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 YEAR ENDED 31 DECEMBER 2019

FINAL RESULTS HIGHLIGHTS:

- Revenue dropped by approximately 38.9% to approximately US$65.7 million (equivalent to approximately HK$511.1 million) as compared to approximately US$107.5 million (equivalent to approximately HK$836.4 million) for the year ended 31 December 2018.

- Loss for the year ended 31 December 2019 amounted to approximately US$15.5 million (equivalent to approximately HK$120.6 million) (2018: approximately US$84.2 million (equivalent to approximately HK$655.1 million)). The loss included non-cash amortisation and impairment losses on other intangible assets of approximately US$17.8 million (equivalent to approximately HK$138.5 million) (2018: non-cash impairment losses on goodwill of approximately US$66.5 million (equivalent to approximately HK$517.4 million) and amortisation and impairment losses on other intangible assets of approximately US$35.0 million (equivalent to approximately HK$272.3 million)).

- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Daohe Global Group Limited (the "**Company**") announces the consolidated financial information of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019, together with relevant comparative figures, as follows:

CONSOLIDATED FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

	Note	**2019** *US$'000*	2018 *US$'000*
REVENUE	*4*	**65,692**	107,513
Cost of sales		**(51,156)**	(79,799)
Gross profit		**14,536**	27,714
Other income		**1,342**	846
Selling and marketing expenses		**(4,560)**	(12,196)
General and administrative expenses		**(19,397)**	(20,845)
Finance costs		**(119)**	–
Gain on disposal of subsidiaries		**–**	7
Gain/(loss) on dissolution of a subsidiary		**(55)**	8
Share of loss of a joint venture		**(1)**	(1)
Impairment losses on other intangible assets	*9*	**(11,925)**	(21,747)
Impairment losses on goodwill		**–**	(66,496)
LOSS BEFORE TAX	*5*	**(20,179)**	(92,710)
Income tax credit	*6*	**4,690**	8,536
LOSS FOR THE YEAR		**(15,489)**	(84,174)
ATTRIBUTABLE TO:			
Owners of the Company		**(15,477)**	(84,160)
Non-controlling interests		**(12)**	(14)
		(15,489)	(84,174)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in US cents)	*8*		
Basic		**(1.03)**	(5.58)
Diluted		**(1.03)**	(5.58)

Consolidated Statement of Comprehensive Income

	2019 *US$'000*	2018 *US$'000*
LOSS FOR THE YEAR	**(15,489)**	(84,174)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Translation of foreign operations	**(1,024)**	(2,969)
Dissolution of a subsidiary	**3**	–
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(1,021)**	(2,969)
Other comprehensive income that will not be classified to profit or loss in subsequent periods:		
Remeasurements from defined benefit plan	**41**	50
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(980)**	(2,919)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(16,469)**	(87,093)
ATTRIBUTABLE TO:		
Owners of the Company	**(16,454)**	(87,079)
Non-controlling interests	**(15)**	(14)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(16,469)**	(87,093)

Consolidated Statement of Financial Position

	Note	**2019** *US$'000*	2018 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**509**	716
Right-of-use assets		**1,206**	–
Goodwill		**–**	–
Other intangible assets	*9*	**–**	18,476
Investment in a joint venture		**–**	8
Financial asset at fair value through profit or loss		**270**	270
Deposits		**29**	349
Deferred tax asset		**4**	4
Total non-current assets		**2,018**	19,823
CURRENT ASSETS			
Inventories		**313**	262
Trade receivables	*10*	**6,462**	8,774
Prepayments, deposits and other receivables		**4,929**	4,416
Cash and cash equivalents		**12,723**	17,192
Total current assets		**24,427**	30,644
CURRENT LIABILITIES			
Trade payables	*11*	**1,820**	3,799
Accruals, provisions and other payables		**7,733**	7,792
Contract liabilities		**629**	1,521
Lease liabilities		**1,077**	–
Loan from a shareholder	*12(a)*	**3,856**	3,856
Bank borrowing		**631**	–
Tax payable		**296**	2,446
Total current liabilities		**16,042**	19,414
NET CURRENT ASSETS		**8,385**	11,230
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,403**	31,053

	2019 *US$'000*	2018 *US$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**13**	4,632
Post-employment benefits	**371**	414
Provisions	**–**	1,405
Lease liabilities	**241**	–
Total non-current liabilities	**625**	6,451
NET ASSETS	**9,778**	24,602
EQUITY		
Share capital	**20,128**	20,128
Reserves	**(10,350)**	4,409
Equity attributable to owners of the Company	**9,778**	24,537
Non-controlling interests	**–**	65
TOTAL EQUITY	**9,778**	24,602

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2019 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 financial asset at fair value through profit or loss 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and amendments to HKFRSs for the first time for the preparation of the Group's current year's financial statements.

