ERA Holdings Global Limited

年代國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8043)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the "Directors") of ERA Holdings Global Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The board of directors of the Company (the "Board") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010, together with the comparative audited consolidated figures for 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Turnover	4	**1,768,913**	1,404,769
Cost of goods sold		**(1,420,110)**	(1,172,838)
Gross profit		**348,803**	231,931
Other income	5	**69,933**	53,668
Selling expenses		**(104,622)**	(67,735)
Administrative expenses		**(85,371)**	(37,699)
Fair value loss on derivative components of convertible bonds		**(10,790)**	–
Other operating expenses		**(3,122)**	(2,937)
Profit from operations		**214,831**	177,228
Finance costs	7	**(40,953)**	(20,066)
Profit before tax		**173,878**	157,162
Income tax expense	8	**(38,779)**	(26,227)
Profit for the year attributable to the owners of the Company		**135,099**	130,935
Other comprehensive income			
Exchange differences on translating foreign operations		**20,397**	–
Exchange differences reclassified to profit and loss on disposal of a subsidiary		**506**	–
Other comprehensive income for the year, net of tax:		**20,903**	–
Total comprehensive income for the year attributable to the owners of the Comapny		**156,002**	130,935
		HK Cents	*HK Cents*
Earnings per share	10		
Basic		**3.07**	3.27
Diluted		**3.06**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**345,264**	163,103
Prepaid land lease payments		**13,691**	13,561
Goodwill		**461,866**	3,508
Intangible assets		**6,965**	3,750
		827,786	183,922
Current assets			
Inventories		**202,014**	183,679
Trade and other receivables	*11*	**1,914,153**	1,094,723
Prepaid land lease payments		**364**	358
Current tax assets		**9**	–
Amount due from a director		**–**	23
Amounts due from related companies		**–**	48,296
Pledged bank deposits		**334,109**	93,097
Bank and cash balances		**102,664**	30,947
		2,553,313	1,451,123
Current liabilities			
Trade and other payables	*12*	**1,535,710**	1,061,770
Borrowings		**496,442**	300,549
Provisions		**5,670**	1,875
Derivative components of convertible bonds		**23,967**	–
Finance lease payables		**22,189**	–
Conventible bonds		**12,761**	–
Amount due to a substantial shareholder		**–**	23,018
Amounts due to directors		**99**	–
Amounts due to related companies		**–**	6,081
Current tax liabilities		**40,626**	22,060
		2,137,464	1,415,353
Net current assets		**415,849**	35,770

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Total assets less current liabilities		**1,243,635**	219,692
Non-current liabilities			
Finance lease payables		**21,310**	–
NET ASSETS		**1,222,325**	219,692
Capital and reserves			
Issued equity		**846,632**	1
Reserves		**375,693**	219,691
TOTAL EQUITY		**1,222,325**	219,692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Issued equity *HK$'000*	**Statutory reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2009 (restated)	1	13,420	11,675	63,661	88,757
Total comprehensive income for the year	–	–	–	130,935	130,935
Transfer	–	21,826	–	(21,826)	–
Changes in equity for the year	–	21,826	–	109,109	130,935
At 31 December 2009 and 1 January 2010 (restated)	1	35,246	11,675	172,770	219,692
Total comprehensive income for the year	–	–	20,903	135,099	156,002
Transfer	–	25,536	–	(25,536)	–
Capitalisation of an amount due to shareholder of Hong Kong Siwei Holdings Limited as share capital	23,010	–	–	–	23,010
Arising from reverse takeover	823,621	–	–	–	823,621
Changes in equity for the year	846,631	25,536	20,903	109,563	1,002,633
At 31 Decmeber 2010	846,632	60,782	32,578	282,333	1,222,325

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 May 2000 under the Companies Law (Revised) of the Cayman Islands. The address of registered office and principal place of business of the Company are disclosed in the Corporate Information Section of the annual report. The Company's shares are listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The accounting policies adopted in preparing the audited consolidated results for the year are consistent with those adopted in the Accountants' Report contained in Appendix I to the Company's circular dated 30 June 2010 issued in connection with reverse takeover.

