.10 million for the five months ended 30 November 2010 to approximately HK$5.69 million for the five months ended 30 November 2011. Our profit before taxation was approximately HK$32.81 million, representing an increase of approximately 427.4% compared to the five months ended 30 November 2010. The positive cash flow was partially offset by (i) increase in trade and other receivables of approximately HK$38.77 million, largely due to increase in gross amounts due from customers for contract work performed but not yet billed to customers; and (ii) payment of income tax of approximately HK$2.88 million.

Cash flow from investing activities

The net cash used in investing activities was approximately HK$8.76 million for the year ended 30 June 2010, of which approximately HK$10.0 million was used for the capital injection in an associate and approximately HK$0.74 million was used to purchase fixed assets. In addition, there was a cash inflow of approximately HK$1.97 million, being the cash acquired from acquisition of a subsidiary.

The net cash used in investing activities was approximately HK$0.21 million for the year ended 30 June 2011, of which approximately HK$0.26 million was used to purchase office equipment. In addition, there was a net cash inflow of approximately HK$0.05 million derived from short term investments during the year.

The net cash used in investing activities for the five months ended 30 November 2010 was approximately HK$0.16 million, which was generated from acquisition of fixed asset.

The net cash used in investing activities increased from approximately HK$0.16 million for the five months ended 30 November 2010 to approximately HK$1.71 million for the five months ended 30 November 2011, which was mainly used for the renovation of our newly set up management and administrative office in Hong Kong as well as for the purchase of furniture and equipment for use in our new office.

Cash flow from financing activities

There was no cash flow from financing activities for the year ended 30 June 2010.

The net cash inflow from financing activities for the year ended 30 June 2011 was approximately HK$4.69 million, being the cash contribution from equity shareholders of our Company of approximately HK$0.4 million and cash injection from an investor of approximately HK$22.86 million. The inflow was offset partially by the distribution of profits to the original shareholders of approximately HK$18.57 million.

The net cash inflow from financing activities for the five months ended 30 November 2010 was approximately HK$10,000, which was generated from Mr. Cao's investment in Beijing City Railway.

The net cash inflow from financing activities increased from approximately HK$10,000 for the five months ended 30 November 2010 to approximately HK$14.70 million for the five months ended 30 November 2011. The cash inflow for the five months ended 30 November 2011 was mainly the cash received from one of our Pre-IPO Investors for its capital injection to our Company of approximately HK$19.51 million and was offset partially by payment of the distribution of profits to the original shareholders of approximately HK$4.88 million.

WORKING CAPITAL

The following table sets forth our Group's net current assets as at 30 June 2010, 30 June 2011, 30 November 2011 and 29 February 2012:

	As at 30 June 2010	**As at 30 June 2011**	**As at 30 November 2011**	**As at 29 February 2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Inventories	680	685	1,064	878
Trade receivables	4,002	17,055	37,085	40,454
Gross amounts due from customers for contract work	–	6,665	28,198	41,876
Prepayments, deposits and other receivables	696	3,420	1,533	2,055
Amounts due from related parties *(Note 1)*	1,716	5,539	248	19,759
Cash and cash equivalent	5,812	33,021	51,732	22,538
	12,906	66,385	119,860	127,560
Current liabilities				
Trade payables	–	1,741	13,312	15,444
Other payables	1,401	3,002	6,080	5,387
Current taxation	209	194	7,377	7,383
Cash injection from an investor	–	22,855	–	–
Amounts due to related parties	–	17,373	2,991	2,647
	1,610	45,165	29,760	30,861
Net current assets	11,296	21,220	90,100	96,699

Note:

1. As at 29 February 2012, included in the amounts due from related parties, there was a loan to More Legend amounted to HK$19,511,300. According to a loan agreement between our Group and More Legend, our Group paid the amount to BII HK on behalf of More Legend on 12 January 2012, as More Legend's collateral for its payment obligation due to BII HK according to an agreement between More Legend and BII HK. The loan was subsequently repaid and the amount was received on 10 April 2012, together with the accrued interest income.

Taking into account the estimated net proceeds of the Global Offering, the cash flows from our Group's operations and cash injection from investors, our Directors confirm that our Group has sufficient working capital for its present requirements and for the next 12 months from the date of this prospectus.

Inventories

Our Group's inventories balances mainly consist of components and equipment and other common items for our application solutions and spare parts for our transportation system design, installation and maintenance services. Normally, our Group would not keep inventory for spare parts sales as it would only be procured when we received order from customers.

Our Group's inventory level increased slightly by approximately 1.5% from approximately HK$0.68 million as at 30 June 2010 to approximately HK$0.69 million as at 30 June 2011 and further increased by approximately 53.6% to approximately HK$1.06 million as at 30 November 2011. The increase in inventory level as at 30 November 2011 was mainly due to the procurement of spare parts in relation to the ACC and TCC Integration Project regarding Fangshan Line and Changping Line.

As at the Latest Practicable Date, approximately 54.6% and 41.9% of our Group's inventories balances as at 30 June 2011 and 30 November 2011 have been subsequently utilised, the remaining inventories are largely common items for our application solutions and spare parts for our maintenance services that can be utilised in future. As such, no provision for obsolete inventories was made for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011.

Trade receivables

Our Group's trade receivables represent primarily the balances due from our customers to which certain terms of credit are offered in the ordinary course of business. The trade receivables were mainly derived from the transportation system design, installation and maintenance services for the two years ended 30 June 2011 and spare parts for the five months ended 30 November 2011. In general, our customers are required to settle our service fee on demand when certain milestone is met as specified in the contract. However, in practice, the Group usually grants a credit period of approximately 60 days after the issuance of invoices to our customers on a case by case basis. Historically, our Group had not encountered any major uncollectible trade receivables.

Our Group's trade receivables balances increased by approximately 326.5% from approximately HK$4.00 million as at 30 June 2010 to approximately HK$17.06 million as at 30 June 2011. The increase was primarily due to the increase in our Group's revenue, resulting from the increase in volume of business and projects acquired by our Group. As at the Latest Practicable Date, approximately 98.6% of our Group's trade receivables balances as at 30 June 2011 have been subsequently settled.

Our Group's trade receivables balances increased by approximately 117.4% from approximately HK$17.06 million as at 30 June 2010 to approximately HK$37.09 million as at 30 November 2011. The increase was mainly attributable to the increase in trade receivables arising from the card readers delivered to our 2012 Major Customer near the end of 30 November 2011 which accounted for approximately 50.7% of the trade receivables balances as at 30 November 2011. Our Group received an order for 6,637 units of card readers on 2 November 2011, of which 5,431 units of card readers were to be delivered to our customer by the end of 31 December 2011 as specified in the order. As at 30 November 2011, we had delivered 4,442 units of card readers to our customer and the corresponding trade receivables were then recognised. As a result, there was a substantial increase in trade receivables as at 30 November 2011.

Our 2012 Major Customer was established in 2004 with a registered capital of RMB10 million and had been the smartcard application service provider to major railway transportation operators, financial institutions and toll road operators in the PRC. It is a subsidiary of a group headquartered in Hong Kong, which developed parking meters and contactless card readers with international standards and had been the supplier of IC card parking meters in both Hong Kong and Beijing. Based on the history and scale of our 2012 Major Customer's business, a 60-day credit period was granted to our 2012 Major Customer with reference to our Group's normal practice. Although it is the normal practice for our 2012 Major Customer to settle its trade payables after it receives the corresponding payment from its customer, given the card readers were procured ultimately by Beijing Subway, we believed there would not be any potential hindrance for our 2012 Major Customer to collect its receipts to settle our billings after going through Beijing Subway's official certification. As such, we assessed that there would not be any potential recoverability issues regarding the settlement of our receivables from this customer. Except for the aforementioned factors, we are not aware of any other major factors, including dispute from our customer and end user, that leads to the increase in our trade receivables balances as at 30 November 2011. Nevertheless, we would monitor this customer closely regarding the settlement status. Based on the above, the Joint Sponsors are of the view that a comparatively low settlement rate of the outstanding trade receivables balances as at 30 November 2011 is reasonable.

The unsettled portion of our trade receivables mainly comprised trade receivables relating to the card reader order received in November 2011. According to the card reader sales contract, ERG BJ will deliver card readers to our 2012 Major Customer batch by batch, while issue bill and invoice after receiving the final goods delivery acceptance and final quality inspection acceptance from our 2012 Major Customer. As ERG BJ will be continuously delivering such card readers in accordance with the terms of the contract and expect to complete the delivery of the entire order by 30 June 2012, no final goods acceptance nor quality acceptance were obtained as at the Latest Practicable Date. According to our accounting policy, we consider that at the delivery of each batch of card readers, goods are delivered and the related risks and rewards or ownership were transferred, thus revenue should be recognised though the final acceptance and quality inspection report are not obtained. The trade receivables arise from this project was not settled as promptly as other routine contracts or daily orders, however, we maintained the credit control on all contracts and orders including this card reader order. Further, we did not encounter material uncollectable debtors in history. Our management believes that there was no material uncertainty in the recoverability of our trade receivables in respect of the card reader order. Nevertheless, we would follow up closely with unsettled debtors and try to speed up the turnover of trade and other receivables. Based on the above, the Joint Sponsors are satisfied that there would not be any material recoverability issues regarding the settlement of the receivables from this customer. As at the Latest Practicable Date, approximately 15.4% of the outstanding trade receivables balances as at 30 November 2011 have been subsequently settled.

The following table sets forth a summary of the ageing analysis of our Group's trade receivables by billing date as at the balance sheet date:

	Year ended 30 June		Five months ended
	2010	**2011**	**30 November 2011**
	HK$'000	*HK$'000*	*HK$'000*
Within one month	2,201	14,770	33,441
Over one month but less than three months	1,801	2,285	3,644
Total	4,002	17,055	37,085

The following table sets forth a summary of average turnover of trade receivables for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Year ended 30 June		Five months ended
	2010	**2011**	**30 November 2011**
Turnover of trade receivables (days) *(Note)*	57	53	63

Note: Turnover of trade receivables (in days) equal to average trade receivables divided by turnover and multiplied by the number of days in the respective period. Average trade receivables equal to trade receivables at the beginning of the respective period plus trade receivables at the end of the respective period and divided by two.

The trade receivables turnover days as at 30 June 2010, 30 June 2011 and 30 November 2011 were approximately 57 days, 53 days and 63 days respectively. Both trade receivables turnover days as at 30 June 2010 and 30 June 2011 were at similar level. However, the trade receivables turnover days increased to approximately 63 days as at 30 November 2011. The increase was mainly attributable to the increase in billings arising from the part of the card reader order received and completed by our Group near the period ended 30 November 2011. Our Group's credit policy remained unchanged throughout each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011, and the trade receivables turnover days as at each respective date were generally consistent with our normal credit terms.

The following table sets forth a summary of average turnover of trade receivables (including amounts due from related parties arising from operating activities) for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Year ended 30 June		Five months ended 30 November
	2010	**2011**	**2011**
Turnover of trade receivables (days) *(Note)*	70	59	64

Note: Turnover of trade receivables (in days) equal to average trade receivables (including amounts due from related parties arising from operating activities) divided by turnover and multiplied by the number of days in the respective period. Average trade receivables (including amounts due from related parties arising from operating activities) equal to trade receivables (including amounts due from related parties arising from operating activities) at the beginning of the respective period plus trade receivables (including amounts due from related parties arising from operating activities) at the end of the respective period divided by two.

The trade receivables turnover days (including amounts due from related parties arising from operating activities) as at 30 June 2010, 30 June 2011 and 30 November 2011 were approximately 70 days, 59 days and 64 days respectively. The relatively high turnover days as at 30 June 2010 was mainly attributable to the recognition of trade receivables arising from the subcontracting agreement with our associated company BII ERG in accordance with the agreed billing milestone that happened to fall near year end. Other than that, the turnover days for the two financial years ended 30 June 2011 and the five months ended 30 November 2011 were generally consistent with our normal credit terms. The trade receivables turnover days (including amounts due from related parties arising from operating activities) increased to approximately 64 days as at 30 November 2011, which was at similar level as our trade receivables turnover days excluding amounts due from related parties arising from operating activities as our Group had not undertaken much work for our related parties during the five months ended 30 November 2011. The amounts due from related parties are repayable on demand or in accordance with contractual terms which are similar to those offered to third parties.

Gross amounts due from customers for contract work

For those project contracts in progress, gross amounts due from customers for contract work represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in our Group's contract activities based on normal operating capacity.

Gross amounts due from customers for contract work is presented as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income/revenue in the balance sheet.

There was no gross amounts due from customers for contract work as at 30 June 2010 and the outstanding balances of our Group's gross amounts due from customers for contract work as at 30 June 2011 and 30 November 2011 were approximately HK$6.67 million and HK$28.20 million

respectively, representing the balances due from our customers for project work we have performed but not yet billed to our customers. The substantial increase in such balance as at 30 November 2011 was mainly attributable to the unbilled work performed for the Network Emergency Communications Command System Design and Development Project subcontracted to us by Beijing Jianyi on 10 November 2011. Given the fact that we were required to deliver our fully completed work by the end of 31 December 2011 and the work to be delivered was almost readily available through the course of the development of the ACC System and the TCC System of the Beijing Subway carried out by us previously, we had completed approximately 70% of our work as at 30 November 2011. The work subcontracted to us by Beijing Jianyi was only part of the whole Network Emergency Communications Command System Design and Development Project that was ultimately awarded by Beijing Subway. Like any other Beijing Subway related projects, our work performed was subject to Beijing Subway's official certification which would normally take place by stage with reference to the progress of the whole project. Progress billings would then be issued to our customer once the related work had been satisfactorily certified by Beijing Subway. As such, even though we had already obtained the confirmation from Beijing Jianyi confirming our work progress, only 20% of our work had been billed to Beijing Jianyi as at the Latest Practicable Date. Except for the aforementioned factors, we are not aware of any other major factors, including dispute from our customer and end user, that lead to the increase in the amount of gross unbilled work performed as at 30 November 2011.

Beijing Jianyi was established in 2004 with a registered capital of RMB10 million and was the supplier of AFC and PSD equipment for various Beijing Subway lines as well as other city railway transportation operators in other cities in China. It has branch offices in both Shanghai and Kunming and possesses qualifications such as ISO 9001 quality management system certification and China railway product certification, and was recognised as a High & New Technology Enterprise. Based on the reputation of the company in the market and the past cooperation relationship with our associate, a 60-day credit period would be granted to Beijing Jianyi with reference to our Group's normal practice. Although it is the normal practice for the contractor to pay its subcontractor once the contractor receives payment from its customer, given the project was ultimately from Beijing Subway, we believed there would not be any potential hindrance for Beijing Jianyi to collect its receipts to settle our billings. As such, we assessed that there would not be any potential recoverability issues regarding the settlement of our receivables with this customer. Nevertheless, we would follow up closely with Beijing Jianyi regarding the billing and settlement matters. Based on the above, the Joint Sponsors are of the view that a comparatively low settlement rate of the gross amounts due from customers for contract work as at 30 November 2011 is reasonable.

As at the Latest Practicable Date, approximately 52.7% of the outstanding balance as at 30 November 2011 had been billed to relevant customers of which approximately 14.9% had been settled. There was no deferred income as at 30 June 2010, 30 June 2011 and 30 November 2011. The remaining unbilled outstanding balance during the Track Record Period, approximately 47.3%, is consistent with the billing terms of the contracts. Besides, as at the Latest Practicable Date, the outstanding balance billed to relevant customers of which approximately 85.1% had not been settled was mainly attributable to those bills which were still within credit period. We have credit control over all contracts and orders, and there was no material uncertainty in the recoverability of the outstanding balance. Nevertheless, we would follow up closely with unsettled debtors and try to speed up the turnover of trade and other receivables. Based on the above, the Joint Sponsors are satisfied that there would not be any material recoverability issues regarding the settlement of the receivables from this customer.

As at 30 June 2010, all project contracts in progress were billed to relevant customers. According to aforesaid accounting policy, such billed amount was presented as part of the trade and other receivables, instead of gross amounts due from customers for contract work. As at 30 June 2010, 30 June 2011 and 30 November 2011, there was no progress billings exceeding costs incurred plus recognised profits, thus no deferred income/revenue was recorded in the statement of financial position.

Prepayments, deposits and other receivables

Our Group's prepayments, deposits and other receivables mainly consisted of deposits paid to professional firms and intermediaries in relation to our Company's listing, rental deposits and tender bonds.

Our Group's prepayments, deposits and other receivables balances increased by approximately 388.6% from approximately HK$0.70 million as at 30 June 2010 to approximately HK$3.42 million as at 30 June 2011. The increase was mainly due to the payment of deposits to professional firms and other intermediaries in relation to our Company's listing. The balances then decreased by approximately 55.3% to approximately HK$1.53 million as at 30 November 2011, mainly because most of the deposits paid to professional firms and other intermediaries had been expensed during the period.

Amounts due from related parties

Amounts due from related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to third parties.

As at 30 June 2011, the aggregate amount due from related parties was approximately HK$5.54 million, being mainly dividend receivable from BII ERG. The amounts due from related parties was fully settled in November 2011.

As at 30 November 2011, the amounts due from related parties were approximately HK$0.25 million, being amounts due from Vix Technology arising from operating activities. The outstanding balances was fully settled in April 2012.

Trade payables

Our Group's trade payables mainly include subcontracting charge payable to our Group's subcontractors and the amount due to suppliers of materials and consumables. Payment to our suppliers are generally made by us within 15 days from the date of receipt of payment request from our suppliers or within a credit period of about 45 days. Our Group's trade payables increased from nil as at 30 June 2010 to approximately HK$1.74 million as at 30 June 2011. The increase was mainly due to the payables arising during the year ended 30 June 2010 had been fully settled and no billing was received near year end, while during the year ended 30 June 2011, our Group received various billings near year end. As at the Latest Practicable Date, approximately 84.5% of the balance had been settled.

Our Group's trade payables increased by approximately 664.9% from approximately HK$1.74 million as at 30 June 2011 to approximately HK$13.31 million as at 30 November 2011. The increase was mainly due to the procurement of card reader hardware that our Group received customer order near the end of the period. As at the Latest Practicable Date, approximately 5.9% of the balance had been settled.

The following table sets forth the ageing analysis of trade payables by transaction date as at the balance sheet date:

	Year ended 30 June		Five months ended 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within one month	–	1,741	12,252
Over three months but less than six months	–	–	1,060
	–	1,741	13,312

The following table sets forth a summary of turnover of trade payables for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Year ended 30 June		Five months ended 30 November
	2010	**2011**	**2011**
Turnover of trade payables (days) *(Note)*	5	13	74

Note: Turnover of trade payables (in days) equals to average trade payables divided by cost of sales and multiplied by the number of days in the respective period. Average trade payables equals to trade payables at the beginning of the respective period plus trade payables at the end of the respective period and divided by two.

As at 30 June 2010, 30 June 2011 and 30 November 2011, our Group's trade payables turnover days were approximately 5 days, 13 days and 74 days respectively. As at 30 June 2011, the trade payables turnover days were within the credit period granted by them. The increase in turnover days as compared to that as at 30 June 2010 was mainly attributable to the receipt of various billing near year end. The increase in trade payables turnover days as at 30 November 2011 was mainly due to recognition of trade payables arising from the procurement of card reader hardware by the end of the period. In general, the Group settles its trade payables within the credit period.

The following table sets forth a summary of average turnover of trade payables (including amounts due to related parties arising from operating activities) for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011:

	Year ended 30 June		Five months ended
	2010	**2011**	**30 November 2011**
Turnover of trade payables (days) *(Note)*	5	72	128

Note: Turnover of trade payables (in days) equal to average trade payables (including amounts due to related parties arising from operating activities) divided by cost of sales and multiplied by the number of days in the respective period. Average trade payables (including amounts due to related parties arising from operating activities) equal to trade payables (including amounts due to related parties arising from operating activities) at the beginning of the respective period plus trade payables (including amounts due to related parties arising from operating activities) at the end of the respective period divided by two.

The trade payables turnover days (including amounts due to related parties arising from operating activities) increased from approximately five days as at 30 June 2010 to approximately 72 days as at 30 June 2011. The increase was mainly due to the increase in billings from our associated company BII ERG near year end. The trade payables turnover days (including amounts due to related parties arising from operating activities) further increased to approximately 128 days as at 30 November 2011 mainly because there was an outstanding amount due to BII ERG of which the corresponding receivables from customer had not yet been settled due to delay in certification by customer. As it was our normal practice to pay our supplier only upon receipt of the corresponding receivables, such amount due to BII ERG become outstanding, thus increased our trade payables turnover days (including amounts due to related parties arising from operating activities) as at 30 November 2011. The amounts due to related parties are repayable on demand or in accordance with contractual terms which are similar to those offered to third parties.

Other payables

Our Group's other payables mainly comprised accrued employees' salaries, accrued business tax and value added tax as well as other accrued expenses.

Our Group's other payables increased by approximately 114.3% from approximately HK$1.40 million as at 30 June 2010 to approximately HK$3.00 million as at 30 June 2011. The increase was mainly attributable to the increase in the accrual of business tax. The amount of other payables further increased by approximately 102.7% to approximately HK$6.08 million mainly because of the increase in accrued value added tax arising from the sales of card readers.

As at 30 June 2010, 30 June 2011 and 30 November 2011, there were no retention payables.

Cash injection from an investor

The balance of cash injection from an investor as at 30 June 2011 refers to the cash received from Guotai Junan of approximately HK$22.86 million for the subscription of 698 ordinary shares of our Company pursuant to a share subscription agreement entered into between our Company and Guotai Junan on 31 May 2011. The share subscription was completed on 6 July 2011 and the amount of the cash received was fully transferred into equity accordingly, therefore, there was no such balance as at 30 November 2011.

