LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board of directors (the "Directors" or the "Board") of LVGEM (China) Real Estate Investment Company Limited (the "Company" or "LVGEM (China)") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	4	**524,305**	212,402
Cost of sales		**(415,833)**	(180,693)
Gross profit		**108,472**	31,709
Other income	5	**9,466**	9,101
Selling expenses		**(13,568)**	(9,384)
Administrative expenses		**(96,867)**	(39,927)
Fair value changes on investment properties		**(9,765)**	11,101
Loss on disposal of investment properties		**–**	(150)
Gain on disposal/deregistration of subsidiaries		**39,166**	8,898
Impairment loss on goodwill		**(16)**	(7,799)
Finance costs	6	**(1,653)**	(1,828)
Share of results of associates		**7,038**	19,848
Profit before tax	7	**42,273**	21,569
Income tax expense	8	**(27,574)**	(26,230)
Profit (loss) for the year		**14,699**	(4,661)
Profit (loss) for the year attributable to:			
Owners of the Company		**16,326**	(14,739)
Non-controlling interests		**(1,627)**	10,078
		14,699	(4,661)
Earnings (loss) per share		*HK cents*	*HK cents*
– Basic		**1.21**	(1.14)
– Diluted		**1.18**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit (loss) for the year	**14,699**	(4,661)
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(20,625)**	30,543
Share of exchange differences on translation of an associate	**(3,227)**	4,475
Reclassification of exchange reserve upon disposal/deregistration of subsidiaries	**(30,104)**	(8,898)
Item that will not be subsequently reclassified to profit or loss:		
Share of revaluation surplus of an associate's hotel property	**–**	1,127
Other comprehensive (expense) income for the year	**(53,956)**	27,247
Total comprehensive (expense) income for the year	**(39,257)**	22,586
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(33,189)**	6,405
Non-controlling interests	**(6,068)**	16,181
	(39,257)	22,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		–	29,249
Property, plant and equipment		9,588	47,611
Investment properties		301,738	318,899
Interests in associates		–	137,922
Deferred tax assets		1,304	173
		312,630	533,854
Current assets			
Properties held under development		105,465	457,085
Properties held for sale		359,633	343,501
Other inventories		24	67
Accounts receivable	11	10	166
Deposits paid, prepayments and other receivables		24,400	47,543
Tax recoverable		4,419	22,648
Restricted bank deposits		23,335	36,230
Bank balances and cash		483,138	435,782
		1,000,424	1,343,022
Total assets		1,313,054	1,876,876
Current liabilities			
Accounts payable	12	71,664	112,179
Accruals, deposits received and other payables		52,518	416,245
Tax payable		3,700	–
Convertible notes		–	42,140
Borrowings		9,053	85,173
		136,935	655,737
Net current assets		863,489	687,285
Total assets less current liabilities		1,176,119	1,221,139
Non-current liabilities			
Borrowings		89,448	96,455
Deferred tax liabilities		52,353	53,747
		141,801	150,202
Total liabilities		278,736	805,939
NET ASSETS		1,034,318	1,070,937
Capital and reserves			
Share capital		13,842	13,246
Reserves		975,003	960,079
Equity attributable to owners of the Company		988,845	973,325
Non-controlling interests		45,473	97,612
TOTAL EQUITY		1,034,318	1,070,937

Notes:

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 21 January 2014, China LVGEM Property Holdings Limited ("China LVGEM"), an independent third party and the then shareholders of the Company, including Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors"), had entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") for the disposal of an aggregate of 858,800,792 ordinary shares of HK$0.01 each (the "Disposal Shares") of the Company. The Disposal Shares represented approximately 64.83% of the issued share capital of the Company as at 8 May 2014 ("Completion Date"). Prior to Completion Date, the Company's immediate holding company was Belbroughton Limited, a company incorporated in the British Virgin Islands. Where after completion, its immediate holding company is China LVGEM, a company incorporated in the Cayman Islands with limited liability, and its ultimate holding company is Go Great International Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. WONG Hong King, father of Miss HUANG Jingshu, the Chairman of the Company.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs and an Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and Hong Kong Accounting Standard ("HKAS") 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the amendments to HKFRSs and an Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initiative[4]
Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2017

[3] Effective for annual periods beginning on or after 1 July 2014

[4] Effective for annual periods beginning on or after 1 January 2016

[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors do not anticipate that the application of the other new and revised HKFRSs will have any material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Information reported to the executive Directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development and property investment in the People's Republic of China ("PRC"). No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2014