On 30 September 2010, a very substantial acquisition and reverse takeover involving a new listing application were completed. The Group acquired from Mining Machinery Ltd. the entire issued share capital of Hong Kong Siwei Holdings Limited ("HK Siwei"), a company incorporated in Hong Kong with limited liability, (formerly known as International Mining Machinery Siwei Holdings Limited) and its subsidiary, Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd ("Zhengzhou Siwei") (collectively as "Siwei Group").

The details of the above transactions are set out in the circular to shareholders of the Company dated 30 June 2010.

Reverse Takeover

The reverse takeover transaction (the "Transaction") has been accounted for as a reverse takeover under Hong Kong Financial Reporting Standard 3 (Revised) ("HKFRS 3" (Revised)) "Business Combinations" since the issuance of the consideration shares resulted in Mining Machinery Ltd. being the controlling company. For accounting purposes and in accordance with HKFRS 3 (Revised), in preparing these consolidated financial statements, the Siwei Group is treated as the acquirer while the Company and its subsidiaries as acquiree prior to the Transaction, which were mainly engaged in provision of corporate secretarial services, and distribution of films and sub-licensing of film rights (referred thereafter to as the "Services Group"), were deemed to have been acquired by the Siwei Group. These consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Siwei Group and accordingly.

(i) The assets and liabilities of the Siwei Group are recognised and measured at their pre-combination carrying amounts;

(ii) The assets and liabilities of the Services Group are recognised and measured initially at their fair value in accordance with the HKFRS 3 (Revised);

(iii) The comparative information presented in these consolidation financial statements is that of Siwei Group.

2. BASIS OF PREPARATION (CONT'D)

Reverse Takeover (Cont'd)

In preparing these consolidated financial statements, the Siwei Group has applied the acquisition method to account for the acquisition of the Services Group. In applying the acquisition method, the separately identifiable assets and liabilities of the Services Group were recorded in the consolidated statement of financial position at their fair value at the completion date of the Transaction. In addition, goodwill arising on the acquisition of the Services Group of approximately HK$458,358,000, being the excess of the cost of acquisition of the Services Group over the sum of the fair values of the separately identifiable assets less liabilities of the Services Group, was recorded. The results of the Services Group have been consolidated to the Group's consolidated financial statements since the completion date of the Transaction.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER

The turnover of the Group which represents sales of mining machinery, related spare parts and consultancy services are as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Sales of mining machineries	**1,737,183**	1,338,915
Sales of spare parts	**31,522**	65,854
Consultancy services income	**208**	–
	1,768,913	1,404,769

Consultancy services do not constitute a separate reportable segment.

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Sales of scrap materials	**54,754**	39,454
Gain on trading of raw materials	**4,466**	7,074
Interest income	**3,900**	1,800
Government grants *(Note)*	**3,819**	–
Gain on disposal of a subsidiary	**1,583**	–
Gain on disposals of property, plant and equipment	**234**	3,179
Bad debts recovered	**137**	–
Processing and subcontracting fees income	**–**	38
Others	**1,040**	2,123
	69,933	53,668

Note: Government grants mainly represented reward of approximately HK$2,865,000 from Administrative Committee Zhengzhou High-Technology Development（鄭州高新技術產業開發區管理委員會）for successful completion of the reverse takeover transaction.

6. SEGMENT INFORMATION

The directors of the Company consider that the Group operates in a single reportable segment which is managed as a single strategic business unit that is engaged in the manufacturing and sale of coal mining machinery with similar technology and marketing strategy. The Group's operating profit or loss is earned or incurred within the PRC and all its operating assets are principally located in the PRC. Therefore, no business segment or geographical segment is presented.

Revenue from a major customer amounted to 10% or more of the Group's revenue are set out below:

Revenue from a major customer

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Customer A	**365,693**	–

In 2009, all the customers of the Group are state-owned enterprises or under the control of state-owned enterprises.

7. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Bank charges	**1,506**	697
Discounting charges	**11,094**	3,037
Exchange loss	**555**	–
Finance lease interest	**393**	–
Financial services charges	**2,298**	61
Interest on bank borrowings wholly repayable within five years	**16,617**	5,418
Interests on loans from a directors wholly repayable within five years	**1,161**	–
Interest on other loan from a third party wholly repayable within five years	**7,028**	10,853
Interest on convertible bonds wholly repayable within five years	**301**	–
	40,953	20,066

8. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Current tax – Hong Kong Profits Tax		
Provision for the year	**6**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**36,157**	27,175
Under/(Over)-provision in prior year	**2,616**	(948)
	38,779	26,227

Hong Kong Profits Tax has been provided at a rate of 16.5% on estimated assessable profit for the year ended 31 December 2010.

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 as the Group did not generate any assessable profits arising in Hong Kong during that year.

8. INCOME TAX EXPENSE (CONT'D)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary, Zhengzhou Siwei, is 25% from 1 January 2008 onwards.

According to the new EIT law, entities that qualify as "High and New Technology Enterprises" are entitled to the preferential EIT rate of 15%. Zhengzhou Siwei received approval for the status as a "High and New Technology Enterprises". The status is valid for three years starting from January 2008 and will be renewed after evaluation by relevant government authorities every three years. Zhengzhou Siwei is located in Zhengzhou High and New Technology Industries Development Zone, and was entitled to a PRC income tax rate of 15%.

The reconciliation between income tax expense and the product of profit before tax multiplied by PRC enterprise income tax rate is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Profit before tax	**173,878**	157,162
Domestic income tax rate	**25%**	25%
Tax at domestic income tax rate	**43,470**	39,291
Tax effect of income that is not taxable	**(478)**	–
Tax effect of expenses that are not deductible	**12,539**	4,066
Tax effect of temporary differences not recognised	**4,720**	(1,934)
Under/(over) provision in prior year	**4,360**	(1,579)
Tax effect of tax loss not recognised	**20**	–
Tax effect of concessionary tax rate granted	**(25,852)**	(13,617)
Income tax expense	**38,779**	26,227

9. DIVIDEND

No dividend have been declared or paid by the Company during the year (2009 (restated): Nil).

10. EARNINGS PER SHARE

Under the reverse takeover method of accounting, the 4,000,000,000 ordinary shares issued by the Company to Mining Machinery Ltd to effect the Transaction described in note 2 above are deemed to be issued on 1 January 2009 for the purpose of calculating the earnings per share.

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year)	**135,099**	130,935
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,407,054**	4,000,000
Effect of share options	**14,606**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,421,660**	4,000,000

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Trade receivables	**1,588,936**	959,080
Allowances for bad and doubtful debts	**(11,670)**	(4,965)
	1,577,266	954,115
Bills receivables	**22,947**	1,250
Prepayments	**182,378**	42,349
Deposits	**28,473**	13,668
Other receivables	**103,089**	83,341
	1,914,153	1,094,723

11. TRADE AND OTHER RECEIVABLES (CONT'D)

The Group's trading terms with customers other than those for retention receivables are due on delivery. Deposit payments are normally required. The credit term for retention receivables is generally one year. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

Prepayments mainly represent the prepayments for land lease payments and property, plant and equipment.

The ageing analysis of trade receivables, based on the delivery date, and net of allowances, are as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
0 to 90 days	**914,651**	683,351
91 to 180 days	**210,320**	116,438
181 to 365 days	**160,715**	85,657
Over 1 year	**291,580**	68,669
	1,577,266	954,115

As at 31 December 2010, approximately HK$346,900,000 (2009 (restated): Nil) of trade receivables were pledged to banks to secure short-term bank loans.

Reconciliation of allowance for trade receivables:

	2010	2009
	HK$'000	HK$'000
		(restated)
At beginning of year	**4,965**	4,297
Arising from the Transaction	**3,991**	–
Allowance for the year	**3,165**	1,516
Reversal of allowances	**(694)**	(848)
Exchange differences	**243**	–
At end of year	**11,670**	4,965

11. TRADE AND OTHER RECEIVABLES (CONT'D)

As of 31 December 2010, trade receivables of approximately HK$1,390,311,000 (2009 (restated): HK$806,464,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
0 to 90 days	**770,736**	624,738
91 to 180 days	**192,743**	83,522
181 to 365 days	**143,086**	55,920
Over 1 year	**283,746**	42,284
	1,390,311	806,464

In 2010, most of the customers of the Group are state-owned enterprises or under the control of state-owned enterprises. In this regard, the directors of the Group consider that there is no material collectability problem with the trade receivables.