Amounts due to related parties

There was no amounts due to related parties as at 30 June 2010, the amounts due to related parties as at 30 June 2011 and 30 November 2011 amounted to approximately HK$17.37 million and HK$2.99 million respectively.

As at 30 June 2011, the amounts due to related parties comprised primarily:

– amount due to a Controlling Shareholder of approximately HK$4.50 million, representing advances made by our Controlling Shareholder to the Group for the payment of certain professional service fees in Hong Kong. The amount was fully settled in November 2011.

– profit distribution payable to ERG Greater China (the then shareholder of ERG HK and ERG BJ) of approximately HK$4.88 million, which was fully settled in July 2011; and

– subcontracting charges of approximately HK$7.99 million due to our associated company, BII ERG, for subcontracting work hired by ERG BJ. As at the Latest Practicable Date, approximately 74.5% of the outstanding balance had been settled and the remaining balance would be settled once we received respective payment from our customer.

As at 30 November 2011, the amounts due to related parties comprised primarily:

– subcontracting charges of approximately HK$2.99 million due to BII ERG. As at the Latest Practicable Date, approximately 30.2% of the balance had been settled, the remaining amount due to BII ERG will be settled once we received respective payment from our customer.

All the above amounts are unsecured, non-interest bearing and are repayable on demand or in accordance with the contractual terms similar to those terms offered by third parties.

Accumulated loss at 1 July 2009

ERG BJ was our only operating subsidiary as at 1 July 2009. ERG BJ was established by Vix Holdings in September 2006. Since 2006, ERG BJ has been providing maintenance and technical support services to the Beijing Subway in relation to both the software applications and other software and hardware of the ACC System. At its initial stage of development, ERG BJ did not acquire sufficient projects to cover its costs. In April 2009, Mr. Cao and Ms. Wang, through their interest in BETIT Australia, acquired 70% equity interest in ERG Greater China, the holding company of ERG BJ. Through the effort of our Controlling Shareholders, ERG BJ started to make profit for the year ended 30 June 2010. In March 2010, Vix Technology transferred its entire equity interest in ERG HK to ERG Greater China. The profit of ERG HK since the acquisition date was included in the consolidated financial result for the year ended 30 June 2010. ERG HK was profit-making before the acquisition.

CAPITAL EXPENDITURE

It was our Group's intention to keep a minimal amount of capital expenditure and tend to lease instead of purchase properties for its operations, therefore, our Group did not have any material capital expenditure for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011.

CAPITAL COMMITMENTS

As at the Latest Practicable Date, our Group did not have significant capital commitments.

OUR HISTORICAL ORDER BACKLOG

The following table sets forth the order backlog information in respect of our transportation system design and installation services, maintenance services and sales of spare parts for each of the two financial years ended 30 June 2011 and the five months ended 30 November 2011.

	Year ended 30 June						Five months ended 30 November			
	2010			2011			2011			
	Awarded by Beijing Metro Network	Others	Total	Awarded by Beijing Metro Network	Others	Total	Awarded by Beijing Metro Network	Others	Total	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Backlog order beginning balance *(Notes 1 and 7)*	22,235	31,632	53,867	44,979	40,004	84,983	58,598	32,463	91,061	
New contracts signed *(Note 2)*	42,373	10,396	52,769	51,339	26,404	77,743	6,220	73,965	80,185	
Orders completed *(Note 6)*	(19,629)	(2,024)	(21,653)	(37,720)	(33,945)	(71,665)	–	(19,105)	(19,105)	
Backlog order ending balance *(Note 7)*	44,979	40,004	84,983	58,598	32,463	91,061	64,818	87,323	152,141	*(Note 5)*

Notes:

1. The backlog order beginning balance for the year ended 30 June 2010 represents the contracts awarded to ERG BJ and ERG HK before they were acquired by our Group.

2. Five new contracts under the ACC Integration Project were obtained through joint tender bids during the year ended 30 June 2011 and these contracts amounted to approximately HK$32.11 million. In addition, one new contract amounted to approximately HK$6.22 million under the ACC Project (the only ACC Project offered by Beijing Metro Network during the period) was obtained through joint tender bids during the five months ended 30 November 2011.

3. As at the Latest Practicable Date, the aggregate amount of outstanding backlog order was approximately HK$188.13 million (the estimated amount of backlog order completion for each of the three years ending 30 June 2014 is approximately HK$78.34 million, HK$22.38 million and HK$87.41 million respectively) of which seven outstanding backlog orders were awarded by Beijing Metro Network, which amounted to approximately HK$95.64 million. As at the Latest Practicable Date, the year of relationship with our backlog order customers ranges from approximately four months to three years since the establishment of our Group. The contracts executed by ERG HK that are governed by Hong Kong law under the backlog order are valid and enforceable in Hong Kong. The contracts executed by ERG BJ that are governed by the PRC law under the backlog order are also valid and enforceable in the PRC.

4. As at the Latest Practicable Date, approximately 15.3% of the backlog order required the use of licensed technology.

5. Our Directors believe that our Company is able to fulfill its obligations under such backlog order having considered the sufficiency of its cash flow and manpower.

6. The amount represents the whole contract sum of the contracts completed during the year/period.

7. Backlog orders for a particular year/period refer to contracts that have not been completed as of the end of the relevant year/period indicated; and the whole contract sum for the relevant backlog order has been included for the purpose of calculating the amount of backlog order at the beginning and end of the relevant year/period (as the case maybe).

The increase in our Group's backlog order ending balance from approximately HK$84.98 million for the year ended 30 June 2010 to approximately HK$91.06 million for the year ended 30 June 2011 was mainly due to the increase in number and value of contracts awarded to our Group during the year ended 30 June 2011. No licensed technology was required for our backlog order for each of the two financial years ended 30 June 2011 as we subcontracted the portion of projects which required the use of licensed technology to BII ERG during such period.

The increase in our Group's backlog order ending balance from approximately HK$91.06 million for the year ended 30 June 2011 to approximately HK$152.14 million for the five months ended 30 November 2011 was mainly due to the increase in new contracts awarded to our Group during the five months ended 30 November 2011, the backlog contracts are expected to be completed by 31 December 2013.

INDEBTEDNESS

As at 29 February 2012, our Group had no material borrowings or loans. Our Directors also believe that there will not be any difficulty for our Group to obtain bank financing should any need arise in the future.

As an interim arrangement, on 6 July 2011, Beijing City Railway, BII HK and ERG BJ entered into a supplemental equity pledge agreement in relation to the pledge of ERG BJ's 44% interests in BII ERG to BII HK as collateral for More Legend's payment obligation for the purchase of the shares in our Company held by BII HK if our Company fails to complete the Listing on or before 30 June 2012. Such collateral was released on 1 September 2011.

Pursuant to the equity pledge agreement entered into between Beijing City Railway, BII HK and ERG BJ on 6 July 2011, our Company agreed to pledge 70% of our equity interests in ERG BJ to BII HK as collateral for More Legend's payment obligation for the purchase of the shares in our Company held by BII HK. Such equity pledge was subsequently released on 16 December 2011.

More details of the above agreements are set out in the section headed "Pre-IPO Investors" in this prospectus.

Operating lease commitments

As at 30 June 2010, 30 June 2011 and 30 November 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	838	285	2,508
After one year but within five years	278	–	4,378
	1,116	285	6,886

Save as described in this section, our Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities, acceptance credits, any guarantees or other significant contingent liabilities.

No material change

Our Directors confirm that there has not been any material change in the indebtedness and contingent liabilities of our Group since 29 February 2012, being the latest practicable date for ascertaining information for disclosure in this section and up to the date of this prospectus.

FINANCIAL RISKS

Credit risk

Our Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at 30 June 2010, 30 June 2011 and 30 November 2011, approximately 41.5%, 89.5% and 50.7% of the trade receivables were due from our Group's largest customer and 80.3%, 96.2% and 98.3% of the trade receivables were due from our Group's five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheets after deducting any impairment allowance. Our Group does not provide any other guarantees which would expose our Group to credit risk.

Foreign currency risk

For presentation purposes, our Group and our Company's financial information is shown in Hong Kong dollars. The companies within our Group, whose functional currencies are different from Hong Kong dollars, have translated their financial information into Hong Kong dollars for consolidation purpose. As at 30 June 2010, 30 June 2011 and 30 November 2011, all companies within our Group have no financial instruments that were denominated in a currency other than the respective functional currency in which they measured.

Interest rate risk

The interest rate profile of our Group's and our Company's interest-bearing financial instruments was:

Our Group

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Variable rate instruments			
Financial assets – cash at bank	5,786	32,618	51,250
	5,786	32,618	51,250

As at 30 June 2010, 30 June 2011 and 30 November 2011, it is estimated that a general increase/decrease of 10 basis points in interest rates for cash at bank, with all other variables held constant, would increase/decrease our Group's profit for the year and retained earnings by approximately HK$4,000, HK$19,000 and HK$42,000 respectively.

Liquidity risk

Our Company is responsible for our Group's overall cash management and the raising of borrowings to cover expected cash demands. Our Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

PROPERTY INTEREST

Particulars of our Group's property interest are set out in Appendix III to this prospectus. Cushman & Wakefield Valuation Advisory Services (HK) Limited has valued the property interest of our Group as at 31 March 2012.

PROFIT DISTRIBUTION

For the year ended 30 June 2010 and the five months ended 30 November 2011, our Group had not made any profit distribution.

For the year ended 30 June 2011, our Group made a profit distribution to original shareholders of approximately HK$23.45 million, of which approximately HK$18.57 million was paid during the year ended 30 June 2011, the remaining amount of approximately HK$4.88 million was fully paid in July 2011.

DIVIDEND

We currently do not have a dividend policy. The declaration, payment and amount of dividends in the future will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Companies Law. Under the Articles and the Companies Law, payment of dividends out of our share premium account is possible on the condition that we are able to pay our debts when they become due in the ordinary course of business at the time the proposed dividend is to be paid. Our Shareholders in a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. In addition, our Controlling Shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries, in particular our operating subsidiary in China, ERG BJ. ERG BJ must comply with its articles of association and the PRC laws and regulations in declaring and paying dividends to us. Pursuant to laws in China, dividends may only be paid out of distributable profits defined as after tax profits as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our operating subsidiary in China. In general, we will not declare dividends in a year where we do not have any distributable earnings.

RETAINED EARNINGS ATTRIBUTABLE FOR DISTRIBUTION

Our Company was incorporated on 7 January 2011 and has not carried on any business since the date of its incorporation. Accordingly, there were no retained earnings available for distribution to equity shareholders as at 30 November 2011.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors are not aware of any material adverse change in the financial or trading position or prospects of our Group since 30 November 2011 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 30 November 2011 or any future date. It is prepared based on our consolidated net assets as at 30 November 2011 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Net tangible assets attributable to equity shareholders of our Company as at 30 November 2011	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$1.23 per Share	109,488	232,719	342,207	0.43
Based on an Offer Price of HK$0.95 per Share	109,488	178,679	288,167	0.36

Notes:

1. The net tangible assets attributable to equity shareholders of our Company as at 30 November 2011 are extracted from the Accountants' Report set forth in Appendix I to this prospectus, which is based on the consolidated net assets attributable to equity shareholders of the Company as at 30 November 2011 of HK$110,252,000 less intangible assets as at 30 November 2011 of HK$764,000.

2. The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK$0.95 and HK$1.23 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to Note (2) above and on the assumption that a total of 800,000,000 Shares are in issue immediately after completion of the Capitalisation Issue and the Global Offering, but takes no account of any Shares which may be issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any operating results or other transactions of our Group entered into subsequent to 30 November 2011.

BUSINESS STRATEGIES

The HuiCong Research Report states that the total value of contracts obtained by ERG BJ during 2009 and 2010 was about RMB33 million which represented ERG BJ having a market share of about 92% of the total amount of subway system network-level projects offered in Beijing during 2009 and 2010 and a market share of about 8% of the total amount of subway system network-level projects offered in the PRC during 2009 and 2010. During the same period, ERG BJ had a market share of about 1.3% and 0.4% of the total amount of subway system projects, at both network level and line level, offered in Beijing and the PRC respectively. With our market position and customer base, we believe that we are well-positioned to further expand our business with existing customers in the PRC and Hong Kong and to capture new business opportunities in the expanding PRC market as well as expanding our business in Hong Kong.

With our experiences covering a broad spectrum of application solutions within a public transport system, it is our mission to capitalise on our capabilities to be an active player in the public transport systems industry and improve the efficiency of public transport systems by integrating different application subsystems in the public transport systems and by gradually standardising the use of application solutions and products throughout the public transport systems. We believe that standardisation through the use of similar and interchangeable application solutions can be achieved over time through enhancement of existing systems and the use of similar and interchangeable application solutions and products in the process of expanding the public transport systems.

We believe that standardisation of application solutions in the industry may not only improve the efficiency of the public transport systems, but may also lower the procurement costs and costs for maintenance. It can also enable operators or owners of the public transport systems to more effectively monitor and oversee the operation of the systems, more efficiently detect and deal with problems arising from daily operations, to process and make use of the data available and to enhance communication between passengers and operators of the public transport systems; and it can also provide better information for the public about their transport choices.

While we are implementing our long term goal towards the standardisation of application solutions in the industry, we will continue to build on our industry experiences, customer base and our market position in the PRC and to expand our business in the PRC and Hong Kong. To achieve this, we plan to implement our following business strategies:

Expand our business

In view of the continuous growth of the economy and population of the PRC, as well as the expected rising number of passengers and growth of the public transport systems, we plan to expand our business by acquiring, investing in or entering into business cooperation with companies which possess relevant technical know-how and production techniques within our industry, or we may expand our workforce and recruit personnel with relevant technical know-how and production techniques.

Entities which we plan to acquire or invest in include those provide TCC System application solutions, design and manufacture card readers and also include entities which are principally engaged in the construction of infrastructures of public transport systems. We will target at entities which provide TCC System application solutions, in particular, those focus on maintenance and development of TCC System software, but have not yet had a significant market share. There exists some small to medium sized business operations in the market and our Directors believe that our Company should be able to identify suitable acquisition target among those available in the market. Our Directors also believe that as our Company's current acquisition targets are small to medium operations, the funding currently allocated for such purpose should be sufficient. Through attending promotional events organised by our industry players, we may get to know more potential acquisition targets and we will take into account a number of factors when we identify our acquisition target including its reputation, expertise and experience in the relevant area. Further, we intend to absorb entities with the capabilities to design and manufacture hardware for card readers in order to integrate with our present ability to develop software for card readers. In addition, we may be able to expand our business by acquiring or investing in entities focusing on construction of infrastructure of public transport system, in particular, the construction and maintenance of data transmission systems for railway systems which enable data to be transmitted within railway system and with other recipients through the use of cables or other means of data transmission agents. Other than acquiring or investing in such entities, we may enter into business cooperation with them to expand our business. If we cannot identify suitable target for acquisition, we may also expand our workforce and recruit personnel with the relevant know-how to expand our business into such areas.

In preparation of our business expansion, our Group has recruited relevant personnel to undertake research and development functions and formed part of the design and engineering team. Such research and development team possesses extensive experience in the development, production and sale of card readers and the provision of application solutions for the smart card system. The main products under the scope of research and development include card readers for automatic ticketing system for railway transport as well as card readers for highway fare collection and their respective application solutions. In order to facilitate product research and development, our Group has recruited relevant management personnel who had participated in the setting up of the standards of the AFC system and its subsequent execution as well as laboratory testing. Such personnel would be responsible for implementation of proposals and management of product quality. Requirements of ISO 9000 regarding quality management would be strictly adhered to for product development. We currently possess the ability to develop software for card readers. In order to reduce costs in engaging other entities to supply the hardware of card readers, we plan to absorb entities with the capabilities to design and manufacture hardware for card readers so that we could expand our business in sale of card readers more cost-effectively. It is also expected that new technicians will be recruited for such expansion of business. Apart from card readers, infrastructure also plays an important role in a public transport system. Through our experience in application solutions for various systems of a railway, we gain knowledge in relation to the infrastructure business. We believe the expansion of our business by acquiring or investing in such kind of entities can enhance our technical capabilities, expand our income stream and extend our market share in the industry.

Enhance our expertise and technical know-how on development of new application solutions

To support our expansion plan, we intend to invest additional resources to further strengthen our design and engineering capabilities and improve our expertise and technical know-how in relation to product knowledge and production techniques for our application solutions for public

transport systems. As the Beijing Subway is expanding its subway lines and planning for various systems upgrades, our Directors plan to initially focus our resources on application solutions for railway transport systems. We will continue to improve and strengthen our capabilities in the core areas of our business during the Track Record Period, i.e., application solutions for the ACC System and the TCC System; while we will also expand our business into other key elements of the railway transport system including the PCC System and the ICC System. We also aim at expanding into other industries where automated fare collection and clearing functions are involved should opportunities arise.

We will enhance the quality and stability of our application solutions whilst improving the production techniques and efficiency and reducing costs of our production process. We also plan to enhance the capacity of our current software systems and other databases so that they can handle larger volume of data processing to cater to our business expansion plans.

We plan to enhance the capacity of our current software systems and database for the ACC System. We intend to increase the number of lines supported by the ACC System, enlarge its capacity in terms of passenger flow and enhance its efficiency in terms of processing of statistical information in relation to transactions. Currently, the ACC System is able to process over seven million passengers per day and supports 14 lines; and the existing capacity to support 14 lines has been fully utilised. It is intended that the capacity of the ACC System would be enhanced to process up to 11 million passengers per day and support 23 lines. New parameters will also be imposed on the ACC System so as to increase its effectiveness and flexibility and it is envisaged that human resources would also be enhanced in line with the development of the ACC System. We also plan to submit bidding proposal for the construction of Phase II of the TCC System of the Beijing Subway.

We plan to recruit more professionals to join our design and engineering team, purchase more equipment, and provide more training to improve the capabilities of our design and engineering team.

We will continue to work closely with the Vix Group, to tap into their industry know-how and resources; and we also plan to submit bidding proposals and work with the Vix Group for any business opportunities arisen.

Enhance our reputation

We believe that reputation and image are essential to our business and a strong and reputable customer base is also important as it demonstrates our capabilities and distinguishes us from other service providers in the market.

We will continue to build up our reputation and image as a provider of integrated, standardised and quality application solutions and services. To this end, we believe that it is important to continue to provide innovative and quality application solutions and services to suit customer requirements. We believe that it is also important to maintain a close relationship with our existing and potential customers. Our design and engineering and marketing staff will keep abreast of the technological developments in the industry. They will also liaise closely with our customers to provide after-sales services and technical support, and to understand their business development directions and related requirements. We believe that this will enable us to proactively respond and cater to our customers' requirements, to provide customised and innovative solutions and to assist in the implementation of our customers' business plans.

Further, we will focus on developing our application solutions for the PCC System and other railway systems to maintain our reputation being a provider of a broad spectrum of application solutions and products for public transport systems. The PCC System connects and centralises the passenger-related functions at the network level. Components of the PCC System include various devices or software systems. For instance, a server consists of media servers, data servers, interface servers, storage servers and web proxy servers. Software systems encompass operating systems, database management systems that store, modify and extract information from a database, data warehouses for collating data to the network management system, information portal systems that disseminate data from the data warehouse to different locations or users, etc. For devices, there are servers, storage device system, safety device, network device, network disaster backup system and other components. In order to develop application solutions for the PCC System, we intend to acquire more software systems and devices, including servers and databases, and recruit relevant technical and marketing staff. We also plan to participate in industry promotional events and other marketing activities.

In general, we will actively participate in more marketing events designed for our target customers or organised for players in the industry, industry exhibitions and technical conferences to enhance customers' awareness of our Group, our business track record and expertise.

Expand our customer base

We aim to position ourselves as a preferred business partner for owners and operators of public transport systems, providing not only application solutions on a project basis but also technical services to our customers on an on-going basis, as well as being their business partner to provide consultancy services to them on their business developments. We will continue to promote our application solutions and services and expand our customer base.

We plan to actively participate in tender offered by existing and potential customers. Subject to our further in-house research, costing and analysis, we will decide whether to submit bidding proposals for forthcoming tenders available. We will continue to strengthen our marketing efforts in the PRC and Hong Kong and promote our services to customers in other potential markets in the PRC not already covered by our network. According to the HuiCong Research Report, approval for the construction of urban subway system has been obtained by 28 cities in the PRC, which also provides our Group with the potential for future growth. In 2010, Beijing Subway was consisted of 14 railway lines with an extensive railway structure. ERG BJ had been providing application solutions as well as maintenance and technical services to the Beijing Subway since 2006 and was awarded two ACC and TCC Integration Projects for a total of nine of the lines of the Beijing Subway up to the Latest Practicable Date. Our cooperation with Beijing Subway provides us with the experience and capabilities to participate in the establishment of subway systems in other new markets. By the end of February 2012, although government approval had been obtained for subway system establishment, the subway systems in Changchun, Qingdao and Zhengzhou were still at the line level and establishment of the ACC System was yet to be commenced. As the number of lines in the subway system of these places is increasing and their structures are becoming more complicated, the ACC System could help consolidate the ticketing and transport fare and data collection subsystems of individual lines within those systems. Our Group plans to replicate the experience and model of the ACC System adopted in Beijing in these new markets. Potential projects for our application solutions and maintenance services are available in these new markets where ACC System has not yet been established. Beijing Subway also has room for development

given that the number of lines supported by the ACC System shall be increased and its capacity in terms of passenger flow shall be enlarged. As at the Latest Practicable Date, our Group had not yet submitted bidding proposals for projects offered in these new markets as we are currently conducting researches and analysis for these new markets and no appropriate tender has been offered yet. It is expected that appropriate tenders would be offered later this year and bidding proposals will be submitted. Similar to the bidding requirements for ACC integration projects of Beijing Subway, it is expected that the ACC projects in these new markets would require the bidders to possess Grade 1 CISI Qualification. Therefore, our Directors expect that our Group would make joint tender applications with its business partners for these new projects.