	Property development *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
SEGMENT REVENUE			
External sales	**509,845**	**14,460**	**524,305**
SEGMENT RESULTS			
Segment profit (loss)	**54,865**	**(12,589)**	**42,276**
Other unallocated income			**2,173**
Corporate expenses			**(48,380)**
Share of results of associates			**7,038**
Gain on disposal of subsidiaries			**39,166**
Profit before tax			**42,273**

3. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2013

	Property development *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE			
External sales	199,485	12,917	212,402
SEGMENT RESULTS			
Segment profit	15,801	11,494	27,295
Other unallocated income			1,215
Corporate expenses			(35,687)
Share of results of associates			19,848
Gain on deregistration of a subsidiary			8,898
Profit before tax			21,569

The Group does not allocate other unallocated income, corporate expenses, share of results of associates and gain on disposal/deregistration of subsidiaries to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

	2014 ***HK$'000***	2013 *HK$'000*
Property development	**684,540**	1,090,503
Property investment	**401,848**	405,396
Total segment assets	**1,086,388**	1,495,899
Goodwill	**–**	29,249
Interests in associates	**–**	137,922
Corporate assets	**226,666**	213,806
Total assets	**1,313,054**	1,876,876

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, interests in associates and corporate assets.

3. SEGMENT INFORMATION *(Continued)*

Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

For the year ended 31 December 2014

	Property development *HK$'000*	**Property investment** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of property, plant and equipment	**506**	**725**	**687**	**1,918**
Fair value changes on investment properties	**–**	**9,765**	**–**	**9,765**
Impairment loss on properties held for sale	**2,318**	**–**	**–**	**2,318**
Interest income	**(4,430)**	**(1,730)**	**(2,022)**	**(8,182)**
Finance costs	**–**	**1,653**	**–**	**1,653**

For the year ended 31 December 2013

	Property development *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	472	1,123	676	2,271
Fair value changes on investment properties	–	(11,101)	–	(11,101)
Impairment loss on properties held for sale	14,836	–	–	14,836
Loss on disposal of investment properties	–	150	–	150
Interest income	(3,488)	(1,656)	(365)	(5,509)
Finance costs	–	1,828	–	1,828

Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

No major customers contributed over 10% of total sales of the Group for the years ended 31 December 2014 and 2013.

4. REVENUE

The following is an analysis of the Group's revenue from its major business activities:

	2014 *HK$'000*	2013 *HK$'000*
Sale of properties held for sale	**509,845**	199,485
Rental income from investment properties	**14,460**	12,917
	524,305	212,402

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income from banks	**8,182**	5,509
Exchange gain, net	**–**	844
Gain on disposal of property, plant and equipment	**184**	–
Others	**1,100**	2,748
	9,466	9,101

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on borrowings which are repayable within five years:		
Bank loans	**2,046**	3,260
Other loan	**–**	6
Imputed interest expense on loans from non-controlling shareholders	**106**	1,066
	2,152	4,332
Interest on borrowings which are repayable after five years:		
Bank loans	**–**	420
	2,152	4,752
Interest on convertible notes	**2,929**	9,010
Total borrowing costs	**5,081**	13,762
Less: Amounts capitalised in properties held under development*	**(3,428)**	(11,934)
	1,653	1,828

* The finance costs have been capitalised at a rate of 2.67% (2013: 3.85%) per annum.

7. PROFIT BEFORE TAX

	2014 HK$'000	2013 HK$'000
Profit before tax is arrived at after charging (crediting):		
Cost of properties sold	**410,276**	163,013
Impairment loss on properties held for sale	**2,318**	14,836
Cost of properties held for sale recognised as expense	**412,594**	177,849
Depreciation of property, plant and equipment	**1,927**	2,621
Less: amount capitalised in properties held under development	**(9)**	(350)
	1,918	2,271
Outgoings in respect of investment properties that generated rental income during the year	**3,239**	2,844
Operating lease charges in respect of land and buildings	**1,490**	356
Impairment loss on goodwill	**16**	7,799
Impairment loss on amount due from an associate	**19**	–
Impairment loss on other receivables	**–**	74
Auditor's remuneration	**1,900**	1,350
Staff costs		
– Directors' emoluments	**22,210**	12,868
– Salaries and other benefits in kind	**19,600**	21,437
– Compensation*	**19,365**	–
– Amount recognised as expense for retirement benefit costs	**2,089**	1,655
Less: Amount capitalised in properties held under development	**(5,648)**	(11,415)
	57,616	24,545
(Gain) loss on disposal of property, plant and equipment	**(184)**	8
Loss on disposal of investment properties	**–**	150
Exchange loss (gain), net	**1,711**	(844)

* This amount represents the compensation, mainly included severance payment, discretionary award and complimentary payment, to be payable by the Group to its employees in Suzhou, the PRC, under the Sale and Purchase Agreement as disclosed in note 1, as part of the sale and purchase of shares in the Company. Such amount has been recognised as expenses in the consolidated statement of profit or loss during the year ended 31 December 2014 and will be paid to its employees within one year from the Completion Date regardless whether the employees tender resignation by that time or not.

