道和環球
DAOHE GLOBAL

Daohe Global Group Limited
道和環球集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 915)

ANNOUNCEMENT OF FINAL RESULTS FOR THE EIGHT MONTHS ENDED 31 DECEMBER 2017

FINAL RESULTS HIGHLIGHTS:

- Revenue of the Group for the eight months ended 31 December 2017 was approximately US$78.5 million (year ended 30 April 2017: approximately US$90.5 million). During the period, the trading and supply chain management services and operation of online social platform recorded revenue of approximately US$63.7 million and approximately US$14.8 million respectively, accounted for approximately 81.1% and approximately 18.8% of the Group's total revenue respectively.

- Loss for the eight months ended 31 December 2017 amounted to approximately US$76.2 million. The loss included non-cash impairment losses on goodwill and amortisation of intangible assets of approximately US$73.1 million and approximately US$7.6 million respectively. Excluding non-cash impairment losses on goodwill, amortisation of intangible assets, net of deferred tax credit of approximately US$1.9 million, the Group's profit for the period would be approximately US$2.6 million, representing an increase of approximately US$2.3 million as compared to a profit of approximately US$0.3 million for the year ended 30 April 2017.

- The Directors do not recommend the payment of a final dividend for the eight months ended 31 December 2017.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Daohe Global Group Limited (the "**Company**") announces the condensed consolidated financial information of the Company and its subsidiaries (together, the "**Group**") for the eight months ended 31 December 2017, together with comparative figures for the previous year, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

	Note	**Eight months ended 31 December 2017** *US$'000*	Year ended 30 April 2017 *US$'000* (Restated)
REVENUE	*2*	**78,527**	90,470
Cost of sales		**(60,282)**	(68,851)
Gross profit		**18,245**	21,619
Other income		**543**	288
Selling and marketing expenses		**(8,638)**	–
General and administrative expenses		**(14,931)**	(20,910)
Gain on disposal of a subsidiary		**–**	62
Expenses in relation to a proposed acquisition		**–**	(638)
Share of loss of a joint venture		**(1)**	–
Impairment losses on goodwill	*8*	**(73,098)**	–
(LOSS)/PROFIT BEFORE TAX	*3*	**(77,880)**	421
Income tax credit/(expense)	*4*	**1,690**	(167)
(LOSS)/PROFIT FOR THE PERIOD/YEAR		**(76,190)**	254
ATTRIBUTABLE TO:			
Owners of the Company		**(76,187)**	290
Non-controlling interests		**(3)**	(36)
		(76,190)	254
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cents)	*6*		
Basic *(Note)*		**(5.24)**	0.03
Diluted *(Note)*		**(5.24)**	0.03

Note:

Adjusted for the effect of share subdivision of the Company with effect from 10 August 2017.

Condensed Consolidated Statement of Comprehensive Income

	Eight months ended 31 December 2017 *US$'000*	Year ended 30 April 2017 *US$'000*
(LOSS)/PROFIT FOR THE PERIOD/YEAR	**(76,190)**	254
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified subsequently to profit or loss:		
Exchange differences:		
Translation of foreign operations	**6,740**	(126)
Reclassification adjustment		
– disposal of a subsidiary	**–**	(4)
Other comprehensive income/(loss) to be reclassified subsequently to profit or loss	**6,740**	(130)
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plan	**20**	(27)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	**6,760**	(157)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR	**(69,430)**	97
ATTRIBUTABLE TO:		
Owners of the Company	**(69,427)**	131
Non-controlling interests	**(3)**	(34)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD/YEAR	**(69,430)**	97

Condensed Consolidated Statement of Financial Position

	Note	**31 December 2017** *US$'000*	30 April 2017 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**595**	269
Goodwill	*8*	**68,531**	26,373
Other intangible assets	*7*	**54,565**	–
Available-for-sale financial asset		**229**	229
Investment in a joint venture		**9**	10
Deposit for acquisition of subsidiaries		**–**	2,571
Deposits		**349**	303
Deferred tax asset		**12**	12
Total non-current assets		**124,290**	29,767
CURRENT ASSETS			
Inventories		**55**	52
Available-for-sale financial asset		**765**	–
Loan receivable		**–**	6,000
Trade receivables	*9*	**8,578**	5,390
Prepayments, deposits and other receivables		**4,653**	3,360
Cash and cash equivalents		**13,278**	14,797
Total current assets		**27,329**	29,599
CURRENT LIABILITIES			
Trade payables	*10*	**5,384**	4,659
Accruals, provisions and other payables		**11,691**	9,786
Deferred revenue		**1,172**	–
Tax payable		**2,487**	2,480
Total current liabilities		**20,734**	16,925
NET CURRENT ASSETS		**6,595**	12,674
TOTAL ASSETS LESS CURRENT LIABILITIES		**130,885**	42,441

