ERA Mining Machinery Limited
年代煤礦機電設備制造有限公司

(formerly known as "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 2011

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 Mining Machinery 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 2011, together with the comparative audited consolidated figures for 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 *HK$'000*	2010 *HK$'000*
Turnover	*4*	**1,953,342**	1,768,913
Cost of goods sold		**(1,653,310)**	(1,420,110)
Gross profit		**300,032**	348,803
Other income	*5*	**97,275**	69,933
Selling expenses		**(96,649)**	(104,622)
Administrative expenses		**(159,846)**	(85,371)
Fair value loss on derivative components of convertible bond		**–**	(10,790)
Other operating expenses		**(12,143)**	(3,122)
Profit from operations		**128,669**	214,831
Finance costs	*7*	**(138,785)**	(40,953)
Share of losses of jointly controlled entities		**(196)**	–
(Loss)/profit before tax		**(10,312)**	173,878
Income tax expense	*8*	**(3,941)**	(38,779)
(Loss)/profit for the year attributable to the owners of the Company		**(14,253)**	135,099
Other comprehensive income:			
Exchange differences on translating foreign operations		**36,817**	20,397
Exchange differences reclassified to profit or loss on disposal of a subsidiary		**–**	506
Other comprehensive income for the year, net of tax:		**36,817**	20,903
Total comprehensive income for the year attributable to the owners of the Company		**22,564**	156,002
		HK Cents	*HK Cents*
(Loss)/earnings per share	*10*		
Basic		**(0.25)**	3.07
Diluted		**(0.25)**	3.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		623,952	345,264
Prepaid land lease payments		28,815	13,691
Goodwill		530,776	461,866
Intangible assets		5,585	6,965
Investments in jointly controlled entities		26,171	–
		1,215,299	827,786
Current assets			
Inventories		675,361	202,014
Trade and other receivables	11	2,655,252	1,914,153
Prepaid land lease payments		690	364
Current tax assets		–	9
Pledged bank deposits		777,180	334,109
Bank and cash balances		338,135	102,664
		4,446,618	2,553,313
Current liabilities			
Trade and other payables	12	2,623,678	1,535,710
Borrowings		1,205,969	496,442
Provisions		4,308	5,670
Finance lease payables		32,924	22,189
Derivative components of convertible bond		–	23,967
Convertible bond		–	12,761
Amounts due to directors		96,579	99
Amount due to a third party		385,000	–
Current tax liabilities		8,250	40,626
		4,356,708	2,137,464
Net current assets		89,910	415,849
Total assets less current liabilities		1,305,209	1,243,635
Non-current liabilities			
Finance lease payables		4,999	21,310
NET ASSETS		1,300,210	1,222,325
Capital and reserves			
Issued equity		847,365	846,632
Reserves		452,845	375,693
TOTAL EQUITY		1,300,210	1,222,325

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Issued equity *HK$'000*	Share premium account *HK$'000*	Statutory reserve *HK$'000*	Share option reserve *HK$'000*	Exchange reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2010	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 December 2010 and 1 January 2011	846,632	–	60,782	–	32,578	282,333	1,222,325
Total comprehensive income for the year	–	–	–	–	36,817	(14,253)	22,564
Transfer	–	–	11,433	–	–	(11,433)	–
Conversion of convertible bond	499	36,246	–	–	–	–	36,745
Issue of shares	234	9,126	–	–	–	–	9,360
Recognition of share-based payments	–	–	–	9,216	–	–	9,216
Changes in equity for the year	733	45,372	11,433	9,216	36,817	(25,686)	77,885
At 31 December 2011	847,365	45,372	72,215	9,216	69,395	256,647	1,300,210

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.

The principal activity of the Company is investment holding.

2. 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 ("MML"). The entire issued share capital of Hong Kong Siwei Holdings Limited ("HK Siwei"), a company incorporated in Hong Kong with limited liability, 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.

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. controlling the 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, 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 as acquiree. The comparative figures of 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).

2. REVERSE TAKEOVER (CONT'D)

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 in 2010. 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 ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 machineries, related spare parts and consultancy services are as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of mining machineries	**1,829,188**	1,737,183
Sales of spare parts	**123,925**	31,522
Consultancy services income	**229**	208
	1,953,342	1,768,913

Consultancy services do not constitute a separate reportable segment.

