
BUSINESS

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.

BUSINESS

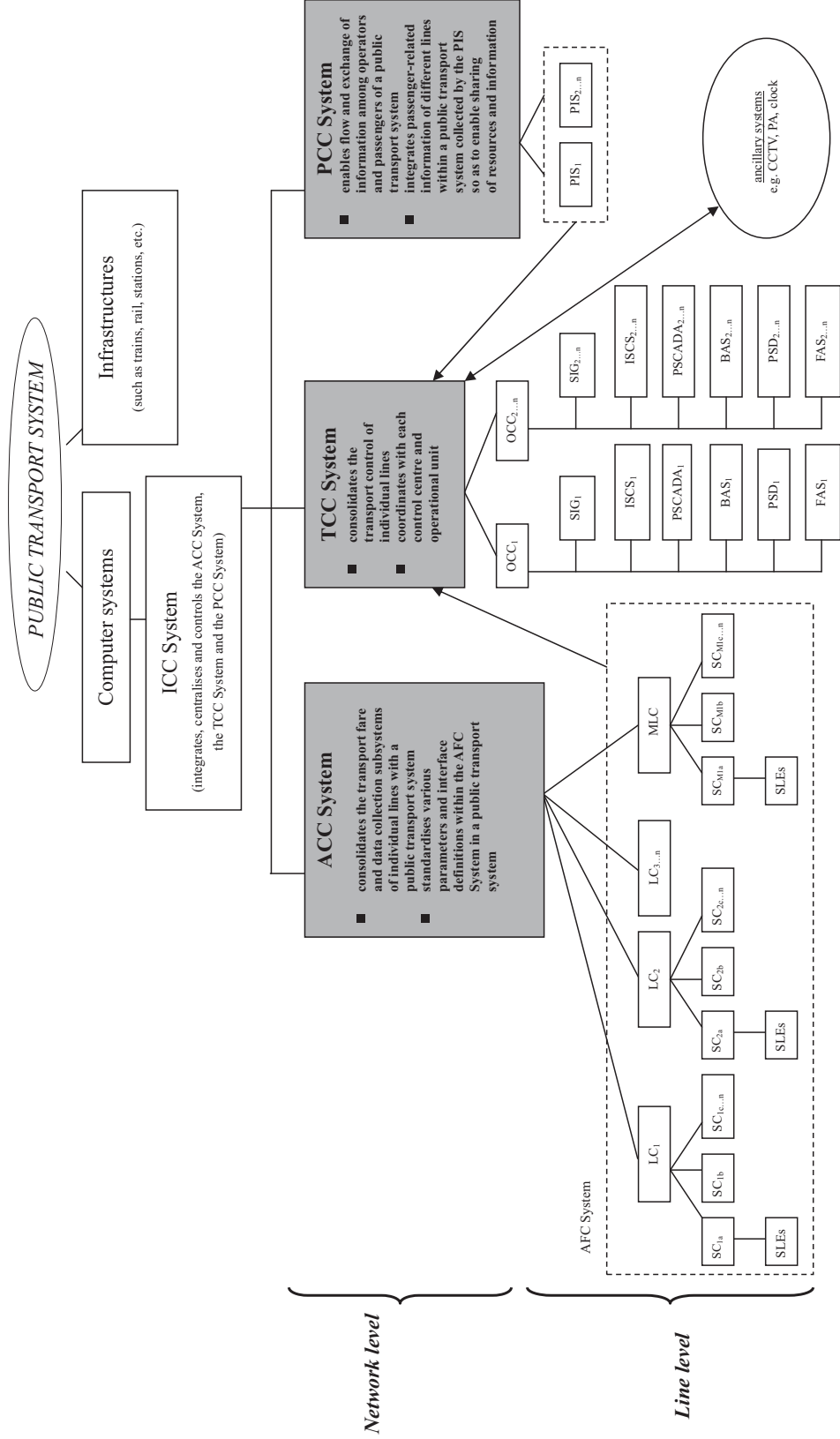
According to the HuiCong Research Report, during 2009 and 2010, the number and contract value of subway system projects offered in Beijing ranked the highest among all the places in the PRC, the total contract value of the projects offered during the period was estimated to be about RMB2.55 billion,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

BUSINESS

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.