Our Group aims to expand into new markets and will establish a market development team with approximately 10 employees. In accordance with the geographical division of Eastern China, Northern China and Southern China, the team would attempt to replicate the successful experience and model adopted in Beijing in other cities in the PRC, such as Zhengzhou, Chengdu, Kunming and Changchun. We are currently in the course of preparing promotional materials to introduce our business to other places in the PRC. We have paid visits to potential customers located in other cities in the PRC, such as Zhengzhou, Chengdu, Kunming and Changchun to promote our Group's business and inquire into their needs and demands. We have also kept in contact with them so as to keep abreast of the latest development of the public transport system in these places. During such visits, we have introduced our Group's working experience in Beijing to our potential customers.

We also aim to utilise our technology and application solutions in other industries where automated fare collection and clearing functions are involved should opportunities arise.

IMPLEMENTATION PLAN

Set out below is a breakdown of the events we intend to implement during the period from the Latest Practicable Date to 30 June 2014:

	30 June 2012 *(HK$ million)*	**31 December 2012** *(HK$ million)*	**30 June 2013** *(HK$ million)*	**31 December 2013** *(HK$ million)*	**30 June 2014** *(HK$ million)*	**Total** *(HK$ million)*	**Approximate % of net proceeds**
Expand our business							
Acquisition of/investment in TCC System application solutions provider(s)	–	30.6	–	–	–	30.6	16.0

	30 June 2012 *(HK$ million)*	31 December 2012 *(HK$ million)*	30 June 2013 *(HK$ million)*	31 December 2013 *(HK$ million)*	30 June 2014 *(HK$ million)*	Total *(HK$ million)*	Approximate % of net proceeds
Acquisition of/investment in entity(ies) which is/are principally engaged in the design and manufacture of card readers	–	–	23.0	–	–	23.0	12.0
Acquisition of/investment in entity(ies) which is/are principally engaged in the construction of infrastructures of public transport systems	–	–	–	–	46.1	46.1	24.0
Acquisition of/investment in application solution company(ies) in the PRC	–	–	23.0	–	–	23.0	12.0
Enhance our expertise and technical know-how on development of new application solutions							
Enhancing the capacity of our current software systems and database for the ACC System	2.5	10.0	–	–	–	12.5	6.5

	30 June 2012 *(HK$ million)*	31 December 2012 *(HK$ million)*	30 June 2013 *(HK$ million)*	31 December 2013 *(HK$ million)*	30 June 2014 *(HK$ million)*	Total *(HK$ million)*	Approximate % of net proceeds
Participation in the construction of Phase II of the TCC System of Beijing Subway	2.0	6.6	–	–	–	8.6	4.5
Enhancing our reputation							
Development of application solutions for the PCC System	2.0	10.0	9.1	–	–	21.1	11.0
Expand our customer base							
Expansion of our customer base by our Group through participation in industry promotional events and other marketing activities	0.4	1.8	1.8	1.8	1.8	7.6	4.0

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$1.09 per Offer Share, being the mid point of the indicative Offer Price range) will be approximately HK$191.7 million, assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 64.0%, or HK$122.7 million to be used to expand our business. We intend to expand our business by acquiring or investing in entities which provide TCC System application solutions, design and manufacture card readers and entities which are principally engaged in the construction of infrastructures of public transport systems. As at the Latest Practicable Date, we have not identified any target for acquisition or investment;

- approximately 11.0%, or HK$21.1 million to be used to enhance our expertise and technical know-how on development of new application solutions. We intend to enhance the capacity of our current software systems and database for the ACC System and plan to submit bidding proposal for the construction of Phase II of the TCC System of the Beijing Subway;

- approximately 11.0%, or HK$21.1 million to be used to develop our application solutions for the PCC System and demonstrate our capabilities as an all-round service provider at the network level. We will continue to build up our reputation and image as a provider of integrated, standardised and quality application solutions and services by providing innovative and quality application solutions and services which are customised to suit customer requirements. We will continue in the development of our application solutions for the PCC System and other railway systems in addition to our existing ability to provide application solutions for the ACC and TCC System to enhance our capabilities as a provider of a broad spectrum of application solutions and products for public transport systems. In order to develop application solutions for the PCC System, we intend to acquire more software systems and devices, including servers and databases, and recruit relevant technical and marketing staff;

- approximately 4.0%, or HK$7.6 million to be used to expand our customer base. We will expand our customer base through participation in industry promotional events and other marketing activities and expenses would also be incurred for the remuneration of our marketing staff, participation in exhibitions, promotional events, business trips and publication of various kinds of promotional materials. Other than its business in Hong Kong, ERG HK would also strive to expand into other markets in the Greater China region, which would require higher expenses; and

- approximately 10.0%, or HK$19.2 million for working capital and other general corporate purposes.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, the net proceeds of the Global Offering will increase or decrease by approximately HK$27.0 million. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$223.2 million, assuming an Offer Price of HK$1.09 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$31.1 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in the PRC and/or Hong Kong for so long as it is in our best interests.

Our Directors consider that the net proceeds from the Global Offering together with our internal resources will be sufficient to finance the implementation of our business plans as set out in the paragraph headed "Business strategies" above.

Authorised share capital:		*HK$*
2,000,000,000	Shares of HK$0.01 each	20,000,000

Issued and to be issued, fully paid or credited as fully paid:		
10,698	Shares in issue at the date of this prospectus	107
599,989,302	Shares to be issued pursuant to the Capitalisation Issue	5,999,893
200,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares that may be issued under the Over-allotment Option)	2,000,000
800,000,000	Shares	8,000,000

ASSUMPTIONS

The table above assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

RANKING

The Offer Shares and our Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme will rank equally with all of our Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on our Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

i. 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Capitalisation Issue and the Global Offering (but excluding Shares that may be issued under the Over-allotment Option); and

ii. the aggregate nominal value of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as referred to below).

Our Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares under a rights issue, an issue of Shares pursuant to the exercise of any subscription rights attaching to any warrants of our Company, scrip dividend schemes or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or pursuant to the exercise of the options granted or may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted or under the Global Offering or the Capitalisation Issue.

This mandate will expire at the earliest of:

– the conclusion of our next annual general meeting;

– the expiration of the period within which our next annual general meeting is required by the Articles or any applicable laws of the Cayman Islands to be held; or

– the date on which such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.

Further details of this general mandate are set out in the paragraph headed "Written resolutions of all our Shareholders passed on 8 December 2011" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of the our share capital in issue immediately following completion of the Capitalisation Issue and the Global Offering, excluding Shares that may be issued under the Over-allotment Option. This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Repurchase by our Company of its own securities" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

– the conclusion of our next annual general meeting;

– the expiration of the period within which our next annual meeting is required by the Articles or any applicable laws of the Cayman Islands to be held; or

– the date on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

Further details of this general mandate are set out in the paragraph headed "Written resolutions of all our Shareholders passed on 8 December 2011" in Appendix V to this prospectus.

UNDERWRITERS

Hong Kong Public Offer Underwriters

Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-lead Manager

Quam Securities Company Limited

Co-managers

Ample Orient Capital Limited
Ever-Long Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited
Pico Zeman Securities (HK) Limited
South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, inter alia, the Stock Exchange granting or agreeing to grant listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (either unconditionally or subject only to such customary conditions that may be imposed by the Stock Exchange) and certain other conditions including the Offer Price being determined by our Company and the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters), the entering into of the International Placing Agreement and the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Public Offer Underwriters have severally agreed to subscribe for, or procure subscribers to subscribe for, the Hong Kong Public Offer Shares which are not taken up under the Hong Kong Public Offer on the terms and conditions of the Hong Kong Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

The Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters) is entitled to terminate the Hong Kong Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date ("**Termination Time**") to our Company if any of the following events shall occur prior to the Termination Time:

(a) there comes to the notice of any of the Lead Manager or any of the Hong Kong Public Offer Underwriters of any matter or event showing any of the representations, warranties

or undertakings contained in the Hong Kong Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Hong Kong Underwriting Agreement (other than those undertaken by the Hong Kong Public Offer Underwriters and/or the Lead Manager) which, in any such cases, is considered, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters), to be material in the context of the Global Offering; or

(b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters), an omission which is material in the context of the Global Offering; or

(d) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement; or

(e) there shall have developed, occurred, existed or come into effect any events or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

    (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which we operate or have or are deemed by any applicable law to have a presence (by whatever name called) or any other jurisdictions relevant to us ("**Relevant Jurisdictions**"); or

    (ii) any change in, or any event or series of events or development resulting or likely to result in any change in any of the Relevant Jurisdictions of its local, national, regional or international financial, currency or stock market conditions or prospects, or political, military, industrial or economic conditions or prospects; or

    (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

    (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any of the Relevant Jurisdictions; or

(v) any change or prospective change in the business or in the financial or trading position or prospects of any of the members of our Group; or

(vi) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong or the PRC; or

(vii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(viii) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or

(ix) any other charge whether or not ejusdem generis with any of the foregoing; or

which, in the reasonable opinion of the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters):

(aa) is or will be or is likely to be adverse, in any material respect, to our business, financial or trading condition or prospects taken as a whole; or

(bb) has or will have or is likely to have a material adverse effect on the success of the Global Offering as a whole; or

(cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Global Offering.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions.

UNDERTAKINGS

Undertakings of our Controlling Shareholders to the Stock Exchange pursuant to the GEM Listing Rules

Under Rule 17.29 of the GEM Listing Rules, no further Shares or securities convertible into our equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject to any agreement within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within the six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under our Share Option Scheme) or for the circumstances provided under Rule 17.29 of the GEM Listing Rules.

Each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company to comply with the following requirements:

(a) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date ("**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s);

(b) in the period of six months commencing on the date on which the First Six-Month Period expires ("**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be the controlling shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company;

(c) in the event that he/she/it pledges or charges any direct or indirect interests in these Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period and the Second Six-Month Period, he/she/it shall inform our Company thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(d) having pledged or charged any interest in these Shares, he/she/it must inform our Company immediately in the event that he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Undertakings of our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreements

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders (as Covenantors) has jointly and severally undertaken to our Company, the Joint Sponsors, the Lead Manager and the Hong Kong Public Offer Underwriters that, save as (i) pursuant to the Global Offering or the Stock Borrowing Agreement; or (ii) permitted under the GEM Listing Rules and with the prior written consent of the Joint Sponsors and the Lead Manager (on behalf of the Hong Kong Public Offer Underwriters):

(a) he/she/it shall not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the period commencing from the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Lock-up Period**"), sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (the "**Banking**

Ordinance")), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by him/her/it or in which he/she/it is, directly or indirectly, interested immediately after completion of the Capitalisation Issue and the Global Offering or any interest in any shares in any company controlled by him/her/it which is the beneficial owner of any of our Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (save any Shares returned under the Stock Borrowing Agreement) provided further that any such acquisition would not result in any breach of the GEM Listing Rules;

(b) he/she/it shall not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it will, at any time during the six months commencing on the date on which the First Lock-up Period expires (the "**Second Lock-up Period**"), sell, transfer or otherwise dispose of (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance), or enter into any agreement (other than by way of a security for a bona fide commercial loan in favour of an authorised institution (as defined in the Banking Ordinance)) to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares (or any interest therein) directly or indirectly owned by him/her/it or in which he/she/it is, directly or indirectly, interested immediately after completion of the Capitalisation Issue and the Global Offering or any interest in any shares in any company controlled by him/her/it which is the beneficial owner of any of our Shares, or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Shares or other securities, in cash or otherwise, or offer or agree to do any of the foregoing or announce any intention to do so, if, immediately following such action, the Covenantors, when taken together, would cease to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company; and

(c) without prejudice to the undertakings as referred to in paragraphs (a) and (b) above, during the period commencing on the date by reference to which disclosure of his/her/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

    (i) when he/she/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company or those of ERG Greater China BVI beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to the GEM Listing Rules, immediately inform our Company, the Joint Sponsors and the Lead Manager (on

behalf of the Hong Kong Public Offer Underwriters) of such pledge or charge or creation of the rights of encumbrance together with the number of the securities so pledged or charged and all other information as requested by our Company, the Joint Sponsors and/or the Lead Manager (on behalf of the Hong Kong Public Offer Underwriters); and

(ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in sub-paragraph (i) above, when he/she/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company, the Joint Sponsors and the Lead Manager (on behalf of the Hong Kong Public Offer Underwriters) of such indications.

Undertakings of our Company pursuant to the Hong Kong Underwriting Agreement

Our Company has undertaken to and covenanted with the Joint Sponsors, the Lead Manager and the Hong Kong Public Offer Underwriters that, and each of the Covenantors and our executive Directors have jointly and severally undertaken and covenanted with the Joint Sponsors, the Lead Manager and the Hong Kong Public Offer Underwriters to procure (so far as he/she/it is able to do so) that, without the prior written consent of the Joint Sponsors and the Lead Manager (on behalf of the Hong Kong Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued pursuant to the Capitalisation Issue, the grant of the Over-allotment Option and the Over-allotment Shares upon the exercise of the Over-allotment Option, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and Articles of our Company or any consolidation, sub-division or capital reduction of the Shares, our Company shall not:

(a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of our Company, or offer or agree to do any of the foregoing or announce any intention to do so:

(i) at any time during the First Lock-up Period; or

(ii) at any time during the Second Lock-up Period so as to result in the Covenantors, taken together with the other of them, ceasing to be a group of controlling shareholders (as defined in the GEM Listing Rules) of our Company; or

(b) at any time during the First Lock-up Period, subject to the GEM Listing Rules and the Takeovers Code, make or agree to make any repurchase any Shares or other securities of our Company.

International Underwriting Agreement

In connection with the International Placing, it is expected that our Company, the executive Directors and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Sponsors, the Lead Manager and the International Underwriters on or before the Price Determination Date. It is expected that under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or purchase or procure subscribers or purchasers to subscribe for or purchase the International Placing Shares to be initially being offered by our Company for subscription under the International Placing (subject to reallocation) on and subject to the terms of the International Underwriting Agreement. The International Underwriting Agreement is expected to contain force majeure provisions as that contained in the Hong Kong Underwriting Agreement as mentioned above. In the event that the International Underwriting Agreement is not entered into on or before the Price Determination Date, or does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed and will lapse.

It is expected that under the International Underwriting Agreement, our Company will grant the Over-allotment Option to the Lead Manager (in its sole and absolute discretion) to require our Company at any time within a period commencing from the date of the International Underwriting Agreement and ending on the 30th day after the last date for lodging of applications under the Hong Kong Public Offer (i.e. 7 June 2012), to allot and issue up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, on the same terms as those applicable to the Global Offering, to cover over-allocations in the International Placing.

Commission and expenses

Pursuant to the terms of the Hong Kong Underwriting Agreement, our Company has agreed to pay the Hong Kong Public Offer Underwriters and, in the case of the International Underwriting Agreement, our Company will agree to pay the International Underwriters, an underwriting commission of 3.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Joint Sponsors will receive advisory and documentation fees for acting as the Joint Sponsors to the Global Offering. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK$1.09 (being the mid-point of the indicative Offer Price range of HK$0.95 per Offer Share and HK$1.23 per Offer Share), the aggregate underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Global Offering that are payable by our Company are estimated to be approximately HK$26.31 million in total.

Hong Kong Public Offer Underwriters' interests in our Company

Save for their respective obligations and interests under the Hong Kong Underwriting Agreement as disclosed above, Guotai Junan as one of our Pre-IPO Investors and the proposed appointment of Guotai Junan Capital as compliance adviser of our Company, none of the Hong Kong Public Offer Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company and any member of our Group.

THE GLOBAL OFFERING

The Global Offering comprises 200,000,000 Shares initially being offered by us for subscription by way of International Placing and Hong Kong Public Offer (assuming the Over-allotment Option is not exercised). A total of 180,000,000 Shares, representing of 90% of the initial total number of the Offer Shares, will initially be offered under the International Placing to selected professional, institutional and/or other investors. A total of 20,000,000 Shares, representing 10% of the initial total number of the Offer Shares, will initially be offered under the Hong Kong Public Offer.

The number of Shares to be offered under the Hong Kong Public Offer and the International Placing are subject to reallocation and, in the case of the International Placing only, the Over-allotment Option, as described below.

Investors may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors that received International Placing Shares, and to identify and reject indications of interest in the International Placing from investors that received the Hong Kong Public Offer Shares. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The International Placing will involve selective marketing of the International Placing Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option and options granted or which may be granted under the Share Option Scheme are not exercised, the Offer Shares will represent 25% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering.

If the Over-allotment Option is exercised in full, our Shares comprised in the Global Offering will represent approximately 27.71% of the enlarged issued share capital of us immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option, but takes no account of the options that may be granted under the Share Option Scheme.

PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK$1.23 per Share plus brokerage of 1%, trading fee payable to the Stock Exchange of 0.005% and transaction levy payable to the SFC of 0.003%, in each case of the Offer Price, amounting to a total of HK$4,969.60 per board lot of 4,000 Hong Kong Public Offer Shares, is payable in full on application.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK$1.23 per Share, appropriate refund payments will be made. Further details in this regard are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price will be fixed by agreement between our Company and the Lead Manager (for itself and on behalf of the Underwriters) on or before the Price Determination Date, which is expected to be on or before Wednesday, 9 May 2012 or no later than 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012. If, for any reason, the Lead Manager (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by 5:00 p.m. (Hong Kong time) on Thursday, 10 May 2012, the Global Offering will not proceed and will lapse.

The Offer Price will not be more than HK$1.23 per Share and is currently expected to be not less than HK$0.95 per Share. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective investors during "bookbuilding" process, the Lead Manager (for itself and on behalf of the Underwriters), thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range stated in this prospectus), the number of Offer Shares and/ or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer cause to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the offer statistics, as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change materially as a result of any such change.

In the absence of any notice being published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the number of Offer Shares and/or the indicative Offer Price range in the manner set out above, the Offer Price and/or the number of Offer Shares, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range and the number of Offer Shares as stated in this prospectus.

The Offer Price, the level of indication of interest in the International Placing, results of the applications and basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offer are expected to be published in the The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 15 May 2012.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Offer Shares in the Global Offering are conditional upon:

(a) Listing

The Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any additional Shares, up to 10% of the issued share capital of our Company as of the Listing Date, which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and

(b) Underwriting Agreements

(i) the execution and delivery of the International Underwriting Agreement in accordance with its terms or otherwise, prior to, on or about the date of the Price Determination Agreement; and

(ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (which requires, among other things, that the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement be entered into) and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

If, for any reason, the Price Determination Agreement or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by the Lead Manager (for itself and on behalf of the Underwriters)) at or before 8:00 a.m. on the Listing Date, the Global Offering will lapse and notice of the lapse will be published by our Company in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, application monies will be returned, without interest. The terms on which money will be returned are set out in "Refund of your money" on the Application Forms.

In the meantime, application monies will be held in one or more separate bank account(s) with the receiving bank(s) or any other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE HONG KONG PUBLIC OFFER

Pursuant to the Hong Kong Public Offer, our Company is initially offering 20,000,000 new Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised), for subscription by the public in Hong Kong at the Offer Price. The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement.

Allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Hong Kong Public Offer Shares and that applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the Hong Kong Public Offer Shares (after taking into account of any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer referred to below) will be divided equally into two pools: pool A and pool B. The Hong Kong Public Offer Shares in pool A will initially consist of 10,000,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of HK$5 million or less. The Hong Kong Public Offer Shares in pool B will initially consist of 10,000,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of more than HK$5 million and up to the total value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Public Offer Shares in either pool A or pool B but not both.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him that he has not taken up any Shares under the International Placing nor otherwise participated in the International Placing nor has he indicated (nor will he indicate) an interest under the International Placing, and such applicant's application will be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). The Hong Kong Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Global Offering" above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in "How to apply for the Hong Kong Public Offer Shares" in this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Hong Kong Public Offer Shares in either pool A or pool B initially being offered for subscription pursuant to the Hong Kong Public Offer will be rejected.

THE INTERNATIONAL PLACING

Pursuant to the International Placing, our Company is initially offering 180,000,000 Shares for subscription, representing 90% of the total number of Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

It is expected that the International Underwriters or selling agents nominated by them on behalf of our Company will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and/or other investors. Professional and/or institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and/or other securities and corporate entities which regularly invest in shares and/or other securities. In Hong Kong, retail investors should apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offer, as retail investors applying for the International Placing Shares (including applying through banks and/or other institutions) are unlikely to be allocated any International Placing Shares. Prospective investors may be required to give an undertaking and confirmation that he has not applied for or taken up any Hong Kong Public Offer Shares.

The International Placing is subject to the same conditions as stated in the paragraph headed "Conditions of the Global Offering" above. The total number of International Placing Shares to be allotted and issued or transferred pursuant to the International Placing may change as a result of the clawback arrangement referred to in the paragraph headed "Reallocation of the Offer Shares between the Hong Kong Public Offer and the International Placing" below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

Allocation of International Placing Shares to investors pursuant to the International Placing will be effected in accordance with the "book-building" process undertaken by the International Underwriters. Final allocation of the International Placing Shares pursuant to the International 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 Shares or hold or sell its Shares, after the listing of our Shares on GEM. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of us and our Shareholders taken as a whole.

