
PRE-IPO INVESTORS

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’

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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,

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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;

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- 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

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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.

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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:

	<i>HK\$ (million)</i>
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
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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.

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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.