BUSINESS

<i>BAS:</i>	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
<i>FAS:</i>	fire alarm system
<i>ISCS:</i>	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
<i>LC:</i>	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
<i>MLC:</i>	multiple LC
<i>OCC:</i>	operating control centre system, a line-level system which consolidates and connects different subsystems to the TCC System
<i>PIS:</i>	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
<i>PSCADA:</i>	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
<i>PSD:</i>	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
<i>SC:</i>	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
<i>SLE:</i>	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
<i>SIG:</i>	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.

BUSINESS

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 regarding four other lines of the Beijing Subway, namely Line 6 phase one, Line 8 phase two, Line 9 and Line 10 phase two.

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.

BUSINESS

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
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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

BUSINESS

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

BUSINESS

Notes:

1. The aggregate contract sum of all of our completed projects in the PRC during the Track Record Period was approximately RMB[52.23] 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 (%)
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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)

BUSINESS

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 <i>(Note 3)</i>	In progress <i>(Note 4)</i>	69.44 <i>(Note 5)</i>
2011/ 2 November 2011 to 30 June 2012 <i>(Note 8)</i>	Procurement of card reader for the Phase I of Line 15, Yizhuang Line, Changping Line, Daxing Line and Fangshan Line	ERG BJ	Beijing Subway	Sales of card reader	In progress	33.00
<i>Hong Kong projects (Note 6)</i>						
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 <i>(Note 4)</i>	75.00 <i>(Note 5)</i>
2011/ 1 October 2011 to 30 September 2012	KMB Maintenance Project	ERG HK	KMB	Provision of maintenance services for AFC System	In progress <i>(Note 4)</i>	83.33 <i>(Note 5)</i>
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 <i>(Note 4)</i>	75.00 <i>(Note 5)</i>

BUSINESS

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	
	2010 (HK\$'000)	2011 (HK\$'000)	30 November 2011 (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:

- The aggregate contract sum of all of our ongoing projects in the PRC as at 30 November 2011 was approximately RMB[109.56] million.
- 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.
- BII ERG and two other contractors which are independent third parties were engaged by us as subcontractors.
- Maintenance projects do not require certification of progress.
- The revenue was recognised monthly by reference to the duration of the contract and the contract sum.
- The aggregate contract sum of all of our ongoing projects in Hong Kong as at 30 November 2011 was approximately HK\$[20.63] million.
- The agreement does not stipulate the duration of contract which is to be fixed by mutual agreement between our Group and the relevant customer.
- 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 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.

BUSINESS

All of the major completed and ongoing projects 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 [●], 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 document. [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

BUSINESS

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 regarding four other lines of the Beijing Subway, namely Line 6 phase one, Line 8 phase two, Line 9 and Line 10 phase two. 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

BUSINESS

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 "[●]" in this document.

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.

BUSINESS

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.

BUSINESS

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 instant 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

BUSINESS

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 which 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. 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

BUSINESS

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 plans 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.

BUSINESS

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 will also continue to submit tenders and work with them on projects in Hong Kong, Macau and China.

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.

BUSINESS

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 railway transport system 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 railway transport 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 current 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. 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.

At present, 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.