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, the adoption of the above new and amendments to the standards has had no significant financial effect on these financial statements.

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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

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 and related interpretations.

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.

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 properties, motor 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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*
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 is as follows:

	US$'000
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 ended 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:

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	2 to 5 years
Other equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) 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.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties and other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Amounts recognised in the consolidated 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 year are as follows:

(a) Right-of-use assets

	Properties	**Other equipment**	**Total**
	US$'000	*US$'000*	*US$'000*
Adjustment on adoption of HKFRS 16	2,820	125	2,945
Additions	178	7	185
Depreciation provided during the year	(1,814)	(35)	(1,849)
Impairment during the year	(52)	–	(52)
Exchange realignment	(22)	(1)	(23)
At 31 December 2019	1,110	96	1,206

(b) Lease liabilities

	US$'000
Adjustment on adoption of HKFRS 16	3,055
New leases	181
Interest expenses	95
Payment	(1,995)
Exchange realignment	(18)
At 31 December 2019	1,318

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 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 bank interest income, interest on bank borrowings, loss on dissolution of a subsidiary, 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 year ended 31 December 2019 and 2018.

Year ended 31 December 2019	**Trading and supply chain management services** *US$'000*	**Operation of online social platforms** *US$'000*	**Total** *US$'000*
Segment revenue:			
Revenue from external customers	**35,348**	**30,344**	**65,692**
Segment results	**(1,528)**	**(16,447)**	**(17,975)**
Bank interest income			**25**
Loss on dissolution of a subsidiary			**(55)**
Share of loss of a joint venture			**(1)**
Corporate and other unallocated expenses			**(2,149)**
Interest on bank borrowing			**(24)**
Loss before tax			**(20,179)**
Income tax credit			**4,690**
Loss for the year			**(15,489)**
Other segment information:			
Impairment losses on other intangible assets	**–**	**11,925**	**11,925**
Amortisation of other intangible assets	**–**	**5,858**	**5,858**
Unallocated impairment of right-of-use assets	**–**	**–**	**52**
Depreciation:			
Property, plant and equipment	**187**	**130**	**317**
Right-of-use assets	**1,302**	**233**	**1,535**
Unallocated depreciation:			
Right-of-use assets	**–**	**–**	**314**
Capital expenditures	**53**	**113**	**166**
Impairment of trade receivables	**304**	**–**	**304**

Year ended 31 December 2018	Trading and supply chain management services *US$'000*	Operation of online social platforms *US$'000*	Money lending business *US$'000*	Total *US$'000*
Segment revenue:				
Revenue from external customers	63,968	43,545	–	107,513
Segment results	(10,814)	(79,702)	(7)	(90,523)
Bank interest income				30
Gain on disposal of subsidiaries				7
Gain on dissolution of a subsidiary				8
Share of loss of a joint venture				(1)
Corporate and other unallocated expenses				(2,231)
Loss before tax				(92,710)
Income tax credit				8,536
Loss for the year				(84,174)
Other segment information:				
Impairment losses on goodwill	12,733	53,763	–	66,496
Impairment losses on other intangible assets	–	21,747	–	21,747
Amortisation of other intangible assets	–	13,266	–	13,266
Depreciation of property, plant and equipment	150	193	–	343
Capital expenditures	68	414	–	482
Impairment of trade receivables	54	–	–	54

Geographical information

(a) Revenue from external customers

	2019 ***US$'000***	2018 *US$'000*
People's Republic of China ("**PRC**")	**33,097**	47,008
Southern hemisphere	**15,285**	33,060
North America	**11,766**	18,113
Europe	**3,992**	7,592
Others	**1,552**	1,740
	65,692	107,513

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

(b) Non-current assets

	2019	2018
	US$'000	*US$'000*
PRC	**1,095**	18,888
Hong Kong	**454**	614
Others	**195**	47
	1,744	19,549

The non-current assets information above is based on the location of assets and excludes financial asset at fair value through profit or loss and deferred tax asset.

