道和環球
DAOHE GLOBAL

Daohe Global Group Limited
道和環球集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 915)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

INTERIM RESULTS HIGHLIGHTS

- Shipment value amounted to approximately US$113.4 million (equivalent to HK$882.3 million), a decrease of approximately 9.0% as compared to approximately US$124.6 million (equivalent to HK$971.9 million) for the corresponding period last year.
- Revenue decreased by approximately 2.9% to approximately US$52.5 million (equivalent to HK$408.5 million) as compared to approximately US$54.1 million (equivalent to HK$422.0 million) for the corresponding period last year.
- Profit for the period under review amounted to approximately US$2.2 million (equivalent to HK$17.1 million), maintained at a similar level with the corresponding period last year.
- The Directors have declared an interim dividend of 1.38 HK cents per ordinary share in respect of the six months ended 31 October 2016.

UNAUDITED INTERIM RESULTS

The board ("**Board**") of directors ("**Directors**") of Daohe Global Group Limited ("**Company**") announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the "**Group**") for the six months ended 31 October 2016, together with comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Profit or Loss

	Note	For the six months ended 31 October **2016** **(Unaudited)** ***US$'000***	2015 (Unaudited) *US$'000* (Restated)
REVENUE	*3*	**52,539**	54,086
Cost of sales		**(39,856)**	(40,839)
Gross profit		**12,683**	13,247
Other income		**164**	304
General and administrative expenses		**(10,397)**	(10,867)
Gain on disposal of a subsidiary		**62**	–
Loss on dissolution of subsidiaries		**–**	(5)
PROFIT BEFORE TAX	*4*	**2,512**	2,679
Income tax expense	*5*	**(298)**	(509)
PROFIT FOR THE PERIOD		**2,214**	2,170
ATTRIBUTABLE TO:			
Owners of the Company		**2,249**	2,170
Non-controlling interests		**(35)**	–
		2,214	2,170
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cents)	*7*		
Basic *(Note)*		**0.64**	0.62
Diluted *(Note)*		**0.64**	0.62

Note:
Adjusted for the effect of Share Consolidation (as defined below) in September 2016.

Condensed Consolidated Interim Statement of Comprehensive Income

	For the six months ended 31 October	
	2016	2015
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**2,214**	2,170
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income to be reclassified subsequently to profit or loss:		
Exchange differences:		
Translation of foreign operations	**(79)**	56
Reclassification adjustments		
– gain on disposal of a subsidiary	**(4)**	–
– loss on dissolution of subsidiaries	**–**	5
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(83)**	61
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,131**	2,231
ATTRIBUTABLE TO:		
Owners of the Company	**2,164**	2,231
Non-controlling interests	**(33)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,131**	2,231

Condensed Consolidated Interim Statement of Financial Position

	Note	**31 October 2016 (Unaudited)** *US$'000*	30 April 2016 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**356**	416
Goodwill		**26,373**	26,857
Available-for-sale financial asset		**229**	229
Investment in a joint venture		**10**	10
Deferred tax assets		**10**	10
Total non-current assets		**26,978**	27,522
CURRENT ASSETS			
Trade receivables	*9*	**4,857**	4,392
Prepayments, deposits and other receivables		**2,699**	3,010
Cash and cash equivalents		**27,252**	24,956
Total current assets		**34,808**	32,358
CURRENT LIABILITIES			
Trade payables	*10*	**5,242**	5,100
Accruals and other payables		**10,135**	10,936
Tax payable		**2,629**	2,388
Total current liabilities		**18,006**	18,424
NET CURRENT ASSETS		**16,802**	13,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,780**	41,456
NON-CURRENT LIABILITIES			
Post-employment benefits		**531**	512
Total non-current liabilities		**531**	512
NET ASSETS		**43,249**	40,944
EQUITY			
Share capital		**14,128**	14,128
Reserves		**29,125**	26,890
Equity attributable to owners of the Company		**43,253**	41,018
Non-controlling interests		**(4)**	(74)
TOTAL EQUITY		**43,249**	40,944

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 31 October 2016 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2016.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 30 April 2016, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") and IAS as noted below.