The carrying amounts of the Group's trade receivables are denominated in RMB.

Included in other receivables at 31 December 2010 are deposits for acquisition of four parcels of land in Guangwu Town, Xingyang City（滎陽市廣武鎮）of approximately HK$74,737,000 (2009 (restated): HK$20,885,000), for which the directors of the Company and the existing owners of these parcels of land have not yet concluded the prices for the transfer of the legal titles. Accordingly, the Group did not have the relevant land use right certificates. During the years ended 31 December 2010 and 2009, the Group constructed four buildings on these parcels of land. The Group obtained the following certificates in relation to the land use rights:

(a) Pursuant to the certificate of confirmation《証明》issued by Planning Administration Bureau of Xingyang（滎陽市規劃管理局）dated 21 October 2009, the construction plan of the Group in Guangwu Town, Xingyang City（滎陽市廣武鎮）complied with the overall development programme of Guangwu Town, Xingyang City（滎陽市廣武鎮）. The Group is in the process of obtaining the relevant construction plan permit.

(b) Pursuant to the certificate of confirmation《証明》issued by Land Resources Bureau of Xingyang（滎陽市國土資源局）dated 5 January 2010, the Group has not yet obtained the land use right certificates. The procedures in relation to the change in the usage of land are in progress and the Group is allowed to construct and use the properties for production and operation on these parcels of land before obtaining the relevant land use right certificates without any penalty.

According to a legal opinion issued by the PRC Lawyer, based on the above certificates of confirmation, despite the fact that the Group's buildings were erected on the land before obtaining the relevant land use right certificates, the probability of penalty imposed by Planning Administration Bureau of Xingyang（滎陽市規劃管理局）and Land Resources Bureau of Xingyang（滎陽市國土資源局）is low.

12. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Trade payables	**873,251**	772,065
Bills payables	**451,728**	100,962
Accruals and other payables	**71,777**	22,300
Advance receipts from customers	**29,792**	91,469
VAT and other tax	**76,346**	66,527
Accrued staff salaries and welfares	**32,816**	8,447
	1,535,710	1,061,770

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2010	2009
	HK$'000	HK$'000
		(restated)
0 to 90 days	**539,346**	416,085
91 to 180 days	**96,787**	127,694
181 to 365 days	**102,421**	91,336
Over 1 year	**134,697**	136,950
	873,251	772,065

Bills payables have an average maturity period of 180 days, interest-free and are secured by charges over the Group's bank deposits, inventories and guarantees given by a director and third parties.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2010	2009
	HK$'000	HK$'000
		(restated)
EURO	**936**	1,060
Hong Kong dollars	**2,026**	–
US dollars	**652**	–
RMB	**869,637**	771,005
	873,251	772,065

13. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2011, the Company issued 49,932,000 ordinary shares of HK$0.01 each at the price of HK$0.35 per share upon the conversion of convertible bonds of HK$17,476,200. On the same date, the Company issued 18,200,000 ordinary shares of HK$0.01 each at the price of HK$0.40 per share upon exercise of share options. Details are disclosed in the Company's next day disclosure return dated 7 January 2011.

On 24 March 2011, the Company issued a 6-month redeemable fixed coupon promissory note with principal amount of HK$250,000,000 with an independent third party investment banker. The note bears interest on its outstanding principal amount at the simple interest rate of 8% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Turnover

China's continued strong economic growth, demand for energy and government policies encouraging coal mine mechanization helped the Group to achieve record sales and earnings. For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$1,769 million, which represents a growth of 25.9% when compared to last year.

Cost of Sales

For the year ended 31 December 2010, cost of sales was approximately HK$1,420 million or 80.3% of turnover compared to HK$1,173 million and 83.5% of turnover in 2009 (restated). Steel represented approximately 80% of the cost of sales for the year, consistent with 2009.

Gross Profit and Gross Margin

The Group's gross profit for the year ended 31 December 2010 was HK$348.8 million, 50.4% higher in comparison to last year. Gross profit margin increased to 19.7% from 16.5% in the prior year, with margin increases primarily attributable to increases in average selling prices due to the sale of larger units and new patented products.

