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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

INTERIM RESULTS HIGHLIGHTS:

- Revenue dropped by approximately 37.2% to approximately US$36.6 million (equivalent to approximately HK$284.7 million) as compared to approximately US$58.2 million (equivalent to approximately HK$452.8 million) for the six months ended 30 June 2018.

- Loss for the six months ended 30 June 2019 amounted to approximately US$3.5 million (equivalent to approximately HK$27.2 million) (2018: approximately US$11.3 million (equivalent to approximately HK$87.9 million)). The loss included non-cash amortisation of other intangible assets of approximately US$3.0 million (equivalent to approximately HK$23.3 million) (2018: non-cash impairment loss on goodwill and amortisation of other intangible assets of approximately US$9.7 million (equivalent to approximately HK$75.5 million) and approximately US$6.8 million (equivalent to approximately HK$52.9 million), respectively). Excluding the non-cash amortisation of other intangible assets, net of deferred tax credit of approximately US$0.7 million (equivalent to approximately HK$5.4 million) (2018: approximately US$1.7 million (equivalent to approximately HK$13.2 million)), the Group's loss for the period would have been approximately US$1.2 million (equivalent to approximately HK$9.3 million) as compared with a profit of approximately US$3.5 million (equivalent to approximately HK$27.2 million) for the period ended 30 June 2018 after excluding similar items.

- The Directors have not declared the payment of an interim dividend for the six months ended 30 June 2019.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Daohe Global Group Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019, together with relevant comparative figures:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Profit or Loss

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
REVENUE	*4*	**36,557**	58,239
Cost of sales		**(29,077)**	(44,713)
Gross profit		**7,480**	13,526
Other income		**531**	319
Selling and marketing expenses		**(2,507)**	(7,021)
General and administrative expenses		**(9,646)**	(9,988)
Finance costs		**(65)**	–
Gain on dissolution of a subsidiary		**–**	8
Share of loss of a joint venture		**(1)**	(1)
Impairment loss on goodwill		**–**	(9,700)
LOSS BEFORE TAX	*5*	**(4,208)**	(12,857)
Income tax credit	*6*	**729**	1,554
LOSS FOR THE PERIOD		**(3,479)**	(11,303)
ATTRIBUTABLE TO:			
Owners of the Company		**(3,465)**	(11,302)
Non-controlling interests		**(14)**	(1)
		(3,479)	(11,303)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in US cent)	*8*		
Basic		**(0.23)**	(0.75)
Diluted		**(0.23)**	(0.75)

Condensed Consolidated Interim Statement of Comprehensive Income

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
LOSS FOR THE PERIOD	**(3,479)**	(11,303)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(696)**	(1,955)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(696)**	(1,955)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(4,175)**	(13,258)
ATTRIBUTABLE TO:		
Owners of the Company	**(4,159)**	(13,257)
Non-controlling interests	**(16)**	(1)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(4,175)**	(13,258)

Condensed Consolidated Interim Statement of Financial Position

	Note	**30 June 2019 (Unaudited)** *US$'000*	31 December 2018 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**647**	716
Right-of-use assets		**2,165**	–
Goodwill		**–**	–
Other intangible assets		**15,033**	18,476
Financial asset at fair value through profit or loss		**270**	270
Investment in a joint venture		**7**	8
Deposits		**363**	349
Deferred tax assets		**4**	4
Total non-current assets		**18,489**	19,823
CURRENT ASSETS			
Inventories		**297**	262
Financial asset at fair value through profit or loss		**6,546**	–
Trade receivables	*10*	**10,482**	8,774
Prepayments, deposits and other receivables		**3,683**	4,416
Cash and cash equivalents		**6,719**	17,192
Total current assets		**27,727**	30,644
CURRENT LIABILITIES			
Trade payables	*11*	**3,469**	3,799
Accruals, provisions and other payables		**6,622**	7,792
Contract liabilities		**1,643**	1,521
Lease liabilities		**1,746**	–
Loan from a shareholder	*12(a)*	**3,856**	3,856
Bank borrowings		**815**	–
Tax payable		**1,537**	2,446
Total current liabilities		**19,688**	19,414
NET CURRENT ASSETS		**8,039**	11,230
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,528**	31,053

	30 June 2019 (Unaudited) *US$'000*	31 December 2018 (Audited) *US$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**3,771**	4,632
Post-employment benefits	**396**	414
Provisions	**1,405**	1,405
Lease liabilities	**529**	–
Total non-current liabilities	**6,101**	6,451
NET ASSETS	**20,427**	24,602
EQUITY		
Share capital	**20,128**	20,128
Reserves	**250**	4,409
Equity attributable to owners of the Company	**20,378**	24,537
Non-controlling interests	**49**	65
TOTAL EQUITY	**20,427**	24,602