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	**2019**	2018
		US$'000	*US$'000*
Customer A	Trading and supply chain management services	**13,563**	14,514
Customer B	Trading and supply chain management services	**N/A***	17,598
		13,563	32,112

* smaller than 10%

4. REVENUE

An analysis of the Group's revenue is as follows:

	2019	2018
	US$'000	*US$'000*
Revenue from contracts with customers		
Sales of merchandise	**25,113**	51,884
Commission income	**10,235**	12,084
Internet value-added services ("**IVAS**") revenue	**15,723**	32,801
Advertising and other services income	**14,621**	10,744
	65,692	107,513

Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Trading and supply chain management services** *US$'000*	**Operation of online social platforms** *US$'000*	**Total** *US$'000*
Type of goods or services			
Sales of merchandise	**25,113**	**–**	**25,113**
Commission income	**10,235**	**–**	**10,235**
IVAS revenue	**–**	**15,723**	**15,723**
Advertising and other services income	**–**	**14,621**	**14,621**
	35,348	**30,344**	**65,692**
Geographical markets			
PRC	**2,753**	**30,344**	**33,097**
Southern hemisphere	**15,285**	**–**	**15,285**
North America	**11,766**	**–**	**11,766**
Europe	**3,992**	**–**	**3,992**
Others	**1,552**	**–**	**1,552**
	35,348	**30,344**	**65,692**
Timing of revenue recognition			
Goods/services transferred at a point in time	**35,348**	**30,344**	**65,692**

For the year ended 31 December 2018

Segments	Trading and supply chain management services US$'000	Operation of online social platforms US$'000	Total US$'000
Type of goods or services			
Sales of merchandise	51,884	–	51,884
Commission income	12,084	–	12,084
IVAS revenue	–	32,801	32,801
Advertising and other services income	–	10,744	10,744
	63,968	43,545	107,513
Geographical markets			
PRC	3,463	43,545	47,008
Southern hemisphere	33,060	–	33,060
North America	18,113	–	18,113
Europe	7,592	–	7,592
Others	1,740	–	1,740
	63,968	43,545	107,513
Timing of revenue recognition			
Goods/services transferred at a point in time	63,968	43,545	107,513

5. LOSS BEFORE TAX

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

	2019 ***US$'000***	2018 *US$'000*
Cost of inventories sold	**22,168**	45,475
Cost of services provided	**28,988**	34,324
Depreciation:		
Property, plant and equipment	**317**	343
Right-of-use assets	**1,849**	–
Amortisation of other intangible assets	**5,858**	13,266
Gain on disposal of property, plant and equipment	**(1)**	(19)
Impairment losses on goodwill	**–**	66,496
Impairment losses on other intangible assets	**11,925**	21,747
Impairment of right-of-use assets	**52**	–
Impairment of trade receivables	**304**	54
Gain on disposal of subsidiaries	**–**	(7)
(Gain)/loss on dissolution of a subsidiary	**55**	(8)
Fair value gain on financial asset at fair value through profit or loss	**–**	(41)
Foreign exchange differences, net	**(106)**	(55)

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 year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	US$'000	*US$'000*
Current		
– Hong Kong	**27**	155
– Outside Hong Kong	**101**	86
Net overprovision in prior years	**(371)**	(28)
Deferred	**(4,447)**	(8,749)
Total tax credit for the year	**(4,690)**	(8,536)

During the year ended 31 December 2019, the Group reached a settlement with the Inland Revenue Department in Hong Kong ("**IRD**") for an amount of approximately HK$22.9 million (equivalent to approximately US$2.9 million) in respect of queries on the modus operandi of the Group and the chargeability of profits for the years of assessment from 2003/2004 to 2017/2018 ("**the Case**"). The board of directors of the Company considers 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 settlement did not have any material impact on the profit and loss account of the Group for the year.

7. DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the number of ordinary shares in issue during the year.

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

The calculations of the basic and diluted loss per share are based on:

	2019	2018
Loss		
Loss attributable to owners of the Company (US$'000)	**(15,477)**	(84,160)
Number of ordinary shares		
Number of ordinary shares in issue during the year ('000)	**1,509,593**	1,509,593

9. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment *US$'000*	Other intangible assets *US$'000*	Total *US$'000*
At 1 January 2019, net of accumulated depreciation, amortisation and impairment	**716**	**18,476**	**19,192**
Additions	**166**	**–**	**166**
Disposals	**(41)**	**–**	**(41)**
Depreciation provided during the year	**(317)**	**–**	**(317)**
Amortisation provided during the year	**–**	**(5,858)**	**(5,858)**
Impairment during the year	**–**	**(11,925)**	**(11,925)**
Exchange realignment	**(15)**	**(693)**	**(708)**
At 31 December 2019, net of accumulated depreciation, amortisation and impairment	**509**	**–**	**509**
At 1 January 2018, net of accumulated depreciation and amortisation	595	54,565	55,160
Additions	482	–	482
Disposals	(6)	–	(6)
Depreciation provided during the year	(343)	–	(343)
Amortisation provided during the year	–	(13,266)	(13,266)
Impairment during the year	–	(21,747)	(21,747)
Exchange realignment	(12)	(1,076)	(1,088)
At 31 December 2018, net of accumulated depreciation, amortisation and impairment	716	18,476	19,192

During the year ended 31 December 2019, the Group recognised impairment losses of US$11,925,000 (2018: US$21,747,000) since the value in use of the cash-generating units was below their carrying amounts. The impairment loss was recognised based on the results of impairment tests using its value in use in accordance with HKAS 36.

The impairment losses were made in view of the lower revenue from the cash-generating units than forecasted for the second half of 2019 due to the challenging macro environment and economic slowdown in the PRC. Besides, the popularity of live streaming and games has faded in a greater extent than expected since the PRC government imposed a new policy in the second half of 2018. Furthermore, the online social platforms faced fierce competition within the industry, compounded by fast changing trends and tastes of users that adversely affected the business performance and development prospects for the live streaming business. Since the management expects a further decline in business in 2020, the aforementioned impairment loss on other intangible assets of approximately US$11.9 million pertaining to other intangible assets has been reported in the financial statements for the year ended 31 December 2019.

10. TRADE RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Trade receivables	**7,317**	9,342
Impairment	**(855)**	(568)
	6,462	8,774

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing. The carrying amount of the trade receivables approximates to its fair value.

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

	2019	2018
	US$'000	*US$'000*
Within 30 days	**3,071**	5,521
31 to 60 days	**2,139**	2,158
61 to 90 days	**766**	409
91 to 365 days	**483**	686
Over 1 year	**3**	–
	6,462	8,774

11. TRADE PAYABLES

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

	2019	2018
	US$'000	*US$'000*
Within 30 days	**1,189**	2,691
31 to 60 days	**515**	898
61 to 90 days	**39**	26
91 to 365 days	**20**	127
Over 1 year	**57**	57
	1,820	3,799

12. RELATED PARTY TRANSACTIONS

(a) Loan from a shareholder

At 31 December 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:

	2019	2018
	US$'000	*US$'000*
Short term employee benefits	**970**	1,368
Post-employment benefits – defined contribution plans	**79**	67
Total compensation paid to key management personnel	**1,049**	1,435

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overview

During the year ended 31 December 2019, the Group's revenue declined by approximately 38.9% to approximately US$65.7 million (2018: approximately US$107.5 million) due to weaker performance by both the trading and supply chain management services business and online social platforms operation.

Revenue from trading and supply chain management services amounted to approximately US$35.3 million, falling by approximately 44.7% from approximately US$64.0 million in 2018. The decline was mainly attributable to fewer orders from certain Australian and US customers.

In respect of the Group's online social platforms operation, its advertising services business achieved an encouraging growth of approximately 187.0%. However, the gamified social and online entertainment business dropped dramatically by approximately 56.0% during the year in the wake of a new government policy that was implemented in August 2018. Consequently, the overall revenue from the online social platforms business slipped by approximately 30.3%.

Gross profit was approximately US$14.5 million, representing a contraction of approximately 47.5% from approximately US$27.7 million recorded in 2018. The significant decline in gross profit was mainly attributable to the drop in revenue from the two principal business segments as well as a change in the sales mix.

Operating expenses amounted to approximately US$24.1 million (2018: approximately US$33.0 million). The savings in operating expenses was mainly due to lower advertising expenses from the online social platforms business.