Selling and Distribution Costs

For the year ended 31 December 2010, the Group incurred selling and distribution costs of approximately HK$104.6 million, an increase of approximately HK$36.9 million or 54.5% when compared to last year. Increases were primarily attributable to increased rates for freight and transportation on higher turnover volume.

Administrative Expenses

For the year ended 31 December 2010, the Group incurred administrative expenses of approximately HK$85.4 million, an increase of approximately HK$47.7 million or 126.5% when compared to last year. While some increase resulted from business expansion, the most significant increases in administrative expenses were principally due to additional salary and benefits of HK$7.0 million, an increase in research and development expenditures and related staff costs of HK$14.4 million, additional depreciation and amortization of 4.0 million and fair value changes for the Company's cross-guarantee of HK$3.6 million.

In order to prepare for potential volume growth, Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd's ("Zhengzhou Siwei"), a wholly owned subsidiary of the Company, has been hiring and training staff extensively during the year in anticipation of the increasing production and sales capabilities. Salaries and benefits increased 87.7% year on year, with 9.9% of the increase attributable to increases in wages rate and 90.1% attributable to new hires. As of 31 December 2010, over 110 of the new hires had been trained in anticipation of production capacity increases.

As mentioned in the section headed "Business Review", Zhengzhou Siwei has invested significantly in research and development, adding over 49 new research and development engineers during the year, in order to assist our customers to improve mining safety, efficiency and lessen environmental impact. Additional research and development costs of approximately HK$8.8 million, of which approximately HK$5.4 million represent salary and benefits, was incurred for the year ended 31 December 2010, representing an increase of 54% over last year.

HK$10.8 million of the increase in administrative expenses was due to the fair value change in respect of the Company's convertible bonds issued in 2008 for the year ended 31 Decmber 2010. The convertible bonds were subsequently fully converted into 49,932,000 ordinary shares on 5 January 2011.

Finance Costs

For the year ended 31 December 2010, the Group incurred finance costs of approximately HK$41.0 million, an increase of approximately HK$20.9 million or 104.1% when compared to last year. In 2010, additional finance costs of HK$11.2 million were incurred in respect of short term bank borrowings as a result of an increase of HK$252.2 million in total borrowings to finance additional working capital and capital expenditures. In addition, bills receivables discounting charges increased by HK$8.1 million when compared to last year.

Net Profit Attributable to Owners of the Company

For the year ended 31 December 2010, the Group's net profit attributable to owners of the Company was approximately HK$135.1 million, an increase of approximately HK$4.2 million or 3.2% when compared to last year.

EBITDA

Given the Group's increased financing costs due to continued growth in fixed assets and working capital needs, the management team believes EBITDA (a non HKFRS accounting standard metric comprised of net profit before income tax, net finance costs, depreciation and amortization) is a more realistic metric in terms of analyzing the Group's results. EBITDA for the year increased by HK$38.9 million, 20.2% higher than 2009.

	Year ended 31 December		
	2010	2009	Variance
	HK$'000	*HK$'000*	*%*
		(restated)	
Profit before tax	**173,878**	157,162	10.6
Depreciation & amortization	**20,635**	17,251	19.6
Net finance costs	**37,053**	18,266	102.9
EBITDA	**231,566**	192,679	20.2

As the Group has invested significantly in fixed assets to expand its production capacity, substantially higher depreciation and amortization was incurred compared to 2009. Moreover, a 83.9% increase in total borrowings resulted in substantially higher financing costs in 2010.

BUSINESS REVIEW

Product

At present, the sole products of principal subsidiary of the Company, Zhengzhou Siwei, are hydraulic roof supports (also referred to as "shields") and related equipment for underground coal mining. Zhengzhou Siwei designs and manufactures a full range of shields ranging from 0.8 m to 7.3 m in height and from 1,800 KN to 18,000 KN in terms of working resistance. All shields delivered are custom manufactured to the mining requirements of each customer.