	Note	31 December 2017 US$'000	30 April 2017 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,659**	–
Loan from a director	*12(b)*	**3,856**	–
Post-employment benefits		**474**	553
Provisions		**1,405**	1,228
Total non-current liabilities		**19,394**	1,781
NET ASSETS		**111,491**	40,660
EQUITY			
Share capital		**20,128**	14,128
Reserves		**91,371**	26,537
Equity attributable to owners of the Company		**111,499**	40,665
Non-controlling interests		**(8)**	(5)
TOTAL EQUITY		**111,491**	40,660

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the eight months ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under historical cost convention, except for available-for-sale financial assets which have been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

For the year ended 30 April 2017, the Group prepared its financial statements in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by the International Accounting Standards Board. The eight months ended 31 December 2017 is the first period the Group prepared its condensed consolidated financial statements in accordance with HKFRSs. Accordingly, the Group has prepared the comparative period data for the year ended 30 April 2017 in accordance with HKFRSs. In preparing these financial statements, the Group's date of transition to HKFRSs was 1 May 2016. The transition to HKFRSs did not have any impact on the accounting policies, and the financial position of the Group as at 1 May 2016 and 30 April 2017 and its financial performance for the year ended 30 April 2017, so the reconciliations as required under HKFRS 1 "First Time Adoption of Hong Kong Financial Reporting Standards" are not presented.

Change of financial year end date

Pursuant to the resolution of the board of directors of the Company dated 21 September 2017, the Group's financial year end date has been changed from 30 April to 31 December (the "**Change**") commencing from the financial period ended 31 December 2017. The Change is to align the financial year end date of the Company with the operating subsidiaries established in the PRC. This facilitates the preparation of the consolidated financial statements of the Group and for the benefit of the overall development of the Group in the long run.

Accordingly, the condensed consolidated financial statements and the related notes presented for the current period covered an eight-month period from 1 May 2017 to 31 December 2017 while the corresponding comparative amounts shown for these financial statements and the related notes covered a twelve-month period from 1 May 2016 to 30 April 2017, which, as a result, may not be comparable with amounts shown for the current period.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their nature of business and has three reportable operating segments as follows:

(a) trading and supply chain management services *(Note)*;

(b) operation of online social platform; and

(c) money lending business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income, gain on disposal of a subsidiary, expenses in relation to a proposed acquisition, share of loss of a joint venture as well as corporate and other unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Note:

Following the acquisition of the operation of online social platform and the change in the internal structure of the Group, management of the Group has decided to consolidate the segments of "Sales of merchandise" and "Provision of services" into "Trading and supply chain management services" considering that they are operated under the same management team. The segment information for earlier periods has been restated to conform with these changes.

Eight months ended 31 December 2017	**Trading and supply chain management services** *US$'000*	**Operation of online social platform** *US$'000*	**Money lending business** *US$'000*	**Total** *US$'000*
Segment revenue:				
Revenue from external customers	**63,682**	**14,750**	**95**	**78,527**
Segment results	**(9,927)**	**(65,981)**	**32**	**(75,876)**
Interest income				**9**
Share of loss of a joint venture				**(1)**
Corporate and other unallocated expenses				**(2,012)**
Loss before tax				**(77,880)**
Income tax credit				**1,690**
Loss for the period				**(76,190)**
Other segment information:				
Impairment losses on goodwill	**13,600**	**59,458**	**40**	**73,098**
Amortisation of intangible assets	**–**	**7,641**	**–**	**7,641**
Depreciation	**111**	**98**	**–**	**209**
Capital expenditures	**152**	**267**	**–**	**419**
Impairment of trade receivables	**171**	**–**	**–**	**171**

Year ended 30 April 2017	Trading and supply chain management services *US$'000* (Restated)	Money lending business *US$'000*	Total *US$'000*
Segment revenue:			
Revenue from external customers	90,242	228	90,470
Segment results	2,767	129	2,896
Interest income			16
Gain on disposal of a subsidiary			62
Expenses in relation to a proposed acquisition			(638)
Corporate and other unallocated expenses			(1,915)
Profit before tax			421
Income tax expense			(167)
Profit for the year			254
Other segment information:			
Depreciation	282	–	282
Capital expenditures	138	–	138
Impairment of trade receivables	155	–	155

Geographical information

(a) Revenue from external customers

	Eight months ended 31 December 2017 ***US$'000***	Year ended 30 April 2017 *US$'000* (Restated)
Australia	**25,296**	34,939
North America	**19,183**	28,221
People's Republic of China (the "**PRC**")	**17,350**	3,558
Africa	**10,383**	16,995
Europe	**5,109**	4,880
Others	**1,206**	1,877
	78,527	90,470

The revenue information above is based on the location of the customers.

(b) Non-current assets

	31 December 2017 *US$'000*	30 April 2017 *US$'000* (Restated)
PRC	**110,499**	35
Hong Kong	**13,467**	29,407
Others	**83**	84
	124,049	29,526

The non-current asset information above is based on the location of assets and excludes an available-for-sale financial asset and deferred tax assets.