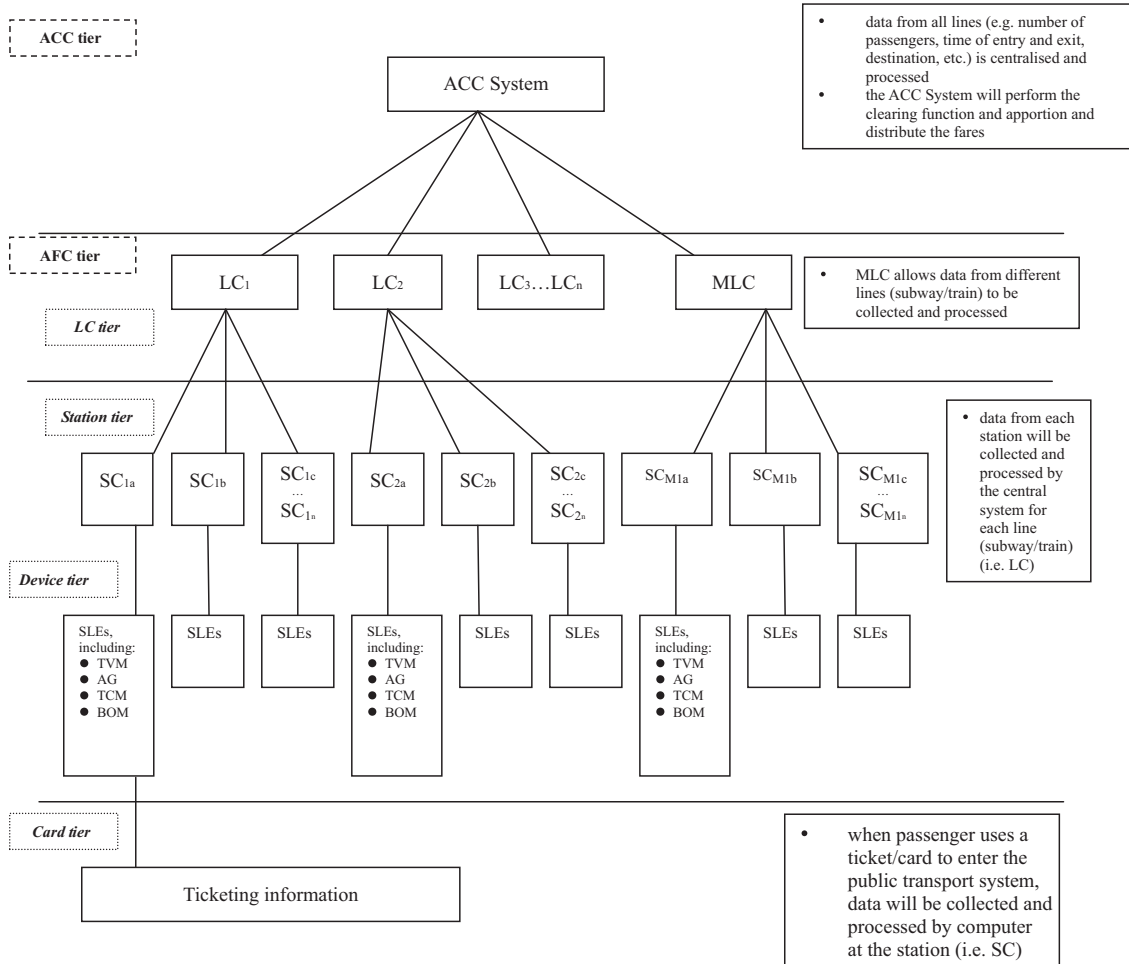
[We also aim to utilise our technology and application solutions in other industries where automated fare collection and clearing functions are involved should opportunities arise.]

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

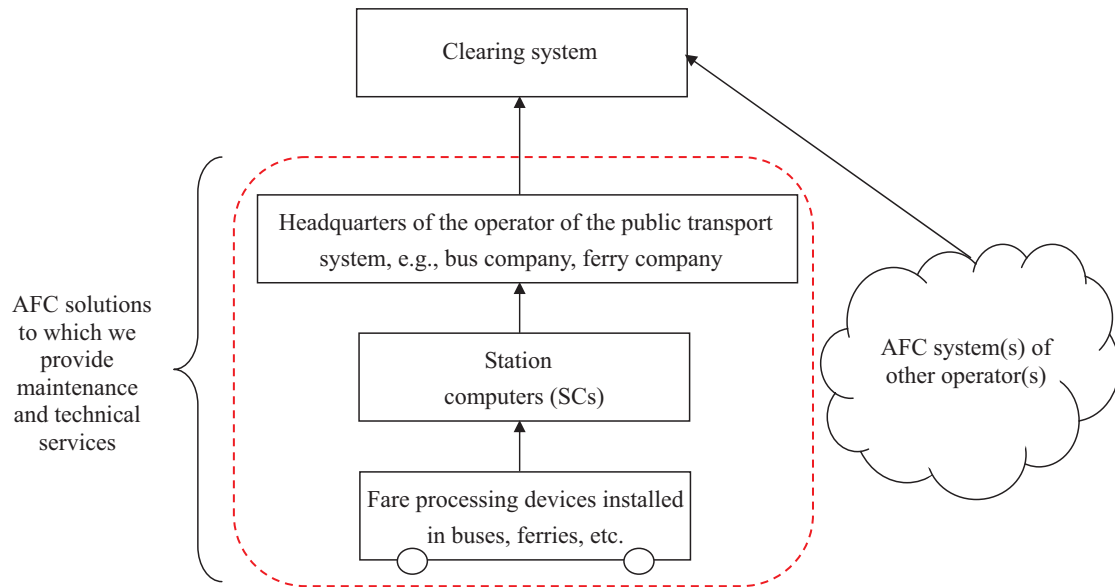
During the Track Record Period, we had also participated in other projects for the integration of the ACC System for the Beijing Subway.

