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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

INTERIM RESULTS HIGHLIGHTS:

- Revenue dropped by approximately 36.6% to approximately US\$19.3 million (equivalent to approximately HK\$150.2 million) from approximately US\$30.4 million (equivalent to approximately HK\$236.5 million) for the six months ended 30 June 2022.
- For the six months ended 30 June 2023, a profit of approximately US\$0.6 million (equivalent to approximately HK\$4.7 million) (2022: approximately US\$0.7 million (equivalent to approximately HK\$5.4 million)) was achieved.
- The Directors have not declared the payment of an interim dividend for the six months ended 30 June 2023.

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2023, together with relevant comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Profit or Loss

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	US\$'000	US\$'000
REVENUE	4	19,257	30,389
Cost of sales		<u>(11,948)</u>	<u>(20,851)</u>
Gross profit		7,309	9,538
Other income		726	512
Selling and marketing expenses		(1,068)	(1,710)
General and administrative expenses		(6,254)	(7,533)
Finance costs		(59)	(59)
(Allowance)/reversal of allowance for trade receivables		<u>(1)</u>	<u>71</u>
PROFIT BEFORE TAX	5	653	819
Income tax	6	<u>(52)</u>	<u>(138)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>601</u>	<u>681</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in US cents)	8		
Basic		<u>0.04</u>	<u>0.05</u>
Diluted		<u>0.04</u>	<u>0.05</u>

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
PROFIT FOR THE PERIOD	601	681
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(306)</u>	<u>(438)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(306)	(438)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	295	243

Condensed Consolidated Interim Statement of Financial Position

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	496	305
Right-of-use assets	10	1,618	765
Financial asset at fair value through profit or loss		167	167
Deposits		306	221
		<hr/>	<hr/>
Total non-current assets		2,587	1,458
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		704	837
Trade receivables	11	3,147	3,210
Prepayments, deposits and other receivables		2,804	2,562
Bank deposits with initial term of over three months		4,884	3,724
Cash and cash equivalents		14,040	14,482
		<hr/>	<hr/>
Total current assets		25,579	24,815
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	12	1,371	885
Accruals, provisions and other payables		6,532	6,458
Contract liabilities		1,353	1,378
Lease liabilities		1,039	697
Loan from a shareholder	13(a)	3,856	3,856
Bank borrowings		692	416
Tax payable		430	446
		<hr/>	<hr/>
Total current liabilities		15,273	14,136
		<hr/>	<hr/>
NET CURRENT ASSETS		10,306	10,679
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,893	12,137
		<hr/>	<hr/>

	30 June 2023 (Unaudited) US\$'000	31 December 2022 (Audited) US\$'000
NON-CURRENT LIABILITIES		
Lease liabilities	1,007	703
Provisions	154	–
Post-employment benefits	177	174
	<hr/>	<hr/>
Total non-current liabilities	1,338	877
	<hr/>	<hr/>
NET ASSETS	11,555	11,260
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	20,128	20,128
Reserves	(8,573)	(8,868)
	<hr/>	<hr/>
TOTAL EQUITY	11,555	11,260
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 (the “**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**”).

The 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 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The 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 for the year ended 31 December 2022, except for the adoption of the revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) and HKAS issued by the HKICPA as noted below:

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

- (i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and
- (ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the condensed consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 30 June 2023, because the deferred tax assets and the deferred tax liabilities recognised as a result of the adoption of Amendments to HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

Other than HKAS 12, the adoption of the above amendments to the standards has no material impact on the Group's financial position and performance for the current and prior periods and on the disclosures set out in these condensed consolidated interim 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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit 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.

Segment assets do not include corporate and other unallocated assets. Segment liabilities do not include loan from a shareholder as well as corporate and other unallocated liabilities.