Information about major customers

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

	Operating segment	**Eight months ended 31 December 2017** *US$'000*	Year ended 30 April 2017 *US$'000*
Customer A	Trading and supply chain management services	**24,298**	34,449
Customer B	Trading and supply chain management services	**13,696**	20,425
Customer C	Trading and supply chain management services	**10,383**	16,973
		48,377	71,847

3. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Eight months ended 31 December 2017 *US$'000*	Year ended 30 April 2017 *US$'000*
Depreciation	**209**	282
Amortisation of intangible assets	**7,641**	–
Gain on disposal of a subsidiary	**–**	(62)
Expenses in relation to a proposed acquisition	**–**	638
Gain on disposal of property, plant and equipment	**(22)**	(4)
Impairment losses on goodwill	**73,098**	–
Impairment of trade receivables	**171**	155

4. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 30 April 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Eight months ended 31 December 2017 *US$'000*	Year ended 30 April 2017 *US$'000*
Current		
– Hong Kong	**190**	153
– Outside Hong Kong	**50**	49
Net overprovision in prior years	**(37)**	(33)
Deferred	**(1,893)**	(2)
Total tax (credit)/expense for the period/year	**(1,690)**	167

At the date of this announcement, the Group received protective assessments amounting to approximately HK$188,000,000 (equivalent to US$24,165,000) from the Inland Revenue Department in Hong Kong (the "**IRD**") in respect of queries on the modus operandi of the Group and the chargeability of the profits for the years of assessment from 2003/2004 to 2011/2012 (the "**Case**"). Objections have been lodged by the Group against the protective assessments. In addition, Tax Reserve Certificates amounting to HK$5,250,000 (equivalent to US$675,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under protective assessments for these years.

The Group submitted a settlement proposal as part of negotiation with the IRD in relation to the Case in April 2015. Subsequent to the submission to the IRD with the assistance of an external tax specialist, the Group kept close dialogue with the IRD and understood that the IRD required additional evidence from the Group to further assess the tax position. As at the date of this announcement, the Case was still under negotiation with the IRD. Despite the unknown outcome, the Group is of the view that sufficient tax provisions have been made in the financial statements based on the information available.

5. DIVIDEND

	Eight months ended 31 December 2017 *US$'000*	Year ended 30 April 2017 *US$'000*
Interim, paid, of nil (year ended 30 April 2017: 0.46 HK cent per ordinary share) *(Note)*	**–**	626

The Directors do not recommend the payment of a final dividend for the eight months ended 31 December 2017.

Note:

Dividend for the year ended 30 April 2017 was adjusted for the effect of share subdivision of the Company with effect from 10 August 2017.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period/year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the period/year, after taking into account the share subdivision of the Company with effect from 10 August 2017.

The Group had no dilutive potential ordinary shares in issue for the period/year.

The calculations of the basic and diluted (loss)/earnings per share are as follows:

	Eight months ended 31 December 2017	Year ended 30 April 2017 (Restated)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(76,187)**	290
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the period/year *('000) (Note)*	**1,452,654**	1,059,593

Note:

Adjusted for the effect of share subdivision of the Company with effect from 10 August 2017.

7. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment *US$'000*	**Other intangible assets** *US$'000*	**Total** *US$'000*
At 1 May 2017, net of accumulated depreciation and amortisation	**269**	**–**	**269**
Acquisition of subsidiaries	**111**	**59,689**	**59,800**
Additions	**419**	**–**	**419**
Disposals	**(3)**	**–**	**(3)**
Depreciation charged for the period	**(209)**	**–**	**(209)**
Amortisation charged for the period	**–**	**(7,641)**	**(7,641)**
Exchange realignment	**8**	**2,517**	**2,525**
At 31 December 2017, net of accumulated depreciation and amortisation	**595**	**54,565**	**55,160**
	US$'000	*US$'000*	*US$'000*
At 1 May 2016, net of accumulated depreciation	416	–	416
Additions	138	–	138
Disposals	(1)	–	(1)
Depreciation charged for the year	(282)	–	(282)
Exchange realignment	(2)	–	(2)
At 30 April 2017, net of accumulated depreciation	269	–	269

8. GOODWILL

	US$'000
At 1 May 2017, net of accumulated impairment	**26,373**
Acquisition of subsidiaries	**110,297**
Impairment charged for the period	**(73,098)**
Exchange realignment	**4,959**
At 31 December 2017, net of accumulated impairment	**68,531**
At 1 May 2016, net of accumulated impairment	26,857
Acquisition of a subsidiary	40
Disposal of a subsidiary	(524)
At 30 April 2017, net of accumulated impairment	26,373

Impairment testing of goodwill

Goodwill has been allocated to the following cash-generating units for impairment testing:

- Trading and supply chain management services;
- Operation of online social platform; and
- Others

The recoverable amounts of the cash-generating units have been determined based on value in use calculation using cash flow projections based on financial budgets approved by senior management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenue and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rates applied to the cash flow projections for trading and supply chain management services, operation of online social platform and others are 12% (year ended 30 April 2017: 11%), 28% (year ended 30 April 2017: nil) and 10% (year ended 30 April 2017: 10%), respectively. The estimated growth rates used to extrapolate the cash flow projections for trading and supply chain management services, operation of online social platform and others beyond the five-year period are 0% (year ended 30 April 2017: 3%), 2.6% (year ended 30 April 2017: nil) and 0% (year ended 30 April 2017: 0%), respectively.