During the year, the Group recognised non-cash impairment losses on other intangible assets of approximately US$11.9 million. The impairment losses were made in view of lower revenue from the live streaming business than forecasted for the second half of 2019 due to the challenging macro environment and economic slowdown in the PRC. Besides, the popularity of live streaming and games has faded in a greater extent than expected since the government imposed a new policy in the second half of 2018. Furthermore, the Group's online social platforms faced fierce competition within the industry, compounded by fast changing trends and tastes of users that adversely affected business performance and development prospects for the live streaming business. Since the management expects a further decline in business in 2020, the aforementioned impairment loss on other intangible assets of approximately US$11.9 million pertaining to this segment has been reported in the financial statements for the year ended 31 December 2019.

Loss for the year narrowed to approximately US$15.5 million (2018: approximately US$84.2 million). The loss included non-cash amortisation and impairment losses on other intangible assets of approximately US$17.8 million (2018: non-cash impairment losses on goodwill of approximately US$66.5 million and amortisation and impairment losses on other intangible assets of approximately US$35.0 million).

Segmental analysis

Operating Segmentation

During the year, 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 year, shipment value for trading and supply chain management services reached approximately US$146 million, a decline of approximately 21.1% from approximately US$185.0 million in 2018. This was mainly due to a decline in orders from certain Australian and US customers.

Geographical Analysis

	Shipment value	
	2019	2018
	US$' million	*US$' million*
North America	**85.8**	101.9
Europe	**41.0**	48.0
Others	**19.2**	35.1
Total	**146.0**	185.0

Shipments to North America dropped by approximately 15.8% to approximately US$85.8 million due to a decline in orders from US customers as the US-China trade dispute escalated. Nevertheless, North America remained the largest market for the Group, accounting for approximately 58.8% of the Group's total shipment value (2018: approximately 55.1%).

Shipments to Europe fell by approximately 14.6% to approximately US$41.0 million, and accounted for approximately 28.1% of the Group's total shipment value (2018: approximately 25.9%).

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere represented approximately 13.1% of total shipment value (2018: approximately 19.0%). The decline was mainly due to fewer orders from certain Australian customers.

The trading and supply chain management services segment recorded revenue of approximately US$35.3 million (2018: approximately US$64.0 million), representing approximately 53.8% of the Group's total revenue (2018: approximately 59.5%). The significant decline in revenue of approximately 44.7% was mainly due to the weak performance of the trading of merchandise business, which saw revenue drop by approximately US$26.8 million during the year.

(ii) Operation of online social platforms

During the year, the online social platforms operation generated approximately US$30.3 million in revenue, representing a decline of approximately 30.3% from approximately US$43.5 million recorded in 2018. This was mainly due to a tighter government policy in place and intense competition in the PRC.

	2019	2018
	US$' million	*US$' million*
Gamified social and online entertainment	**17.1**	38.9
Advertising services and others	**13.2**	4.6
	30.3	43.5

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 government 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, revenue from gamified social and online entertainment business decreased by approximately 56.0% year-on-year to approximately US$17.1 million (2018: approximately US$38.9 million).

Such decline was partially offset by the surge in advertising services income and others, which increased by approximately 187.0% year-on-year to approximately US$13.2 million (2018: approximately US$4.6 million).

Hong Kong Tax Case

During the year, the Group reached a settlement with IRD for an amount of approximately HK$22.9 million (equivalent to approximately US$2.9 million) in respect of the Case. The Board considers the settlement reached with IRD is in the interest and benefit of the Group and its shareholders (the "**Shareholders**") as a whole. As sufficient tax provisions have been made in the financial statements, the settlement did not have any material impact on the profit and loss account of the Group for the year under review.

Financial review

Financial Resources and Liquidity

The Group's financial position remained healthy with cash and cash equivalents of approximately US$12.7 million as at 31 December 2019 (31 December 2018: approximately US$17.2 million). In addition, the Group had total banking facilities of approximately US$5.7 million, including borrowing facilities of approximately US$0.7 million as at 31 December 2019 (31 December 2018: approximately US$10.3 million and approximately US$0.1 million, respectively).

The Group had a current ratio of approximately 1.5 (31 December 2018: approximately 1.6) and a gearing ratio of 0.06 (31 December 2018: Nil), based on an interest-bearing borrowing of approximately US$0.6 million (31 December 2018: Nil) and total equity of approximately US$9.8 million as at 31 December 2019 (31 December 2018: approximately US$24.6 million). The Group's borrowings will be matured and settled on 8 April 2020.