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Sales of scrap materials	**66,153**	54,754
Gain on trading of raw materials	**9,889**	4,466
Interest income	**15,794**	3,900
Government grants *(Note)*	**1,658**	3,819
Gain on disposal of a subsidiary	**110**	1,583
Gain on disposals of property, plant and equipment	**391**	234
Bad debts recovered	**–**	137
Reversal of accruals	**850**	–
Others	**2,430**	1,040
	97,275	69,933

Note: Government grants in 2011 mainly represented reward of approximately HK$968,000 from Administrative Committee Zhengzhou High-Technology Development Zone（鄭州高新技術產業開發區管理委員會）for outstanding performance, while government grants in 2010 mainly represented reward of approximately HK$2,865,000 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 People's Republic of China ("PRC") and all its operating assets are principally located in the PRC. Therefore, no business segment or geographical segment is presented.

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

Revenue from major customers

	2011	2010
	HK$'000	*HK$'000*
Customer A	**226,781**	365,693
Customer B	**248,426**	–

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Bank charges	**1,418**	1,506
Interest on bills	**54,002**	11,094
Finance lease interest	**3,495**	393
Financial services charges	**1,536**	2,298
Interest on bank borrowings wholly repayable within five years	**58,767**	16,617
Interests on loans from directors wholly repayable within five years	**2,482**	1,161
Interest on other loan from a third party wholly repayable within five years	**16,612**	7,028
Interest on convertible bond wholly repayable within five years	**17**	301
Other interests	**456**	–
Exchange losses	**–**	555
	138,785	40,953

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	**6**
Current tax – PRC Enterprise Income Tax		
Provision for the year	**4,479**	**36,157**
(Over)/under-provision in prior years	**(538)**	**2,616**
	3,941	**38,779**

No provision for Hong Kong Profits Tax is required since the Group did not generate any assessable profits arising in Hong Kong for the year. The amount provided for the year ended 31 December 2010 was calculated at 16.5% based on the assessable profit for the year.

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.

8. INCOME TAX EXPENSE (CONT'D)

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. On 28 October 2011 Zhengzhou Siwei has renewed the status which will be valid for the next 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 (loss)/profit before tax multiplied by PRC enterprise income tax rate is as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(10,312)**	173,878
Domestic income tax rate	**25%**	25%
Tax at domestic income tax rate	**(2,578)**	43,470
Tax effect of income that is not taxable	**(2,404)**	(478)
Tax effect of expenses that are not deductible	**11,024**	12,539
Tax effect of temporary differences not recognised	**1,109**	4,720
(Over)/under-provision in prior years	**(538)**	4,360
Tax effect of tax loss not recognised	**–**	20
Others	**(20)**	–
Tax effect of concessionary tax rate granted	**(2,652)**	(25,852)
Income tax expense	**3,941**	38,779

9. DIVIDEND

No dividend has been declared or paid by the Company during the year (2010 : Nil).

10. (LOSS)/EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share ((loss)/profit for the year)	**(14,253)**	135,099
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**5,683,229**	4,407,054
Effect of share options	**58,331**	14,606
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**5,741,560**	4,421,660

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

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**2,215,809**	1,588,936
Allowances for bad and doubtful debts	**(53,531)**	(11,670)
	2,162,278	1,577,266
Bills receivables	**74,976**	22,947
Prepayments	**324,551**	182,378
Deposits	**43,390**	28,473
Other receivables	**50,057**	103,089
	2,655,252	1,914,153

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.

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**1,154,502**	914,651
91 to 180 days	**311,408**	210,320
181 to 365 days	**219,391**	160,715
Over 1 year	**476,977**	291,580
	2,162,278	1,577,266

As at 31 December 2011, approximately HK$1,230,830,000 (2010: HK$346,900,000) of trade receivables were pledged to banks to secure banking facilities.