During the eight months ended 31 December 2017, the Group recognised impairment losses of US$13,600,000, US$59,458,000 and US$40,000 in connection with goodwill allocated to the cash-generating units of trading and supply chain management services, operation of online social platform and others, respectively. The impairment losses are made based on the results of impairment tests for the goodwill using their values in use in accordance with HKAS 36. The impairment loss of US$59,458,000 in connection with the goodwill arising from the acquisition of the online social platform was mainly resulted from the increase in fair value of the 150,000,000 shares of the Company allotted and issued as part of the consideration for the acquisition, from the date of the related share purchase agreement dated 21 February 2017 to the completion date of the acquisition on 1 June 2017 as detailed in note 11.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Trading and supply chain management services		Operation of online social platform		Others		Total	
	31 December 2017	30 April 2017	**31 December 2017**	30 April 2017	**31 December 2017**	30 April 2017	**31 December 2017**	30 April 2017
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Goodwill	**12,733**	26,333	**55,798**	–	**–**	40	**68,531**	26,373

9. TRADE RECEIVABLES

The general credit terms granted to customers range from 30 days to 90 days. An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017	30 April 2017
	US$'000	*US$'000*
Within 30 days	**4,704**	2,742
31 to 60 days	**2,501**	953
61 to 90 days	**456**	321
91 to 365 days	**1,218**	1,622
Over 1 year	**251**	132
	9,130	5,770
Impairment	**(552)**	(380)
	8,578	5,390

Note:

The trade receivables aged over 90 days are being carefully monitored by management. Approximately US$552,000 (30 April 2017: approximately US$380,000) of these balances were covered by the impairment.

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 *US$'000*	30 April 2017 *US$'000*
Within 30 days	**4,329**	4,022
31 to 60 days	**826**	468
61 to 90 days	**112**	11
91 to 365 days	**47**	97
Over 1 year	**70**	61
	5,384	4,659

11. ACQUISITIONS OF SUBSIDIARIES

On 21 February 2017, a wholly-owned subsidiary of the Company, Glory Sino Limited ("**Glory Sino**") entered into a share purchase agreement (the "**SP Agreement**") with independent third parties to acquire the entire issued share capital of Loovee Holdings Inc. ("**Loovee**") at a consideration of HK$800,500,000 (equivalent to US$102,892,000).

Loovee, through its subsidiary, is principally engaged in the development and operation of online social platform.

Pursuant to the SP Agreement, the consideration was satisfied by (i) the allotment and issuance of the 150,000,000 shares of the Company at an issue price of HK$4.67 per consideration share; and (ii) a cash consideration of HK$100,000,000 (equivalent to US$12,853,000). For details of the acquisition, please refer to the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 28 April 2017.

The acquisition was subsequently completed on 1 June 2017. The closing share price of the Company on the completion date increased to HK$7.27 and the fair value of the purchase consideration for Loovee increased to approximately HK$1,190,500,000 (equivalent to US$153,020,000) accordingly.

The Group incurred transaction costs of US$638,000 for this acquisition. These transaction costs had been expensed and were included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 30 April 2017. None of the goodwill recognised was expected to be deductible for income tax purpose.

The fair values of the identifiable assets and liabilities of Loovee as at the date of acquisition were as follows:

	Note	***US$'000***
Property, plant and equipment	*7*	**111**
Other intangible assets	*7*	**59,689**
Trade receivables		**637**
Prepayments, deposits and other receivables		**66**
Cash and cash equivalents		**1,308**
Accruals, provisions and other payables		**(2,580)**
Deferred revenue		**(1,585)**
Deferred tax liabilities		**(14,923)**
Total identifiable net assets at fair value		**42,723**
Fair value of purchase consideration:		
Cash		**12,853**
Consideration shares		**140,167**
		153,020
Goodwill	*8*	**110,297**
An analysis of the net cash outflows in respect of the acquisition		
Cash consideration		**12,853**
Less: Deposit paid during the year ended 30 April 2017		**(2,571)**
Less: Cash and cash equivalents acquired		**(1,308)**
Net cash outflows during the period		**8,974**

12. RELATED PARTY TRANSACTIONS

(a) In addition to the balances and transactions detailed elsewhere, the Group had no significant related party transactions during the eight months ended 31 December 2017 and year ended 30 April 2017.