8. INCOME TAX EXPENSE

	Notes	2014 *HK$'000*	2013 *HK$'000*
Current tax			
PRC Enterprise Income Tax	*(a)*	**21,143**	15,273
PRC Land Appreciation Tax ("LAT")	*(b)*	**4,417**	6,062
		25,560	21,335
Deferred tax		**2,014**	4,895
Total income tax expense		**27,574**	26,230

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Final dividend of 0.2 HK cents per ordinary share for 2012 paid as distribution during the year	**–**	2,579

No dividend for the years ended 31 December 2014 and 2013 has been proposed by the Board.

10. EARNINGS (LOSS) PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings per share	**16,326**	(14,739)

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,353,716,018**	1,291,544,460
Effect of dilutive potential ordinary shares in respect of		
– Share options	**6,867,344**	–
– Convertible notes	**21,718,555**	–
Weighed average number of ordinary shares for the purpose of diluted earnings per shares	**1,382,301,917**	1,291,544,460

No diluted loss per share for the year ended 31 December 2013 was presented as the exercise of share options and conversion of convertible notes would result in a reduction in loss per share for the year ended 31 December 2013.

11. ACCOUNTS RECEIVABLE

	2014	2013
	HK$'000	*HK$'000*
Accounts receivable	**10**	166

11. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable represent rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2013: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in Renminbi. The ageing analysis of the Group's accounts receivable, based on invoice dates, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**10**	127
31 – 60 days	**–**	39
	10	166

The carrying amount of accounts receivable is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2014 and 2013, all accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

12. ACCOUNTS PAYABLE

Based on the invoice dates, the ageing analysis of the Group's accounts payable is as follows:

		2014	2013
	Notes	***HK$'000***	*HK$'000*
Within 30 days		**–**	8
31 – 60 days		**–**	12
Over 365 days		**894**	1,420
Rental received on behalf of landlords	*(a)*	**894**	1,440
Accrued construction cost and other project-related expenses	*(b)*	**70,770**	110,739
		71,664	112,179

Notes:

(a) Rental received on behalf of landlords comprised net rental received from tenants after netting off fee charged to them provided by external service providers.

(b) The amounts represent construction cost and other project-related expenses payable which are accrued based on the terms of the relevant agreements and the progress of the projects, and are not due for payment as at the end of both reporting periods.

CHAIRMAN'S STATEMENT

Results and Dividends

For the year ended 31 December 2014, the Group's revenue was approximately HK$524.3 million (2013: HK$212.4 million). Profit attributable to owners of the Company was approximately HK$16.3 million (2013: loss attributable to owners of the Company: HK$14.7 million). Basic earnings per share were approximately 1.21 HK cents (2013: basic loss per share: 1.14 HK cents).

The Board does not recommend the payment of a dividend at this time. Consequently, no dividend was proposed for the year ended 31 December 2014.

Business Review and Outlook

The year 2014 was an important year for the Group to continue its ongoing successes and pave the way for future progress. Mr. WONG Hong King has completed the acquisition of interests in the Company during the year and became the controlling shareholder of LVGEM (China) (formerly known as New Heritage Holdings Ltd.), opening a new chapter in the Group's development. Adhering to the philosophy of "Construct the Green Dream House" and led by a visionary management team with practical experience, LVGEM (China) has formulated short to long-term development plans after keeping abreast of market trends and conducting acute analysis. These plans aim to accelerate external expansion and optimise the internal corporate management model so as to create new growth drivers for the Group.

Expanding business presence and accelerating business development

In the second half of 2014, a number of cities in Mainland China have relaxed or even cancelled the Home Purchase Restriction measures and limits on mortgages. In 2015, the Central Government has continued to remove the restrictions on the property market to stimulate purchasing power within the market. The Group believes that these actions send positive signals about the prospects of the property industry and its own growth. The Group has continued to implement its short to long-term development plans, which include expanding its business geographically from Suzhou to other cities in Southern China, evaluating projects in different regions and increasing land bank in Suzhou, Shenzhen and other cities in Southern China in a timely manner, to lay a solid foundation for the Group's sustainable development in the future.

