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**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 2020**

**FINAL RESULTS HIGHLIGHTS:**

- Revenue declined by approximately 35.1% to approximately US\$42.7 million (equivalent to approximately HK\$332.2 million) for the year ended 31 December 2020 as compared to approximately US\$65.7 million (equivalent to approximately HK\$511.1 million) for the year ended 31 December 2019.
- Loss for the year ended 31 December 2020 amounted to approximately US\$3.5 million (equivalent to approximately HK\$27.2 million) (2019: approximately US\$15.5 million (equivalent to approximately HK\$120.6 million)). The loss in the preceding year included non-cash amortisation and impairment of other intangible assets, net of deferred tax credit, of approximately US\$13.3 million (equivalent to approximately HK\$103.5 million).
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

## 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 2020, together with relevant comparative figures, as follows:

### CONSOLIDATED FINANCIAL INFORMATION

#### Consolidated Statement of Profit or Loss

	<i>Note</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>REVENUE</b>	<i>4</i>	<b>42,654</b>	65,692
Cost of sales		<u>(29,921)</u>	<u>(51,156)</u>
Gross profit		<b>12,733</b>	14,536
Other income		<b>2,360</b>	1,342
Selling and marketing expenses		<b>(2,410)</b>	(4,560)
General and administrative expenses		<b>(14,535)</b>	(19,345)
Finance costs		<b>(91)</b>	(119)
Loss on dissolution of a subsidiary		–	(55)
Share of loss of a joint venture		–	(1)
Impairment of property, plant and equipment	<i>9</i>	<b>(543)</b>	–
Impairment of right-of-use assets	<i>9</i>	<b>(1,006)</b>	(52)
Impairment of other intangible assets		<u>–</u>	<u>(11,925)</u>
<b>LOSS BEFORE TAX</b>	<i>5</i>	<b>(3,492)</b>	(20,179)
Income tax credit	<i>6</i>	<b>15</b>	4,690
<b>LOSS FOR THE YEAR</b>		<u><b>(3,477)</b></u>	<u>(15,489)</u>
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(3,477)</b>	(15,477)
Non-controlling interests		<u>–</u>	<u>(12)</u>
		<u><b>(3,477)</b></u>	<u>(15,489)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b> (expressed in US cent)			
Basic	<i>8</i>	<u><b>(0.23)</b></u>	<u>(1.03)</u>
Diluted		<u><b>(0.23)</b></u>	<u>(1.03)</u>

## Consolidated Statement of Comprehensive Income

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(3,477)</b>	<b>(15,489)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Translation of foreign operations	541	(1,024)
Dissolution of a subsidiary	–	3
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	541	(1,021)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements from defined benefit plan	78	41
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>619</b>	<b>(980)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(2,858)</b>	<b>(16,469)</b>
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	(2,858)	(16,454)
Non-controlling interests	–	(15)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(2,858)</b>	<b>(16,469)</b>

## Consolidated Statement of Financial Position

	<i>Note</i>	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	671	509
Right-of-use assets	9	882	1,206
Goodwill		–	–
Other intangible assets		–	–
Financial asset at fair value through profit or loss		135	270
Equity investment designated at fair value through other comprehensive income		77	–
Deposits		272	29
Deferred tax asset		–	4
		<hr/>	<hr/>
Total non-current assets		<b>2,037</b>	2,018
<b>CURRENT ASSETS</b>			
Inventories		571	313
Trade receivables	10	3,707	6,462
Prepayments, deposits and other receivables		4,547	4,929
Cash and cash equivalents		12,249	12,723
		<hr/>	<hr/>
Total current assets		<b>21,074</b>	24,427
<b>CURRENT LIABILITIES</b>			
Trade payables	11	1,894	1,820
Accruals, provisions and other payables		6,175	7,733
Contract liabilities		707	629
Lease liabilities		869	1,077
Loan from a shareholder	12(a)	3,856	3,856
Bank borrowings		981	631
Tax payable		142	296
		<hr/>	<hr/>
Total current liabilities		<b>14,624</b>	16,042
<b>NET CURRENT ASSETS</b>		<hr/> <b>6,450</b>	<hr/> 8,385
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>8,487</b>	<hr/> 10,403

	<b>2020</b> <i>US\$'000</i>	2019 <i>US\$'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>983</b>	241
Deferred tax liability	–	13
Provisions	<b>297</b>	–
Post-employment benefits	<b>287</b>	371
	<hr/>	<hr/>
Total non-current liabilities	<b>1,567</b>	625
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>6,920</b>	9,778
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Share capital	<b>20,128</b>	20,128
Reserves	<b>(13,208)</b>	(10,350)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>6,920</b>	9,778
	<hr/> <hr/>	<hr/> <hr/>

Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2020 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 and equity investment designated at fair value through other comprehensive income 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

## 3. OPERATING SEGMENT INFORMATION

The Group’s business comprises 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 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 2020 and 2019.