The following tables present revenue and results for the Group's reportable segments for the six months ended 30 June 2023 and 2022:

For the six months ended 30 June 2023 (Unaudited)	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue:			
Revenue from external customers	<u>8,162</u>	<u>11,095</u>	<u>19,257</u>
Segment results	<u>331</u>	<u>534</u>	<u>865</u>
Bank interest income			203
Corporate and other unallocated expenses			(404)
Interest on bank borrowings			<u>(11)</u>
Profit before tax			653
Income tax			<u>(52)</u>
Profit for the period			<u><u>601</u></u>
Other segment information:			
Depreciation:			
Property, plant and equipment	37	53	90
Right-of-use assets	237	114	351
Capital expenditures	289	1	290
Allowance for trade receivables	<u>1</u>	<u>-</u>	<u>1</u>

For the six months ended 30 June 2022 (Unaudited)	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue:			
Revenue from external customers	15,226	15,163	30,389
Segment results			
	1,625	(469)	1,156
Bank interest income			106
Corporate and other unallocated expenses			(422)
Interest on bank borrowings			(21)
Profit before tax			819
Income tax			(138)
Profit for the period			681
Other segment information:			
Depreciation:			
Property, plant and equipment	9	226	235
Right-of-use assets	227	171	398
Capital expenditures	12	16	28
Reversal of allowance for trade receivables	(20)	(51)	(71)

The following table presents assets and liabilities of the Group's reportable segments as at 30 June 2023 and 31 December 2022:

	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
As at 30 June 2023 (Unaudited)			
Segment assets	<u>13,778</u>	<u>14,126</u>	27,904
Corporate and other unallocated assets			<u>262</u>
Total assets			<u>28,166</u>
Segment liabilities	<u>7,300</u>	<u>5,264</u>	12,564
Loan from a shareholder			3,856
Corporate and other unallocated liabilities			<u>191</u>
Total liabilities			<u>16,611</u>
As at 31 December 2022 (Audited)			
Segment assets	<u>13,464</u>	<u>12,570</u>	26,034
Corporate and other unallocated assets			<u>239</u>
Total assets			<u>26,273</u>
Segment liabilities	<u>7,189</u>	<u>3,808</u>	10,997
Loan from a shareholder			3,856
Corporate and other unallocated liabilities			<u>160</u>
Total liabilities			<u>15,013</u>

4. REVENUE

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited) US\$'000	(Unaudited) US\$'000
<i>Revenue from contracts with customers</i>		
Sales of merchandise	5,071	10,993
Commission income	4,308	5,897
Internet value-added services ("IVAS") revenue	9,878	13,262
Others	–	237
	19,257	30,389
	19,257	30,389

Disaggregated revenue information

	For the six months ended 30 June 2023		
	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	3,854	1,217	5,071
Commission income	4,308	–	4,308
IVAS revenue	–	9,878	9,878
	8,162	11,095	19,257
	8,162	11,095	19,257
Geographical markets			
People's Republic of China (the "PRC")	1,177	11,095	12,272
Southern hemisphere	3,257	–	3,257
North America	2,445	–	2,445
Europe	590	–	590
Others	693	–	693
	8,162	11,095	19,257
	8,162	11,095	19,257
Timing of revenue recognition			
Goods transferred/services rendered at a point in time	8,162	11,095	19,257
	8,162	11,095	19,257

	For the six months ended 30 June 2022		
	Trading and supply chain management services (Unaudited) <i>US\$'000</i>	Operation of online social platforms (Unaudited) <i>US\$'000</i>	Total (Unaudited) <i>US\$'000</i>
	Type of goods or services		
Sales of merchandise	9,329	1,664	10,993
Commission income	5,897	–	5,897
IVAS revenue	–	13,262	13,262
Others	–	237	237
	<u>15,226</u>	<u>15,163</u>	<u>30,389</u>
Geographical markets			
PRC	1,266	15,163	16,429
Southern hemisphere	6,180	–	6,180
North America	6,000	–	6,000
Europe	765	–	765
Others	1,015	–	1,015
	<u>15,226</u>	<u>15,163</u>	<u>30,389</u>
Timing of revenue recognition			
Goods transferred/services rendered at a point in time	<u>15,226</u>	<u>15,163</u>	<u>30,389</u>