Diversifying business and enhancing profitability

As for its scope of business, the Group will implement diverse strategies to develop and/or invest in businesses in addition to residential properties, including quality office buildings, shopping malls, serviced apartments and hotels. Through the meticulous planning of the new management team, the Group has signed a letter of intent relating to proposed acquisition of a parcel of land and the building project above the parcel in Bao'an District in Shenzhen in October 2014. Once the acquisition is confirmed, the project would generate a continuous and stable cash flow and attractive rental income for the Group. The project, if acquired, would not only help enhancing the Group's profitability and capital accumulation capability but also pave the way for the development of other new projects.

Optimising corporate management and improving operational efficiency

In order to achieve long-term and stable growth, in the second half of 2014, the Group has started to optimise the organisational structure of the management and staff teams in Hong Kong and Suzhou while improving operational efficiency through strengthening internal controls. The Group has also updated the electronic financial information system for more timely delivery of management information and the improvement of work efficiency. In addition, the Group has strived to improve its cash collection management by measures such as strengthening the cooperation with partnering banks, enhancing the collection of sales revenue, and reinforcing the Group's ability in cash flow management.

Keeping abreast of market developments and identifying outstanding opportunities

The Group resolves to capitalise on past achievements in order to prepare for a better future in 2015. Despite that the property market in China offers rich growth potential under the policy of relaxing credit, the current challenges and risks should not be overlooked. The Group formulates strategy based on an analysis of prevailing market conditions, and is carefully evaluating other potential businesses and seeks breakthroughs through consolidating property development and investment businesses. With regard to this, the Group is considering introducing community O2O service platform to residential properties, to offer convenient and intelligent online and offline property management services to residents and improve their living standard, as well as broaden the Group's income stream. Riding on an experienced management team and a clear development roadmap, the Group is confident of generating stable and fruitful returns for our investors.

In closing, I would like to express my gratitude to my fellow members of the Board and all of our staff for their dedication and support. My fondest wish is, with the concerted efforts of all of us, to drive the Group forward and achieve rapid growth. I would also like to thank our partners and shareholders for their encouragement and trust.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the year under review, the Group continued its focus on property development and investment businesses in Suzhou and persistently sought business opportunities in Shenzhen and other cities in southern China.

Property Development

In the first half of 2014, the real estate market in Suzhou was subject to the constraints from the Government's austerity policies until the second half when they were eased; the Home Purchase Restriction was withdrawn, and the benchmark lending rate was lowered by the People's Bank of China by late 2014. These measures have promoted the market confidence to some extent. The wait-and-see approach attitude was given up by certain potential home buyers.

The Group's various development projects in Suzhou were in progress on schedule in the year under review.

1. ***Taihu Garden Court,*** *Guangfu Town, Wuzhong District, Suzhou*

   During the year under review, Taihu Garden Court's outstanding architectural design and beautiful classical landscaping still outperformed the townhouse projects nearby. Thus, sales result slightly outperformed peripheral villa projects.

   During the year, 1 townhouse of Phase 1 with a gross floor area of about 300 sq.m. was sold with a sales revenue of approximately HK$3.1 million. At the end of December 2014, the remaining 4 townhouses of Phase 1 with a gross floor area of about 1,100 sq.m. were pending for sale.

   5 townhouses of Phase 2 with a gross floor area of about 1,100 sq.m. were sold with a sales revenue of approximately HK$13.5 million during the year. At the end of December 2014, an inventory of 19 townhouses of Phase 2 with a gross floor area of about 4,500 sq.m. were pending for sale.

   Phase 3, which consists of 84 townhouses with a total gross floor area of about 20,000 sq.m., was completed in September 2013. During the year, a total of 12 townhouses with a total gross floor area of about 2,800 sq.m. was sold and contributed a sales revenue of approximately HK$37.4 million. At the end of December 2014, Phase 3 had 72 townhouses in stock with a gross floor area of about 17,000 sq.m.

   The Group will seize the opportunities arising from loosening Home Purchase Restriction, and sell all the townhouses of Taihu Garden Court at appropriate prices within 2015 to achieve the maximum revenue.