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

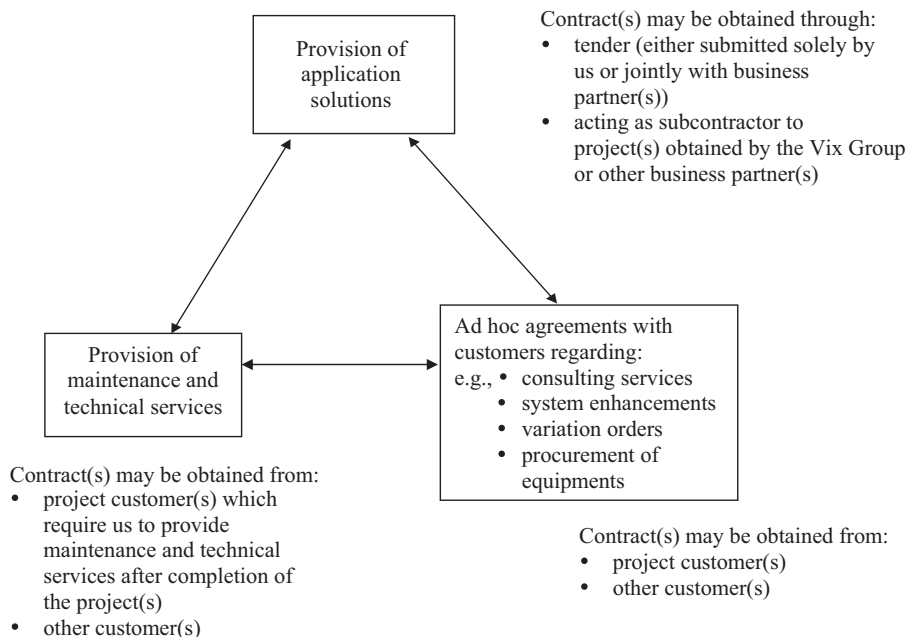
We provide software and hardware application solutions and related maintenance services for the ACC System and the TCC System for use at network level of public transport systems primarily in the PRC and maintenance services in relation to the AFC System in Hong Kong. The Group has entered into licensing agreements with the Vix Group. The 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 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.

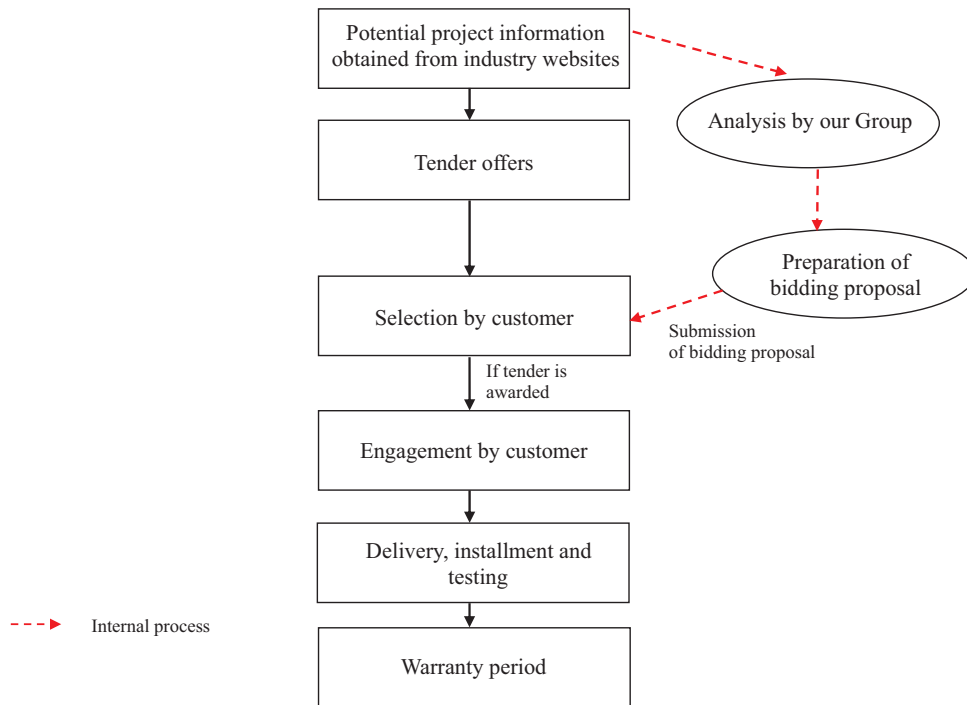


BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

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

BUSINESS

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 three and nine 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.