As at 31 December 2019, trade receivables amounted to approximately US$6.5 million (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 has a prudent treasury policy to manage its investments in financial products such as wealth management products. All investments must be conducted in accordance with the treasury policy, with the view to maximise utilisation of the Group's surplus cash received from its business operations. During the year, the Group carried out repeated subscriptions and redemptions of certain wealth management products (the "**WMPs**") issued by China Merchants Bank (招商銀行) for short-term treasury management purposes. The WMPs subscribed by the Group are all stable and low-risk funds which were raised for investing in a combination of financial assets and financial instruments in banks and stock exchange(s) with higher credit ratings and better liquidity, including but not limited to bonds, asset-backed securities, capital borrowing, reverse repurchase, bank deposits, and other financial assets such as investment trust plans and asset management plans, with maturity dates ranging from 10 days to 6 months and yields ranging from 2.9% to 4.3% per annum. The income derived from such WMPs amounted to approximately RMB1.3 million (equivalent to approximately US$0.2 million) for the year. The Group had no outstanding WMPs as at 31 December 2019. For further details about the WMPs subscribed by the Group during the year ended 2019, please refer to the announcement of the Company dated 18 September 2019.

The Group's net asset value amounted to approximately US$9.8 million as at 31 December 2019 (31 December 2018: approximately US$24.6 million).

The majority of the Group's transactions during the year 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 2019, the Group had no material contingent liabilities or guarantees, or charges on any Group assets.

Remuneration Policy and Staff Development Scheme

As at 31 December 2019, the Group had 379 employees (2018: 389). Total staff costs for the year amounted to approximately US$14.4 million (2018: approximately US$15.3 million).

The Group offers competitive remuneration schemes to its employees based on industry practice as well as 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 performance and that of the Group as a whole.

Prospects

Even though trade tensions between the US and the PRC have eased following the signing of a phase 1 trade deal between the two parties, the outbreak of COVID-19, which has become a pandemic as of March 2020, will impact the global economy in the new year. Already, the lockdown of national borders to limit travel, as well as the movement of goods and workers has started to cause delays in the production and export of goods, and the disruption in global supply chains.

With regard to the Group, many of its customers have grown increasingly prudent given the challenges and uncertainties ahead and the expected slowdown in demand, with certain orders either delayed or cancelled in the first half of 2020. In view of the aforementioned developments, the Group anticipates potentially less orders in the coming financial year as the global manufacturing sector enters a recession. The Group will therefore remain in close contacts with both its customers and supply chain partners to work collectively in overcoming the challenges ahead.

As for the operation of online social media platforms, the Group sees opportunities amid the challenges. On the one hand, the disruption of business activities will certainly impact on the PRC economy, particularly in the first half year, and already, a tightened government policy and keen competition have weighed on the business. On the other hand, the outbreak of COVID-19 will give rise to a “stay-at-home economy” that will create new opportunities for companies that can cater for the increasing need for gaming. The Group will therefore continue developing and launching more new and innovative mobile games to satisfy this demand.

Despite the challenging times ahead, the Group will continue its endeavour to bolster the two major business operations, while at the same time evaluate suitable investment opportunities that result in value creation for the Shareholders.

Events After the Reporting Period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which this announcement is authorised to issue.

Save as disclosed above, there is no material subsequent event affecting the Group after the reporting period and up to the date of this announcement.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting (the "**AGM**") of the Company will be held on Thursday, 28 May 2020. 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 Monday, 25 May 2020 to Thursday, 28 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 May 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2019.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's results for the year ended 31 December 2019 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 year ended 31 December 2019. 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 (the "**Audit Committee**") currently comprises the 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 year ended 31 December 2019 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2019, 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. Due to other business commitments, Mr. ZHOU Xijian was not able to attend the AGM held on 31 May 2019 (the "**2019 AGM**"). Mr. HO Chi Kin, an Executive Director and the Chief Financial Officer of the Company, acted as the Chairman of the 2019 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 2019 annual report.

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 for the year ended 31 December 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 for the year ended 31 December 2019.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.daoheglobal.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2019 annual 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, 31 March 2020

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.