2. ***Lakeside Garden Court,*** *Shengze Town, Wujiang District, Suzhou*

   Lakeside Garden Court is targeted at first-time home buyers. The project is highly appreciated by local buyers due to the Group's practice of customer-oriented philosophy, its appealing architectural design, modernity and practicability of living features in social housing project where quality management is enhanced and local culture and characteristics are incorporated. The remarkably high occupancy rate of the first three phases and the successful pre-sales result of Phase 4 were due not only to the absence of Home Purchase Restriction policy in Wujiang but also the accurate positioning and appropriate sales strategy of the project. Phase 4 of the project has been completed during the year, allowing homebuyers to move-in immediately. This element gives the project certain competitive edge on its unsold units.

   The total site area of Lakeside Garden Court, which is being developed in four phases, is about 86,200 sq.m. with a total gross floor area of 152,400 sq.m. approximately.

   As at 31 December 2014, there were only 4 units in Phase 1 remaining for sale, with a total gross floor area of about 400 sq.m.. All units of Phase 2 had been sold out during 2013.

   Phase 3 comprises 86 low-density townhouses, with a gross floor area of around 19,600 sq.m.. During the year, a total of 6 townhouses with a gross floor area of about 1,300 sq.m. were sold, generating revenue of approximately HK$16.3 million. 13 townhouses with gross floor area of about 2,900 sq.m are remaining for sale. The Group plans to sell them at an appropriate price.

Phase 4 consists of 6 blocks of high-rise residential buildings of mainly small apartment units (under 90 sq.m.) with a total gross floor area of about 55,900 sq.m. A total of 558 units of Phase 4 with a gross floor area of about 47,800 sq.m. was sold with a sales revenue of approximately HK$433.6 million. A total of 96 remaining units of Phase 4 with gross floor area of about 8,100 sq.m. are pending for sale. It is planned to have them sold out during 2015.

3. ***Wuzhong Office Building,*** *Wuzhong, Suzhou*

The project is strategically located in the Yuexi Sub-town centre in Wuzhong, with an accessible transportation network. The Yuexi Sub-town centre provides various functions including commercial, financial, cultural, entertainment, administrative office and residential building. Currently, the presence of, Suzhou Customs (蘇州海關), Management Committee of Wuzhong Economic and Technological Development Zone (吳中經濟技術開發區管委會), Wuzhong City Investment Company (吳中區城投公司), Wuzhong Human Resource Market (吳中區人才市場), Wuzhong Administrative Service Centre (吳中區行政服務中心) and a number of government authorities has been established here to constitute a more comprehensive administrative office centre. Xijiang station of Subway Line 4 is adjacent to the project and is expected to operate in 2017.

The site area of the building is approximately 14,600 sq.m. and the gross floor area above ground is around 58,400 sq.m, while the underground space is around 20,000 sq.m. The Group will actively negotiate with the government to optimise the design and function of the project, and strive to turn the project into the landmark building of the Yuexi Sub-town centre in Wuzhong.

Property Investment

During the year under review, Suzhou Government continued to actively adjust the economic structure and the economy has a steady development accordingly.

The Group's investment properties are located in the prime business district of Suzhou New District, and are benefited from the ongoing implementation of development strategy by the Government in Suzhou New District.

1. ***SGV Plaza,*** *Suzhou New District*

SGV Plaza is located at Shi Shan Road, the most prosperous area in New District, with a gross floor area of about 11,000 sq.m.. The occupancy rate as at the end of 2014 was about 94%. Rental income during the year under review amounted to approximately HK$8.1 million. In addition to the ongoing optimisation of tenant mix, the Group will also optimize the space available for operations and increase the operating area so as to drive the rental revenue. Meanwhile, the Group will conduct plans to improve the Plaza's image in order to maintain the level of customer traffic.

2. ***Garden Court Plaza,*** *Suzhou New District*

Garden Court Plaza is located not far away from Bin He Road station of Rail Line 1 with a total gross floor area of about 4,500 sq.m.. During the year under review, rental income amounted to about HK$3.8 million with 100% occupancy rate at the end of 2014. The industrial plant to the east of Bin He Road which is opposite to the mall are being transformed into commercial service project. The clustering effects of shopping centres will benefit Garden Court Plaza in the long run.

3. ***SGV Apartments,*** *Suzhou New District*

SGV Apartments enjoys sound reputation from local middle-class families. As such, the district has gradually transformed from a rental housing for foreign senior management into a residential housing for locals who have high income. The price of SGV Apartments gradually rises along with the continual improvement of the peripheral infrastructure and completion of the landmark complex of the city. The Group holds residential investment properties of about 5,500 sq.m. (34 units). During 2014, rental income was approximately HK$2.6 million.

