

## Daohe Global Announces FY2017/18 Interim Results

(HONG KONG, 14 December 2017) –**Daohe Global Group Limited** (“Daohe Global” or the “Group”; stock code: 915) today announced its interim results for the six months ended 31 October 2017.

During the period under review, the Group acquired a new business, a mobile social networking platform named “Duimian\*” (對面), based in Shenzhen, the People’s Republic of China (“PRC”). “Duimian” targets younger user groups with most users currently in first-tier cities in the PRC. The new business contributed a revenue of approximately US\$9.7 million (equivalent to HK\$75.5 million) during the period under review, representing approximately 16.4% of the Group’s revenue.

Regarding the Group’s trading and supply chain management services, business environment remained challenging during the period under review, revenue decreased by approximately 5.7% from approximately US\$52.5 million (equivalent to HK\$408.5 million) for the same period last year to approximately US\$49.6 million (equivalent to HK\$385.9 million).

As a result, the overall Group’s revenue increased by approximately 13% to approximately US\$59.4 million (equivalent to HK\$462.1 million) from approximately US\$52.5 million (equivalent to HK\$408.5 million) for the same period last year.

Gross profit increased by around 16.6% from approximately US\$12.7 million (equivalent to HK\$98.8 million) for the same period last year to approximately US\$14.8 million (equivalent to HK\$115.1 million). The growth was mainly attributable to the new online social platform business generating a higher margin.

The overall operating costs increased from approximately US\$10.4 million (equivalent to HK\$80.9 million) for the same period last year to approximately US\$16.6 million (equivalent to HK\$129.1 million). The increase was mainly due to the costs in relation to the new acquired online social platform business of approximately US\$6.7 million (equivalent to HK\$ 52.1 million).

The Group recorded a loss of approximately US\$73.4 million (equivalent to HK\$571.1 million) during the period, as compared with profit of approximately US\$2.2 million (equivalent to HK\$17.1 million) for the same period last year. The significant loss was mainly due to the impairment losses on goodwill of approximately US\$73.1 million (equivalent to HK\$568.7 million) and the amortisation of intangible assets of approximately US\$5.4 million (equivalent to HK\$42 million). Excluding the non-cash impairment losses on goodwill and amortisation of intangible assets, net of deferred tax credit of approximately US\$1.4 million (equivalent to HK\$10.9 million) the Group’s profit for the period would be approximately US\$3.7 million (equivalent to HK\$28.8 million), an increase of approximately US\$1.5 million (equivalent to HK\$11.7 million) as compared to a profit of approximately US\$2.2 million (equivalent to HK\$17.1 million) for the corresponding period last year.

*\* For identification purpose only*

The Group's financial position remains healthy with cash and cash equivalents of approximately US\$15 million (equivalent to HK\$116.7 million) as at 31 October 2017. In addition, the Group has total banking facilities of approximately US\$10.3 million (equivalent to HK\$80 million) including borrowing facilities of approximately US\$0.1 million (equivalent to HK\$0.8 million) as at 31 October 2017. The Group has a current ratio of approximately 1.16 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US\$111.7 million (equivalent to HK\$869 million) as at 31 October 2017. There has not been any material change in the Group's borrowings since 31 October 2017.

## **Prospects**

The spread of the Internet has brought world-shaking changes to the global economy. The increased popularity of the Internet has resulted in higher degree of price transparency and pricing pressure, which is expected to continually pose challenges to traditional supply chain management. However, with challenges often come opportunities, and the rapid growth of the Internet has also nurtured a new economy. Industries within this new economy, including China's mobile social networking sector which the Group ventured into during the period under review, have attracted the world's attention. A report from Analysys International, the independent market research firm, projects that China's mobile social network market possesses immense potential with the number of users expected to reach 880 million by 2018, representing a compound annual growth rate of 147.1% between 2014 and 2018.

For operation of the Group's mobile social networking platform business, the management aims to build "Duimian" in third- and fourth-tier cities to further broaden its user base.

Traditional sourcing and supply chain management businesses are expected to be challenging, the Group will continue to strengthen the cooperative relationship with existing customers by developing a more diversified product mix and offering more comprehensive value-added services.

Looking ahead, the management will explore the potential acquisition opportunities and other investments and allocate resources to those projects with greater development potential. This approach will help the Group capture the new opportunities generated within the new economy and ultimately create greater value for shareholders of the Company.

**About Daohe Global Group Limited**

Daohe Global Group Limited is an investment holding company listed on the Main Board of the Hong Kong Stock Exchange since 2002 (stock code: 915). In 2017, the Group entered into a new business operating an online social platform, which is principally engaged in the development and operation of a mobile social networking platform “Duumian” (對面), one of the largest gamified mobile social networking platforms in the PRC. “Duumian” targets younger user groups with most users currently residents of first-tier cities in the PRC. Daohe Group is further broadening Duimian’s user base through expanding to third- and fourth-tier cities in the PRC. The Group also continues to develop its traditional supply chain management and solutions business. With a global presence in over 20 regions/territories and a sourcing network throughout Asia, the Group offers comprehensive and efficient sourcing solutions and value-added services to its customers.

Our website: [www.daoheglobal.com.hk](http://www.daoheglobal.com.hk)

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**Daohe Global Group Limited**  
**FY2017/18 Interim Results Announcement**

| Condensed Consolidated Interim Statement of Profit or Loss   | For the six months ended<br>31 October |  |
|--|--|--|
|  | 2017<br>(Unaudited)<br>US\$ '000       | 2016<br>(Unaudited)<br>US\$ '000<br>(Restated) |
| <b>REVENUE</b>   | <b>59,375</b>                          | 52,539   |
| Cost of sales  | <b>(44,584)</b>                        | <b>(39,856)</b>                                |
| Gross profit   | <b>14,791</b>                          | 12,683   |
| Other income   | <b>422</b>                             | 164  |
| Selling and marketing expenses   | <b>(6,235)</b>                         | -  |
| General and administrative expenses  | <b>(10,387)</b>                        | <b>(10,397)</b>                                |
| Gain on disposal of a subsidiary   | -                                      | 62   |
| Impairment losses on goodwill  | <b>(73,098)</b>                        | -  |
| <b>(LOSS)/PROFIT BEFORE TAX</b>  | <b>(74,507)</b>                        | 2,512  |
| Income tax credit/(expense)  | <b>1,071</b>                           | <b>(298)</b>                                   |
| <b>(LOSS)/PROFIT FOR THE PERIOD</b>  | <b>(73,436)</b>                        | 2,214  |
| <b>ATTRIBUTABLE TO:</b>  |  |  |
| Owners of the Company  | <b>(73,434)</b>                        | 2,249  |
| Non-controlling interests  | <b>(2)</b>                             | <b>(35)</b>                                    |
|  | <b>(73,436)</b>                        | 2,214  |
| <b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO<br/>ORDINARY EQUITY HOLDERS OF THE COMPANY</b><br>(expressed in US cents) |  |  |
| Basic ( <i>Note</i> )  | <b>(5.12)</b>                          | 0.21   |
| Diluted ( <i>Note</i> )  | <b>(5.12)</b>                          | 0.21   |

*Note:*

Adjusted for the effect of share subdivision in August 2017.

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