Professional and institutional investors may apply for Offer Shares under the Hong Kong Public Offer or receive Offer Shares under the International Placing. However, such investor will only receive Offer Shares under either the Hong Kong Public Offer or the International Placing, but not both.

REALLOCATION OF THE OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFER AND THE INTERNATIONAL PLACING

The allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment on the following basis:

(a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times of the number of Shares initially available under the Hong Kong Public Offer, then an additional 40,000,000 Shares, representing 20% of

our Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 60,000,000 Shares will be available under the Hong Kong Public Offer, representing 30% of our Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised);

(b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times of the number of Shares initially available under the Hong Kong Public Offer, then an additional 60,000,000 Shares, representing 30% of our Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 80,000,000 Shares will be available under the Hong Kong Public Offer, representing 40% of our Shares being offered pursuant to the Global Offering (assuming Over-allotment Option is not exercised); and

(c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more of the number of Shares initially available under the Hong Kong Public Offer, then an additional 80,000,000 Shares, representing 40% of our Shares initially being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 100,000,000 Shares will be available under the Hong Kong Public Offer, representing 50% of our Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

International Placing Shares being offered in the International Placing may be reallocated and made available as additional Hong Kong Public Offer Shares at the discretion of the Lead Manager (for itself and on behalf of the Underwriters) to satisfy valid applications made pursuant to the Hong Kong Public Offer.

If the Hong Kong Public Offer Shares are not fully subscribed for, the Lead Manager (for itself and on behalf of the Underwriters) has the authority (but not an obligation) to reallocate all or any of the unsubscribed Hong Kong Public Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

The number of International Placing Shares available under the International Placing will be correspondingly reduced or increased (as the case may be) as a result of reallocation (if any) described above.

OVER-ALLOTMENT OPTION

Pursuant to the International Underwriting Agreement, we are expected to grant the Lead Manager a right, (but not an obligation), to exercise the Over-allotment Option up to the 30th day after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 30,000,000 additional Shares, representing approximately 15% of the number of the Offer Shares initially available under the Global Offering. These Shares will be issued or sold (as the case be) at the Offer Price for the purpose of covering over-allocations in the International Placing, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

The Over-allotment Shares will constitute 3.75% of our issued share capital before exercise of the Over-allotment Option and approximately 3.61% of the enlarged issued share capital of our Company immediately following the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made on our Company's website at **www.ccrtt.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** as soon as practicable in accordance to the requirements of the GEM Listing Rules.

STABILISATION

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 retard and, if possible, prevent a decline in the initial public offer prices of the 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 Offer Price.

In connection with the Global Offering, the Lead Manager, as stabilising manager, or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include 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, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the stabilising manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 30,000,000 Shares, which is 15% of the number of Shares initially available under the Global Offering.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the stabilising manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the stabilising manager or its authorised agents will maintain the long position is at the discretion of the stabilising manager or its authorised agents and is uncertain. In the event that the stabilising manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the stabilising manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilising period is expected to end on Thursday, 7 June 2012. As a result, demand for our Shares, and its market price, may fall after the end of the stabilising period.

Any stabilising activity taken by the stabilising manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the stabilising manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the stabilising manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in 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 stabilising manager or its authorised agents may borrow up to 30,000,000 Shares from ERG Greater China BVI, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement is not subject to the restrictions of Rule 13.16A of the GEM Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements in accordance with the provisions of Rule 13.16A of the GEM Listing Rules are complied with:

- the Stock Borrowing Agreement will only be effected by the stabilising manager or its authorised agents for covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from ERG Greater China BVI will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to ERG Greater China BVI on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;

- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements; and

- no payments will be made to ERG Greater China BVI in relation to the Stock Borrowing Agreement.

1. METHODS TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You may apply for the Hong Kong Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form;
- giving **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf; or
- by means of **HK eIPO White Form** by submitting applications online through the designated website at **www.hkeipo.hk**. Use **HK eIPO White Form** if you want our Shares issued in your own name.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider.

2. WHO CAN APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You can apply for Hong Kong Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a US Person (as defined in Regulation S of the US Securities Act), or a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Hong Kong Public Offer Shares online through the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Lead Manager (or its agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Hong Kong Public Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive or their respective associates or any other connected persons (as defined in the GEM Listing Rules) of our Company or persons who will become connected persons (as defined in the GEM Listing Rules) of our Company immediately upon completion of the Global Offering.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both.

3. WHICH APPLICATION METHOD YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be registered in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

(c) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **WHITE** or **YELLOW** Application Form or **HK eIPO White Form** service, you may give **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf via CCASS. Any Hong Kong Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) Apply through the designated HK eIPO White Form service

You may apply for Hong Kong Public Offer Shares online through the designated website at **www.hkeipo.hk**. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and

- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **HK eIPO White Form**.

Note: Except in the circumstances permitted under the GEM Listing Rules, the Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive or their respective associates or any other connected persons (as defined in the GEM Listing Rules) of our Company or persons who will become connected persons (as defined in the GEM Listing Rules) of our Company immediately upon completion of the Global Offering or a US person or persons who do not have a Hong Kong address.

4. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 3 May 2012 until 12:00 noon on Tuesday, 8 May 2012 from:

- Any of the following addresses of the Hong Kong Public Offer Underwriters:

  Guotai Junan Securities (Hong Kong) Limited at 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

  or

  Quam Securities Company Limited at 32/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong

  or

  Ample Orient Capital Limited at Unit A, 14/F, Two Chinachem Plaza, 135 Des Voeux Road Central, Hong Kong

  or

  Ever-Long Securities Company Limited at 18th Floor, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

  or

  Huatai Financial Holdings (Hong Kong) Limited at Room 5808-12, The Centre, 99 Queen's Road Central, Hong Kong

  or

  Pico Zeman Securities (HK) Limited at 19 & 22/F, CMA Building, 64-66 Connaught Road Central, Hong Kong

  or

  South China Securities Limited at 26/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong

or any of the following branches of Wing Lung Bank Limited:

	Name of branch	Address
Hong Kong Island:	Head office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon:	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	Sham Shui Po Branch	111 Tai Po Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 3 May 2012 until 12:00 noon on Tuesday, 8 May 2012 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.

5. WHEN TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(a) WHITE or YELLOW Application Forms

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Tuesday, 8 May 2012, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banker listed under the paragraph headed "Where to collect the Application Forms" above at the following times:

Thursday, 3 May 2012 – 9:00 a.m. to 5:00 p.m.
Friday, 4 May 2012 – 9:00 a.m. to 5:00 p.m.
Saturday, 5 May 2012 – 9:00 a.m. to 1:00 p.m.
Monday, 7 May 2012 – 9:00 a.m. to 5:00 p.m.
Tuesday, 8 May 2012 – 9:00 a.m. to 12:00 noon

(b) Electronic application instructions to HKSCC

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Thursday, 3 May 2012	**–**	**9:00 a.m. to 8:30 p.m.[(1)]**
Friday, 4 May 2012	**–**	**8:00 a.m. to 8:30 p.m.[(1)]**
Saturday, 5 May 2012	**–**	**8:00 a.m. to 1:00 p.m.[(1)]**
Monday, 7 May 2012	**–**	**8:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, 8 May 2012	**–**	**8:00 a.m.[(1)] to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 3 May 2012 until 12:00 noon on Tuesday, 8 May 2012 (24 hours daily, except on the last application date).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Tuesday, 8 May 2012 or if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

(c) HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Thursday, 3 May 2012 until 11:30 a.m. on Tuesday, 8 May 2012 or such later time as described under the paragraph headed "Effects of bad weather conditions on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 8 May 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effects of bad weather conditions on the opening of the application lists" below.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Tuesday, 8 May 2012, except as provided in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Tuesday, 8 May 2012, subject to weather conditions. The application lists will not be open in relation to the Hong Kong Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 8 May 2012. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** or **YELLOW** Application Form.

(b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

(c) Decide how many Hong Kong Public Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK$1.23 per Hong Kong Public Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%.

(d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, our Company and the Lead Manager (or their respective agents or nominees) may accept or reject the application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. The Lead Manager in its capacity as agent of our Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.

(e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by cheque, the cheque must:

- be in Hong Kong dollars;

- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
- be made payable to "Wing Lung Bank (Nominees) Ltd – C CITYRAILTEC Public Offer"; and
- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on our first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker's cashier order must be the same as the name of the first-named joint applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to "Wing Lung Bank (Nominees) Ltd – C CITYRAILTEC Public Offer"; and
- be crossed "Account Payee Only".

Your application may be rejected if your banker's cashier order does not meet all these requirements.

(f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in paragraph 4 above.

(g) The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 8 May 2012. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Refund payment instructions/refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

(h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you can make" below.

(i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signatures will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
  - the **YELLOW** Application Form must contain your full name and your Hong Kong Identity Card number; and
  - the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
  - the **YELLOW** Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
  - the CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
- If you are applying as a corporate CCASS Investor Participant:
  - the **YELLOW** Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration certificate number; and
  - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant's company name) must be inserted in the appropriate box on the **YELLOW** Application Form.
- Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.

(j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

(a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at **www.hkeipo.hk**. If you apply through **HK eIPO White Form** our Shares will be issued in your own name. For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant.

(b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.

(c) The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and Hong Kong Share Registrar.

(e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.

(f) You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in sub-paragraph (c) of the paragraph headed "When to apply for the Hong Kong Public Offer Shares" above.

(g) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 8 May 2012, or such later time as described in the paragraph headed "Effects of bad weather conditions on the opening of the application lists" above, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.hkeipo.hk**.

(h) Warning: The application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. Please refer to the paragraph headed "How many applications you can make" below.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

(b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at **https://ip.ccass.com** (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares.

(d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to our Company and our Hong Kong Share Registrar.

(e) You may give **electronic application instructions** in respect of a minimum of 4,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table on the Application Form.

(f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and

(ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in the paragraph headed "Effect of making any application" below.

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(h) For the purpose of allocating the Hong Kong Public Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

(i) The paragraph headed "Personal data" below applies to any personal data held by the Lead Manager, our Company and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Tuesday, 8 May 2012 or such later time as described in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

9. RESULTS OF ALLOCATIONS

Our Company expects to publish the announcement on the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Public Offer Shares in the manner specified below:

- The announcement of the Offer Price, the level of indication of interest in the International Placing, results and levels of applications and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offer will be published (a) in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and (b) on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.ccrtt.com.hk** on Tuesday, 15 May 2012;

- Results and levels of applications for the Hong Kong Public Offer will be available at the results of allocations website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Tuesday, 15 May 2012 to 12:00 midnight on Monday, 21 May 2012. Search by ID function will be available on our results of allocations website at **www.tricor.com.hk/ipo/result**. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/ her/its application to search for his/her/its own allocation result;

- Results and levels of applications will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 15 May 2012 to Friday, 18 May 2012;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual receiving bank branches and sub-branches from Tuesday, 15 May 2012 to Thursday, 17 May 2012 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "Where to collect the Application Forms" above;

- Results and levels of applications for the Hong Kong Public Offer can be found in the announcement to be posted on our Company's website at **www.ccrtt.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** on Tuesday, 15 May 2012.

10. HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked "For nominees" you must include:

  – an account number; or

– some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

Multiple or suspected multiple applications are liable to be rejected.

(b) Save as referred to sub-paragraph (a) above, all of your applications for the Hong Kong Public Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider; or

- both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider; or

- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider for more than 100% of the Hong Kong Public Offer Shares being initially available in either pool A or pool B to the public as referred to in the section headed "Structure and conditions of the Global Offering" in this prospectus; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.

(c) All of your applications for the Hong Kong Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

(i) the principal business of that company is dealing in securities; and

(ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

(i) control the composition of the board of directors of that company; or

(ii) control more than half of the voting power of that company; or

(iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

(d) If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at **www.hkeipo.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

11. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorise our Company and/or the Lead Manager (or its respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Articles;

- represent and warrant that you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing and submitting the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);

- confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead

Manager and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;

- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

- warrant the truth and accuracy of the information contained in your application;

- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters and any of their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- undertake and agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

- authorise our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated in your application (unless you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated in your application that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person then you can collect them from Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Tuesday, 15 May 2012;

- authorise our Company to despatch e-Refund payment instructions to your bank account if you have completed payment of the **HK eIPO White Form** application monies from a single bank account; or authorise our Company to issue and despatch refund cheque(s) to the address given on the **HK eIPO White Form** application if you have completed payment of the application monies from multi-bank accounts;

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Hong Kong Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;

- agree that our Company, the Joint Sponsors, the Sole Global Coordinator, the Lead Manager, the Bookrunner, the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to the prospectus;

- agree with our Company, for itself and for the benefit of each of our Shareholders, and our Company agree with each of our Shareholders, to observe and comply with the Companies Law and the Memorandum and Articles;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;

- agree with our Company and each shareholder of our Company that Shares are freely transferable by the holders thereof;

- authorise our Company to enter into a contract on your behalf with each Director and officer of our Company whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders stipulated in the Memorandum and Articles;

- confirm that you are aware of the restrictions on Global Offering of the Hong Kong Public Offer Shares described in this prospectus; and

- understand that these declarations and representations will be relied upon by our Company, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters in deciding whether or not to allocate any Hong Kong Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration.

(b) If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in sub-paragraph (a) above you agree that:

- any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Public Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$1.23 per Hong Kong Public Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;

- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:

  – agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

  – undertake and agree to accept the Hong Kong Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

  – undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

  – (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

  – (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

  – understand that the above declaration will be relied upon by our Company and the Lead Manager in deciding whether or not to make any allocation of the Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

  – authorise our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

  – confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

  – confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

- agree that our Company, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;

- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Joint Sponsors, the Sole Global Coordinator, the Bookrunner, the Lead Manager and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

- agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the opening of the application lists under the Hong Kong Public Offer such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists under the Hong Kong Public Offer except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by our Company; and

- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the opening of the application lists under the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists under the Hong Kong Public Offer except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in The Standard and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of the Hong Kong Public Offer Shares is void:

Your allocation of the Hong Kong Public Offer Shares (and the allocation to HKSCC Nominees, as the case may be) will be void if the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offer as well as the International Placing:

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offer.

(d) If our Company, the Lead Manager or the HK eIPO White Form Service Provider or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Lead Manager (for itself and on behalf of the Hong Kong Public Offer Underwriters) or the **HK eIPO White Form** Service Provider or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(e) If your application is rejected:

Your application may be rejected if:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on our first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares under the International Placing;
- your application is for more than 50% of the 20,000,000 Hong Kong Public Offer Shares being initially comprised under the Hong Kong Public Offer as referred to in the section headed "Structure and conditions of the Global Offering" in this prospectus;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- we or the Lead Manager believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

13. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price of the Hong Kong Public Offer Shares is HK$1.23 each. You must also pay a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003%. The proposed board lot for trading in our Shares is 4,000 Shares. This means that for every 4,000 Hong Kong Public Offer Shares, you will pay HK$4,969.60. The Application Forms have tables showing the exact amount payable for numbers of Hong Kong Public Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Hong Kong Public Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK$1.23 per Hong Kong Public Offer Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed "Refund of your money – additional information" below.

14. IF YOUR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a **WHITE** Application Form and you elect to receive any share certificate(s) in your name:

- Refund cheque(s) and share certificate(s) for these applicants who apply for less than 1,000,000 Hong Kong Public Offer Shares or apply for 1,000,000 or more and have not indicated on your Application Forms that you will to collect share certificate(s) and/or refund cheque(s) (where applicable) in person are expected to be despatched on Tuesday, 15 May 2012 to the same address as that for share certificate(s), being the address specified in the relevant Application Form.

- Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on their Application Forms that they wish to collect share certificate(s) and/or refund cheque(s) (where applicable) in person from our Hong Kong Share Registrar may collect share certificate(s) and/or refund cheque(s) (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 May 2012.

- Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped

with the corporation's respective chops. Both individuals and authorised representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

- Uncollected share certificate(s) and refund cheque(s) (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.

(b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Hong Kong Public Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be) on Tuesday, 15 May 2012 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

Our Company is expected to make available the results of the Hong Kong Public Offer, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of allocations" above on Tuesday, 15 May 2012. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 May 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

Our Company is expected to make available the application results of the Hong Kong Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong Business Registration certificate number or other

identification code (as appropriate) in the manner described in the paragraph headed "Results of allocations" above on Tuesday, 15 May 2012. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 15 May 2012 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

  You can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC:**

  You can also check the number of the Hong Kong Public Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 15 May 2012. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

(c) If you are applying through **HK eIPO White Form**:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) in person from Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 15 May 2012, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Tuesday, 15 May 2012 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Tuesday, 15 May 2012.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Tuesday, 15 May 2012, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider is set out in the paragraph headed "Refund of your money – additional information" below.

You will receive one share certificate for all Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **electronic application instructions** to HKSCC via CCASS where the share certificate will be deposited into CCASS).

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

15. REFUND OF YOUR MONEY – ADDITIONAL INFORMATION

(a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for the benefit of our Company) if:

- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
- your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
- the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
- the conditions of Global Offering are not fulfilled in accordance with the paragraph headed "Conditions of the Global Offering" in the section headed "Structure and conditions of the Global Offering" in this prospectus.

(b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from our Hong Kong Share Registrar on Tuesday, 15 May 2012. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" above.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, 15 May 2012, by ordinary post and at your own risk.

(c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Tuesday, 15 May 2012.

(d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at **www.hkeipo.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this paragraph shall be made pursuant to the arrangements described in the paragraph headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" above.

(e) Refund cheque will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

(f) e-Refund payment instructions/refund cheques are expected to be despatched on or around Tuesday, 15 May 2012. Our Company intends to make special efforts to avoid undue delays in refunding money.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) ("Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Public Offer Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of e-Refund payment instructions/refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Hong Kong Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of announcement(s) or otherwise;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as we consider necessary to confirm the accuracy of the personal data and in particular, we may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- we or our appointed agents such as financial advisers, receiving bankers;

- our principal share registrar and Hong Kong Share Registrar;

- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Public Offer Shares to be deposited into CCASS);

- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their businesses;

- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and

- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **HK eIPO White Form**, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the company secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

17. MISCELLANEOUS

(a) Commencement of dealings in our Shares

- Dealings in our Shares on GEM are expected to commence on Wednesday, 16 May 2012.
- Our Shares will be traded in board lots of 4,000 Shares.
- The stock code of our Shares is 8240.
- Any Share certificates in respect of Hong Kong Public Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in our Shares and the stock admission requirements of HKSCC are complied with, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.
- All necessary arrangements have been made for our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

3 May 2012

The Directors
China City Railway Transportation Technology Holdings Company Limited

Guotai Junan Capital Limited
Quam Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China City Railway Transportation Technology Holdings Company Limited (the "Company", formerly known as Beijing Metro Holdings Company Limited) and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011 (the "Track Record Period"), and the consolidated balance sheets of the Group as at 30 June 2010 and 2011 and 30 November 2011 and the balance sheets of the Company as at 30 June 2011 and 30 November 2011, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 3 May 2012 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 27 June 2011 (the "Reorganisation") as detailed in the sections headed "History and development" and "Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below.

Except for ERG Transit Systems (Beijing) Ltd. and ERG Transit Systems (HK) Limited, all companies comprising the Group have adopted 30 June as their financial year end date. As at the date of this report, no audited financial statements have been prepared for below companies within the Group, as they either have not carried on any business since the date of incorporation or are investment holding companies or not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation:

Name of company	Financial years
Great Legend Development Limited (華駿發展有限公司)	Year ended 30 June 2011
Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司)	Year ended 30 June 2011

The statutory financial statements of the following companies, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC") or Hong Kong Financial Reporting Standards (the "HKFRSs") as appropriate, were audited during the Track Record Period by their respective statutory auditors as indicated below:

Name of company	Financial years	Statutory auditors
ERG Transit Systems (Beijing) Ltd. *(note (i))* (億雅捷交通系統(北京)有限公司)	Years ended 31 December 2009 and 2010	Grant Thornton China (京都天華會計師事務所有限公司)
ERG Transit Systems (HK) Limited (億雅捷交通系統(香港)有限公司)	Year ended 31 December 2010	UHY Grace HK CPA Limited (天恩香港會計師事務所有限公司)

Note:

(i) The English translation of the name is for reference only and the official name of this entity is in Chinese.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 November 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, the state of affairs of the Group as at 30 June 2010 and 2011 and 30 November 2011, and the state of affairs of the Company as at 30 June 2011 and 30 November 2011.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 30 November 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

As detailed in the sections headed "History and development" and "Reorganisation" in the Prospectus, the Company was incorporated in the Cayman Islands on 7 January 2011 as part of the Reorganisation undertook by the Group. Upon completion of the Reorganisation on 27 June 2011, the Company became the holding company of the companies now comprising the Group. The companies taking part in the Reorganisation were controlled by the same ultimate equity shareholders, namely Mr. Cao Wei and his close family member (the "Controlling Shareholders") during the Track Record Period.