Reconciliation of allowance for trade receivables:

	2011	2010
	HK$'000	*HK$'000*
At beginning of year	**11,670**	4,965
Arising from the Transaction	**–**	3,991
Allowance for the year	**44,409**	3,165
Reversal of allowances	**(2,937)**	(694)
Written off upon disposal of subsidiary	**(377)**	–
Exchange differences	**766**	243
At end of year	**53,531**	11,670

11. TRADE AND OTHER RECEIVABLES (CONT'D)

As of 31 December 2011, trade receivables of approximately HK$2,001,363,000 (2010: HK$1,390,311,000) 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:

	2011	2010
	HK\$'000	*HK\$'000*
0 to 90 days	**993,587**	770,736
91 to 180 days	**311,408**	192,743
181 to 365 days	**219,391**	143,086
Over 1 year	**476,977**	283,746
	2,001,363	1,390,311

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 as at 31 December 2011.

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 certain parcels of land in Guangwu Town, Xingyang City(滎陽市廣武鎮)of approximately HK$74,737,000, 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 year ended 31 December 2010, 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

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**1,184,447**	873,251
Bills payables	**950,826**	451,728
Accruals and other payables	**139,702**	71,777
Advance receipts from customers	**252,762**	29,792
VAT and other tax	**69,917**	76,346
Accrued staff salaries and welfares	**26,024**	32,816
	2,623,678	1,535,710

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**769,488**	539,346
91 to 180 days	**202,082**	96,787
181 to 365 days	**134,972**	102,421
Over 1 year	**77,905**	134,697
	1,184,447	873,251

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

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

	2011	2010
	HK$'000	*HK$'000*
EURO	**1,316**	936
Hong Kong dollars	**1,771**	2,026
US dollars	**–**	652
RMB	**1,181,360**	869,637
	1,184,447	873,251

13. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2012, Shanxi Xishan Siwei Mechanical & Electrical Equipment Manufacturing Co. Ltd ("Shanxi"), a new jointly controlled entity was set up in the PRC. The percentage of ownership in Shanxi was 30% and its principal activities are manufacturing and sales of mining machineries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Turnover

China's tightening credit policy and an increasingly challenging operating environment resulted in a slowing turnover growth. For the year ended 31 December 2011, the Group recorded a turnover of approximately HK$1,953.3 million representing growth of 184.4 million or 10.4% in comparison to the prior year.

Cost of Sales

For the year ended 31 December 2011, cost of sales was approximately HK$1,653.3 million or 84.6% of turnover compared to HK$1,420 million and 80.3% of turnover in 2010. Steel costs as a percentage of sales grew in comparison with 2010 and are believed to be higher as a percentage of sales than our leading state-owned competitors principally due to two factors: 9% higher steel prices and a high percentage of our steel purchases being purchased indirectly through agents of steel companies (who provide more favorable payment terms) instead of directly from the steel mills.

Gross Profit and Gross Margin

The Group's gross profit for the year ended 31 December 2011 was HK$300.0 million, 14.0% lower than in the prior year. Gross profit margin decreased to 15.4% from 19.7% in the prior year, with margin decreases primarily attributable to increases in materials costs which we were unable to pass on to our customers in a competitive environment.

Selling and Distribution Costs

For the year ended 31 December 2011, the Group incurred selling and distribution costs of approximately HK$96.6 million or 4.9% of sales, a decrease of approximately HK$8.0 million or 7.6% when compared to 2010, when selling and distribution costs represented 5.9% of sales. Efficiencies resulted primarily from the Company's purchase of some of its principal former sales agencies.

Administrative Expenses

For the year ended 31 December 2011, the Group incurred administrative expenses of approximately HK$159.8 million, an increase of approximately HK$74.5 million or 87.2% when compared to last year. While some increase resulted from business expansion, the most significant increases in administrative expenses were principally due to increases of HK$39.0 million in allowance for trade receivables, additional salary and benefits of HK$26.6 million and an increase in research and development expenditures of HK$4.9 million.

Total personnel at the end of 2011 increased by 671 persons or 21.2%, while wages and benefits increased by 65.8%, reflecting the continuing escalation of wages and benefits across China's manufacturing employment sector.

Zhengzhou Siwei has invested significantly in research and development, adding 373 new research and development staffs during 2011, in the Company's continuing effort to enhance mining safety, efficiency and environmental impact, while non-salary and benefit related expenditures for research and development of HK$9.1 million represented a 118% increase over 2010.