(b) Loan from a director

At 31 December 2017, the loan from a director is unsecured, non-interest-bearing and repayable by 22 May 2019.

(c) Compensation of key management personnel of the Group:

	Eight months ended 31 December 2017 ***US$'000***	Year ended 30 April 2017 *US$'000*
Short term employee benefits	**910**	1,225
Post-employment benefits – defined contribution plans	**49**	93
Total compensation paid to key management personnel	**959**	1,318

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The financial year end date of the Company has been changed from 30 April to 31 December starting from the financial year 2017 in order to align with the financial year of its operating subsidiaries established in the PRC (the "**PRC Operating Subsidiaries**"), thereby streamlining and facilitating the preparation of the consolidated financial statements of the Group. Therefore, the current financial period covers a period of eight months from 1 May 2017 to 31 December 2017 which may not be entirely comparable with last year's results covering a period of twelve months.

Total revenue of the Group for the eight months ended 31 December 2017 was approximately US$78.5 million (year ended 30 April 2017: approximately US$90.5 million), which included revenue of approximately US$14.8 million from the newly acquired online social platform in the PRC. The business of trading and supply chain management services recorded revenue of approximately US$63.7 million during the eight months ended 31 December 2017, it remained the largest business segment of the Group and representing approximately 81.1% of the Group's total revenue.

Gross profit was approximately US$18.2 million for the eight months ended 31 December 2017 (year ended 30 April 2017: approximately US$21.6 million), of which approximately US$3 million was contributed by the newly acquired online social platform.

The operating expenses for the eight months ended 31 December 2017 amounted to approximately US$23.6 million (year ended 30 April 2017: approximately US$20.9 million). The increase was mainly attributable to the cost in relation to the new online social platform business of US$9.6 million.

Loss for the eight months ended 31 December 2017 amounted to approximately US$76.2 million. The loss included the non-cash impairment losses on goodwill and amortisation of intangible assets of approximately US$73.1 million and approximately US$7.6 million respectively. Excluding the impairment losses on goodwill and amortisation of intangible assets, net of deferred tax credit of approximately US$1.9 million, the Group's profit for the period under review would be approximately US$2.6 million, representing an increase of approximately US$2.3 million as compared with a profit of approximately US$0.3 million for the year ended 30 April 2017.

Segmental Analysis

Operating Segment

The Group's business comprises three operating segments: (i) trading and supply chain management services; (ii) operation of online social platform; and (iii) a money lending business.

(i) Trading and supply chain management services

During the period under review, shipment value for trading and supply chain management services was approximately US$145.5 million (year ended 30 April 2017: approximately US$199.3 million). Shipment value for provision of services and trading of merchandise accounted for approximately 62% and 38% (year ended 30 April 2017: approximately 60.5% and 39.5% respectively) of the Group's total shipment value respectively.

Geographical Analysis

	Shipment value	
	Eight months ended 31 December 2017	Year ended 30 April 2017
	US$' million	*US$' million*
North America	**74.5**	104.4
Europe	**34.4**	40.1
Others	**36.6**	54.8
Total	**145.5**	199.3

During the period under review, shipments to North America were approximately US$74.5 million, contributing approximately 51.2% of the total shipment value.

Shipments to Europe were approximately US$34.4 million and accounted for approximately 23.6% of the total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere represented approximately 25.2% of the total shipment value.

Revenue for trading and supply chain management services was approximately US$63.7 million for the period under review (year ended 30 April 2017: approximately US$90.2 million), representing approximately 81.1% of the Group's total revenue.

(ii) Operation of online social platform

On 1 June 2017, the Group acquired the entire issued share capital of Loovee which is principally engaged in the development and operation of 對面 ("**Duimian**") in the PRC. Duimian targets younger user groups with most users currently residing in first-tier cities in the PRC. After the completion of the acquisition of Loovee, the business generated revenue of approximately US$14.8 million, contributing around 18.8% of the Group's total revenue.

(iii) Money lending business

On 15 November 2016, Tingo Consulting Company Limited ("**Tingo**"), a subsidiary of the Company, entered into a loan agreement (the "**Loan Agreement**") with 鄭聯軍 (Zheng Lianjun*) (the "**Borrower**"), a businessman, and Xin Kai He Trading Co., Limited (being the guarantor of the loan and whose equity is wholly-owned by the Borrower), a company incorporated in Hong Kong. Pursuant to the Loan Agreement, Tingo agreed to provide a loan in the principal amount of US$6 million to the Borrower, subject to and upon the terms and conditions thereof. The loan had been fully settled as at 30 June 2017. Save for the above, there was no loan granted or no new borrower during the period under review.

Impairment Losses on Goodwill

During the eight months ended 31 December 2017, the Group has recognised impairment losses of US$13,600,000, US$59,458,000 and US$40,000 in connection with goodwill allocated to the trading and supply chain management services, operation of online social platform and others, respectively. The impairment losses are made based on the results of impairment tests for the goodwill using their values in use in accordance with HKAS 36.