Because the companies now comprising the Group were controlled by the Controlling Shareholders before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholders, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies comprising the Group are consolidated using the book values from the Controlling Shareholders' perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated/established/acquired by the Group at a date later than 1 July 2009, for the period from the date of incorporation/establishment/acquisition to 30 November 2011) as if the current group structure had been in existence throughout the entire Track Record Period. The consolidated balance sheets of the Group as at 30 June 2010 and 2011 and 30 November 2011 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company *(note (i))*	Place and date of incorporation/ establishment	Registered capital/issued and paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Great Legend Development Limited (華駿發展有限公司)	The British Virgin Islands ("BVI") 11 February 2011	US$50,000	100%	–	Investment holding
Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司)	Hong Kong 29 October 2010	HK$10,000	–	100%	Investment holding
ERG Transit Systems (Beijing) Ltd. (億雅捷交通系統(北京)有限公司)	PRC 1 September 2006	RMB12,550,000	–	100%	Transit system software & technology research and development; system integration; provision of technology transfer, training, consulting and services; sale of developed products
ERG Transit Systems (HK) Limited (億雅捷交通系統(香港)有限公司)	Hong Kong 17 July 1984	HK$10,000	–	100%	Trading and investment

Note:

(i) For ERG Transit Systems (Beijing) Ltd., the English translation of the name is for reference only and the official name of this entity is in Chinese.

B CONSOLIDATED FINANCIAL INFORMATION

Consolidated income statements

	Note	Years ended 30 June		Five months ended 30 November	
		2010	2011	2010	2011
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	*2*	24,454	72,047	16,988	65,247
Cost of sales		(11,555)	(24,576)	(6,604)	(15,593)
Business tax and surcharge		(865)	(2,668)	(402)	(1,273)
Gross profit		12,034	44,803	9,982	48,381
Other net income/(loss)		11	12	(11)	27
Selling, general and administrative expenses		(5,396)	(12,384)	(3,311)	(14,186)
Profit from operations		6,649	32,431	6,660	34,222
Investment income		63	48	–	–
Share of (loss)/profit of associate		(535)	13,341	(439)	(1,411)
Profit before taxation	*3*	6,177	45,820	6,221	32,811
Income tax	*4*	(1,229)	(5,350)	(1,060)	(6,781)
Profit for the year/period		4,948	40,470	5,161	26,030
Attributable to:					
Equity shareholders of the Company		4,948	40,470	5,161	26,030

The accompanying notes form part of the Financial Information.

Consolidated statements of comprehensive income

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Profit for the year/period	4,948	40,470	5,161	26,030
Other comprehensive income for the year/period				
Exchange differences on translation of financial information of entities outside Hong Kong	938	1,409	249	834
Total comprehensive income for the year/period	5,886	41,879	5,410	26,864
Attributable to:				
Equity shareholders of the Company	5,886	41,879	5,410	26,864

The accompanying notes form part of the Financial Information.

Consolidated balance sheets

	Note	As at 30 June 2010	As at 30 June 2011	As at 30 November 2011
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*8*	1,235	1,093	1,815
Interest in associate	*9*	9,510	18,572	17,533
Intangible assets		23	18	764
Deferred tax assets	*16*	61	53	40
		10,829	19,736	20,152
Current assets				
Inventories	*11*	680	685	1,064
Trade and other receivables	*12*	6,414	32,679	67,064
Cash and cash equivalents	*13*	5,812	33,021	51,732
		12,906	66,385	119,860
Current liabilities				
Trade and other payables	*14*	1,401	44,971	22,383
Current taxation	*16*	209	194	7,377
		1,610	45,165	29,760
Net current assets		11,296	21,220	90,100
Total assets less current liabilities		22,125	40,956	110,252
Net assets		22,125	40,956	110,252
Capital and reserves				
Share capital	*17*	–	1	83
Reserves	*17*	22,125	40,955	110,169
Total equity		22,125	40,956	110,252

The accompanying notes form part of the Financial Information.

Balance sheet of the Company

	Note	As at 30 June 2011 HK$'000	As at 30 November 2011 HK$'000
Non-current assets			
Investments in subsidiaries	*10*	40,955	40,955
Trade and other receivables		–	42,366
		40,955	83,321
Current assets			
Cash and cash equivalents		1	67
Net current assets		1	67
Total assets less current liabilities		40,956	83,388
Net assets		40,956	83,388
Capital and reserves			
Share capital	*17*	1	83
Reserves	*17*	40,955	83,305
Total equity		40,956	83,388

The accompanying notes form part of the Financial Information.

Consolidated statements of changes in equity

	Share capital *HK$'000* *(note 17(b))*	Share premium *HK$'000* *(note 17(c))*	Capital reserve *HK$'000* *(note 17(d))*	Statutory reserves *HK$'000* *(note 17(e))*	Exchange reserve *HK$'000* *(note 17(f))*	(Accumulated losses)/ retained earnings *HK$'000*	Total equity *HK$'000*
Balance at 1 July 2009	–	–	13,165	–	–	(926)	12,239
Profit for the year	–	–	–	–	–	4,948	4,948
Other comprehensive income	–	–	–	–	938	–	938
Total comprehensive income	–	–	–	–	938	4,948	5,886
Appropriation to reserves	–	–	–	265	–	(265)	–
Contribution from the equity shareholders of the Company	–	–	4,000	–	–	–	4,000
Balance at 30 June 2010 and 1 July 2010	–	–	17,165	265	938	3,757	22,125
Profit for the year	–	–	–	–	–	40,470	40,470
Other comprehensive income	–	–	–	–	1,409	–	1,409
Total comprehensive income	–	–	–	–	1,409	40,470	41,879
Issuance of new shares	1	–	–	–	–	–	1
Contribution from equity shareholders of the Company	–	–	399	–	–	–	399
Appropriation to reserves	–	–	–	3,446	–	(3,446)	–
Distribution to the equity shareholders of the Company	–	–	–	–	–	(23,448)	(23,448)
Balance at 30 June 2011	1	–	17,564	3,711	2,347	17,333	40,956

Consolidated statements of changes in equity (continued)

	Share capital *HK$'000 (note 17(b))*	Share premium *HK$'000 (note 17(c))*	Capital reserve *HK$'000 (note 17(d))*	Statutory reserves *HK$'000 (note 17(e))*	Exchange reserve *HK$'000 (note 17(f))*	(Accumulated losses)/ retained earnings *HK$'000*	Total equity *HK$'000*
Balance at 1 July 2011	1	–	17,564	3,711	2,347	17,333	40,956
Profit for the period	–	–	–	–	–	26,030	26,030
Other comprehensive income	–	–	–	–	834	–	834
Total comprehensive income	–	–	–	–	834	26,030	26,864
Issuance of new shares	82	42,350	–	–	–	–	42,432
Balance at 30 November 2011	83	42,350	17,564	3,711	3,181	43,363	110,252
(Unaudited)							
Balance at 1 July 2010	–	–	17,165	265	938	3,757	22,125
Profit for the period	–	–	–	–	–	5,161	5,161
Other comprehensive income	–	–	–	–	249	–	249
Total comprehensive income	–	–	–	–	249	5,161	5,410
Contribution from equity shareholders of the Company	–	–	10	–	–	–	10
Balance at 30 November 2010	–	–	17,175	265	1,187	8,918	27,545

The accompanying notes form part of the Financial Information.

Consolidated cash flow statements

	Note	Years ended 30 June 2010 HK$'000	Years ended 30 June 2011 HK$'000	Five months ended 30 November 2010 HK$'000 (Unaudited)	Five months ended 30 November 2011 HK$'000
Cash flows from operating activities					
Profit before taxation		6,177	45,820	6,221	32,811
Adjustments for:					
Depreciation and amortisation	*3(b)*	307	445	175	258
Share of loss/(profit) of associate		535	(13,341)	439	1,411
Investment income		(63)	(48)	–	–
Interest income	*3(b)*	(9)	(24)	(4)	(33)
		6,947	32,852	6,831	34,447
Change in working capital:					
Increase in inventories		(29)	(5)	(161)	(379)
Decrease/(increase) in trade and other receivables		6,862	(25,544)	(3,243)	(38,767)
(Decrease)/increase in trade and other payables		(1,252)	15,576	3,835	9,944
Cash generated from operations		12,528	22,879	7,262	5,245
Cash received from profit appropriation of associate		38	5,007	–	–
Interest income received		9	24	4	33
Income tax paid		(1,051)	(5,357)	(1,163)	(2,875)
Income tax refund		–	–	–	3,290
Net cash from operating activities		11,524	22,553	6,103	5,693
Cash flows from investing activities					
Purchase of short term investments		–	(13,212)	–	–
Proceeds from sale of short term investments		–	13,241	–	–
Investment income received		–	19	–	–
Cash acquired through acquisition of a subsidiary	*21*	1,967	–	–	–
Acquisition of property, plant and equipment and intangible assets		(735)	(255)	(155)	(1,710)
Capital contribution to the associate		(9,995)	–	–	–
Net cash used in investing activities		(8,763)	(207)	(155)	(1,710)

Consolidated cash flow statements (continued)

	Note	Years ended 30 June 2010 HK$'000	Years ended 30 June 2011 HK$'000	Five months ended 30 November 2010 HK$'000 (Unaudited)	Five months ended 30 November 2011 HK$'000
Cash flows from financing activities					
Cash contribution from equity shareholders of the Company		–	23,255	10	19,577
Cash distribution to equity shareholders of the Company		–	(18,570)	–	(4,878)
Net cash from financing activities		–	4,685	10	14,699
Net increase in cash and cash equivalents		2,761	27,031	5,958	18,682
Cash and cash equivalents at the beginning of the year/period		2,997	5,812	5,812	33,021
Effect of changes in foreign exchange rate		54	178	160	29
Cash and cash equivalents at the end of the year/period	*13*	5,812	33,021	11,930	51,732

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards ("IASs") and related interpretations, promulgated by the IASB. Further details of significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 July 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 July 2011 are set out in note 23.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

(b) Basis of measurement of the Financial Information

The Financial Information comprises the Company and its subsidiaries and the Group's interest in associate and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

The Financial Information is presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries carrying on business in Hong Kong.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

(c) Use of estimates and judgments

The preparation of the Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 22.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The accounting policies adopted by the Group's associate are consistent with the accounting policies of the Group.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Electronic equipment	3 years
– Office equipment and others	5 years
– Motor vehicles	4 years
– Leasehold improvements	Over the unexpired term of lease

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of investment in associate and trade and other receivables

Investments in associate recognised using equity method and trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in associate recognised using the equity method (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

– property, plant and equipment

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(j) Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 1(p)(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the balance sheet.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years/periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Transportation system design, installation and maintenance services

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract; and

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(ii) Sales of goods

Revenue is recognised when goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the transaction dates.

The assets and liabilities of foreign operations are translated to Hong Kong dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Hong Kong dollars at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the Track Record Period, the Group has one operating segment as the Group is only engaged in the transportation system technology business.

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, intangible assets and interest in associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation, in the case of intangible assets and interest in associate.

The geographical information of the Group's revenue from external customers for the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011, and specified non-current assets as at 30 June 2010 and 2011 and 30 November 2011 is set out below:

(i) Revenue from external customers

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Mainland China	18,099	51,354	8,093	53,143
Hong Kong	4,659	16,599	7,103	8,083
	22,758	67,953	15,196	61,226

(ii) Specified non-current assets

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China	10,562	19,397	18,989
Hong Kong	206	286	1,123
	10,768	19,683	20,112

2 REVENUE

The principal activities of the Group during the Track Record Period are the provision of design and implementation of application solution services for the networking and controlling systems of public transport companies, and sales of spare parts. The amount of each significant categories of revenue recognised in the Track Record Period is as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Transportation system design, installation and maintenance services	22,522	69,222	16,476	36,792
Sales of goods	1,932	2,825	512	28,455
	24,454	72,047	16,988	65,247

For the year ended 30 June 2010, revenue from transactions with one customer had exceeded 10% of the Group's revenue. Revenue from this customer was HK$16,937,000 for the year ended 30 June 2010.

For the year ended 30 June 2011, revenues from transactions with each of the two customers had exceeded 10% of the Group's revenue. Revenue from these customers was HK$59,661,000 for the year ended 30 June 2011.

For the five months ended 30 November 2011, revenues from transactions with each of the three customers had exceeded 10% of the Group's revenue. Revenue from these customers was HK$53,143,000 for the five months ended 30 November 2011.

3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, wages and other benefits	4,903	13,373	4,159	6,370
Contributions to retirement scheme	473	882	334	563
	5,376	14,255	4,493	6,933

(b) Other items

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation and amortisation of property, plant and equipment and intangible assets	307	445	175	258
Cost of inventories	1,633	2,177	562	10,821
Foreign exchange (gain)/loss	(2)	12	–	–
Interest income	(9)	(24)	(4)	(33)
Auditors' remuneration	69	413	23	1,050
Operating lease charges in respect of properties	463	1,048	436	996

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Income tax in the consolidated income statements represents:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Provision for the corporate income tax				
– Hong Kong profits tax	403	1,526	595	1,101
– PRC corporate income tax	502	3,816	465	5,667
Deferred taxation	324	8	–	13
	1,229	5,350	1,060	6,781

The statutory income tax rate of the Company and its subsidiaries registered in Hong Kong is 16.5%. The Mainland China's statutory income tax rate is 25%. ERG Transit Systems (Beijing) Ltd. was recognised as a High Technology Enterprise and is entitled to a preferential tax rate of 15% for the calendar years from 2010 to 2012.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	6,177	45,820	6,221	32,811
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	1,314	10,849	1,248	8,499
PRC tax concession	(234)	(2,544)	(310)	(3,777)
Effect of non-deductible expenses	25	380	12	1,706
Effect of non-taxable income	(10)	–	–	–
Share of loss/(profit) of associate	134	(3,335)	110	353
Actual tax expense	1,229	5,350	1,060	6,781

5 DIRECTORS' REMUNERATION

The following table sets out the remuneration received or receivable by the Company's directors:

For the year ended 30 June 2010

	Directors' fees	**Salaries, allowances and other benefits in kind**	**Discretionary bonuses**	**Contribution to defined contribution plan**	**Equity settled share-based payment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	57	–	–	–	–	57
Chen Rui	–	457	298	–	–	755
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	57	457	298	–	–	812

For the year ended 30 June 2011

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	235	–	–	–	–	235
Chen Rui	–	838	1,078	–	–	1,916
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	235	838	1,078	–	–	2,151

For the five months ended 30 November 2010 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	98	–	–	–	–	98
Chen Rui	–	349	449	–	–	798
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	98	349	449	–	–	896

For the five months ended 30 November 2011

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	17	–	–	–	–	17
Chen Rui	–	415	–	–	–	415
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	17	415	–	–	–	432

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 6 as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the Track Record Period presented.

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is a director whose emolument is disclosed in note 5. The aggregate of the emoluments in respect of the other four individuals are as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other emoluments	2,505	2,454	1,023	1,204
Discretionary bonuses	–	656	273	–
Retirement scheme contributions	48	112	47	20
	2,553	3,222	1,343	1,224

The emoluments of the four individuals with the highest emoluments are within the following bands:

	Years ended 30 June		Five months ended 30 November	
	2010	2011	2010 (Unaudited)	2011
	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK$Nil to HK$1,000,000	4	4	4	4

7 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on the consolidated basis as disclosed in Section A.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment, motor vehicles and others	Electronic equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
Balance at 1 July 2009	–	279	517	796
Additions	–	517	218	735
Through acquisition of a subsidiary	109	60	39	208
Exchange adjustments	–	3	5	8
Balance at 30 June 2010 and 1 July 2010	109	859	779	1,747
Additions	–	41	214	255
Exchange adjustments	–	38	37	75
Balance at 30 June 2011 and 1 July 2011	109	938	1,030	2,077
Additions	621	253	105	979
Exchange adjustments	–	–	17	17
Balance at 30 November 2011	730	1,191	1,152	3,073
Accumulated depreciation:				
Balance at 1 July 2009	–	–	206	206
Depreciation for the year	4	140	158	302
Exchange adjustments	–	1	3	4
Balance at 30 June 2010 and 1 July 2010	4	141	367	512
Depreciation for the year	14	199	226	439
Exchange adjustments	–	11	22	33
Balance at 30 June 2011 and 1 July 2011	18	351	615	984
Depreciation for the period	61	100	94	255
Exchange adjustments	–	7	12	19
Balance at 30 November 2011	79	458	721	1,258
Net book value:				
At 30 June 2010	105	718	412	1,235
At 30 June 2011	91	587	415	1,093
As 30 November 2011	651	733	431	1,815

9 INTEREST IN ASSOCIATE

	As at 30 June 2010	2011	As at 30 November 2011
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	9,510	18,572	17,533

The particulars of the associate which existed during the Track Record Period are listed as follows:

Name of company *(note (i))*	Place of establishment	Particulars of paid-in capital/ registered capital *RMB*	Effective interest attributable to the Group	Principal activities	Existing as an associate as at
Beijing BII-ERG Transportation Technology Co. Ltd. (北京京投億雅捷交通科技有限公司)	PRC	20,000,000	44%	Transit system software & technology research and development; system integration; provision of technology transfer, training, consulting and services; sale of developed products	30 June 2010 and 2011 and 30 November 2011

Note:

(i) The English translation of the name is for reference only and the official name of this entity is in Chinese.

Summary financial information on associate

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2010					
100 Percent	34,861	13,247	21,614	13,086	(1,226)
Group's effective interest	15,339	5,829	9,510	5,758	(535)
30 June 2011					
100 Percent	78,427	36,218	42,209	111,209	30,321
Group's effective interest	34,508	15,936	18,572	48,932	13,341
30 November 2011					
100 Percent	91,548	51,700	39,848	6,101	(3,206)
Group's effective interest	40,281	22,748	17,533	2,685	(1,411)

As a condition to complete the capital injection from Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK"), formerly known as New Eastern Development Limited, the Company pledged its entire equity interests in Beijing BII-ERG Transportation Technology Co. Ltd. to BII HK as collateral for the payment obligation of the Company's ultimate holding company, More Legend Limited ("More Legend") on 30 June 2011. The pledge was released on 1 September 2011.

10 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 30 June 2011	As at 30 November 2011
	HK$'000	*HK$'000*
Unlisted investment, at cost	40,955	40,955

At 30 June 2011 and 30 November 2011, the Company had direct and indirect interests in the subsidiaries as set out in Section A.

Pursuant to a management and operation agreement signed between the Company, Guotai Junan (Hong Kong) Limited ("Guotai Junan"), BII HK and More Legend on 6 July 2011, if the Company fails to complete a public offering of the Company's shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on or before 30 June 2012, Guotai Junan and BII HK may require More Legend to purchase any or all of their shares of the Company at their written request. The purchase price of the shares will be the original purchase price of the shares plus an interest at 8% per annum on the original purchase price from the issuance date of the shares to the share purchase date accrued on a time-apportionment basis.

The Group agreed to pledge 70% of its equity interests in its subsidiary, ERG Transit Systems (Beijing) Ltd. to BII HK as collateral for More Legend's payment obligation for the purchase of the shares held by BII HK (the "First Pledge"). The pledge was registered at the relevant regulatory authorities on 15 August 2011.

Prior to the completion of the register of the First Pledge, the Group agreed to pledge its entire equity interests in its associate, Beijing BII-ERG Transportation Technology Co. Ltd. as disclosed in Note 9 (the "Second Pledge"), and cash of HK$8,000,000 (the "Third Pledge") to BII HK as collateral for More Legend's payment obligation. The Second Pledge and Third Pledge was completed on 30 June 2011 and 6 July 2011, respectively. The Second Pledge and the Third Pledge was released on 1 September 2011 and 6 September 2011, respectively.

11 INVENTORIES

Inventories in the consolidated balance sheets comprise:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Spare parts	680	685	1,064

12 TRADE AND OTHER RECEIVABLES

		As at 30 June		As at 30 November
	Note	2010	2011	2011
		HK$'000	*HK$'000*	*HK$'000*
Trade receivables	*(a)/(e)*	4,002	17,055	37,085
Gross amounts due from customers for contract work		–	6,665	28,198
Amounts due from related parties	*20(c)*	1,716	5,539	248
Other receivables		294	385	927
Total receivables		6,012	29,644	66,458
Deposits and prepayments		402	3,035	606
		6,414	32,679	67,064

(a) Ageing analysis

The ageing analysis of trade receivables are as follows:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Current, within 1 month	2,201	14,770	33,221
1 to 3 months	1,801	2,285	3,864
	4,002	17,055	37,085

The Group's credit policy is set out in note 19(a).

The ageing analysis is prepared in accordance with the date of revenue recognition.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)(i)).

There is no allowance for doubtful debts during the Track Record Period.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	252	660	33,221
Less than 1 month past due	1,949	14,110	220
1 to 3 months past due	1,801	2,285	3,644
	4,002	17,055	37,085

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good credit record. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Project contracts in progress

As at 30 June 2011 and 30 November 2011, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, including the gross amounts due from customers for contract work was HK$24,194,000 and HK$32,309,000, respectively. The gross amounts due from customers for contract work is expected to be recovered within one year.

(e) Retention receivables

As at 30 June 2010 and 2011 and 30 November 2011, included in trade receivables are retention receivables in respect of project contracts of HK$108,000, HK$241,000 and HK$263,000, respectively. These balances are expected to be recovered within one year.

13 CASH AND CASH EQUIVALENTS

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Cash on hand	26	403	482
Cash at bank	5,786	32,618	51,250
Cash and cash equivalents	5,812	33,021	51,732

14 TRADE AND OTHER PAYABLES

		As at 30 June		As at 30 November
	Note	2010	2011	2011
		HK$'000	*HK$'000*	*HK$'000*
Trade payables	*(i)*	–	1,741	13,312
Amounts due to related parties	*20(c)*	–	17,373	2,991
Cash injection from an investor	*(ii)*	–	22,855	–
Other payables		210	83	163
Accrued expenses		1,191	2,919	5,917
		1,401	44,971	22,383

Notes:

(i) As at 30 June 2010 and 2011 and 30 November 2011, all trade payables are due and payable on presentation or within one month.