Finance Costs

Financing the Company's physical plant consolidation and expansion along with working capital needs resulting from increased turnover resulted in a 142.9% increase in total borrowings and substantially higher financing costs in 2011. For the year ended 31 December 2011, the Group incurred finance costs of approximately HK$138.8 million, an increase of approximately HK$97.8 million or 238.5% when compared to 2010. In 2011, additional finance costs of HK$42.2 million were incurred in respect of short term bank borrowings and other borrowings as a result of an increase of HK$709.5 million in total borrowings to finance additional working capital and capital expenditures. In addition, bills receivables discounting charges increased by HK$42.9 million when compared to 2010.

Net loss Attributable to Owners of the Company

For the year ended 31 December 2011, the Group's net loss attributable to owners of the Company was approximately HK$14.3 million, compared to a profit of HK$135 million made in last year. The loss was due primarily to (1) higher financial costs due to increased borrowings and higher interest rates during 2011, (2) a decrease in gross profit margin due to increased material costs and (3) a higher salaries and benefits and (4) an increased allowance for trade receivables.

EBITDA

Given the Group's increased financing costs due to continued growth in fixed assets and working capital needs, the management team believes a comparison of 2011 and 2010 EBITDA (a non HKFRS accounting standard metric comprised of net (loss)/profit before income tax, net finance costs, depreciation and amortization) is informative for shareholders wanting to better understand the Group's results. EBITDA for 2011 decreased by HK$88.2 million or 38.1% from the prior year.

	Year ended 31 December		
	2011	2010	Variance
	HK$'000	*HK$'000*	*%*
(Loss)/profit before tax	**(10,312)**	173,878	(94.1)
Depreciation & amortization	**30,679**	20,635	48.7
Net finance costs	**122,991**	37,053	231.9
EBITDA	**143,358**	231,566	(38.1)

Note that a HK$110.9 million increase in fixed asset investment to expand its production capacity resulted in 48.7% higher depreciation and amortization in comparison to 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 the many research and development initiatives in production techniques, materials and hydraulic parts, during the reporting period, Zhengzhou Siwei introduced a number of new products and technologies of potential importance such as:

Powerful and compact hydraulic supports with large mining height	–	A highly technical product for the high-end market, market demand keeps on increasing.
Efficient and powerful two-leg sublevel caving shield supports	–	Specific for ultra thick coal seam, facilitate mining in ultra thick coal seam, and improve mining efficiencies.
Solid, high hydrophilic and paste backfill hydraulic supports for mining	–	This patented technology, exclusive to Zhengzhou Siwei, offers customers higher recovery rate while reducing damages to the environment.
Large dip angle face supports	–	Specific for coal seams with large dip angles, can improve 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.

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 2011, 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

Indicators 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had cash and cash equivalents of approximately HK$338.1 million (2010: HK$102.7 million). As at 31 December 2011, the Group had net current assets of approximately HK$89.9 million (2010: HK$415.8 million).

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 2011, 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 2011, the changes of the capital structure of the Company were set out below:

(a) 49,932,000 ordinary shares were issued on 5 January 2011, at HK$0.35 per share as the convertible bond holders exercised conversion rights to convert the convertible bond into the Company's ordinary shares.

(b) 18,200,000, 9,000,000 and 4,300,00 ordinary shares were issued on 5 January 2011, 24 May 2011 and 2 December 2011, respectively at HK$0.40 per share as exercise of share options.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the Group's time deposits of approximately HK$777.2 million (2010: HK$334.1 million) 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;

(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 2011 amounted to approximately HK$1,725.5 million (2010: HK$576.7 million), which include borrowings, finance lease payables, amounts due to directors and amount due to a third party. On this basis, the gearing ratio is calculated at 1.33 (2010: 0.47), based on the equity approximately HK$1,300.2 million (2010: HK$1,222.3 million).

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitments for property, plant and equipment contracted but not provided for of approximately HK$125.0 million.

CONTINGENT LIABILITIES

As at 31 December 2011, Zhengzhou Siwei and a third party mutually agreed to issue cross guarantees to the extent of approximately HK$305.8 million (2010: HK$270.7 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 2011, the Group had a total of 3,836 employees (2010: 3,165). The total staff costs, including directors' emoluments, amounted to approximately HK$221.8 million for the year under review, compared to HK$144.9 million in 2010. 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 2011 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 Mining Machinery Limited
Emory WILLIAMS
Chairman

Hong Kong, 30 March 2012

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

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.