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

This condensed consolidated interim financial information is presented in United States dollars ("**US$**"), unless otherwise stated.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and interpretation issued by the HKICPA as noted below.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated interim financial information. The nature and impact of the HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of property, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

– Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease)
	US$'000
	(Unaudited)
Assets	
Increase in right-of-use assets	2,945
Liabilities	
Decrease in accruals, provisions and other payables	(110)
Increase in lease liabilities	3,055
Increase in total liabilities	2,945

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	US$'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	3,246
Weighted average incremental borrowing rate as at 1 January 2019	4%
Discounted operating lease commitments as at 1 January 2019	3,107
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(49)
Commitments relating to leases of low-value assets	(3)
Lease liabilities as at 1 January 2019	3,055

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the condensed consolidated interim statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets			
	Property *US$'000*	**Other equipment** *US$'000*	**Total** *US$'000*	**Lease liabilities** *US$'000*
As at 1 January 2019	2,820	125	2,945	3,055
Exchange realignment	(13)	–	(13)	(12)
Additions	150	7	157	157
Depreciation charge	(906)	(18)	(924)	–
Interest expense	–	–	–	57
Payments	–	–	–	(982)
As at 30 June 2019	2,051	114	2,165	2,275

The Group recognised rental expenses from short-term leases of US$61,000 and leases of low-value assets of US$1,000 for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

During the period ended 30 June 2019, the Group terminated the money lending business, consequently, the Group's business comprises of two reportable operating segments as follows:

(a) trading and supply chain management services; and

(b) operation of online social platforms.

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, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, 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.

The following tables present revenue and loss for the Group's reportable segments for the six months ended 30 June 2019 and 2018.

	For the six months ended 30 June 2019		
	Trading and supply chain management services (Unaudited) *US$'000*	**Operation of online social platforms (Unaudited)** *US$'000*	**Total (Unaudited)** *US$'000*
Segment revenue:			
Revenue from external customers	**17,847**	**18,710**	**36,557**
Segment results	**(1,637)**	**(1,604)**	**(3,241)**
Interest income			**10**
Share of loss of a joint venture			**(1)**
Corporate and other unallocated expenses			**(976)**
Loss before tax			**(4,208)**
Income tax credit			**729**
Loss for the period			**(3,479)**
Other segment information:			
Amortisation of other intangible assets	**–**	**2,981**	**2,981**
Depreciation	**897**	**189**	**1,086**
Capital expenditures	**38**	**67**	**105**
Impairment of trade receivables	**5**	**–**	**5**

	For the six months ended 30 June 2018			
	Trading and supply chain management services (Unaudited) *US$'000*	Operation of online social platforms (Unaudited) *US$'000*	Money lending business (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Segment revenue:				
Revenue from external customers	37,688	20,551	–	58,239
Segment results	(8,609)	(3,030)	(6)	(11,645)
Interest income				15
Gain on dissolution of a subsidiary				8
Share of loss of a joint venture				(1)
Corporate and other unallocated expenses				(1,234)
Loss before tax				(12,857)
Income tax credit				1,554
Loss for the period				(11,303)
Other segment information:				
Impairment loss on goodwill	9,700	–	–	9,700
Amortisation of other intangible assets	–	6,845	–	6,845
Depreciation	83	84	–	167
Capital expenditures	62	404	–	466
Reversal of impairment of trade receivables	(48)	–	–	(48)

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 (Unaudited) ***US$'000***	2018 (Unaudited) *US$'000*
Revenue from contracts with customers		
Sales of merchandise	**13,297**	32,270
Commission income	**4,550**	5,418
Internet value-added services ("**IVAS**") revenue	**9,175**	16,030
Advertising and other services income	**9,535**	4,521
	36,557	58,239

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

	Trading and supply chain management services (Unaudited) *US$'000*	Operation of online social platforms (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Type of goods or services			
Sales of merchandise	**13,297**	**–**	**13,297**
Commission income	**4,550**	**–**	**4,550**
IVAS revenue	**–**	**9,175**	**9,175**
Advertising and other services income	**–**	**9,535**	**9,535**
Total revenue from contracts with customers	**17,847**	**18,710**	**36,557**
Geographical markets			
People's Republic of China (the "**PRC**")	**1,330**	**18,710**	**20,040**
Southern hemisphere	**8,064**	**–**	**8,064**
North America	**5,665**	**–**	**5,665**
Europe	**2,174**	**–**	**2,174**
Others	**614**	**–**	**614**
Total revenue from contracts with customers	**17,847**	**18,710**	**36,557**
Timing of revenue recognition			
Goods/services transferred at a point in time	**17,847**	**18,710**	**36,557**