(ii) Pursuant to a share subscription agreement signed between the Company and Guotai Junan on 31 May 2011, subject to the approval of the Board of directors of the Company, Guotai Junan agreed to subscribe 698 ordinary shares of the Company at a consideration of HK$22,855,000. On 1 June 2011, the Company received HK$22,855,000 from Guotai Junan. The share subscription transaction was completed on 6 July 2011 with the approval by the Board of directors of the Company.

(iii) As at 30 June 2010 and 2011 and 30 November 2011, there were no retention payables.

15 EMPLOYEE RETIREMENT BENEFITS

The Group participates in various defined contribution retirement schemes established by the relevant local government authorities for its employees. The Group is required to make contributions to the retirement scheme at 5% to 20% of the salaries, bonuses and certain allowances of its employees during the Track Record Period. The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

16 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Current taxation in the consolidated balance sheets represents:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Corporate income tax payable	209	194	7,377

The movement of the current taxation in the consolidated balance sheets during the year are as follows:

Current taxation movement:	**Total**
	HK$'000
At 1 July 2009	355
Charge for the year	905
Tax paid for the year	(1,051)
At 30 June 2010 and 1 July 2010	209
Charge for the year	5,342
Tax paid for the year	(5,357)
At 30 June 2011 and 1 July 2011	194
Charge for the period	6,768
Tax paid for the period	(2,875)
Tax refund for the period	3,290
At 30 November 2011	7,377

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Unused tax losses**	**Depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2009	322	–	322
Through acquisition of a subsidiary	–	63	63
Charged to profit or loss	(322)	(2)	(324)
At 30 June 2010 and 1 July 2010	–	61	61
Charged to profit or loss	–	(8)	(8)
At 30 June 2011 and 1 July 2011	–	53	53
Charged to profit or loss	–	(13)	(13)
At 30 November 2011	–	40	40

(c) Deferred tax liability not recognised

At 30 November 2011, temporary differences relating to the undistributed earnings of the PRC subsidiary amounted to HK$46,279,000. Deferred tax liabilities of HK$4,628,000 have not been recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of the subsidiary and the directors have determined that these retained earnings are not likely to be distributed in the foreseeable future.

At 30 November 2011, a taxable temporary difference of HK$7,537,000 was noted in respect of investments in associate. No deferred tax liability was provided as dividends from the associate to ERG Transit Systems (Beijing) Ltd. are not subject to PRC income tax and the Group has no plan to dispose the associate in the foreseeable future.

17 CAPITAL AND RESERVES

(a) The statement of changes in equity of the Company

The reconciliation between the opening and closing balances during the Track Record Period of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the Track Record Period are set out below:

	Share capital	Share premium	Capital reserve	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 7 January 2011 (the date of incorporation):	–	–	–	–
Issuance of new shares	1	–	–	1
Contribution from the equity shareholders of the Company upon the Reorganisation	–	–	40,955	40,955
Balance as at 30 June 2011 and 1 July 2011	1	–	40,955	40,956
Issuance of new shares	82	42,350	–	42,432
Balance as at 30 November 2011	83	42,350	40,955	83,388

(b) Authorised and issued capital

The Company was incorporated on 7 January 2011 with an authorised capital of 100 shares with par value of US$1 each. On the same day, 100 shares were issued and allotted at a consideration of US$1 each.

On 6 July 2011, further to the approval by the Board of directors, the Company issued 8,481 new shares with par value of US$1 each to ERG Transportation Greater China Company Limited ("ERG Greater China BVI") at a consideration of US$8,481. The amount was fully paid at a consideration of US$8,481 on 6 July 2011.

Pursuant to a share subscription agreement signed between the Company and Guotai Junan on 31 May 2011, subject to the approval by the Board of directors of the Company, Guotai Junan agreed to subscribe 698 ordinary shares of the Company at a consideration of HK$22,855,000. On 1 June 2011, the Company received HK$22,855,000 from Guotai Junan. The share subscription was approved by the Board of directors on 6 July 2011. 698 shares with par value of US$1 each were issued to Guotai Junan on 6 July 2011 accordingly.

Pursuant to a share subscription agreement and supplemental agreement signed between the Company and BII HK on 23 May 2011 and 6 July 2011 respectively, BII HK agreed to subscribe 1,419 ordinary shares of the Company at a consideration of HK$19,511,300. The share subscription was approved by the Board of directors on 6 July 2011. 1,419 shares with par value of US$1 each were issued to BII HK on 6 July 2011 accordingly. The consideration was fully paid on by BII HK on 11 July 2011.

For the purpose of this Financial Information, the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries, was included in capital reserve during the Track Record Period.

(c) Share premium

As mentioned in Note (b) above, on 6 July 2011, Guotai Junan subscribed 698 ordinary shares of the Company at a consideration of HK$22,855,000 of which HK$5,000 was credited to share capital and HK$22,850,000 was credited to the share premium.

On 6 July 2011, BII HK subscribed 1,419 ordinary shares of the Company at a consideration of HK$19,511,300 of which HK$11,000 was credited to share capital and HK$19,500,300 was credited to the share premium.

(d) Capital reserve

In the consolidated balance sheets, the capital reserve represents the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries.

In the Company's balance sheets, the capital reserve represents the net assets of the subsidiaries at the Reorganisation date.

(e) Statutory reserves

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. Statutory reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(f) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(q).

(g) Retained earnings available for distribution

The Company was incorporated on 7 January 2011 and has not carried on any business since the date of its incorporation. Accordingly, there were no retained earnings available for distribution to equity shareholders as at 30 November 2011.

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders, and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder interests that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Currently, the Group intends to finance its operation through cash flows from operations and equity finance.

18 OPERATING LEASE COMMITMENTS

As at 30 June 2010 and 2011 and 30 November 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	838	285	2,508
After 1 year but within 5 years	278	–	4,378
	1,116	285	6,886

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 30 June 2010 and 2011 and 30 November 2011, 41%, 89% and 51% of the trade receivables were due from the Group's largest customer, and 80%, 96% and 98% of the trade receivables were due from the Group's five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheets after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 12.

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest dates the Group can be required to pay:

	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Balance sheet carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2010			
Trade and other payables	1,401	1,401	1,401
At 30 June 2011			
Trade and other payables	44,971	44,971	44,971
At 30 November 2011			
Trade and other payables	22,383	22,383	22,383

(c) Interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

The Group

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Variable rate instruments			
Financial assets – cash at bank	5,786	32,618	51,250
	5,786	32,618	51,250

As at 30 June 2010 and 2011 and 30 November 2011, it is estimated that a general increase/decrease of 10 basis points in interest rates for cash at bank, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$4,000, HK$19,000 and HK$42,000.

(d) Foreign currency exchange risk

For presentation purposes, the Group and the Company's financial information is shown in Hong Kong dollars. The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial information into Hong Kong dollars for consolidation purpose. As at 30 June 2010 and 2011 and 30 November 2011, all companies within the Group have no financial instruments that were denominated in a currency other than the respective functional currency in which they measured.

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2010 and 2011 and 30 November 2011.

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name of party	Relationship
Mr. Cao Wei and his close family member	Controlling Shareholders
Mr. Chen Rui	The director of the Company
ERG Transportation Greater China Company Limited ("ERG Greater China BVI")	Company controlled by Controlling Shareholders
ERG Transportation (Greater China) Pty Ltd ("ERG Greater China")	Company controlled by Controlling Shareholders, Ex-holding company of ERG BJ
BETIT Australia Pty Ltd	Company controlled by Controlling Shareholders, holding company of ERG Greater China
More Legend Limited ("More Legend")	Company controlled by Controlling Shareholders
Landcity Limited	Controlled by Mr. Chen Rui and his close family member
Beijing BII-ERG Transportation Technology Co. Ltd. *(Note (i))*	Associate of the Company
Vix Technology (East Asia) Limited ("Vix East Asia")	Shareholder of ERG Greater China BVI
Vix Technology (Aust) Ltd ("Vix Technology")	Fellow subsidiary of Vix East Asia

Note:

(i) Beijing BII-ERG Transportation Technology Co. Ltd., or BII ERG, the English translation of the name is for reference only and the official name of this entity is in Chinese.

(b) Transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Technical service income:				
BII ERG	1,096	–	–	–
Vix Technology	600	4,094	1,792	4,021
Technical service costs:				
BII ERG	2,047	7,810	1,731	–
Administrative service costs:				
ERG Greater China	682	–	–	–

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that except for technical service income from Vix Technology, the above transactions will not continue in the future after the listing of the Company's shares on the Hong Kong Stock Exchange.

(c) Outstanding balances with related parties

	As at 30 June 2010	2011	As at 30 November 2011
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables:			
BII ERG	1,105	5,065	–
Vix Technology	611	474	248
Trade and other payables:			
BII ERG	–	7,996	2,991
ERG Greater China	–	4,878	–
Controlling share holders	–	4,499	–

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Short-term employee benefits	812	2,151	896	432

Total remuneration is included in staff costs (see note 3(a)).

(e) Other related party transaction

The Group pledged certain assets to BII HK as collateral for More Legend's payment obligation for the purchase of the shares held by BII HK. For details, please refer to Note 10.

21 ACQUISITION OF A SUBSIDIARY

On 30 March 2010, the Group acquired the entire equity interests of ERG Transit Systems (HK) Limited ("ERG HK") at a consideration of HK$4,000,000.

The identifiable assets acquired and liabilities assumed are set out below:

	Note	At 30 March 2010
		HK$'000
Property, plant and equipment		208
Inventories		651
Trade and other receivables		2,874
Cash and cash equivalents		1,967
Trade and other payables		(1,340)
Current taxation		(360)
Deferred tax assets		63
Total identifiable net assets		4,063
Satisfied in cash	*(i)*	–
Cash acquired		1,967
Net cash inflow		1,967

(i) The purchase consideration of HK$4,000,000 was settled by the equity shareholders of the Company.

Gain on bargain purchase was recognised in the profit or loss as a result of the acquisition as follows:

	At 30 March 2010 *HK$'000*
Total consideration	4,000
Fair value of identifiable net assets	4,063
Gain on bargain purchase	(63)

(ii) Revenue and profit of ERG HK since the acquisition date included in the consolidated income statement for the year ended 30 June 2010 was HK$5,259,000 and HK$2,298,000, respectively.

Revenue and profit of the Group for the year ended 30 June 2010 as though the acquisition date of this acquisition had been as of 1 July 2009 was HK$34,934,000 and HK$5,065,000, respectively.

(iii) The results of operation from 1 July 2009 to the acquisition date of ERG HK are set out as below:

	Period ended 30 March 2010 *HK$'000*
Revenue	11,344
Cost of sales	(653)
Other net income	18
Selling, general and administrative expenses	(10,569)
Profit before taxation	140
Income tax	(23)
Profit for the period	117

22 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in note 1. Management believes the following significant accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 1(i)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases its estimates on the ageing of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the result in future periods.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes are different from the amounts that were initially recorded, such differences may impact the income tax and deferred tax provisions in the year/period in which such determinations are made.

(d) Revenue Recognition

As explained in policy note 1(p)(i) revenue recognition on an uncompleted project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the services activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 12 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE PERIOD ENDED 30 NOVEMBER 2011

	Effective for accounting periods beginning on or after
Amendments to IAS 12, Income taxes	1 January 2012
Amendments to IAS 1, Presentation of financial statements	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
IFRIC 20, Stripping costs in the production phase of a surface mine	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures	1 January 2013
Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards – Government loans	1 January 2013
Amendments to IAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments (2010)	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of the amendment and new standard is expected to be in the period of initial application. None of them is expected to have a significant effect on the Group's results of operation and financial position.

24 ULTIMATE HOLDING COMPANY

The parent company of the Company is ERG Greater China BVI, a company with limited liability incorporated in the BVI on 8 March 2011. The ultimate holding company is More Legend, a company with limited liability incorporated in the BVI on 4 March 2011. The ultimate controlling party is Mr. Cao Wei and his close family member. These entities do not produce financial statements available for public use.

D SUBSEQUENT EVENTS

(i) Change of the Company's legal name

Pursuant to a written resolution passed by the Board of Directors on 29 November 2011, it was resolved that the name of the Company was changed from Beijing Metro Holdings Company Limited to China City Railway Transportation Technology Holdings Company Limited. The Company's new name was registered at Companies Registry on 11 January 2012.

(ii) Pledge agreement with BII HK

The aforesaid First Pledge in note 10 of Section C was subsequently released on 16 December 2011.

(iii) Loan agreement with More Legend

On 12 January 2012, according to a loan agreement between the Company and More Legend, the Group paid an amount of HK$19,511,300 to BII HK on behalf of More Legend, as More Legend's collateral for its payment obligation due to BII HK according to an agreement between More Legend and BII HK. The loan was subsequently released and this amount was received on 10 April 2012, together with the agreed interest income.

E SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 November 2011.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is set forth below.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustration purposes only, and is set forth herein to illustrate the effect of the Global Offering on our net tangible assets as at 30 November 2011 as if the Global Offering had taken place on 30 November 2011.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position following the Global Offering. It is prepared based on our consolidated net assets as at 30 November 2011 as derived from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

	Net tangible assets attributable to equity shareholders of the Company as at 30 November 2011	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$1.23 per Share	109,488	232,719	342,207	0.43
Based on an Offer Price of HK$0.95 per Share	109,488	178,679	288,167	0.36

Notes:

1. The net tangible assets attributable to equity shareholders of the Company as at 30 November 2011 are extracted from the Accountants' Report set forth in Appendix I to this prospectus, which is based on the consolidated net assets attributable to equity shareholders of the Company as at 30 November 2011 of HK$110,252,000 less intangible assets as at 30 November 2011 of HK$764,000.

2. The estimated net proceeds from the Global Offering are based on the estimated offer prices of HK$0.95 and HK$1.23 per Share respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to Note (2) above and on the assumption that a total of 800,000,000 Shares are in issue immediately after completion of the Capitalisation Issue and the Global Offering, but takes no account of any Shares which may be issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme.

4. No adjustment has been made to reflect any operating results or other transactions of our Group entered into subsequent to 30 November 2011.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

3 May 2012

The Directors
China City Railway Transportation Technology Holdings Company Limited

Dear Sirs,

China City Railway Transportation Technology Holdings Company Limited (the "Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages II-1 to II-2 of the Company's prospectus dated 3 May 2012 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the global offering of the Company's shares might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 7.31 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 7.31(7) of the GEM Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31 (1) of the GEM Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 November 2011 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" set out in the Prospectus.

OPINION

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 31 March 2012 of the property interests of the Group.

3 May 2012

Cushman & Wakefield Valuation Advisory Services (HK) Limited
Company Licence No. C-002429

9th Floor, St. George's Building
2 Ice House Street
Central, Hong Kong
Tel: (852) 2956 3888
Fax:(852) 2956 2323

www.cushmanwakefield.com

The Board of Directors
China City Railway Transportation Technology Holdings Company Limited
Scotia Centre
4th Floor
P. O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

Dear Sirs,

Preliminary

In accordance with your instructions to value the properties in which China City Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in The People's Republic of China ("The PRC") and Hong Kong. We confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2012 (the "date of valuation").

Basis of Valuation

Our valuations of the property interests represent the "market value" which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The valuations have been prepared in accordance with the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards (March 2012) published by The Royal Institution of Chartered Surveyors and effective from 30 March 2012; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Valuation Assumptions

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

As the properties in Groups I and II are held under long term land use rights or leasehold interests, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights or leasehold interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Valuation Methodology

We have valued the property interests in Groups I and II by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant markets.

We have attributed no commercial value to the property interests in Groups I and II, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, identification of the properties and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations

We have been, in some instances, provided by the Group with extracts of the title documents including the State-owned Land Use Rights Certificate and Building Ownership Certificate relating to the property interest in the PRC, caused searches to be made at the Hong Kong Land Registry in respect of the property interests in Hong Kong, and have made relevant enquiries. However, we have not searched the original documents to verify the existing title to the property interest in Group I and any material encumbrances that might be attached to the property or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's legal adviser – Commerce & Finance Law Offices, concerning the validity of the Group's title to the property interest in the PRC.

Currency & Exchange Rate

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuations is approximately Renminbi Yuan (RMB)1 = HK$1.2270 which was approximately the prevailing exchange rates as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Valuation Advisory Services (HK) Limited
Vincent K. C. Cheung
Registered Professional Surveyor (GP)
BSc(Hons) MBA MRICS MHKIS
National Director, Valuation & Advisory, Greater China

Note: Mr. Vincent K. C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 14 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Market Value in existing state as at 31 March 2012 *RMB*
1.	Room 1705F1 Level 17 Qingyun Modern Plaza Block 9 Mantingfang Garden Qingyun Lane Haidian District Beijing The PRC	No commercial value
	Sub-total:	Nil

GROUP II – PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Market Value in existing state as at 31 March 2012 *HK$*
2.	Unit 4407 on 44th Floor of High Block (COSCO Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Sheung Wan Hong Kong	No commercial value
3.	Unit A on 4th Floor of Niche Centre No. 14 Wang Tai Road Kowloon Bay Kowloon Hong Kong	No commercial value
	Sub-total:	Nil
	Grand-total:	**Nil**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST LEASED AND OCCUPIED BY THE GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2012 *RMB*
1.	Room 1705F1 Level 17 Qingyun Modern Plaza Block 9 Mantingfang Garden Qingyun Lane Haidian District Beijing The PRC	The property comprises an office unit on Level 17 of a 21-storey commercial building which was completed in about 2002. The gross floor area of the property is approximately 25 square metres. The property is currently leased by 億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.) ("ERG BJ") from an independent third party for a term of one year commencing on 23 July 2011 and expiring on 22 July 2012 at a monthly rent of RMB4,200 exclusive of all outgoings.	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 23 July 2011 and entered into between 北京紐斯特秘書財會服務有限公司 (Beijing Newst Secretary Accounting Co., Ltd.) ("Beijing Newst") and ERG BJ, the property was leased to ERG BJ for a term of one year commencing on 23 July 2011 and expiring on 22 July 2012 at a monthly rent of RMB4,200 exclusive of all outgoings.

2. ERG BJ is an indirect wholly-owned subsidiary of the Company.

3. We have been provided with a legal opinion regarding the legality of the Group's property interest by the Group's PRC legal adviser, which contains, inter alia, the following:

   a. The tenancy agreement is legal and effective, and is binding between the lessor and the lessee; and

   b. The tenancy has not been registered with the relevant Real Estate Administration Bureau; however, non-registration will not affect the effectiveness of the tenancy agreement.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2012 *HK$*
2.	Unit 4407 on 44th Floor of High Block (COSCO Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Sheung Wan Hong Kong	The property comprises an office unit on Level 44 of a 50-storey office tower which was completed in about 1998. The gross floor area of the property is approximately 2,348 square feet. The property is currently leased by Beijing City Railway Holdings Company Limited ("Beijing City Railway") from an independent third party for a term of three years commencing on 16 July 2011 and expiring on 15 July 2014 at a monthly rent of HK$116,400 exclusive of management fee, Government Rent and Government rates.	The property is currently occupied by the Group for office purposes.	No commercial value

Notes:

1. Pursuant to a letter of offer dated 22 June 2011 and entered into between Ruby Property Limited and Beijing City Railway, the property was leased to Beijing City Railway for a term of three years commencing on 16 July 2011 and expiring on 15 July 2014 at a monthly rent of HK$116,400 exclusive of management fee, Government Rent and Government rates. The tenancy is subject to three rent free periods from 16 July 2011 to 31 July 2011, 16 July 2012 to 31 July 2012 and 16 July 2013 to 31 July 2013.

2. Beijing City Railway is an indirect wholly-owned subsidiary of the Company.

3. The registered owner of the property is Ruby Property Limited registered vide Memorial No. UB7370857 dated 19 November 1997.

4. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.

5. The subject development is subject to an Occupation Permit No. H18/98 registered vide Memorial No. UB7486509 dated 26 March 1998.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2012 *HK$*
3.	Unit A on 4th Floor of Niche Centre No. 14 Wang Tai Road Kowloon Bay Kowloon Hong Kong	The property comprises an industrial unit on Level 4 of a 10-storey industrial building which was completed in about 1986. The saleable area of the property is approximately 7,620 square feet. The property is currently leased by ERG Transit Systems (HK) Limited ("ERG HK") from an independent third party for a term of three years commencing on 1 November 2011 and expiring on 31 October 2014 at a monthly rent of HK$77,886 exclusive of management fee, Government rates and all other outgoings.	The property is currently occupied by the Group for workshop and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a tenancy agreement dated 20 July 2011 and entered into between First Commercial Centre Company Limited and ERG HK, the property was leased to ERG HK for a term of three years commencing on 1 November 2011 and expiring on 31 October 2014 at a monthly rent of HK$77,886 exclusive of management fee, Government rates and all other outgoings.

2. ERG HK is an indirect wholly-owned subsidiary of the Company.

3. The registered owner of the property is First Commercial Centre Company Limited registered vide Memorial No. 09080703280047 dated 17 July 2009.

4. The subject building is subject to a Legal Charge in favour of Fubon Bank (Hong Kong) Limited registered vide Memorial No. 09080703280054 dated 17 July 2009.

5. The subject building is subject to a Rental Assignment in favour of Fubon Bank (Hong Kong) Limited registered vide Memorial No. 09080703280068 dated 17 July 2009.

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of our Company and of certain aspects of Cayman Islands company law.

SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

1 Memorandum of Association

The Memorandum of Association was adopted on 20 April 2012 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus.

2 Articles of Association

The Articles of Association were adopted on 20 April 2012 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles of Association is HK$20,000,000 divided into 2,000,000,000 shares of par value HK$0.01 each.

2.2 Board

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Board, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Board shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities by the Articles of Association expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in

such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Board in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Board and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so

appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Board resolves that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provisions in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Board to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, whether on a poll or on a show of hands the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are

allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting where a show of hands is allowed, every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Board, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the Chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notices calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Board or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an Auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and any other extraordinary general meeting shall be called by not less than 14 clear days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that referred to above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Board may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Board otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Board may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Board refuses to register a transfer of any share it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Board may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase, unless the Board resolve prior to the repurchase that upon the repurchase the shares shall be held in the name of the Company as treasury shares.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the profits of the Company. The Board may also pay half-yearly or at other intervals to be selected by it at a fixed rate if it is of the opinion that the profits available for distribution justify the payment.

The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Board or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Board and shall revert to the Company.

The Board may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Board may settle it as it thinks expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Board may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing, or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Board may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Board may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon at such rate not exceeding 15% per annum as the Board may prescribe from the date of forfeiture until payment, and the Board may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Board may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the GEM Listing Rules) as the Board may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 January 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of such purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account including, where applicable, material underlying documentation including contracts and invoices with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no

requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75%. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90%. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

    (i) on or in respect of the shares, debentures or other obligations of the Company; or

    (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 17 April 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Company.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 January 2011. The principal place of business of our Company in Hong Kong is at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance since 11 August 2011. In connection with such registration, our Company has appointed Mr. Cao Wei or Mr. Lau Kwok Fai Patrick as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to Cayman Islands law, and to its constitution which comprises a Memorandum of Association and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorised capital of our Company as at the date of its incorporation was US$100 divided into 100 ordinary shares of US$1 each, of which one fully-paid share was issued and allotted to the subscriber. On 7 January 2011, such fully-paid share was transferred to ERG Greater China at US$1, and 99 shares, credited as fully paid, were issued and allotted to the subscriber, ERG Greater China at US$1 each.

On 1 June 2011, written resolutions of the sole Shareholder was passed pursuant to which the authorised share capital of our Company was increased to US$50,000 divided into 50,000 shares of US$1 each. On 21 June 2011, 100 shares of our Company were transferred from ERG Greater China to ERG Greater China BVI at nil consideration. On 6 July 2011, our Company issued and allotted 8,481 shares, credited as fully paid, to ERG Greater China BVI.

On 6 July 2011, our Company issued and allotted 1,419 shares, credited as fully paid, to BII HK, pursuant to the subscription agreement dated 23 May 2011 entered into amongst BII HK, our Company and ERG Greater China in respect of the subscription of 14.19% or 20% equity interest of our Company.

On 6 July 2011, our Company issued and allotted 698 shares, credited as fully paid, to Guotai Junan, pursuant to the subscription agreement dated 31 May 2011 entered into amongst Guotai Junan, our Company and ERG Greater China in respect of the subscription of 6.53% equity interest of our Company.

On 25 November 2011, written resolutions of all our Shareholders were passed to approve (i) an increase in the authorised share capital in the amount of HK$20,000,000 by the creation of 2,000,000,000 Shares; (ii) the issue of 10,698 Shares to the then Shareholders in proportion of one Share for each share of US$1 held; (iii) the repurchases of the existing 10,698 shares of US$1 each at par; (iv) the diminution of the authorised but unissued share capital of our Company by the cancellation of 50,000 authorised but unissued shares of US$1 each; and (v) following the cancellation of the shares described in (iv) above, the authorised share capital of our Company is HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each.

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option and any exercise of options granted and/or to be granted under the Share Option Scheme) the authorised share capital of our Company will be HK$20,000,000 divided into 2,000,000,000 Shares and the issued share capital of our Company will be HK$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid, with 1,200,000,000 Shares will remain unissued.

Our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraph headed "Written resolutions of all our Shareholders passed on 8 December 2011" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of all our Shareholders passed on 8 December 2011

On 8 December 2011, written resolutions of all our Shareholders were passed pursuant to which, among others:

(a) conditional on the same conditions as stated in the section headed "Structure and conditions of the Global Offering" in this prospectus being fulfilled; and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise:

(i) the Global Offering (subject to the Over-allotment Option) was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

(b) conditional upon the share premium amount of our Company being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors were authorised to capitalise the amount of HK$5,999,893.02 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par HK$0.01 per Share; such Shares to be allotted and issued to the person(s) whose name(s) appears on the register of members of our Company at the close of business on 8 December 2011, pro-rata to its/their then existing shareholdings in our Company and our Directors were authorised to issue such Shares;

(c) a general unconditional mandate was given to our Directors to allot, issue and deal in the Shares (otherwise than by way of rights issue, an issue of Shares pursuant to exercise of subscription rights attaching to any warrants of our Company, scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company or pursuant to the exercise of any options granted or may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue, Shares with an aggregate nominal value not exceeding the sum of 20% of the aggregate of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be allotted and issued upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the articles of association of our Company to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by applicable law or the articles of association of our Company to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(e) conditional on passing of the resolutions (c) and (d) above, the general unconditional mandate mentioned in paragraph (c) above be extended to include the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be allotted and issued upon exercise of the Over-allotment Option).

4. Written resolutions of all our Shareholders passed on 20 April 2012

On 20 April 2012, written resolutions of all our Shareholders were passed pursuant to which our Company approved and adopted the Articles.

5. Subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) On 11 February 2011, Great Legend was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1 each, and 50,000 shares, credited as fully paid at par, was issued and allotted to the Company.

(b) On 29 October 2010, Beijing City Railway was incorporated in Hong Kong with an authorised capital of HK$10,000 divided into 10,000 shares of HK$1 each. At the time of incorporation, Beijing City Railway allotted and issued, credited as fully paid at par, one share of HK$1 in its share capital to Acota Services Limited. On 26 November 2010, Acota Services Limited transferred its one share to Mr. Cao for a consideration of HK$1. On 1 March 2011, Mr. Cao transferred his one share to Great Legend for a consideration of HK$1. On the same day, Beijing City Railway allotted and issued and credited as fully paid at par, 9,999 shares of HK$1 each in its share capital to Great Legend.

(c) On 17 July 1984, ERG HK was incorporated in Hong Kong with an authorised capital of HK$10,000 divided into 1,000 ordinary shares of HK$10 each. As at the commencement of the Track Record Period, Swan Nominees Limited was issued and allotted and credited as fully paid at par, one share of HK$10 in the share capital of ERG HK, to be held on trust for Vix Holdings. On 2 August 1999, Vix Holdings was issued and allotted and credited as fully paid at par, 999 shares of HK$10 each in the share capital of ERG HK. On 16 November 2009, Swan Nominees Limited transferred its one share to Vix Technology for a consideration of HK$10. On the same day, Vix Holdings transferred its 999 shares to Vix Technology for a consideration of HK$25,234,487.85. On 30 March 2010, Vix Technology transferred its 1,000 shares to ERG Greater China for a consideration of HK$4,000,000. On 27 June 2011, ERG Greater China transferred its 1,000 shares to Beijing City Railway at nil consideration.

(d) On 1 September 2006, ERG BJ was established in the PRC with a registered capital of RMB10,000,000. The registered capital of ERG BJ was increased to RMB12,550,000 in March 2009. As at the commencement of the Track Record Period, ERG Greater China held 100% of the equity interest in ERG BJ. On 11 May 2011, ERG Greater China transferred its 100% equity interest to Beijing City Railway.

Save as set out in this paragraph, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Reorganisation

Certain steps have been completed for the purpose of our Reorganisation. A detailed description of such steps and the shareholding and corporate structure of the Group are set forth in the section headed "Reorganisation" in this prospectus.

7. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Regulations of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on 8 December 2011, a general unconditional mandate (the "Repurchase Mandate") was granted to our Directors authorising them to exercise all powers for and on behalf of our Company to repurchase its Shares on GEM, or on any other approved Stock Exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue at any time until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable laws to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with its Memorandum of Association and Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) Exercise of the Share Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option and any exercise of options granted and/or to be granted under the Share Option Scheme, our Directors would be

authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have a general authority from Shareholders to enable Company to repurchase its Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and Shareholders.

(d) Funding of repurchases

In repurchasing its Shares, our Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles, the GEM Listing Rules and the applicable laws and regulations of Cayman Islands. It is envisaged that our Company would derive the funds from its distributable profits for the repurchases.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which, in the opinion of our Director and/or, are from time to time appropriate for our Company.

(e) General

None of our Directors, and to the best of their knowledge, having made all reasonable enquiries, any associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could as a result of increase of its or their interest, obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the Listing pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

No connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved and adopted pursuant to the written resolutions of all our Shareholders passed on 8 December 2011. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined in paragraph 2 below) and for such other purposes as our Board may approve from time to time.

2. Who may join

The Board may, at its discretion, invite any person belonging to any of the following classes of participants ("**Participants**") to take up options ("**Share Options**") to subscribe for Shares at a price determined in accordance with paragraph 6 below:

(a) any employee or proposed employee (whether full-time or part-time) of any member of our Group or any entity in which any member of the Group holds an equity interest ("Invested Entity");

(b) any executive or non-executive director including independent non-executive directors or any employees (whether full-time or part-time) of any member of our Group or any Invested Entity;

(c) any supplier of goods or services to any member of our Group or any Invested Entity;

(d) any customer of our Group or any Invested Entity;

(e) any shareholder of any member of our Group or any Invested Entity; or

(f) any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the Share Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any share options by the Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Board otherwise determine, be construed as a grant of Share Options under the Share Option Scheme.

In determining the basis of eligibility of each Participant, our Board would take into account such factors as our Board may at its discretion consider appropriate.

3. Conditions

The Share Option Scheme is conditional upon:

(a) the Stock Exchange granting approval of the listing of, and permission to deal in (i) the Shares in issue and to be issued as mentioned in this prospectus; and (ii) any Shares to be issued pursuant to the exercise of Share Options under the Share Option Scheme;

(b) the agreement on the Offer Price to be determined between Guotai Junan Securities (for itself and on behalf of the Underwriters) and our Company pursuant to the Price Determination Agreement;

(c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(d) the commencement of dealings in the Shares on the Stock Exchange.

Application has been made to the Stock Exchange for listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Share Options.

As at the date of this prospectus, no Share Option has been granted or agreed to be granted by our Company under the Share Option Scheme.

4. Duration and administration

(a) Subject to the fulfilment of the conditions in paragraph 3 above and the alteration of the Share Option Scheme in paragraph 12, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the commencement of dealings in the Shares on the Stock Exchange, after which period no further Share Options will be issued but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect, and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(b) The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

(c) Subject to compliance with the requirements of the GEM Listing Rules and the provisions of the Share Option Scheme, our Board shall have the right (i) to interpret and construe the provisions of the Share Option Scheme; (ii) to determine the persons who will be awarded Share Options under the Share Option Scheme and the number of Shares to be issued under the Share Option; (iii) to determine the price per Share at which a Grantee may subscribe for Shares on the exercise of a Share Option (the "**Subscription Price**"); (iv) to make such appropriate and equitable adjustments to the terms of Share Options granted under the Share Option Scheme as it deems necessary; and (v) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Share Option Scheme.

5. Grant of Share Options

(a) On and subject to the terms of the Share Option Scheme, our Board shall be entitled at any time, within 10 years commencing from the commencement of dealings in the Shares on the Stock Exchange, to make an offer of the grant of a Share Option by the Board (the "**Offer**") to any Participant as our Board may in its absolute discretion select to subscribe for such number of Shares as our Board may determine (subject to paragraphs 9 and 10) at the Subscription Price. In determining the basis of eligibility of each Participant, our Board would mainly take into account the experience of the Participant in our Group's business, the length of service of the Participant has exerted and made towards the success of our Group and/or the amount of potential efforts and contributions the Participant is likely to be able to give or make towards the success of our Group in the future.

(b) No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Board (as such date is first notified by our Company to the Stock Exchange in accordance with the GEM Listing Rule 17.48) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under Rules 18.49, 18.78 or 18.79 of the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Share Option may be granted. Our Directors may not make any Offer to a Participant who is a Director during the period or times in which our Directors are prohibited from dealing in Shares pursuant to Rule 5.56 of the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(c) An Offer shall be made to a Participant by letter in such form as our Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Share Option and the Option Period (as defined below) and requiring the Participant to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An Offer must be made on a business day and shall remain open for acceptance by the Participant to whom an Offer is made for a period (the "Acceptance Period") from the date on which an Offer is made (the "**Offer Date**") to such date as our Board may determine and specify in the Offer Letter (both days inclusive), provided that no such Offer shall be open for acceptance after the expiry of ten (10) years commencing from the commencement of dealings in Shares on the Stock Exchange or after the Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

(d) A Grantee shall not be required to hold the Share Option for a minimum period or to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Share Option granted. However, when granting Offer to any Participant, our Board may, among other terms, impose such terms in relation to the minimum period of the relevant Share Option to be held and/or the performance targets to be achieved before the exercise of such relevant Share Option, as the Board may determine in its absolute discretion.

(e) A Share Option shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Share Option in consequence of the death of the original Participant (the "Grantee") and the Share Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of the Share Option duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company within the period as stipulated in sub-paragraph 5(b) above. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

(f) Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of board lot for dealing in Shares on GEM or an integral multiple thereof and the number of Shares in respect of which the Offer is accepted is clearly stated in the duplicate of the Offer Letter received by our Company as mentioned in sub-paragraph 5(d) above. To the extent that the Offer is not accepted within the Acceptance Period, it will be deemed to have been irrevocably declined.

(g) Subject to the provisions of the Share Option Scheme and the GEM Listing Rules, our Board may when making the Offer impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

6. Subscription Price

Subject to any adjustments made pursuant to paragraph 13 below, such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Share Option (and shall be stated in the letter containing to the offer of the grant of the Share Option) but in any case the Subscription Price must be at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and

(c) the nominal value of a Share.

Without prejudice to the generality of the foregoing, our Board may grant Share Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period.

7. Exercise of Share Options

(a) A Share Option shall be personal to the Grantee and shall not be transferable nor assignable and no Grantee shall in any way sell, transfer, mortgage, charge, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Share Option or enter into agreement to do so. Any breach of the foregoing of a Grantee shall render all outstanding Share Options of such Grantee automatically cancelled on the date which the Grantee commits the foregoing breach.

(b) Unless otherwise determined by our Board and specified in the Offer Letter at the time of the Offer, there is neither any performance targets that need to be achieved by the Grantee before a Share Option can be exercised nor any minimum period for which a Share Option must be held before the Share Option can be exercised. A Share Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7(c) below by the Grantee (or his personal representative(s)) giving notice in writing to our Company stating that the Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Subject to paragraph 11, within 28 days after receipt of the notice and the remittances and where appropriate, receipt of the auditors for the time being of the Company's certificate pursuant to paragraph 11 below, our Company shall allot the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

(c) Subject to paragraph 3 above and as hereinafter provided and subject to the terms and conditions upon which such Share Option was granted, a Share Option may be exercised by the Grantee at any time during the a period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which a Share Option may be exercised and in any event, such period shall not be longer than 10 years from the Offer Date ("**Option Period**") provided that:

(i) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, appointment or engagement on one or more of the grounds specified in sub-paragraph 8(e) below, the Share Option granted to such grantee shall lapse on the date of cessation (to the extent which has become exercisable and has not already been exercised) and will not be exercisable unless our Board otherwise determines to grant an extension at the discretion of our Board in which event the Grantee may exercise the Share Option in accordance with the provisions of paragraph 7(b) within such period of extension and up to a maximum entitlement directed at the discretion of our Board on the date of grant of extension (to the extent that it has not already been exercised and subject to other terms and conditions decided at the discretion of our Board). For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date on which the Grantee ceases to be a Participant, which date shall be the last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director of, as consultant, professional or other advisers to the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

(ii) in the event the Grantee dies before exercising the Share Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, appointment or engagement under sub-paragraph 8(e) below arises, the personal representative(s) of the Grantee shall be entitled within a period of six months or such longer period as our Board may determine from the date of death, to exercise the Share Option up to the entitlement of such Grantee at the date of death (to the extent which has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraphs 7(c)(iii), (iv) or (v) below;

(iii) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7(c)(iv) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "**Dissenting Shareholders**")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law to acquire Shares held by the Dissenting

Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to our Company within 21 days of the notice of the offeror exercise the Share Option (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) to its full extent or to the extent specified in such notice;

(iv) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the Share Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;

(v) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs 7(c)(iii) and 7(c)(iv), if a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of his Share Options (to the extent which has become exercisable and has not already been exercised) whether in full or in part, but the exercise of a Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(vi) in the event of a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees. The Grantees (or their legal personal representative(s)) may subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than two business days prior

to the proposed general meeting) exercise the Share Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(d) The Shares to be allotted and issued upon the exercise of a Share Option will be subject to all the provisions of the Articles of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue as from the day when the name of particular Grantee is registered on the register of members of the Company and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the day when the name of Grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

(e) Notwithstanding any of the foregoing, the Grantee shall not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Share Option(s) granted.

(f) The exercise of any Share Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company, subject to such approval, the Board shall make available sufficient authorised but unissued share capital of our Company and meet subsisting requirements on the exercise of the Share Options.

(g) Transfer of employment of a Grantee who is an employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. For the purpose of this Share Option Scheme, it shall not be considered a cessation of employment if a Grantee who is an employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

(h) No Share Option shall be exercised by any Grantee if, as a result of such exercise, the Company will not be able to comply with the public float requirements of the GEM Listing Rules. The Company shall reject the notice of exercise of any Share Option in case of any breach of this sub-paragraph 7(h).

8. Lapse of Share Options

A Share Option shall lapse automatically (to the extent that it has not already been exercised) on the earliest of:

(a) the expiry of the Share Option Period;

(b) the expiry of the periods referred to in the above sub-paragraphs 7(c)(i),(ii) and (iii);

(c) subject to the scheme of arrangement as referred to in sub-paragraph 7(c)(iv) becoming effective, the expiry of the period referred to in the above sub-paragraph 7(c)(iv);

(d) subject to the compromise or arrangement referred to in sub-paragraph 7(c)(v) becoming effective, the expiry of the period referred to in sub-paragraph 7(c)(v);

(e) subject to the expiry of the period of extension (if any) referred to in sub-paragraph 7(c)(i), the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, appointment or engagement on one or more of the following grounds, namely, that he has been guilty of misconduct or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board or the board of the relevant subsidiary, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, directorship, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with our Company or the relevant subsidiary (as the case may be). A resolution of the board of directors or governing body of the relevant company or Substantial Shareholder of our Company (as the case may be) to the effect that the employment, directorship, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8(e) shall be conclusive;

(f) the close of two business days prior to the general meeting of our Company held for the purpose of approving the voluntary winding-up of our Company or the date of the commencement of the winding-up of our Company;

(g) the date on which the Grantee commits a breach of sub-paragraph 7(a) above;

(h) the date on which the Share Option is cancelled by the Board as provided in paragraph 13 below; or

(i) the non-fulfilment of any condition referred to in paragraph 3 on or before the date stated therein.

Our Company shall owe no liability to any Grantee for the lapse of any Share Option under this paragraph 8.

9. Maximum number of shares available for subscription

(a) Subject to sub-paragraph (b) below:

(i) the total number of Shares, which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of our Company shall not in aggregate exceed 80,000,000 Shares, being 10% of the total number of Shares on the Listing Date ("**Scheme Mandate Limit**"), unless our Company obtains an approval from its shareholders pursuant to sub-paragraph 9(a)(ii) below. Share Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) subject to sub-paragraph 9(a)(i) above, our Company may seek approval of its shareholders in general meeting for refreshing the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under all the schemes of our Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval to refresh the Scheme Mandate Limit ("**Refreshed Scheme Mandate Limit**"). Share Options previously granted under the Share Option Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. In such a case, our Company must send a circular to its shareholders containing the information and disclaimer as required under the GEM Listing Rule 23.02.

(iii) subject to sub-paragraph 9(a)(i) above, our Company may seek separate approval by its Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided the Share Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Participants specifically identified by our Company before such approval is sought. In such a case, our Company shall send a circular to its Shareholders containing a generic description of the specified Participant(s) who may be granted such Share Options, the number of Shares subject to the Share Options to be granted, the terms of the Share Options to be granted, the purpose of granting Share Options to the specified Participant(s), an explanation as to how these Share Options serve such purpose and such other information as required under the GEM Listing Rule 23.02.

(b) Notwithstanding any provision in paragraph 9(a) above and subject to paragraph 13, the limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time ("**Overall Scheme Limit**"). No share options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in the Overall Scheme Limit being exceeded.

10. Maximum entitlement of Shares of each Participant

(a) (i) Subject to sub-paragraphs 10(a)(ii) below, the total number of Shares issued and to be issued upon exercise of the Share Options granted to each Participant (including both exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Notwithstanding sub-paragraph 10(a)(i), where any further grant of Share Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the shareholders of our Company in general meeting with such Participant and his associates abstaining from voting. The number and terms of the Share Options to be granted to such Participant shall be fixed before shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price. In such a case, our Company shall send a circular to its shareholders containing, among other terms, the identity of such Participant, the number and the terms of the Share Options to be granted (and options previously granted to such Participant) and such other information as required under the GEM Listing Rules.

(iii) In addition to the above paragraph 9 and sub-paragraphs 10(a)(i) and 10(a)(ii), any grant of Share Options to a Participant who is a director, chief executive or Substantial Shareholder of our Company or their respective associates must be approved by the independent non-executive directors of our Company (excluding independent non-executive director who is a Grantee).