The impairment loss of US$13,600,000 in connection with the goodwill allocated to the trading and supply chain management services was mainly a result of an expected future decline in revenue due to a challenging business environment.

The impairment loss of US$59,458,000 in connection with the goodwill arising from the acquisition of the online social platform was mainly resulted from the increase in fair value of the 150,000,000 shares of the Company allotted and issued as part of the consideration for the acquisition, from the date of the related share purchase agreement dated 21 February 2017 to the completion date of the acquisition of Loovee on 1 June 2017.

The impairment loss of US$40,000 was recognised to others as no money lending business is expected in the future.

Details of the goodwill and acquisitions of subsidiaries are set out in note 8 and note 11 of this announcement respectively.

* *For identification purposes only*

Hong Kong Tax Case

As at the date of this announcement, the Group received protective assessments amounting to approximately HK$188,000,000 (equivalent to US$24,165,000) from the IRD in respect of queries on the modus operandi of the Group and the chargeability of the profits for the assessment years from 2003/2004 to 2011/2012 (the "**Case**"). The Group has lodged an objection against the protective assessments. In addition, Tax Reserve Certificates amounting to HK$5,250,000 (equivalent to US$675,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under the protective assessments for those years.

The Group submitted a settlement proposal as part of a negotiation with the IRD in relation to the Case in April 2015. Subsequent to the submission to the IRD with the assistance of an external tax specialist, the Group has maintained a close dialogue with the IRD and understood that the IRD required additional evidence from the Group to further assess the tax position. As at the date of this announcement, the Case was still under negotiation with the IRD. Despite the unresolved outcome, the Group is of the view that sufficient tax provisions have been made in the financial statements based on the information available.

Financial Review

Financial Resources and Liquidity

The Group's financial position remained healthy with cash and cash equivalents of approximately US$13.3 million as at 31 December 2017. In addition, the Group had total banking facilities of approximately US$10.3 million including borrowing facilities of approximately US$0.1 million as at 31 December 2017.

The Group had a current ratio of approximately 1.3 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US$111.5 million as at 31 December 2017. There has not been any material change in the Group's borrowings since 31 December 2017.

On 21 March 2017, the Group entered into a loan agreement with a director of the Company, pursuant to which the director agreed to provide a loan facility to the Group in an aggregate amount of US$10 million to finance the acquisition of Loovee and possible future acquisitions. The loan is unsecured, non-interest-bearing and repayable by 22 May 2018, which was extended to be repayable by 22 May 2019. During the period under review, a loan of approximately US$3.9 million was drawn down by the Group.

Trade receivables increased from approximately US$5.4 million as at 30 April 2017 to approximately US$8.6 million as at 31 December 2017. Gross trade receivables aged over 90 days which amounted to approximately US$1.5 million, are being carefully monitored by management and sufficient provision has been made.

The Group's net asset value recorded was approximately US$111.5 million as at 31 December 2017.

The majority of the Group's transactions during the period under review were denominated in US dollars, Hong Kong dollars and Renminbi. To minimise foreign exchange risks, sales and purchases are generally transacted in the same currency.

As at 31 December 2017, the Group had no material contingent liabilities or guarantees, or charges on any group assets.

Corporate Events During the Reporting Period

Acquisition of a gamified mobile social networking platform in the PRC

On 21 February 2017, a wholly-owned subsidiary of the Company, Glory Sino entered into the SP Agreement with independent third party vendors to acquire the entire issued share capital of Loovee at a consideration of HK$800,500,000 (equivalent to US$102,892,000). Loovee is principally engaged in the development and operation of a mobile social networking platform "Duimian" in the PRC.

Pursuant to the SP Agreement, the consideration shall be satisfied by (i) the allotment and issuance of 150,000,000 consideration shares of the Company at an issue price of HK$4.67 per consideration share pursuant to the specific mandate to be approved by the Shareholders at the special general meeting of the Company (the "**SGM**"); and (ii) cash consideration of HK$100,000,000 (equivalent to US$12,853,000).

Further details of the acquisition were set out in the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 28 April 2017.

The acquisition was subsequently completed on 1 June 2017 and 150,000,000 shares were allotted and issued to the independent third party vendors as part of the consideration for the acquisition pursuant to the SP Agreement. The closing share price of the Company on the completion date increased to HK$7.27 and the fair value of the purchase consideration for Loovee increased to approximately HK$1,190,500,000 (equivalent to US$153,020,000) accordingly.

Loovee, is principally engaged in the development and operation of Duimian through the operating company 深圳市樂唯科技開發有限公司 (Loovee Science and Technology Development Co. Ltd.*) (the "**OPCO**") and its subsidiaries. As such, it is considered to be engaged in the provision of value-added telecommunications services and internet cultural business, a restricted and prohibited business respectively for foreign investors pursuant to 《外商投資產業指導目錄(2015年修訂）》(The Guidance Catalogue of Industries for Foreign Investment (2015 Amended)*) (the "**Catalogue**").