For the six months ended 30 June 2018

	Trading and supply chain management services (Unaudited) *US$'000*	Operation of online social platforms (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Type of goods or services			
Sales of merchandise	32,270	–	32,270
Commission income	5,418	–	5,418
IVAS revenue	–	16,030	16,030
Advertising and other services income	–	4,521	4,521
Total revenue from contracts with customers	37,688	20,551	58,239
Geographical markets			
PRC	1,405	20,551	21,956
Southern hemisphere	24,178	–	24,178
North America	7,850	–	7,850
Europe	3,368	–	3,368
Others	887	–	887
Total revenue from contracts with customers	37,688	20,551	58,239
Timing of revenue recognition			
Goods/services transferred at a point in time	37,688	20,551	58,239

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Cost of inventories sold	**11,725**	28,418
Cost of services provided	**17,352**	16,295
Depreciation	**1,086**	167
Gain on dissolution of a subsidiary	**–**	8
Impairment/(reversal of impairment) of trade receivables	**5**	(48)
Impairment loss on goodwill	**–**	9,700
Amortisation of other intangible assets	**2,981**	6,845
Foreign exchange differences, net	**(99)**	3

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current		
– Hong Kong	**10**	118
– Outside Hong Kong	**38**	34
Net (overprovision)/underprovision in prior periods	**(32)**	1
Deferred	**(745)**	(1,707)
Total tax credit for the period	**(729)**	(1,554)

During the period ended 30 June 2019, with the assistance of an external tax specialist, the Group submitted a revised settlement proposal together with a deposit of HK$5,310,000 (equivalent to approximately US$683,000) to the Inland Revenue Department in Hong Kong ("**IRD**") in respect of the queries on the modus operandi of the Group and the chargeability of the profits for the years of assessment from 2003/2004 to 2017/2018 (the "**Case**").

The Group reached a settlement with the IRD in July 2019 for an amount of approximately HK$22.9 million (equivalent to approximately US$2.9 million) in respect of the Case. The Directors consider the settlement reached with IRD is in the interest and benefit of the Group and its shareholders as a whole. As sufficient tax provisions have been made in the financial statements, the Directors believe that the settlement will not have any material impact on the statement of profit or loss of the Group for the current period or subsequent periods.

7. DIVIDEND

The Directors have not declared the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately US$3,465,000 (2018: US$11,302,000), and the weighted average number of 1,509,592,701 (2018: 1,509,592,701) ordinary shares in issue during the period.

The Company had no dilutive potential ordinary shares in issue for the period ended 30 June 2019 (2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a total cost of US$105,000 (2018: US$466,000).

Assets with a net book value of US$3,000 were disposed of by the Group during the six months ended 30 June 2019 (2018: Nil), at a net loss of US$3,000 (2018: net gain of US$18,000).

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 (Unaudited) *US$'000*	31 December 2018 (Audited) *US$'000*
Within 30 days	**8,178**	5,521
31 to 60 days	**1,016**	2,158
61 to 90 days	**513**	409
91 to 365 days	**775**	686
	10,482	8,774

11. 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:

	30 June 2019 (Unaudited) *US$'000*	31 December 2018 (Audited) *US$'000*
Within 30 days	**2,952**	2,691
31 to 60 days	**276**	898
61 to 90 days	**157**	26
91 to 365 days	**20**	127
Over 1 year	**64**	57
	3,469	3,799

12. RELATED PARTY TRANSACTIONS

(a) Loan from a shareholder

At 30 June 2019, the loan from a shareholder is unsecured, non-interest-bearing and repayable by 22 May 2020.

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

	For the six months ended 30 June	
	2019 (Unaudited) *US$'000*	2018 (Unaudited) *US$'000*
Short term employee benefits	**478**	698
Post-employment benefits		
– defined contribution plans	**39**	31
Total compensation paid to key management personnel	**517**	729

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the period under review, the Group's revenue decreased by approximately 37.2% to approximately US$36.6 million from approximately US$58.2 million for the same period last year.

The revenue of its trading and supply chain management services dropped roughly by half from approximately US$37.7 million to approximately US$17.8 million. The decline was mainly attributable to the drop in trading of merchandise business due to fewer orders from certain Australian and US customers.