During 2010, Zhengzhou Siwei dedicated substantial resources to its research and development capabilities. In addition to many research and development initiatives in production techniques, materials and hydraulics, during the reporting period, Zhengzhou Siwei introduced a number of new products and technologies such as:

- Large height mine faces – A highly technical product for the high-end market, demand for which is increasing.
- Caving supports with large yield loads – Specify to ultra thick coal seam, facilitate mining in ultra thick coal seam, and improve the recovery rate.
- Roof supports with back-filling capabilities – This patented technology, exclusive to Zhengzhou Siwei, offers customers higher mining efficiencies while reducing environmental impact.
- Large dip angle face supports – Specified in coal seams with large dip angles, this improves mining efficiency and safety. This kind of support has a great demand in China.
- Ultrathin seam mining supports – Targeted at highly technical and highly automated thin and ultra thin coal seams, this type of shield supports and fosters fully automated, unmanned mining faces, enabling efficient and safe mining thereof.

Over time, management expects these efforts to enhance profit margins for its current products, to increase sales of new, higher margin products and to result in increased export sales.

Research and Development

Zhengzhou Siwei has invested significantly in research and development in order to assist our customers improve mining safety and efficiency and to mitigate environmental impact. Research and development costs for the year ended 31 December 2010 were approximately HK$15,191,000, of which approximately HK$11,045,000 is included in salary, representing an increase of 54% in comparison to 2009. During 2010, Zhengzhou Siwei expanded the number of engineers in its research and development department by 50. As of 31 December 2010, Zhengzhou Siwei had 91 patents or patents pending.

Distribution

As of 31 December 2010, Zhengzhou Siwei employed eight territorial sales consultants agents and expects the number to increase over time. Continuing enlargement of the sales network will enable Zhengzhou Siwei to build closer working relationships with its customers and to enhance service capabilities.

Market Overview

China's increasing demand for highly mechanized coal mining equipment has been driven principally by two factors, China's increasing demand for electricity and government policies directed at improving the safety and efficiency of Chinese mining. These government policies are reflected in the growing consolidation of the small and medium sized coal mines and the mandating of increasingly rigorous safety measures. While growth of new mines may slow during China's 12th Five Year Plan, management expects intensified comprehensive mechanization in China's existing and newly consolidated mines. The management expects these factors to continue to result in continued strong short and mid-term growth for China's mining machinery market.

Expansion of Manufacturing Capabilities and Capacity

Zhengzhou Siwei has been constantly expanding its manufacturing capacity and capabilities. During 2010, most of this expansion has occurred or will occur in Zhengzhou Siwei's newest Guangwu factory location in Zhengzhou, where Zhengzhou Siwei is consolidating all of its shield manufacturing. Significant additions to manufacturing capacity were made during the year, especially in advanced electro-plating and welding. The management expects to complete its physical consolidation of its former manufacturing facilities.

PROSPECTS

Indicatiors point to continued strong economic growth in China. Continued initiatives by China's central government strengthening policies aimed at improving mine safety, efficiency and mitigating environmental impact, requiring mine mechanization and further consolidation of small and medium sized coal mines also bode well for the coal mining industry.

ERA has spent 2010 building the foundations for future growth. Heavy investment in new, efficient manufacturing facilities, in human resources, in improved manufacturing and new products give the board and management reason to believe that they can achieve significant sales growth while improving profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had cash and cash equivalents of approximately HK$102.7 million (2009 (restated): HK$30.9 million). As at 31 December 2010, the Group had net current assets of approximately HK$415.8 million (2009 (restated): HK$35.8 million). In March, 2011, the Company secured an additional loan of HK$250 million to finance working capital needs.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the PRC. Other than the foreign currency denominated bank deposits, the Group does not have any other material direct exposure to foreign exchange fluctuations. During 2010, though the exchange rates of Renminbi against U.S. dollar and the Hong Kong dollar kept on increasing, the directors of the Company expect that any fluctuation of Renminbi exchange rate will not have material adverse effect on the operation of the Group.

CAPITAL STRUCTURE

The Company was listed on The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. During the year ended 31 December 2010, the changes of the capital structure of the Company were set out below:

(a) 1,144,000 and 11,000,000 ordinary shares were issued on 5 February and 14 July 2010, respectively, at HK$0.35 per share as the convertible bond holder exercised conversion right to convert the convertible bond into the Company's ordinary shares.