As the Company and its subsidiaries do not possess the required qualifications under the Catalogue, Loovee as a foreign investor cannot directly or indirectly hold the equity interest in the OPCO.

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In order to comply with the applicable PRC laws and regulations, 樂唯科技(深圳)有限公司 (Loovee Science and Technology (Shenzhen) Co., Ltd.*), which is a company established under the laws of the PRC and an indirect wholly-owned enterprise subsidiary of Loovee, the OPCO and the equity owners of the OPCO nominated by the Company entered into certain structured contracts in relation to a series of contractual arrangements.

Share subdivision

The issued and unissued shares of US$0.04 in the share capital of the Company were divided into three (3) shares with a par value of one and one third US cents each with effect from 10 August 2017 (the "**Share Subdivision**"). There was no change to the board lot size after the Share Subdivision. Please refer to the section below headed "Capital Structure — Share Subdivision" for details.

Change of financial year end date

The Board issued an announcement on 21 September 2017 to change the financial year end date of the Company from 30 April to 31 December (the "**Change**"). Accordingly, the current financial year end date of the Company is 31 December 2017.

The Change is intended to facilitate the future development direction of the Group, whose medium-to-long term plan is to continue to make strategic investments in the PRC.

The Group's operations are carried out through some of its subsidiaries established in the PRC, which are statutorily required to close their accounts on the financial year end date of 31 December. Since the financial results of the PRC Operating Subsidiaries are to be consolidated into the Company's consolidated accounts each year, the Change aligns the financial year end date of the Company with the PRC Operating Subsidiaries. This streamlines and facilitates the preparation of the consolidated financial statements of the Group.

For the above reasons, the Board believes that it is in the Company's interests that the Change be effectuated.

Possible investment in a TV Drama

On 24 December 2017, the Group entered into a framework agreement (the "**Framework Agreement**") with Huoerguosi Hanbo Culture Industry Limited* (霍爾果斯瀚泊文化產業股份有限公司) (the "**Producer**") in relation to the possible cooperation in the production of a TV drama series (the "**TV Drama**") with a total investment amount of approximately RMB200 million (the "**Possible Investment**"). Pursuant to the terms of the Framework Agreement, subject to the Producer having obtained a filming licence to be issued by the State Administration of Press, Publication, Radio, Film and Television of the PRC* (中國國家新聞出版廣電總局) and the parties having entered into a formal cooperation agreement in respect of the TV Drama (the "**Formal Agreement**"), the Group intends to invest in the production of the TV Drama.

Save for the relevant provisions relating to confidentiality, exclusivity and dispute resolution, the Framework Agreement is not legally binding.

* *For identification purposes only*

Up to the date of this announcement, the Group has yet to enter into any Formal Agreement in relation to the Possible Investment.

Further details of the Possible Investment were set out in the announcement of the Company dated 24 December 2017.

Save as disclosed in this announcement, there are no other important events materially affecting the Company and its subsidiaries which have occurred since 31 December 2017.

Remuneration Policy and Staff Development Scheme

As at 31 December 2017, the Group had 400 employees (as at 30 April 2017: 345). Total staff costs for the period under review amounted to approximately US$10.8 million (year ended 30 April 2017: US$14.3 million).

The Group offers competitive remuneration schemes to its employees based on industry practices, performance of the individual employee and that of the Group. In addition, the Company has adopted a share option scheme for eligible persons and discretionary bonuses are payable to staff based on his or her individual performance and that of the Group as a whole.

Prospects

Rapid development of the Internet has not only dramatically changed all industries, but has also seen the emergence of new economies, including the gamified mobile social network industry in the PRC, which the Group ventured into in 2017. According to a report of the independent market research firm Analysys International, the total user population in the PRC mobile social network market is expected to reach 880 million by 2018, representing a compound annual growth rate of 147.1% between 2014 and 2018.

To capture the enormous opportunities presented by the gamified mobile social network platform in the PRC, in addition to major cities, the management will explore third and fourth-tier city markets to help it broaden the user base of Duimian. Furthermore, the Group developed a claw crane mobile online game at the end of 2017, which gives players "real life" like in store experience of the game on their mobile devices. In just a few months after its debut, the game won the favor of users in increasing number. In 2018, the Group will continue to develop and launch different innovative mobile games.

For the Group's traditional sourcing and supply chain management business, the management expects the business environment will remain challenging and impact by weakening demand and price pressure from customers. Given the aforesaid concerns, the Group will continue to expand its product offerings and provide more comprehensive value-added services to fortify its relationship with key customers. Furthermore, the Group will actively embrace the internet era by making good use of information technologies to bring positive changes to its operations. Also, in view of the immense potential that the retail industry holds in the PRC, the Group will explore opportunities to offer supply chain management services to domestic customers in the PRC.