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) <i>US\$'000</i>	2022 (Unaudited) <i>US\$'000</i>
	Cost of inventories sold	4,519
Cost of services provided	7,429	10,431
Depreciation:		
Property, plant and equipment	90	235
Right-of-use assets	351	398
Employee benefit expense	5,417	6,451
(Gain)/loss on disposal of property, plant and equipment	(1)	1
Foreign exchange differences, net	76	187
	<u>76</u>	<u>187</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax regime. The first HK\$2,000,000 (2022: 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.

	For the six months ended 30 June	
	2023	2022
	(Unaudited) US\$'000	(Unaudited) US\$'000
Current		
– Hong Kong	30	30
– Outside Hong Kong	22	110
Net overprovision in prior periods	–	(2)
Total tax expense for the period	<u>52</u>	<u>138</u>

7. DIVIDEND

The Directors have not declared the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of US\$601,000 (2022: US\$681,000), and the number of 1,509,592,701 (2022: 1,509,592,701) ordinary shares in issue during the period.

The Group had no dilutive potential ordinary shares in issue for the period ended 30 June 2023 (2022: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a total cost of US\$290,000 (2022: US\$28,000).

Assets with a net book value of US\$1,000 were disposed of by the Group during the six months ended 30 June 2023 (2022: US\$1,000), at a net gain on disposal of US\$1,000 (2022: net loss of US\$1,000).

10. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into various new lease agreements for properties and office equipment used in its operations. On lease commencement, the Group recognised US\$1,357,000 of right-of-use assets and lease liabilities (2022: US\$1,355,000).

11. TRADE RECEIVABLES

	30 June 2023 (Unaudited) US\$'000	31 December 2022 (Audited) US\$'000
Trade receivables	3,813	3,870
Allowance for doubtful debts	(666)	(660)
	3,147	3,210

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:

	30 June 2023 (Unaudited) US\$'000	31 December 2022 (Audited) US\$'000
Within 30 days	2,070	1,865
31 to 60 days	674	796
61 to 90 days	150	148
91 to 365 days	323	488
Over 1 year	596	573
	3,813	3,870

12. 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 2023 (Unaudited) US\$'000	31 December 2022 (Audited) US\$'000
Within 30 days	993	785
31 to 60 days	286	17
61 to 90 days	15	–
91 to 365 days	1	19
Over 1 year	76	64
	1,371	885

13. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this announcement, the Group had the following significant transactions with related parties during the period:

(a) Loan from a shareholder

At 30 June 2023, the loan from a shareholder of the Company is unsecured, non-interest-bearing and repayable by 22 May 2024.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Short term employee benefits	399	399
Post-employment benefits	39	39
Total compensation paid to key management personnel	438	438

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the period under review, the Group's revenue declined by approximately 36.6% to approximately US\$19.3 million from approximately US\$30.4 million for the same period last year owing to the challenging business environment.

The revenue of the Group's trading and supply chain management services fell approximately 46.4% from approximately US\$15.2 million to approximately US\$8.2 million. In respect of the Group's online social platforms business, overall revenue dropped by approximately 26.8% from approximately US\$15.2 million to approximately US\$11.1 million in the review period.

Gross profit decreased by approximately 23.4% from approximately US\$9.5 million to approximately US\$7.3 million for the six months ended 30 June 2023. Gross margin improved from approximately 31.4% to approximately 38.0% as a result of change in sales mix.

Operating expenses for the six months ended 30 June 2023 amounted to approximately US\$7.4 million, representing a drop of approximately 20.0% from approximately US\$9.2 million for the corresponding period last year. The reduction in operating expenses was mainly attributable to the decrease in marketing expenses and depreciation of the online social platforms business, as well as the lower employee benefit expenses since headcount reduced.