(b) On 20 September 2010, the Company and a placing agent entered into a placing agreement in respect of the placement of 1,200,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.364 per share. The placement was completed on 30 September 2010 and the premium on the issue of shares, amounting to approximately of HK$413,460,000, net of share issue expenses, was credited to the Company's share premium account.

(c) On 30 September 2010, the Company issued 572,584 ordinary shares of HK$0.01 each at a price of HK$0.6799 per share to Somerley Limited ("Somerley") to settle of professional fees of approximately HK$389,000. The premium on the issue of shares, amounting to approximately HK$383,000, net of share issue expenses, was credited to the Company's share premium account.

(d) On 30 September 2010, the Company further issued 2,663,230 ordinary shares of HK$0.01 each at a price of HK$0.291 per share to Somerley to settle the professional fees of approximately HK$775,000. The premium on the issue of shares, amounting to approximately HK$748,000, net of share issue expenses, was credited to the Company's share premium account.

(e) The consideration of the reverse takeover transaction (the "Transaction") was satisfied by the allotment and issue of 4,000 million Consideration Shares to Mining Machinery Limited. The Transaction was completed on 30 September 2010. For the purpose of accounting, the Consideration Shares are issued at the quoted share price of the Company on the Completion date of HK$0.51 per share, resulting in credits to share capital of the Company of HK$40,000,000 and share premium of HK$2,000,000,000 (Note 35 to the financial statements).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2010, the Group's time deposits of approximately HK$334,109,000 (2009 (restated): HK$93,097,000) were pledged to banks in respect of bank borrowings granted to the Group. In addition, certain amounts of property, plant and equipment, prepaid land lease payments, inventories and trade receivables were pledged to banks for borrowings.

MATERIAL ACQUISITION/DISPOSAL AND SIGNIFICANT INVESTMENTS

Reverse Takeover

As announced by the Company on 30 September 2010, RTO and share placement have been completed on the same date.

Background on Reverse Takeover

On 9 October 2009, Vasky Energy Limited ("Vasky Energy"), a wholly owned subsidiary of the Company, and Mining Machinery Ltd. (the "Vendor"), a company incorporated in Mauritius, entered into a conditional sale and purchase agreement (the "Agreement") relating to the sale and purchase of 100% of the issued share capital of HK Siwei (the "Acquisition"). It was also further announced that Vasky Energy and the Vendor entered into a supplemental deed on 31 March 2010 to amend certain terms of the Agreement. The aggregate consideration for the Acquisition payable by Vasky Energy to the Vendor was HK$1,164,000,000, satisfied by procuring the Company to issue 4,000,000,000 consideration shares at an issue price of HK$0.291 per consideration share to the Vendor at completion. Zhengzhou Siwei is one of the leading manufacturers of hydraulic roof supports in the People's Republic of China ("PRC"). According to the China National Coal Machinery Industry Association, Zhengzhou Siwei was the third largest hydraulic roof support manufacturer among members of the China National Coal Machinery Industry Association in the PRC with market share in respect of sales of hydraulic roof support machinery of approximately 8.9% by units sold in 2009. HK Siwei generated approximately HK$1,405 million and HK$131 million of turnover and profit, respectively, for the year ended 31 December 2009. The Acquisition constituted a very substantial acquisition for the Company under the GEM Listing Rules. Immediately upon completion of Acquisition, the interest of the Vendor and its concert parties exceeded 30% of the enlarged issued share capital of the Company and became a controlling shareholder of the Company.

In addition, the Acquisition and the transactions concluded under the Agreement constitute a RTO for the Company under Rule 19.06(6)(a) of the GEM Listing Rules. Accordingly, the Company was treated as if it were a new listing applicant. The Acquisition and transactions concluded under the Agreement were therefore also subject to the approval by the Listing Division of the Stock Exchange of a new listing application to be made by the Company. The new listing application was submitted to the Stock Exchange on 22 January 2010. The Listing Division of the Stock Exchange gave its approval in principle of the new listing application of the Company, the details of which were set out in the Company's circular dated 30 June 2010.

Further on 23 July 2010, the shareholders of the Company at an extraordinary general meeting approved the Agreement and the proposed placing of the placing shares, up to 1.2 billion new shares which were allotted and offered by the Company (the "Placing") at the extraordinary general meeting.