<b>Year ended 31 December 2020</b>	<b>Trading and supply chain management services US\$'000</b>	<b>Operation of online social platforms US\$'000</b>	<b>Total US\$'000</b>
<b>Segment revenue:</b>			
Revenue from external customers	<u>19,703</u>	<u>22,951</u>	<u>42,654</u>
<b>Segment results</b>			
	<u>(1,944)</u>	<u>(531)</u>	<u>(2,475)</u>
Bank interest income			68
Corporate and other unallocated expenses			(1,053)
Interest on bank borrowings			<u>(32)</u>
Loss before tax			(3,492)
Income tax credit			<u>15</u>
Loss for the year			<u>(3,477)</u>
<b>Other segment information:</b>			
Impairment of right-of-use assets	1,006	–	1,006
Impairment of property, plant and equipment	543	–	543
Fair value loss on financial asset at fair value through profit or loss	135	–	135
Depreciation:			
Property, plant and equipment	174	285	459
Right-of-use assets	912	235	1,147
Capital expenditures	552	589	1,141
Impairment of trade receivables	<u>336</u>	<u>243</u>	<u>579</u>

Year ended 31 December 2019	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Segment revenue:</b>			
Revenue from external customers	35,348	30,344	65,692
<b>Segment results</b>			
	(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)
<b>Other segment information:</b>			
Impairment of 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

### Geographical information

#### (a) Revenue from external customers

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
People's Republic of China (“PRC”)	24,605	33,097
Southern hemisphere	8,807	15,285
North America	5,619	11,766
Europe	1,923	3,992
Others	1,700	1,552
	<u>42,654</u>	<u>65,692</u>

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



(b) *Non-current assets*

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
PRC	1,624	1,095
Hong Kong	128	454
Others	73	195
	<u>1,825</u>	<u>1,744</u>

The non-current asset information above is based on the location of assets and excludes a financial asset at fair value through profit or loss, an equity investment designated at fair value through other comprehensive income and a deferred tax asset.

**Information about major customers**

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

<b>Operating segment</b>		2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Customer A	Trading and supply chain management services	<u>7,900</u>	<u>13,563</u>

**4. REVENUE**

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
<i>Revenue from contracts with customers</i>		
Sales of merchandise	17,594	25,113
Commission income	7,123	10,235
Internet value-added services ("IVAS") revenue	13,542	15,723
Advertising and other services income	4,395	14,621
	<u>42,654</u>	<u>65,692</u>

*Disaggregated revenue information*

**For the year ended 31 December 2020**

<b>Segments</b>	<b>Trading and supply chain management services US\$'000</b>	<b>Operation of online social platforms US\$'000</b>	<b>Total US\$'000</b>
<b>Types of goods or services</b>			
Sales of merchandise	12,580	5,014	17,594
Commission income	7,123	–	7,123
IVAS revenue	–	13,542	13,542
Advertising and other services income	–	4,395	4,395
	<u>19,703</u>	<u>22,951</u>	<u>42,654</u>
<b>Geographical markets</b>			
PRC	1,654	22,951	24,605
Southern hemisphere	8,807	–	8,807
North America	5,619	–	5,619
Europe	1,923	–	1,923
Others	1,700	–	1,700
	<u>19,703</u>	<u>22,951</u>	<u>42,654</u>
<b>Timing of revenue recognition</b>			
Goods transferred/services rendered at a point in time	<u>19,703</u>	<u>22,951</u>	<u>42,654</u>

For the year ended 31 December 2019

Segments	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Types of goods or services</b>			
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
	<u>35,348</u>	<u>30,344</u>	<u>65,692</u>
<b>Geographical markets</b>			
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
	<u>35,348</u>	<u>30,344</u>	<u>65,692</u>
<b>Timing of revenue recognition</b>			
Goods transferred/services rendered at a point in time	<u>35,348</u>	<u>30,344</u>	<u>65,692</u>

## 5. LOSS BEFORE TAX

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Cost of inventories sold	16,599	22,168
Cost of services provided	13,322	28,988
Depreciation:		
Property, plant and equipment	459	317
Right-of-use assets	1,147	1,849
Amortisation of other intangible assets	–	5,858
Impairment of other intangible assets	–	11,925
Impairment of property, plant and equipment	543	–
Impairment of right-of-use assets	1,006	52
Impairment of trade receivables	579	304
Loss/(gain) on disposal of property, plant and equipment	15	(1)
Loss on dissolution of a subsidiary	–	55
Fair value loss on financial asset at fair value through profit or loss	135	–
Foreign exchange differences, net	(35)	(106)
	<u>(35)</u>	<u>(106)</u>