The profit for the period decreased from approximately US\$0.7 million for the six months ended 30 June 2022 to approximately US\$0.6 million for the review period.

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 period under review, shipment value for trading and supply chain management services slipped by approximately 35.9% from approximately US\$84.4 million to approximately US\$54.1 million as the business was seriously impacted by the high inflation and aggressive monetary tightening policy in the United States ("US") and Europe which eroded the consumer purchasing power. The decline was also attributed to the high inventory level at most customers and reduction in sales price due to weakened demand.

Geographical Analysis

	Shipment value For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US\$' million	US\$' million
North America	39.7	64.2
Europe	10.5	13.5
Others	3.9	6.7
	54.1	84.4

Shipments to North America subtracted by approximately 38.2% to approximately US\$39.7 million due to the weakened demand from high inflation and inventory level. Nevertheless, North America still represented the largest market for the Group, accounting for approximately 73.4% of the Group's total shipment value (2022: approximately 76.1%).

Shipments to Europe decreased by approximately 22.2% to approximately US\$10.5 million, and accounted for approximately 19.4% of total shipment value (2022: approximately 16.0%).

Shipments grouped under “Others”, comprising mainly shipments to the southern hemisphere, represented approximately 7.2% of the total shipment value (2022: approximately 7.9%). A decrease of approximately 41.8% to approximately US\$3.9 million in shipments was recorded, which was mainly due to decrease in orders from a South African customer.

During the period under review, revenue from trading and supply chain management services was approximately US\$8.2 million (2022: approximately US\$15.2 million), representing approximately 42.4% (2022: approximately 50.1%) of the Group’s total revenue. The drop in revenue was attributable to the decrease in shipment and change in sales mix with less trading business.

(ii) *Operation of online social platforms*

During the review period, the revenue derived from the operation of online social platforms fell by approximately 26.8% from approximately US\$15.2 million to approximately US\$11.1 million.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US\$’ million	US\$’ million
Gamified social and online entertainment	9.9	13.3
Sales of goods	1.2	1.7
Others	–	0.2
	11.1	15.2

The revenue from gamified social and online entertainment dropped by approximately 25.5% year-on-year from approximately US\$13.3 million to approximately US\$9.9 million. Despite the anti-pandemic restrictions has been lifted in late 2022, a quick turnaround is unlikely as the demand remained weak at home and abroad, while the business in the first quarter of 2022 was not yet affected by the lockdowns in PRC cities due to the spread of Omicron.

Sales of goods fell by approximately 26.9% to approximately US\$1.2 million in the first half of 2023. Apart from the weak momentum under slow economy recovery, management was cautious in launching new blind box products and the reduction in cross border sales also adversely impacted the sales of goods during the review period.

Financial Review

Financial Resources and Liquidity

The Group had deposits and cash and cash equivalents of approximately US\$18.9 million as at 30 June 2023 (31 December 2022: approximately US\$18.2 million). In addition, it had total banking facilities of approximately US\$5.8 million, including borrowing facilities of approximately US\$0.8 million as at 30 June 2023 (31 December 2022: approximately US\$5.6 million and approximately US\$0.5 million, respectively).

The Group's current ratio was approximately 1.7 (31 December 2022: approximately 1.8) and a gearing ratio of approximately 0.06 (31 December 2022: approximately 0.04), based on interest-bearing borrowings of approximately US\$0.7 million (31 December 2022: approximately US\$0.4 million) and total equity of approximately US\$11.6 million as at 30 June 2023 (31 December 2022: approximately US\$11.3 million). There has not been any material change in the Group's borrowings since 30 June 2023.

Trade receivables amounted to approximately US\$3.1 million as at 30 June 2023 (31 December 2022: approximately US\$3.2 million). Gross trade receivables aged over 90 days, which amounted to approximately US\$0.9 million, are being carefully monitored by management and sufficient provision has been made.