In respect of the Group's online social platforms business, the advertising services business, which the Group entered last year, achieved an encouraging increase in revenue, and has become a major revenue contributor and the growth engine of the segment. The increase was, however, offset by decline in the live streaming business since a new government policy was imposed in August 2018. Consequently, the overall revenue from the online social platforms business slipped by approximately 9.0%.

Gross profit decreased by approximately 44.7% to approximately US$7.5 million for the six months ended 30 June 2019 (2018: approximately US$13.5 million). The significant drop in gross profit was mainly attributable to the decline in trading of merchandise business and the live streaming business of the online social platforms operation.

Operating expenses for the six months ended 30 June 2019 amounted to approximately US$12.2 million (2018: approximately US$17.0 million). The saving in operating expenses was partly due to the decline in businesses and partly due to the drop in advertising expense from online social platforms business.

Loss for the six months ended 30 June 2019 was approximately US$3.5 million (2018: approximately US$11.3 million). The loss included non-cash amortisation of other intangible assets of approximately US$3.0 million (2018: non-cash impairment loss on goodwill and amortisation of other intangible assets of approximately US$9.7 million and approximately US$6.8 million, respectively). Excluding the non-cash amortisation of other intangible assets, net of deferred tax credit of approximately US$0.7 million (2018: approximately US$1.7 million), the Group's loss for the period under review would have been approximately US$1.2 million (2018: profit of approximately US$3.5 million).

Segmental Analysis

Operating Segmentation

During the period ended 30 June 2019, the Group terminated the money lending business in order to focus its resources on developing its core businesses. Consequently, the Group's business comprises two operating segments only, namely: (i) trading and supply chain management services; and (ii) the operation of online social platforms.

(i) Trading and supply chain management services

During the period under review, the shipment value for trading and supply chain management services fell by approximately 28.7% from approximately US$90.9 million to approximately US$64.8 million. This was mainly due to the decline in orders from certain Australian and US customers.

Geographical Analysis

	Shipment value For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'million	*US$'million*
North America	**35.5**	44.2
Europe	**20.4**	21.9
Others	**8.9**	24.8
Total	**64.8**	90.9

Shipments to North America dropped by approximately 19.7% to approximately US$35.5 million due to the decline in orders from US customers as the China-US trade dispute escalated. Nevertheless, North America remained the largest market for the Group, accounting for approximately 54.8% of the Group's total shipment value.

A fall was also identified in the European market during the period under review. Shipments to Europe dropped by approximately 6.8% to approximately US$20.4 million, and accounted for approximately 31.5% of total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere, represented approximately 13.7% of the total shipment value. A decline of approximately 64.1% to approximately US$8.9 million in shipments was recorded, which was mainly due to decrease in orders from certain Australian customers.

During the period under review, revenue from trading and supply chain management services was approximately US$17.8 million (2018: approximately US$37.7 million), representing approximately 48.8% of the Group's total revenue. The significant decline in revenue of approximately 52.6% was mainly due to the decline in trading of merchandise business.

(ii) Operation of online social platforms

During the period under review, the revenue of operation of online social platforms fell by approximately 9.2% from approximately US$20.6 million to approximately US$18.7 million. This was mainly due to the effect of tighter government policy and intense competition in the PRC.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	US$'million	*US$'million*
IVAS revenue	**9.2**	16.1
Advertising and other services income	**9.5**	4.5
Total revenue	**18.7**	20.6

In August 2018, the Public Information Network Security Supervision Branch of the Public Security Bureau of Shenzhen* (深圳市公安局公共信息網絡安全監察分局) implemented a new policy pursuant to which the identities of all online users have to be verified with valid mobile numbers, and the content of online social platforms including live streaming presented to the public are to abide by monitoring and control measures. As a result, IVAS revenue decreased by approximately 42.9% year-on-year to approximately US$9.2 million (2018: approximately US$16.1 million).

Such decline was, nonetheless, partially offset by the surge in the advertising and other services income, which increased by approximately 111.1% year-on-year to approximately US$9.5 million (2018: approximately US$4.5 million). The increase can be attributed in particular to promising revenue growth in its advertising services business developed in early 2018.

Hong Kong Tax Case

During the period ended 30 June 2019, with the assistance of an external tax specialist, the Group submitted a revised settlement proposal together with a deposit of HK$5,310,000 (equivalent to approximately US$683,000) to the IRD in respect of the Case.

