
HISTORY AND DEVELOPMENT

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 30 June 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. Since its establishment in 2006, ERG BJ, while it was a member of the Vix Group and after it became our wholly owned subsidiary, 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 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, ERG BJ was further awarded the ACC and TCC Integration Project regarding four other lines of the Beijing Subway, namely Line 6 phase one, Line 8 phase two, Line 9 and Line 10 phase two.

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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 the joint venture for the duration of the term. The Joint Venture

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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.

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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 April 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 April 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 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

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 document. 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

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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 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. To replicate the terms of the Joint Venture Agreement in relation to ERG Greater China BVI to govern the management and operations of ERG Greater China BVI until the [●], 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 in relation to the operations of ERG Greater China. 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. 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 and the [●]. 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 Trusts, 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 document.

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

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