## 6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Current		
– Hong Kong	4	27
– Outside Hong Kong	32	101
Net overprovision in prior years	(42)	(371)
Deferred	(9)	(4,447)
	<u>(15)</u>	<u>(4,690)</u>
Total tax credit for the year	<u>(15)</u>	<u>(4,690)</u>

## 7. DIVIDEND

The directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

## 8. LOSS PER SHARE

The calculation of the basic loss per share amount 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:

	2020	2019
<b>Loss</b>		
Loss attributable to owners of the Company (US\$'000)	<u>(3,477)</u>	<u>(15,477)</u>
<b>Number of ordinary shares</b>		
Number of ordinary shares in issue during the year ('000)	<u>1,509,593</u>	<u>1,509,593</u>

## 9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Property, plant and equipment <i>US\$'000</i>	Right-of-use assets <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2020, net of accumulated depreciation and impairment	509	1,206	1,715
Additions	1,141	1,925	3,066
Disposals	(15)	–	(15)
Depreciation provided during the year	(459)	(1,147)	(1,606)
Termination during the year	–	(129)	(129)
Impairment during the year	(543)	(1,006)	(1,549)
Exchange realignment	38	33	71
	<u>671</u>	<u>882</u>	<u>1,553</u>
At 31 December 2020, net of accumulated depreciation and impairment	<u>671</u>	<u>882</u>	<u>1,553</u>
At 1 January 2019, net of accumulated depreciation	716	–	716
Adjustment on adoption of HKFRS 16	–	2,945	2,945
Additions	166	185	351
Disposals	(41)	–	(41)
Depreciation provided during the year	(317)	(1,849)	(2,166)
Impairment during the year	–	(52)	(52)
Exchange realignment	(15)	(23)	(38)
	<u>509</u>	<u>1,206</u>	<u>1,715</u>
At 31 December 2019, net of accumulated depreciation and impairment	<u>509</u>	<u>1,206</u>	<u>1,715</u>

At 31 December 2020, the Group's management considered that certain property, plant and equipment and right-of-use assets of the Group were subject to impairment losses because the cash-generating units of these property, plant and equipment and right-of-use assets were non-performing and suffered from substantial losses for the year. Impairment losses of US\$543,000 (2019: Nil) and US\$1,006,000 (2019: US\$52,000) were recognised to write down the carrying amounts of these items of property, plant and equipment and right-of-use assets to their recoverable amounts of nil as at 31 December 2020. The recoverable amounts of the items of property, plant and equipment and right-of-use assets were determined based on a value-in-use calculation using cash flow projections based on financial budgets covering the remaining useful lives of the respective items of property, plant and equipment and right-of-use assets. The pre-tax discount rate applied for the cash flow projection was 12%.

## 10. TRADE RECEIVABLES

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables	4,719	7,317
Impairment	(1,012)	(855)
	<u>3,707</u>	<u>6,462</u>

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 gross carrying amount of trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 30 days	2,253	3,074
31 to 60 days	698	2,146
61 to 90 days	210	793
91 to 365 days	1,133	808
Over 1 year	425	496
	<u>4,719</u>	<u>7,317</u>

## 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:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Within 30 days	1,105	1,189
31 to 60 days	643	515
61 to 90 days	14	39
91 to 365 days	85	20
Over 1 year	47	57
	<u>1,894</u>	<u>1,820</u>

## 12. RELATED PARTY TRANSACTIONS

### (a) Loan from a shareholder

At 31 December 2020, the loan from a shareholder of the Company (the "Shareholders") is unsecured, non-interest-bearing and repayable by 22 May 2021.

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Short term employee benefits	769	970
Post-employment benefits – defined contribution plans	71	79
Total compensation paid to key management personnel	<u>840</u>	<u>1,049</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Overview*

The past year has been a challenging time for most of the businesses around the world in the wake of the pandemic. The Group's two operating segments were inevitably affected by the difficult conditions. Consequently, the Group's revenue declined by approximately 35.1% to approximately US\$42.7 million (2019: approximately US\$65.7 million) for the year ended 31 December 2020.

The revenue of the Group's trading and supply chain management services business declined by approximately 44.3% from approximately US\$35.3 million in 2019 to approximately US\$19.7 million in the review year. In respect of the Group's online social platforms business, overall revenue contracted by approximately 24.4% from approximately US\$30.3 million in 2019 to approximately US\$23.0 million in the review year.