4. ***Investment in Beijing Landmark Towers Co., Ltd. ("Beijing Landmark")***

On 8 May 2014, the Group sold Accordcity Limited, which held the indirect interests in Beijing Landmark, details of which are set out in the paragraph headed "Major Corporate Events" below.

Property Management

The Group continued its outsourcing policy. In the process of identifying and appointing local property management companies, the Group exercised careful due diligence to ensure these property companies are fully licensed and qualified. The Group coordinated with government authorities for the establishment of owner's association or property management committee in accordance with local rules and regulations.

Strategic Partnerships

Spinnaker Capital Group

Spinnaker Capital Group remains a strategic non-controlling shareholder (which beneficially owns 39.2% interest) in one of the Group's subsidiaries – Suzhou New Heritage GF Limited which is the development entity of Taihu Garden Court.

Asia Financial Group

The 9.615% interests (together with relevant shareholder's loans) in LVGEM (Suzhou) Real Estate Investment Company Limited (formerly known as New Heritage Development Limited), a subsidiary of the Company, held by Asia Financial Group ("AFG") were repurchased by the Group on 8 May 2014. On 7 August 2014, AFG, together with its wholly-owned subsidiary, has exercised their conversion right in the Company's convertible notes in the total principal amount of HK$40 million and a total of 36,363,635 new shares of the Company was issued, details of which are set out in the paragraph headed "Major Corporate Events" below.

Major Corporate Events

On 21 January 2014, China LVGEM as purchaser and Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors") had entered into a conditional sale and purchase agreement for the disposal of an aggregate of 858,800,792 shares in the Company ("Shares") of HK$0.01 each (the "Disposal Shares") in the share capital of the Company by the Vendors to China LVGEM (the "Share Disposal"). The Disposal Shares represented approximately 64.83% of the then issued share capital of the Company. Immediately after completion of the Share Disposal on 8 May 2014, China LVGEM became the controlling shareholder of the Company. The Share Disposal triggered an obligation on the part of China LVGEM to make mandatory unconditional general offers for the then issued Shares and other outstanding securities of the Company under Rule 26 of The Hong Kong Code on Takeovers and Mergers (other than those already owned by or acquired by China LVGEM and parties acting in concert with it) (the "Offers"). The Offers were closed on 5 June 2014.

On 28 February 2014, the Group entered into the following conditional sale and purchase agreements:

1. The Group as purchaser entered into a conditional sale and purchase agreement (the "NHDL Acquisition Agreement") with Onsite Investment Limited as vendor in respect of the sale and purchase of 15 shares in the capital of New Heritage Development Limited and the shareholder's loan due and owing by New Heritage Development Limited to Onsite Investment Limited as at the date of the NHDL Acquisition Agreement at a consideration of HK$72,919,000 in aggregate (apportioned as to HK$46,459,000 for the sale shares and as to HK$26,460,000 for the shareholder's loan).

2. The Group as vendor entered into a conditional sale and purchase agreement (the "Accordcity Disposal Agreement") with Highmind Limited as purchaser in respect of the sale and purchase of the entire issued share capital of Accordcity Limited (which indirectly holds 30.05% interest in Beijing Landmark) and the shareholder's loan due and owing by Accordcity Limited to the Group at completion of the Accordcity Disposal Agreement, which was estimated to be HK$76,100,000, at a consideration of HK$170,252,000 in aggregate (apportioned as to HK$94,152,000 for the sale shares and as to HK$76,100,000 for the shareholder's loan), subject to a dollar-to- dollar adjustment to the consideration for the shareholder's loan such that the consideration for the shareholder's loan shall be equal to the face value of the actual shareholder's loan at the completion date.

3. The Group as vendor entered into a conditional sale and purchase agreement (the "NHML Disposal Agreement") with Gavett Limited as purchaser in respect of the sale and purchase of the entire issued share capital of New Heritage Management Limited and the shareholder's loan due and owing by New Heritage Management Limited to the Group at completion of the NHML Disposal Agreement, which was estimated to be HK$9,000,000, at a consideration of HK$23,210,000 in aggregate (apportioned as to HK$14,210,000 for the sale shares and as to HK$9,000,000 for the shareholder's loan), subject to a dollar-to-dollar adjustment to the consideration for the shareholder's loan such that the consideration for the shareholder's loan shall be equal to the face value of the actual shareholder's loan at the completion date.

Each of the NHDL Acquisition Agreement, the Accordcity Disposal Agreement and the NHML Disposal Agreement was completed on 8 May 2014.