* *For identification purpose only*

In July 2019, the Group reached a settlement with the IRD for an amount of approximately HK$22.9 million (equivalent to approximately US$2.9 million) in respect of the Case. The Directors consider the settlement reached with IRD is in the interest and benefit of the Group and its shareholders as a whole. As sufficient tax provisions have been made in the financial statements, the Directors believe that the settlement will not have any material impact on the statement of profit or loss of the Group for the current period or subsequent periods.

Financial Review

Financial Resources and Liquidity

The Group's financial position remained healthy with cash and cash equivalents of approximately US$6.7 million as at 30 June 2019 (31 December 2018: approximately US$17.2 million). In addition, the Group had total banking facilities of approximately US$11.7 million, including borrowing facilities of approximately US$1.5 million as at 30 June 2019 (31 December 2018: approximately US$10.3 million and approximately US$0.1 million, respectively).

The Group had a current ratio of approximately 1.4 (31 December 2018: 1.6) and a gearing ratio of 0.04 (31 December 2018: Nil), based on an interest-bearing borrowing of approximately US$0.8 million (31 December 2018: Nil) and total equity of approximately US$20.4 million as at 30 June 2019 (31 December 2018: approximately 24.6 million). There has not been any material change in the Group's borrowings since 30 June 2019.

Trade receivables amounted to approximately US$10.5 million as at 30 June 2019 (31 December 2018: approximately US$8.8 million). Gross trade receivables aged over 90 days, which amounted to approximately US$1.3 million, are being carefully monitored by the management and sufficient provisions have been made.

The Group's net asset value amounted to approximately US$20.4 million as at 30 June 2019 (31 December 2018: approximately US$24.6 million).

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 30 June 2019, the Group had no material contingent liabilities or guarantees, or charges on any assets of the Group.

Remuneration Policy and Staff Development Scheme

As at 30 June 2019, the Group had 381 employees (as at 31 December 2018: 389). Total staff costs for the period under review amounted to approximately US$7.0 million (2018: approximately US$7.8 million).

The Group offers competitive remuneration schemes to its employees based on industry practice, and the 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

The management expects that the global economic environment will remain highly volatile in the face of uncertainties surrounding political and economic developments around the world. The protracted China-US trade dispute has been the root cause of such uncertainties, and will likely worsen following the decision by the US Government to impose a 10% tariff on the remaining US$300 billion worth of goods and products from the PRC starting on 1 September 2019, with the possibility of the tariff rising to 25%.

This latest development will undoubtedly add to the challenges already affecting the Group's sourcing and supply chain management operation, as business sentiment will become even more cautious. The Group will nonetheless persevere, and will make every effort to protect its ties with US customers, which account for more than 50% of the total shipment value. This will include expanding product offerings and providing more comprehensive services. In respect of the former, the Group will explore more opportunities to procure products from markets other than China.

As for the operation of online social platforms, "Duimian", one of the Group's gamified mobile social networking platforms, is expected to remain adversely affected by tighter government policy and intense competition in the PRC since last year. Given the encouraging performance of the advertising services business during the period under review, which reaffirmed that the strategy to expand into this segment was a correct one, the management believes that the operation has growth potential and will therefore place greater effort into cultivating this business in the near future.

Always mindful of the importance of enhancing efficiency across all areas of operation, the Group will direct its focus and energies with a view to achieving this aim. While continuing to employ trusted methods to achieve this objective, the Group will also actively employ new tools including information technologies to realise its aims.

Going forward, the management will closely monitor macroeconomic developments and execute the aforementioned strategies in a prudent manner. At the same time, the Group will also seek to capture new business opportunities so as to create value for its shareholders.

Significant Investments, Material Acquisitions or Disposals

During the six months ended 30 June 2019, the Group did not have any significant investments, material acquisitions or disposals.

Events after the Reporting Period

There have been no material event occurring after the end of the reporting period and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group including review of the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions (the "**Code Provision**") of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, save for the deviation as described below:

Code Provision E.1.2 of the CG Code requires the Chairman of the Board to attend the annual general meeting held on 31 May 2019 (the "**2019 AGM**"). Due to other business commitments, Mr. ZHOU Xijian was not able to attend the 2019 AGM. Mr. HO Chi Kin, an Executive Director, the Chief Financial Officer and the Company Secretary of the Company, acted as the Chairman of the 2019 AGM to ensure that an effective communication was carried out with the shareholders of the Company (the "**Shareholders**").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 throughout the six months ended 30 June 2019.

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 throughout the six months ended 30 June 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.daoheglobal.com.hk) and the Stock Exchange (www.hkexnews.hk). The 2019 interim report 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 and Non-executive Director

Hong Kong, 23 August 2019

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