Gross profit decreased by approximately 12.4% to approximately US\$12.7 million (2019: approximately US\$14.5 million). The drop in gross profit was mainly attributable to the decline in revenue, though this was partially offset by the higher gross profit margin when compared with the preceding year as the gross profit margin for 2019 was adversely affected by the amortisation of other intangible assets of approximately US\$5.9 million.

Other income amounted to approximately US\$2.4 million (2019: approximately US\$1.3 million). The increase was mainly attributable to the reversal of provisions and subsidies from the "Employment Support Scheme" launched by Hong Kong Government.

Operating expenses amounted to approximately US\$17.0 million, representing a drop of approximately 29.1% from approximately US\$24.0 million last year. The savings in operating expenses were mainly due to lower personnel costs, decrease in advertising and travelling expenses due to a decline in business activities, and less depreciation in the right-of-use assets resulting from re-negotiations on rent and reduced office area.

During the year ended 31 December 2020, the Group recognised non-cash impairment loss on property, plant and equipment, and right-of-use assets totalling approximately US\$1.5 million for the trading and supply chain management services segment in view of the drop in business and the path to economic recovery remains uncertain.

Loss for the year was approximately US\$3.5 million, which is significantly lower than the loss of approximately US\$15.5 million for 2019, as the loss in the preceding year included non-cash amortisation and impairment of other intangible assets, net of deferred tax credit, of approximately US\$13.3 million.

## Segmental Analysis

### *Operating Segmentation*

The Group's business comprises two operating segments, 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 fell by approximately 34.0% to approximately US\$96.4 million due to the impact of COVID-19.

#### Geographical Analysis

	Shipment value	
	2020 US\$' million	2019 US\$' million
North America	60.6	85.8
Europe	23.2	41.0
Others	12.6	19.2
Total	<u>96.4</u>	<u>146.0</u>

Shipments to North America dropped by approximately 29.4% to approximately US\$60.6 million. North America remained the largest market for the Group, accounting for approximately 62.9% of the Group's total shipment value in 2020 (2019: approximately 58.8%).

Shipments to Europe fell by approximately 43.4% to approximately US\$23.2 million as many countries across Europe were on lockdown for several months in 2020. Europe accounted for approximately 24.0% of the Group's total shipment value in 2020 (2019: approximately 28.1%).

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere decreased by approximately 34.4% to approximately US\$12.6 million. "Others" represented approximately 13.1% of total shipment value in 2020 (2019: approximately 13.1%).

The trading and supply chain management services segment recorded revenue of approximately US\$19.7 million (2019: approximately US\$35.3 million), representing approximately 46.2% of the Group's total revenue (2019: approximately 53.8%). The significant decline in revenue of approximately 44.3% was mainly due to the decline in revenue from the trading of merchandise business of approximately US\$12.5 million during the year.



(ii) *Operation of online social platforms*

During the year, the revenue derived from the operation of online social platforms declined by approximately 24.4% to approximately US\$23.0 million.

	<b>2020</b>	2019
	<i>US\$' million</i>	<i>US\$' million</i>
Gamified social and online entertainment	<b>15.8</b>	17.1
Advertising services and others	<b>3.8</b>	13.2
Sales of goods	<b>3.4</b>	–
	<b>23.0</b>	30.3

The revenue from gamified social and online entertainment decreased by approximately 7.6% year-on-year to approximately US\$15.8 million (2019: approximately US\$17.1 million) mainly due to intense competition in the live-streaming business in the PRC specifically from other new entertainment platforms but the effect was partially offset by the newly developed pop toys business.

Moreover, the weak macroeconomic conditions and the implementation of measures to reduce the transmission of COVID-19 in the PRC in the first half of 2020 also caused disruptions to business activities. Consequently, the revenue from advertising services and others slipped by 71.2% to approximately US\$3.8 million (2019: approximately US\$13.2 million).

Sales of goods represented mainly the online sales of consumer products, which was newly developed in the year.

## **Financial Review**

### *Financial Resources and Liquidity*

The Group had cash and cash equivalents of approximately US\$12.2 million as at 31 December 2020 (2019: approximately US\$12.7 million). In addition, the Group had total banking facilities of approximately US\$6.1 million, including borrowing facilities of approximately US\$1.1 million as at 31 December 2020 (2019: approximately US\$5.7 million and approximately US\$0.7 million, respectively).

The Group had a current ratio of approximately 1.4 (2019: approximately 1.5) and a gearing ratio of approximately 0.14 (2019: approximately 0.06), based on an interest-bearing borrowing of approximately US\$1.0 million (2019: approximately US\$0.6 million) and total equity of approximately US\$6.9 million as at 31 December 2020 (2019: approximately US\$9.8 million). The Group's borrowings will be matured and settled in 2021.