Upon the close of the Offers, there were 249,316,063 shares of the Company, representing approximately 18.50% of the then total issued share capital of the Company, held by the public. As a result, the Company could not fulfil the minimum public float requirement under Rule 8.08(1)(a) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accordingly, the Company had made an application for and the Stock Exchange had granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from 5 June 2014 up to and including 5 September 2014.

China LVGEM had disposed of an aggregate of 47,716,000 shares on the open market in July and August 2014.

On 1 August 2014, China LVGEM entered into the placing agreement with the placing agent in relation to the placing of 50,000,000 shares on a best efforts basis. Pursuant to the placing agreement, the placing agent executed the sale of 40,000,000 shares on 5 August 2014.

On 7 August 2014, the Company received notices from Asia Financial Holdings Limited and Asia Insurance Company, Limited (collectively the "CN Subscribers"), requesting for the conversion of the 2011 Convertible Notes in the principal amount of HK$25,000,000 and HK$15,000,000, respectively. Accordingly, the Company has allotted and issued a total of 36,363,635 conversion shares to the CN Subscribers at the conversion price of HK$1.10 per conversion share on 7 August 2014. Upon the conversion, no 2011 Convertible Notes remained outstanding. On the same date, the Company has restored the public float to fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

The shareholders of the Company have passed a special resolution at the extraordinary general meeting ("EGM") of the Company held on 15 August 2014 to change the English name of the Company from "New Heritage Holdings Ltd." to "LVGEM (China) Real Estate Investment Company Limited" and to adopt "綠景(中國)地產投資有限公司" (formerly known as "新澤控股有限公司") as the dual foreign name of the Company. The Company has obtained the Certificate of Incorporation on Change of Name from the Registrar of Companies in the Cayman Islands and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company from the Registrar of Companies in Hong Kong on 1 September and 17 September 2014 respectively.

Financial Review

Revenue

The Group's revenue mainly comprised of revenue from sales of properties held for sale and leasing of investment properties. The Group's revenue for the year ended 31 December 2014 was approximately HK$524.3 million (2013: HK$212.4 million), representing an increase of approximately 147% when compared with last year. The increase in the Group's revenue was mainly due to the increase in revenue from sales of properties held for sale.

The revenue from sales of properties held for sale included the disposal of 18 low-density townhouses in Taihu Garden Court Phase 1, 2 and 3, 6 low-density townhouses and 558 residential apartment units in Lakeside Garden Court Phase 3 and 4 respectively as well as 1 residential apartment unit in Suzhou Garden Towers of approximately HK$54.0 million, approximately HK$16.3 million, approximately HK$433.6 million and approximately HK$5.9 million respectively. The Group's total gross floor area of development properties sold for the year ended 31 December 2014 was approximately 53,300 sq.m. (2013: 16,100 sq.m.).

Revenue from leasing of investment properties for the year ended 31 December 2014 was approximately HK$14.5 million (2013: HK$12.9 million). The revenue generated from leasing of investment properties in Suzhou Garden Villa and two retail centres were approximately HK$2.6 million (2013: HK$2.6 million) and approximately HK$11.9 million (2013: HK$10.3 million) respectively.

Operating Results

For the year ended 31 December 2014, the Group's gross profit amounted to approximately HK$108.5 million (2013: HK$31.7 million). The gross profit margin for the year ended 31 December 2014 was approximately 21% as compared to approximately 15% last year.

Administrative expenses increased significantly from approximately HK$39.9 million for the year ended 31 December 2013 to approximately HK$96.9 million for the year under review. It was primarily attributable to the amounts payable to directors, employees in Hong Kong and Suzhou, PRC and professional expenses incurred of approximately HK$39.0 million in total as a result of the acquisition of controlling shareholdings of the Company by China LVGEM during the year and the subsequent mandatory general offers made by China LVGEM for all the securities of the Company, the closing of which took place in June 2014.

The valuation on the Group's investment properties as at 31 December 2014 was conducted by an independent property valuer which resulted in a negative fair value adjustment of approximately HK$9.8 million for the year ended 31 December 2014 (2013: positive fair value adjustment of approximately HK$11.1 million).

During the year under review, none of the investment properties was sold (2013: Total consideration of investment properties sold was approximately HK$7.3 million).

During the year under review, gain on disposal of subsidiaries of approximately HK$39.2 million was resulted from disposal of Accordcity Limited and its subsidiary and New Heritage Management Limited and its subsidiaries of approximately HK$27.4 million and HK$11.8 million respectively.