(iv) In addition to paragraph 9 and sub-paragraphs 10(a)(i) and 10(a)(ii) above, where our Board proposes to grant any Share Option to a Participant who is a Substantial Shareholder or an independent non-executive director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed Offer Date of such grant (the "**Relevant Date**"):

(aa) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and

(bb) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date in excess of HK$5,000,000, such proposed grant of Share Options

must be approved by the shareholders of our Company in general meeting. In such a case, our Company shall send a circular to its shareholders containing all those terms as required under the GEM Listing Rules. The Participants concerned and all connected persons (as defined in the GEM Listing Rules) of our Company must abstain from voting in favour of the resolution at such general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

The Participant and all other connected persons of our Company may vote against the resolution at the general meeting provided that such intention to do so has been stated in the circular. Any such party may change his mind as to whether to abstain or vote against the resolution, in which case our Company shall, if it becomes aware of the change before the date of the general meeting, immediately despatch a circular to the shareholders of our Company or publish an announcement notifying the shareholders of our Company of the change and, if known, the reason for such change. Where the circular is despatched or the announcement is published less than 14 days before the date originally scheduled for the general meeting, the meeting shall be adjourned before considering the relevant meeting, the meeting shall be adjourned before considering the relevant resolution to a date that is at least 14 days from the date of despatch of the circular or publication of the announcement by the chairman.

(b) Subject to the sub-paragraphs 9(a), 9(b) and 10(a) above, in the event of any alteration in the capital structure of our Company whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction), the maximum number of Shares referred to in the sub-paragraphs 9(a), 9(b) and 10(a) above will be adjusted in such manner as an independent financial adviser or the auditors for the time being of our Company (acting as experts and not as arbitrators) shall confirm to the directors of our Company in writing to be fair and reasonable.

11. Reorganisation of capital structure

In the event of capitalisation issue, rights issue, consolidation, subdivision, or reduction of the share capital of our Company, other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is party, whilst any Share Option remains exercisable, corresponding adjustment (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Share Option Scheme relates subject to the Share Option so far as unexercised; or

(ii) the Subscription Price;

or any combination thereof. In respect of any adjustment, other than a capitalisation issue, the Company's independent financial adviser or the auditors shall certify in writing to the Board, either generally or as regard any particular Grantee, to have, in their opinion, satisfied the requirement set out under the relevant provisions of the GEM Listing Rules and the notes thereto and any interpretation and/or guidance on that Rule and the notes issued by the Stock Exchange from time to time and shall give a Grantee as nearly as possible the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and/or to the advantage in respect of the Grantee without specific prior shareholders' approval. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

12. Alteration of the Share Option Scheme

(a) The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

(i) the definitions of "Grantee", "Option Period" and "Participant" in sub-paragraphs 2(f), 5(d) and 7(c);

(ii) the provisions of the above paragraphs and sub-paragraphs 4(a), 5(a), 5(b), 5(c), 6, 7, 8, 9, 10, 14 and this paragraph 12; and

(iii) all such other matters set out in Rule 17.03 of the GEM Listing Rules,

shall not be altered to the advantage of the Participants except with the prior approval of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Share Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of our Shareholders under the Articles for the time being for a variation of the rights attached to the Shares.

(b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) The amended terms of the Share Option Scheme or the Share Options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules as amended from time to time.

(d) Any change to the authority of the directors of our Company or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

13. Cancellation of the Share Options granted

Subject to Chapter 23 of the GEM Listing Rules, any cancellation of Share Options granted but not exercised must be approved by our Board and the Grantee. If such cancellation has been approved by our Board, Share Options may be re-issued after such cancellation, provided that re-issued Share Options shall only be granted in compliance with the terms of this Share option Scheme. Where our Company cancels Share Options to a particular Grantee, and issues new Share Options to the same Grantee, the issue of such new Share Options may only be made under the Share Option Scheme with available Share Options (excluding the cancelled Share Options) within the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit or the limits approved by the Shareholders of our Company in a general meeting pursuant to the above paragraph 9 from time to time.

14. Termination of the Share Option Scheme

Our Company by resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Share Options complying with the provisions of Chapter 23 of the GEM Listing Rules which are granted during the life of the Share Option Scheme and which remain outstanding immediately prior to the termination of the Share Option Scheme shall continue to be exercisable until and unless they are expired or lapsed (as the case may be). Details of the Share Options granted, including Share Options exercised or outstanding, under the Share Option Scheme and Share Options that become void or unexercisable as a result of the termination, will be disclosed in the circular to our Shareholders for seeking the approval of the first new share option scheme to be adopted after such termination.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the instrument of transfer together with the relevant bought and sold notes both dated 16 November 2009 signed by Vix Holdings (formerly known as ERG Holdings Ltd.) as transferor and Vix Technology (formerly known as ERG Transit Systems Ltd.) as transferee in relation to the transfer of 999 shares in ERG HK from Vix Holdings to Vix Technology at a consideration of HK$25,234,487.85;

(b) the instrument of transfer dated 16 November 2009 signed by Swan Nominees Limited as transferor and Vix Technology (formerly known as ERG Transit Systems Ltd.) as transferee in relation to the transfer of one share in ERG HK (then known as Kahour Limited) from Swan Nominees Limited to Vix Technology at nil consideration;

(c) the instrument of transfer together with the relevant bought and sold notes both dated 30 March 2010 signed by Vix Technology (formerly known as ERG Transit Systems Ltd.) as transferor and ERG Transportation Systems (Greater China) Pty Ltd. (correctly known as ERG Greater China) as transferee in relation to the transfer of the entire equity interest in ERG HK (being 1,000 shares) from Vix Technology to ERG Greater China at a consideration of HK$4,000,000 (as confirmed and rectified pursuant to the deed of confirmation referred to in (aa) below);

(d) the instrument of transfer together with the relevant bought and sold notes both dated 26 November 2010 signed by Acota Services Limited as transferor and Mr. Cao as transferee in relation to the transfer of one share in Beijing City Railway (formerly known as Smart Tone Development Limited) from Acota Services Limited to Mr. Cao at a consideration of HK$1.00;

(e) the instrument of transfer together with the relevant bought and sold notes both dated 1 March 2011 signed by Mr. Cao as transferor and Great Legend as transferee in relation to the transfer of one share in Beijing City Railway from Mr. Cao to Great Legend at a consideration of HK$1.00;

(f) the sale and purchase agreement between ERG Greater China and Beijing City Railway dated 22 March 2011 signed by ERG Greater China and Beijing City Railway in relation to the transfer of the entire equity interest in ERG BJ from ERG Greater China to Beijing City Railway at nil consideration;

(g) the subscription agreement amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), ERG Greater China BVI and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 23 May 2011 in respect of the sale of 14.19% equity interest in our Company at a consideration of HK$19,511,300, details of which are set out in the paragraph headed "The Subscription Agreements and the Management and Operation Agreement" in the section headed "Pre-IPO Investors";

(h) the subscription agreement amongst Guotai Junan, ERG Greater China BVI and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 31 May 2011 in respect of the sale of 6.53% equity interest in our Company (formerly known as Beijing Metro Holdings Company Limited) at a consideration of HK$22,855,000, details of which are set out in the paragraph headed "The Subscription Agreements and the Management and Operation Agreement" in the section headed "Pre-IPO Investors";

(i) the shareholders' agreement between Vix East Asia, More Legend, Landcity and ERG Greater China BVI dated 16 June 2011 in relation to the management and operations of ERG Greater China BVI;

(j) the termination agreement between Vix Holdings (formerly known as ERG Holdings Ltd), BETIT Australia and ERG Greater China dated 16 June 2011 in relation to the termination of the Joint Venture Agreement in relation to the establishment and management of ERG Greater China;

(k) the sale and purchase agreement between ERG Greater China and ERG Greater China BVI dated 21 June 2011 signed by ERG Greater China and ERG Greater China BVI in relation to the transfer of the entire equity interest in our Company (formerly known as Beijing Metro Holdings Company Limited) at nil consideration;

(l) the instrument of transfer dated 27 June 2011 signed by ERG Greater China and Beijing City Railway in relation to the transfer of the entire equity interest in ERG HK (being 1,000 shares) from ERG Greater China to Beijing City Railway at nil consideration;

(m) the supplemental subscription agreement amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), ERG Greater China BVI and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 6 July 2011 in respect of the sale of 14.19% equity interest in our Company;

(n) the side letter amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), ERG Greater China BVI and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 6 July 2011 in relation to the delay of the relevant completion date;

(o) the agreement relating to the management and operation of our Company (formerly known as Beijing Metro Holdings Company Limited) signed amongst ERG Greater China BVI, Guotai Junan, BII HK (formerly known as New Eastern Development Limited), our Company (formerly known as Beijing Metro Holdings Company Limited), More Legend, Great Legend, Beijing City Railway, ERG HK, ERG Transit Systems (China) Ltd. (identified in this prospectus as ERG BJ) and BII ERG dated 6 July 2011;

(p) the equity pledge agreement amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), Beijing City Railway and ERG BJ dated 6 July 2011 in respect of the pledge of 70% equity interest in the registered capital of ERG BJ held by Beijing City Railway to BII HK;

(q) the supplemental equity pledge agreement amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), BII, Beijing City Railway, BII ERG and ERG BJ dated 6 July 2011 in respect of the pledge of 44% equity interest in the registered capital of BII ERG held by ERG BJ to BII;

(r) the entrustment agreement amongst Beijing City Railway, BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)) and the Company (formerly known as Beijing Metro Holdings Company Limited) dated 6 July 2011 in respect of the entrustment of HK$8 million by our Company (formerly known as Beijing Metro Holdings Company Limited) to BII HK;

(s) the supplemental subscription agreement amongst BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)), More Legend Limited and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 31 October 2011 in respect of the compensation mechanism of BII HK (formerly known as New Eastern Development Limited (新義發展有限公司)) regarding the sale of 14.19% equity interest in the Company;

(t) the supplemental subscription agreement amongst Guotai Junan, More Legend Limited and our Company (formerly known as Beijing Metro Holdings Company Limited) dated 31 October 2011 in respect of the sale 6.53% equity interest in the Company;

(u) the entrustment agreement amongst Beijing City Railway, BII HK and our Company dated 23 December 2011 in respect of the entrustment of HK$19,511,300 by our Company to BII HK, particulars of which are set out in the section headed "Pre-IPO Investors" in this prospectus;

(v) the deed of non-competition dated 24 April 2012 and executed by ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang, as our Controlling Shareholders, in favour of our Company, particulars of which are set out in the paragraph headed "Non-competition Undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus;

(w) the deed of non-competition dated 24 April 2012 executed by Vix Transportation in favour of our Company, particulars of which are set out in the paragraph headed "Vix Group's Non-competition Undertaking" in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus;

(x) the deed of non-competition dated 24 April 2012 executed by BII ERG in favour of our Company, particulars of which are set out in the paragraph headed "Competition" in the section headed "Business" and in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in this prospectus;

(y) the deed of indemnity dated 24 April 2012 and executed by ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang in favour of our Company, under which ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang have given certain indemnities in favour of our Group containing the indemnities referred to in the paragraph headed "Estate duty and tax indemnity" in this Appendix V;

(z) the deed of confirmation dated 26 April 2012 executed by More Legend in favour of Beijing City Railway and the Company confirming More Legend's request to the Company to provide a loan to More Legend to deposit the Second Entrustment Amount into the BII HK Account as collateral for the More Legend Payment Obligation, particulars of which are set out in the section headed "Pre-IPO Investors" in this prospectus;

(aa) the deed of confirmation dated 26 April 2012 executed by ERG Greater China in favour of the Company confirming the name of the transferee "ERG Transportation Systems (Greater China) Pty Ltd." as printed on the instrument of transfer together with the relevant bought and sold notes referred to in (c) above, has been misspelled and should be "ERG Transportation (Greater China) Pty Ltd"; and

(bb) the Hong Kong Underwriting Agreement dated 2 May 2012, details of which are set out in the section headed "Underwriting" in this prospectus.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interest in Shares

Immediately following completion of the Global Offering (not taking into account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of our Director	Capacity and nature of interest	Class of securities *(Note 1)*	Number of Shares held immediately after completion of the Capitalisation Issue and Global Offering	Approximate percentage interest in the share capital of our Company immediately after completion of the Capitalisation Issue and Global Offering *(Note 2)*
Mr. Cao	Interest in a controlled corporation and interest of spouse *(Note 3)*	ordinary shares (L)	481,267,527	60.16%
Mr. Chen	Interest in a controlled corporation and interest of spouse *(Note 4)*	ordinary shares (L)	481,267,527	60.16%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.

2. Assuming no exercise of the Over-allotment Option and the options that were granted or may be granted under the Share Option Schemes.

3. These 481,267,527 Shares are owned by ERG Greater China BVI, a company which is owned as to 56% by More Legend. More Legend is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang, the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 481,267,527 Shares owned by ERG Greater China BVI.

4. These 481,267,527 Shares are owned by ERG Greater China, a company which is owned as to 14% by Landcity. Landcity is owned as to 100% by the Sino Choice Trust, whose beneficiaries are Mr. Chen and Ms. Jiang, the spouse of Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the 481,267,527 Shares owned by ERG Greater China through the Sino Choice's interest in Landcity.

(b) Particulars of service agreements

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date. Particulars of the service agreements of the Directors are in all material respects the same. The salary of the executive Directors is subject to review each year.

Pursuant to the service agreements between our Company and each of Mr. Cao and Mr. Chen (both of whom are executive Directors), their salaries are HK$1,200,000 and HK$1,200,000 per annum, respectively.

None of the non-executive Directors (including the independent non-executive Directors) has entered into any service agreement with our Group. Pursuant to the letters of appointment of the non-executive Directors namely, Mr. Tian Zhenqing and Mr. Steven Bruce Gallagher, the term of appointment of each of such Directors is three years commencing from the Listing Date and their fees or out-of-pocket expenses, as applicable, are HK$240,000 and HK$240,000 per annum, respectively.

Pursuant to the letters of appointment between our Company and each of Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Kong Shin Long, Johnny (all of whom are independent non-executive Directors), the term of appointment of each of such Directors is three years commencing from the Listing Date and their fees are HK$240,000, HK$240,000 and HK$240,000 per annum respectively.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Directors' remuneration

(i) Approximately HK$812,000, HK$2,151,000 and HK$432,000 was paid to our Directors by our Group as remuneration (including allowances and other benefits in kind) in respect of the two years ended 30 June 2010, 30 June 2011 and the five months ended 30 November 2011.

(ii) Approximately HK$2,718,000 (excluding any management bonus, if any) as remuneration is estimated to be paid to our Directors by our Group in respect of the financial year ending 30 June 2012 pursuant to the present arrangement.

(iii) Save as disclosed (i) above, no Director received any remuneration or benefits in kind from our Group for the financial year ended 30 June 2010, 30 June 2011 and for the five months ended 30 November 2011.

2. Substantial Shareholders

Interests in our Company

So far as our Directors are aware, immediately following completion of the Global Offering (but taking no account of Shares which may be issued pursuant to the exercise of the

Over-allotment Option and options which may be granted under the Share Option Scheme), in addition to the interests disclosed under the sub-paragraph headed "Directors" in the paragraph headed "Further information about our Directors and Substantial Shareholders" above, the persons (not being a director or chief executive of our Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name	Capacity and nature of interest	Class of securities *(Note 1)*	Number of Shares held immediately after completion of the Capitalisation Issue and Global Offering	Approximate percentage interest in the share capital of our Company immediately after completion of the Capitalisation Issue and Global Offering *(Note 2)*
ERG Greater China BVI	Beneficial owner *(Note 3)*	Ordinary shares (L)	481,267,527	60.16%
More Legend	Interest in a controlled corporation *(Note 4)*	Ordinary shares (L)	481,267,527	60.16%
Ms. Wang	Interest of spouse *(Notes 4 & 5)*	Ordinary shares (L)	481,267,527	60.16%
BII HK	Beneficial owner *(Note 6)*	Ordinary shares (L)	79,584,969	9.95%
BII	Interest in a controlled corporation *(Note 7)*	Ordinary shares (L)	79,584,969	9.95%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.

2. Assuming no exercise of the Over-allotment Option and any options that were granted or may be granted under the Share Option Schemes.

3. These Shares will be registered in the name of and be beneficially owned by ERG Greater China BVI. ERG Greater China BVI is held as to 30% by Vix East Asia, as to 56% by More Legend and as to 14% by Landcity.

4. More Legend is the legal and beneficial owner of about 56% of the entire issued share capital of ERG Greater China BVI. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the spouse of Ms. Wang, and thus, Ms. Wang is deemed to be interested in the same number of Shares in which Mr. Cao is interested.

5. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 481,267,527 Shares held by More Legend.

6. There Shares will be registered in the name of and be beneficially owned by BII HK. BII HK is a wholly owned subsidiary of BII.

7. BII is the legal and beneficial owner of the entire issued share capital of BII HK. a company established under PRC law with limited liability and wholly owned by the State owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Global Offering have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will immediately following completion of the Global Offering be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital in any member of our Group carrying rights to vote in all circumstances at general meetings of such member of our Group.

3. Interest in suppliers and customers of our Group

As at the Latest Practicable Date, so far as our Directors were aware, save as disclosed in this prospectus, no Director or their respective associates or shareholder (which to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company had any interest in the five largest suppliers or customers of our Group.

4. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 20 of section C of the Accountants' Report set out in Appendix I to this prospectus and the section headed "Continuing connected transactions" in this prospectus.

E. OTHER INFORMATION

1. Estate duty and tax indemnity

ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang (the "**Indemnifiers**") have entered into a deed of indemnity (the "**Deed of Indemnity**") with and in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**").

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation where:

(a) to the extent (if any) to which provision or allowance has been made for such taxation liabilities and claims in the audited combined accounts of the members of our Group for the Track Record Period (the "**Accounts**");

(b) to such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after 30 November 2011 unless liability for such taxation liabilities and claims would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or

agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 November 2011 or (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 November 2011 or pursuant to any statement of intention made in this prospectus; or

(c) to the extent of any provision or reserve made for such taxation liabilities and claims in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability in respect of such taxation liabilities and claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities and claims shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

(d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities and claims as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arises and is increased by an increase in rates of such taxation liabilities and claims after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

Save as disclosed in the paragraph headed "Legal proceedings" in the section headed "Business" in this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, or any options which may be granted under the Share Option Scheme).

As regards to the independence of each of the Joint Sponsors:

(a) Guotai Junan Capital is not considered as an independent sponsor under Rule 6A.07 of the GEM Listing Rules as Guotai Junan, the holding company of Guotai Junan Capital, held more than 5% of the issued share capital of the Company before the Capitalisation Issue and the Global Offering;

(b) Quam Capital has met the criteria under Rule 6A.07 of the GEM Listing Rules and is an independent sponsor to our Company.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$27,500 and are payable by our Company.

5. Promoter

Our Company has no promoter. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity
Quam Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity
Troutman Sanders	Hong Kong lawyers
Commerce & Finance Law Offices	Qualified PRC lawyers
KPMG	Certified public accountants
Cushman & Wakefield Valuation Advisory Services (HK) Limited	Chartered surveyors
Maples and Calder	Cayman Islands lawyers

7. Consents of experts

Each of Guotai Junan Capital Limited, Quam Capital Limited, Troutman Sanders, Commerce & Finance Law Offices, KPMG, Cushman & Wakefield Valuation Advisory Services (HK) Limited and Maples and Calder has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Joint Sponsors will receive an advisory and documentation fee, as referred to in the section headed "Underwriting" in this prospectus.

10. Disclaimers

None of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" above is interested in the promotion of our Company, or in any assets which have been within the two years immediately preceding the issue of this prospectus, or are proposed to be, acquired or disposed of by or leased to any member of our Group.

None of our Directors nor any of the persons whose names are listed in the paragraph headed "Consents of experts" above is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in the section headed "Reorganisation" in this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(b) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(c) save as disclosed in the section headed "Pre-IPO Investors" in this prospectus, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(d) save for the interest as disclosed in the section headed "Pre-IPO Investors" in this prospectus, none of Guotai Junan Capital Limited, Quam Capital Limited, Troutman Sanders, Commerce & Finance Law Offices, KPMG, Cushman & Wakefield Valuation Advisory Services (HK) Limited and Maples and Calder:

    (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

    (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

(f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies for registration were copies of the Application Forms, the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus; and copies of material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Troutman Sanders at 34th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association of our Company and the Articles;

(b) the accountants' report of our Company prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of our Group for the two years ended 30 June 2011 and the five months ended 30 November 2011;

(d) the letter prepared by KPMG relating to the unaudited proforma financial information of us, the text of which is set out in Appendix II to this prospectus;

(e) the letter dated 3 May 2012, summary of values and valuation certificates relating to the property interest of our Group prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited, the text of which is set out in Appendix III to this prospectus;

(f) the letter of advice dated 3 May 2012 prepared by Maples and Calder summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus;

(i) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;

(j) the rules of the Share Option Scheme;

(k) the service contracts and letters of appointment referred to in the paragraph headed "Particulars of service agreements" in Appendix V to this prospectus;

(l) the legal opinion issued by Troutman Sanders, the legal advisers to our Company as to Hong Kong law; and

(m) the legal opinions issued by Commerce & Finance Law Offices, the legal advisers to our Company as to PRC law.

中國城市軌道交通科技控股

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司

China City Railway Transportation Technology Holdings Company Limited