Trade receivables amounted to approximately US\$3.7 million as at 31 December 2020 (2019: approximately US\$6.5 million). Gross trade receivables aged over 90 days, which amounted to approximately US\$1.6 million, are being carefully monitored by management and sufficient provision has 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 utilising the Group's surplus cash received from its business operations.

The Group's net asset value amounted to approximately US\$6.9 million as at 31 December 2020 (2019: approximately US\$9.8 million).

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

As at 31 December 2020, the Group had no material contingent liabilities or guarantees, or charges on any of its assets.

#### *Remuneration Policy and Staff Development Scheme*

As at 31 December 2020, the Group had 288 employees (2019: 379). The reduction in the workforce reflected the Group's operational needs during the pandemic. As a result, total staff costs for the year were reduced by 21.5% to approximately US\$11.3 million (2019: approximately US\$14.4 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 which eligible persons can benefit. Also, discretionary bonuses are payable to staff based on his or her individual performance and that of the Group as a whole.

#### **Impact of COVID-19**

The COVID-19 pandemic crisis has been putting pressure on the Group and our employees during the past year. As part of the COVID-19 countermeasures and to prevent the spread of the virus, the Group complied strictly with the virus prevention regulations as required by the government, and stringent infection preventive measures were implemented to protect our employees. The Group's human resources department provided abundant information to employees so that they understood the pandemic and the related prevention methods. The Group closely monitored the health of the employees by checking their body temperature, providing sufficient surgical masks and alcohol-based hand rub. The Group also arranged some of the employees to work from home and to conduct business meetings online to minimise the spread of the pandemic. Employees were advised to wear masks and avoid physical contact (such as shaking hands, hugging) and crowded places when they were required to meet people or work outside in their local community.

## **Prospects**

In entering 2021, the world has yet to gain the upper hand over the pandemic, and the global economy looks set to face more challenges. Despite the rollout of coronavirus vaccines, the vaccination process is expected to be lengthy as the availability of such vaccines remain limited. Aside from COVID-19, the strained ties between the US and the PRC, along with political instability, remain threatening to the global economy. Consequently, although the Group has started to see a gradual order improvement since the third quarter of 2020 as its customers have adapted to the new normal, the path to recovery remains slow, and the business environment is likely to remain challenging in the immediate future.

At a micro level, the appreciation of the Renminbi, rising material costs and freight charges will place pressure on the price quotations and margins of the Group's trading and supply chain management services. To cope with the challenges, the management has been working closely with the Group's customers and supply chain partners on developing new products and promoting new categories for cross-selling to stimulate growth. It has also proactively implemented measures to mitigate operational risk, enhance operational efficiency and reduce costs.

On the online social platforms front, the management has actively sought partnerships with other online platforms to expand sales and distribution channels since the easing of lockdowns and social distancing measures in the PRC in the second half of 2020. Moderate revenue growth was consequently recorded from IVAS in the final quarter of 2020. The management expects this growth momentum will be sustained in 2021.

With the increasing popularity of pop toys in the PRC, the management will therefore direct greater resources and effort towards expanding in this segment. This will include obtaining unique designs and exclusive products, expanding sales and distribution channels, promoting online leveraging key opinion leaders (KOLs) and via live broadcasting channels such as Douyin and Kuaishou, and co-operating with other online partners.

In summary, the Group will continue to closely monitor macroeconomic developments. With the strategies and measures in place, the management believes that the Group will overcome the current adversities, while strengthening its foundation for development over the long term.

## **Events After the Reporting Period**

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 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 2020.

## **SCOPE OF WORK OF ERNST & YOUNG**

The figures in respect of the Group's results for the year ended 31 December 2020 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 2020. 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 2020 have been reviewed by the Audit Committee.

## **CORPORATE GOVERNANCE**

Throughout the year ended 31 December 2020, 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 annual general meeting held on 28 May 2020 (the "**2020 AGM**"). Due to the outbreak of COVID-19 Pandemic and the relative entry restrictions, Mr. ZHOU Xijian was not able to attend the 2020 AGM. Mr. WONG Hing Lin, Dennis, an executive Director and the chief executive officer of the Company, acted as the Chairman of the 2020 AGM to ensure that 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 2020 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 2020.

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 2020.

## **PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.daoheglobal.com.hk](http://www.daoheglobal.com.hk)) and The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2020 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, 26 March 2021

*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 and Mr. LONG Liping and the Independent Non-executive Directors are Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.*