For the year ended 31 December 2014, share of results of associates mainly represented the profit contributed by Beijing Landmark, an associate of Accordcity Limited for the period up to the date of disposal of Accordcity Limited of approximately HK$7.0 million (2013: HK$19.8 million).

For the year ended 31 December 2014, the profit attributable to the owners of the Company was approximately HK$16.3 million (2013: loss of HK$14.7 million) which represented a basic earnings per share of 1.21 HK cents (2013: basic loss per share 1.14 HK cents).

Liquidity, Financial Resources and Gearing

Bank balances and cash as at 31 December 2014 amounted to approximately HK$483.1 million (2013: HK$435.8 million).

The Group had total bank borrowings of approximately HK$23.7 million as at 31 December 2014 (2013: HK$80.5 million). Borrowings classified as current liabilities were approximately HK$9.1 million (2013: HK85.2 million) and the Group's gearing ratio as at 31 December 2014 was approximately 2% (2013: 8%), which was based on total bank borrowings to total equity.

Current, Total and Net Assets

As at 31 December 2014, the Group had current assets of approximately HK$1,000.4 million (2013: HK$1,343.0 million) and current liabilities of approximately HK$136.9 million (2013: HK$655.7 million) which represented an increase in net current assets from approximately HK$687.3 million as at 31 December 2013 to approximately HK$863.5 million as at 31 December 2014.

As at 31 December 2014, the Group recorded total assets of approximately HK$1,313.1 million (2013: HK$1,876.8 million) and total liabilities of approximately HK$278.7 million (2013: HK$805.9 million), representing a debt ratio (total liabilities over total assets) of approximately 21% (2013: 43%). Net assets of the Group were approximately HK$1,034.3 million as at 31 December 2014 (2013: HK$1,070.9 million).

The Group is able to utilise its internal reserves and debt financing to meet the funding requirements when opportunities for land acquisition arise.

Charge on Assets

As at 31 December 2014, bank loans of approximately HK$21.1 million were secured by investment properties of the Group of approximately HK$160.5 million.

As at 31 December 2013, bank loans of approximately HK$57.0 million were secured by certain land and buildings and investment properties of the Group of approximately HK$37.5 million and HK$167.7 million respectively.

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as at 31 December 2014.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's monetary assets, loans and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. During the year under review, there was no significant fluctuation in the exchange rates of these three currencies apart from the depreciation of currency of Renminbi against United States dollars and Hong Kong dollars. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure for the years ended 31 December 2014 and 2013.

Treasury Policies and Capital Structure

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Employees

As at 31 December 2014, the Group had a staff roster of 69 (2013: 99), of which 53 (2013: 72) employees were based in the mainland China and 16 (2013: 27) employees in Hong Kong SAR. The remuneration of employees was in line with the market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives such as the granting of share options within an approved scheme.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2015 to 14 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 May 2015.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality board, transparency and accountability to all shareholders of the Company.

Throughout the year ended 31 December 2014, save as disclosed below, the Group complied with all the code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. In respect of Code Provision A.6.7 of the Code, due to personal or business engagement, a former non-executive Director did not attend the annual general meeting and extraordinary general meeting of the Company both held on 5 May 2014, and three independent non-executive Directors did not attend the extraordinary general meeting of the Company held on 15 August 2014.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. The Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2014.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2014.

The consolidated financial statements have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu. The unqualified auditor's report will be included in the 2014 Annual Report to shareholders.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

The Company has not redeemed any of its shares during the year. Other than the issue of 23,270,000 shares and 36,363,635 shares by the Company pursuant to the exercise of share options and conversion of the remaining part of the convertible notes of the Company in the aggregate principal amount of HK$40,000,000 during the year respectively, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND CIRCULAR

The annual results announcement is published on the websites of the Company (www.lvgem-china.com) and the Stock Exchange (www.hkex.com.hk). The 2014 Annual Report and a circular containing the notice of Annual General Meeting will be dispatched to shareholders in due course.

GENERAL INFORMATION

As at the date of this announcement, the Board comprises Miss HUANG Jingshu (Chairman), Mr. YIM Chun Leung (Chief Executive Officer), Mr. YE Xingan, Mr. CHEN Tieshen and Ms. DENG Chengying as executive Directors and Mr. ZHU Jiu Sheng, Mr. WANG Jing and Ms. HU Gin Ing as independent non-executive Directors.

This annual results announcement only gives a summary of the information and particulars of the 2014 Annual Report from which the contents of this announcement are derived.

By order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman

Hong Kong, 17 March 2015