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

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

BUSINESS

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 document.

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 tenderers' 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.

BUSINESS

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 document. [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

BUSINESS

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 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 arrangement 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.

BUSINESS

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 regarding four other lines of the Beijing Subway, namely Line 6 phase one, Line 8 phase two, Line 9 and Line 10 phase two, 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

BUSINESS

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 [●] 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

BUSINESS

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 the [Vix Group] in favour of our Group, the Vix Group will not bid for any tender on its own in the Greater China region without our Group's consent.]

Given the above, our Directors and [●] 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 [●] pursuant to which Vix Transportation and any holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or any of its affiliates has a controlling interest or shareholding, will not engage in any business or activity which competes or may compete with the business of our Group. To protect our Group from any potential competition, Vix Transportation and of its affiliates has, among other matters, irrevocably and unconditionally undertaken with our Group on a joint and several basis that at any time during the relevant period, each Vix Transportation and/or any of its affiliates shall, and shall procure that their respective associates (other than our Group) shall: (i) whether or not for compensation, in any manner or capacity, not 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 not 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; (iii) not 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; and (iv) 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 document.

BUSINESS

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 our 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\$[27.81] million.

Taking into account various factors as described below, our Directors and [●] 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

BUSINESS

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, 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 [●] consider that our Group's business is 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

BUSINESS

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 <i>(Note 1)</i>	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 <i>(Note 2)</i>	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 one, Line 8 phase two, Line 9 and Line 10 phase two	ERG BJ <i>(Note 3)</i>	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.

BUSINESS

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 (<i>Note 2</i>)	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 (<i>Note 2</i>)	Ongoing
Bangkok Smartcard System Project	ERG HK	Bangkok Smartcard System	Development of retail terminal solution	16 May 2011 to 31 May 2012 (<i>Note 2</i>)	Ongoing

Notes:

1. All of the above subcontracting agreements with the Vix Group were not obtained through joint tender arrangement.
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.

BUSINESS

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 as to the number of batches of card readers to be delivered in the agreement.

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 since 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.

BUSINESS

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 smartcard 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 smart 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 smartcard 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 smartcard 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.

BUSINESS

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 [●]) 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.

BUSINESS

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 [three] 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.

BUSINESS

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 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.

BUSINESS

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

BUSINESS

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 regarding four other lines of the Beijing Subway, namely Line 6 phase one, Line 8 phase two, Line 9 and Line 10 phase two. 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.

BUSINESS

[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 [●]) 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.

BUSINESS

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 warranty 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.

BUSINESS

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.]

BUSINESS

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
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 among them over two third of them graduated with a degree in computer science or engineering. Members of the 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 6 to 10 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.

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.

BUSINESS

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 "[●]" in this document. 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 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 [15.4]% 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

BUSINESS

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. It is intended for the Vix Group to continue to license the technologies to our Group prior to and subsequent to the [●] 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. For further details on the Vix Group's non-competition undertaking, see the section headed "Relationship with ERG Greater China BVI and the Vix Group – Vix Group's Non-Competition Undertaking."

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.

BUSINESS

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

BUSINESS

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 are around 20 corporate groups participant in such industry 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.

BUSINESS

[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 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 which will or may compete with our Group's business of application solutions are used 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.

BUSINESS

[To protect our Group from further potential competition, Vix Transportation has given an irrevocable undertaking in favour of our Group on [●] pursuant to which Vix Transportation shall, and shall procure that any holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or any of its affiliates has a controlling interest or shareholding: (i) whether or not for compensation, in any manner or capacity, not 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 not 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; (iii) not 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; and (iv) 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 document.

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 document.

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, as at the Latest Practicable Date, we had duly obtained approvals, permits, consents, all of which are presently in force, licences and registrations 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 document.

As advised by our legal advisers as to Hong Kong, as at 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

As at 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.