Amendments to IFRS 10, IFRS 12 and IAS 28 (Revised)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

The adoption of these standards has had no material financial effect on the interim financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) sales of merchandise including garments, fashion accessories, hardgoods and labels;

(b) provision of services including procurement and value-added services relating to the procurement agency business; and

(c) money lending business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, gain on disposal of a subsidiary, loss on dissolution of subsidiaries 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 profit for the Group's reportable segments for the six months ended 31 October 2016 and 2015.

	2016			
	Sales of merchandise (Unaudited) *US$'000*	**Provision of services (Unaudited)** *US$'000*	**Money lending business (Unaudited)** *US$'000*	**Total (Unaudited)** *US$'000*
Segment revenue:				
Revenue from external customers	**46,329**	**6,210**	**–**	**52,539**
Segment results	**2,146**	**1,027**	**(40)**	**3,133**
Interest income				**4**
Gain on disposal of a subsidiary				**62**
Corporate and other unallocated expenses				**(687)**
Profit before tax				**2,512**
Income tax expense				**(298)**
Profit for the period				**2,214**
Other segment information:				
Depreciation	**63**	**86**	**–**	**149**
Capital expenditures	**14**	**78**	**–**	**92**
Impairment of trade receivables	**–**	**116**	**–**	**116**

	2015		
	Sales of merchandise (Unaudited) *US$'000*	Provision of services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Segment revenue:			
Revenue from external customers	46,933	7,153	54,086
Segment results	2,176	1,167	3,343
Interest income			10
Loss on dissolution of subsidiaries			(5)
Corporate and other unallocated expenses			(669)
Profit before tax			2,679
Income tax expense			(509)
Profit for the period			2,170
Other segment information:			
Depreciation	44	63	107
Capital expenditures	43	79	122
Impairment of trade receivables	–	49	49

4. PROFIT BEFORE TAX

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

	For the six months ended 31 October	
	2016	2015
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Depreciation	**149**	107
Gain on disposal of a subsidiary	**(62)**	–
Loss on dissolution of subsidiaries	**–**	5
Impairment of trade receivables	**116**	49

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 31 October	
	2016	2015
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current		
– Hong Kong	**289**	168
– Outside Hong Kong	**18**	49
Net (overprovision)/underprovision in prior years	**(9)**	293
Deferred	**–**	(1)
Total tax expense for the period	**298**	509

As of the date of this announcement, the Group received protective assessments amounting to approximately HK$155,000,000 (equivalent to US$19,923,000) from the Inland Revenue Department in Hong Kong ("**IRD**") in respect of queries on the modus operandi of the Group and the chargeability of the profits for the years of assessment from 2003/2004 to 2009/2010. Objections have been lodged by the Group against the protective assessments. In addition, Tax Reserve Certificates amounting to HK$5,250,000 (equivalent to US$675,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under protective assessments for these years.

With the assistance of an independent tax advisor, the Group submitted a settlement proposal as part of negotiations with the IRD regarding this case in April 2015 and a further provision was made for the year ended 30 April 2016 based on the subsequent assessment. As at the close of the reporting period, the case was still under review by the IRD. Despite the unknown outcome, the Group is of the view that sufficient tax provisions have been made in the financial statements based on the information available.

6. DIVIDENDS

On 8 January 2016, a dividend of 1.50 HK cents (adjusted for the effect of Share Consolidation in September 2016) per ordinary share was paid to shareholders of the Company as interim dividend in respect of the six months ended 31 October 2015.