The Group adopts a prudent treasury policy in managing investment in financial products such as wealth management products. All investments must be conducted in accordance with the Group's treasury policy with the view to utilising surplus cash received from its business operations.

The Group's net asset value amounted to approximately US\$11.6 million as at 30 June 2023 (31 December 2022: approximately US\$11.3 million).

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

As at 30 June 2023, the Group had no material contingent liabilities or guarantees, or charges on any of its assets.

Remuneration Policy and Staff Development Scheme

As at 30 June 2023, the Group had 250 employees (2022: 307). Total staff costs for the period under review amounted to approximately US\$5.4 million (2022: approximately US\$6.5 million).

The Group offers competitive remuneration packages to its employees based on industry practice, and the performance of the individual employee and that of the Group. In addition, the Company has in place a share option scheme for eligible persons and discretionary bonuses are payable to staff members based on their individual performance and that of the Group as a whole.

Prospects

Numerous issues continue to challenge the global supply chain markets in 2023, rising concerns from the banking crisis in the US, persistent inflation, furthering tightening monetary policy, political instability, sluggish demand in key markets and elevated market volatility. The ongoing economic conflicts between US and PRC continues to disrupt the global supply chain and it forces many US customers to accelerate shifting their supply base out of China.

The headwinds should not impede the Group's efforts to continue to expand new business, offer more product categories and competitive prices so as to strengthen ties with its key customers and also expand alternative procurement beyond China to meet their needs.

Despite these adverse factors will continue to persist, management awares that some of our customers' inventory levels shrank after curtailed their purchase to clear the inventory in the first half and the sales from supply chain management is expected to grow in the second half as many of them increase the purchase amount based on the latest placement.

The business from operation of online social platforms has been slightly improved from the last quarter of 2022 as benefit from significant easing of Covid controls. However, the domestic economy grew at a frail pace than expected as the global economy remains weak and uncertain. For the gamified online games, the number of new users and sales of in-game currency are expected to pick up gradually with more stimulus policies are likely to be rolled out by authorities to stimulate consumptions and domestic economy growth in the latter half of the year. To capture the potential growth, the Group will continue to expand sales channel through social media such as "Douyin", and collaboration with other online platforms and brick-and-mortar store, enhance game quality and improve user experience through system upgrades. For sales of pop toys, the Group will continue to cultivate talents and pursue partnership with toy designers and Intellectual Property providers to develop innovative products such as ball jointed dolls. More resources will be put on product development and explore distribution channels. Besides, management will continue to enforce strict cost controls and work with suppliers to lower the purchase and running cost so as to improve the profitability.

Looking ahead, despite the business environment is still full of challenges and uncertainties in the near future, the Group will continue to closely monitor the economic development globally and adjust its strategies and measures from time to time.

Significant Investments, Material Acquisitions or Disposals

Save as disclosed in this announcement, during the six months ended 30 June 2023, the Group did not have any significant investments, material acquisitions or disposals.

Events after the Reporting Period

No material event occurred 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 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, 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 2023. Such condensed consolidated interim financial information has not been audited nor reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"), the roles of the chairman and chief executive officer should be separated, since the resignation of Mr. ZHOU Xijian as Chairman of the Board ("**Chairman**") with effect from 2 June 2023 and up to the date of this announcement, no Chairman has been appointed, the Company will endeavour to identify and appoint suitable Chairman and will make announcement as and when appropriate. Save as disclosed, the Company has complied with all the applicable code provisions of the CG Code throughout the six months ended 30 June 2023.

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 throughout the six months ended 30 June 2023.

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 2023.

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 2023 interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Daohe Global Group Limited
WONG Hing Lin, Dennis
Executive Director and Chief Executive Officer

Hong Kong, 25 August 2023

As at the date of this announcement, 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.