On 30 September 2010, both the RTO and the Placing were completed. On 13 October 2010, Mr. LEE Jong-Dae resigned as the Chairman of the Board as part of the arrangement of the restructuring of the composition of the Board following completion of the RTO but remains an executive Director. Mr. Emory WILLIAMS was appointed as the Chairman on the same date.

PLACING

The external financing by the Vasky Energy and/or the Vendor in an amount of not less than HK$200 million, and the maintaining of 25% minimum public float of the Company immediately after completion of the Acquisition and the issuance of the consideration shares, were two of conditions precedent for completion of the Acquisition. On 30 September 2010, the Company issued 1.2 billion placing shares at HK$0.364 per share.

As stated in the circular dated 30 June 2010, the gross proceeds from the Placing of approximately HK$436.8 million are used by the Group for the following purposes:

(i) approximately HK$112 million for repayment of outstanding loans and accrued interest due to TJCC Holdings Ltd.;

(ii) approximately HK$52 million for repayment of bridge loans due to Mr. Emory WILLIAMS, Mr. LI Rubo and Williams Realty Co, LLC together with accrued interests due to them;

(iii) approximately HK$220.6 million for capital expenditure of HK Siwei;

PLACING (CONT'D)

(iv) approximately HK$12 million for payment of professional fees for the Placing and the Acquisition; and

(v) the remaining balance for general working capital of the Group and the commission for placing agents.

GEARING RATIO

The Group's total borrowings as at 31 December 2010 amounted to approximately HK$576.7 million (2009 (restated): HK$300.5 million), which include borrowings, finance lease payables and convertible bonds. On this basis, the gearing ratio is calculated at 0.47 (2009 (restated): 1.37), based on the equity approximately HK$122.3 million (2009 (restated): HK$219.7 million).

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital commitments for property, plant and equipment contracted but not provided for of approximately HK$84.9 million.

CONTINGENT LIABILITIES

As at 31 December 2010, Zhengzhou Siwei and a third party mutually agreed to issue cross guarantees to the extent of approximately HK$270.7 million (2009 (restated): HK$125 million) to banks in respect of banking facilities granted to the Group and the third party. Under such cross guarantees, Zhengzhou Siwei and the third party are jointly and severally liable for all or any of each of their borrowings from the banks for one year. The directors of the Group do not consider it probable that a claim will be made against Zhengzhou Siwei under the above guarantees as the default risk is low.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had a total of 3,165 (2009: 2,409) employees. The total staff costs, including directors' emoluments, amounted to approximately HK$144.9 million for the year under review. Staff remuneration is reviewed by the Group from time to time depending on length of service and performance where warranted. In addition to salaries, the Group provides staff benefits including medical benefits and contributions to staff's provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors.

The emoluments of the Directors and senior management of the Company are determined in accordance with the recommendations from the remuneration committee of the Company. The remuneration committee of the Company considers factors including salaries paid by comparable companies, time commitment and responsibilities of the relevant employee, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE PRACTICES

The Company has established a formal and transparent procedure to protect the interests of the shareholders of the Company. The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year under review.

AUDIT COMMITTEE

As required by the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Audit Committee comprises three independent non-executive Directors, Chan Sze Hon, Christopher John Parker and David Marc Boulanger. The Audit Committee met on a quarterly basis during the year under review. The Group's financial results for the year ended 31 December 2010 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

PUBLICATION OF DETAILED RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report containing all the information required by the GEM Listing Rules will be published on the website of the Stock Exchange at www.hkgem.com in due course.

By Order of the Board
ERA Holdings Global Limited
Emory WILLIAMS
Chairman

Hong Kong, 28 March 2011

As at the date of this announcement, the executive directors are Mr. Emory WILLIAMS, Mr. LEE Jong-Dae, Mr. LI Rubo, Mr. WANG Fu and Dr. Phil Qiu JIN; and the independent non-executive directors are Mr. BOULANGER David Marc, Mr. PARKER Christopher John, Mr. CHAN Sze Hon, Mr. DONG Xiangge and Mr. JIANG Ming .

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the Company's website at www.eraholdings.com.hk.