Looking forward, the management will continue to look for acquisition and investment opportunities with promising potential, ensuring that the Group's resources are put into projects with the best development prospect, in its bid to ensure the Group is able to capture opportunities in the ever-changing market and create the best returns to shareholders of the Company (the "**Shareholders**").

CAPITAL STRUCTURE

Issue of Consideration Shares

On 21 February 2017, Glory Sino (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered into the SP Agreement with Leqian Investment Limited, Mike Cai Investment Limited, Mr. Tsang Chun Ho Anthony, SA1 Investments Inc., Lemei Investment Limited, Letu Investment Limited, Leguang Investment Limited, Lehao Investment Limited and Leming Investment Limited (together the "**Vendors**"), Mr. Congwei Zhou, Mr. Shengqi Cai, Mr. Tsang Chun Ho Anthony, Mr. Sung Lee Ming Alfred, Ms. Jinchun Lai, Mr. Youming Zhang, Ms. Xin Zhang, Mr. Qi Feng and Mr. Jinfeng Liu (together the "**Guarantors**"). Pursuant to the SP Agreement, the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the entire issued share capital of Loovee at the aggregate consideration of HK$800,500,000, which was to be satisfied by (i) cash consideration of HK$100,000,000; and (ii) allotment and issuance of 150,000,000 consideration shares in an aggregate amount of HK$700,500,000 by the Company pursuant to the specific mandate to be approved by the Shareholders at the SGM. Further details of the acquisition were set out in the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 28 April 2017.

The acquisition and the specific mandate to allot and issue consideration shares had been approved by the Shareholders at the SGM held on 23 May 2017. On 1 June 2017, upon completion of the acquisition, the Company allotted and issued 150,000,000 ordinary shares under the specific mandate as the consideration shares to the Vendors. The cash consideration payable under the SP Agreement had been fully settled in accordance with the term of the SP Agreement as at the date of this announcement.

Share Subdivision

Pursuant to an ordinary resolution passed at the SGM held on 9 August 2017, every one (1) existing issued and unissued share with par value of US$0.04 each in the share capital of the Company was subdivided into three (3) shares with par value of one and one third US cents each with effect from 10 August 2017. Upon completion of the Share Subdivision, the authorised share capital of the Company was US$40,000,000, divided into 3,000,000,000 ordinary shares of one and one third US cents each, of which 1,509,592,701 ordinary shares were issued and fully paid or credited as fully paid. Further details of the Share Subdivision were set out in the announcement of the Company dated 17 July 2017 and the circular of the Company dated 24 July 2017.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the eight months ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") of the Company will be held on Thursday, 31 May 2018. For the purpose of ascertaining the Shareholders' rights of attending and voting at the forthcoming AGM, the register of members of the Company will be closed from Friday, 18 May 2018 to Thursday, 24 May 2018, both days inclusive. In order to be entitled to attend the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the eight months ended 31 December 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's results for the eight months ended 31 December 2017 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the eight months ended 31 December 2017. The work performed by Ernst & Young 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 Engagement and consequently no assurance has been expressed by Ernst & Young on this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely Mr. Lau Shu Yan, Mr. Wang Arthur Minshiang and Mr. Zhang Huijun. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters. The audited consolidated financial statements of the Group for the eight months ended 31 December 2017 have been reviewed by the Audit Committee.

The Audit Committee has also reviewed the terms and conditions of the continuing connected transaction and connected transaction of the Company that took place during the eight months ended 31 December 2017.

CORPORATE GOVERNANCE

Throughout the eight months ended 31 December 2017, the Company has complied with all the applicable code provisions (the "**Code Provisions**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviations as described below:

Code Provision E.1.2 of the CG Code requires the Chairman of the Board to attend the AGM held on 30 August 2017 (the "**2017 AGM**"). Due to other business commitments, Mr. Zhou Xijian was not able to attend the 2017 AGM. Mr. Wong Hing Lin, Dennis, Executive Director and President of the Company, acted as the Chairman of the 2017 AGM to ensure an effective communication was carried out with the Shareholders.

A corporate governance report of the Company with details of the policies and practices on corporate governance will be set out in the Company's 2017 annual report for the eight months ended 31 December 2017.

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 to the Listing Rules as its model code for securities transactions by the Directors. The Company, having made specific enquiries, obtained confirmations from all the Directors that they have complied with the required standards set out in the Model Code during the eight months ended 31 December 2017.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**") for securities transactions by relevant employees who are likely to possess unpublished inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the eight months ended 31 December 2017.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited and the Company's website at www.daoheglobal.com.hk. The 2017 annual report for the eight months ended 31 December 2017 will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
Daohe Global Group Limited
ZHOU Xijian
Chairman & Non-executive Director

Hong Kong, 23 March 2018

As at the date of this announcement, the Non-executive Director of the Company is Mr. ZHOU Xijian, the Executive Directors are Mr. YU Lei, Mr. WONG Hing Lin, Dennis and Mr. HO Chi Kin, and the Independent Non-executive Directors are Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.