The Directors have declared an interim dividend of 1.38 HK cents per ordinary share in respect of the six months ended 31 October 2016 and such interim dividend will be paid in cash on Wednesday, 11 January 2017 to shareholders whose names appear on the register of members of the Company on Wednesday, 4 January 2017.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately US$2,249,000 (2015: US$2,170,000), and the weighted average number of 353,197,567 (2015: 349,798,292) (adjusted for the effect of Share Consolidation in September 2016) ordinary shares in issue during the period.

The Group had no dilutive potential ordinary shares in issue for the periods ended 31 October 2016 and 2015.

8. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2016, the Group spent approximately US$92,000 (2015: US$122,000) on acquisition of property, plant and equipment.

9. TRADE RECEIVABLES

The general credit terms granted to customers range from 60 days to 90 days. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 October 2016 (Unaudited) ***US$'000***	30 April 2016 (Audited) *US$'000*
Within 30 days	**2,645**	2,967
31 to 60 days	**1,048**	369
61 to 90 days	**598**	469
91 to 365 days	**797**	782
Over 1 year	**115**	46
	5,203	4,633
Impairment	**(346)**	(241)
	4,857	4,392

Note:
The trade receivables aged over 90 days are being carefully monitored by management. Approximately US$0.3 million (30 April 2016: US$0.2 million) of these balances was covered by the impairment.

10. TRADE PAYABLES

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

	31 October 2016 (Unaudited) ***US$'000***	30 April 2016 (Audited) *US$'000*
Within 30 days	**4,441**	4,594
31 to 60 days	**660**	368
61 to 90 days	**55**	2
91 to 365 days	**48**	87
Over 1 year	**38**	49
	5,242	5,100

11. RELATED PARTY TRANSACTIONS

(a) The Group had no significant related party transactions during the six months ended 31 October 2016 and 2015.

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

	For the six months ended 31 October	
	2016 (Unaudited) ***US$'000***	2015 (Unaudited) *US$'000*
Short term employee benefits	**617**	582
Post-employment benefits – defined contribution plans	**50**	49
Total compensation paid to key management personnel	**667**	631

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The global economy remained sluggish in the period under review. Divergence of economic performance across regions remained unchanged. In the meantime, volatility in the financial markets and weakness in global trade continued together with rising uncertainty in geopolitical and political risks in the world.

The Group continued to face price deflation from retailers, currency depreciation and increased competition during the period ended 31 October 2016. The Group's overall shipment dropped by approximately 9.0% from approximately US$124.6 million (equivalent to HK$971.9 million) for the same period last year to approximately US$113.4 million (equivalent to HK$882.3 million).

Revenue decreased by approximately 2.9% to approximately US$52.5 million (equivalent to HK$408.5 million) from approximately US$54.1 million (equivalent to HK$422.0 million) for the same period last year.

Gross profit also dropped by around 4.3% from approximately US$13.2 million (equivalent to HK$103.0 million) for the same period last year to approximately US$12.7 million (equivalent to HK$98.8 million).

With effective cost controls, the Group saved general and administrative expenses during the period under review by 4.3% to approximately US$10.4 million (equivalent to HK$80.9 million), compared with approximately US$10.9 million (equivalent to HK$85.0 million) for the corresponding period last year.

Up till 31 October 2016, the Group reported a profit of approximately US$2.2 million (equivalent to HK$17.1 million), maintained at a similar level with the same period last year.

Segmental Analysis

Operating Segmentation

The Group's business comprises three operating segments: (i) sales of merchandise including garments, fashion accessories, hardgoods and labels; (ii) provision of services including procurement and value-added services relating to the procurement agency business; and (iii) money lending business.

(i) Provision of services and sales of merchandise

	Shipment value For the six months ended 31 October	
	2016	2015
	(Unaudited)	(Unaudited)
	US$' million	*US$' million*
Provision of services	**67.1**	77.7
Sales of merchandise	**46.3**	46.9
Total	**113.4**	124.6

During the period under review, shipment value from the provision of services fell by approximately 13.6% to approximately US$67.1 million (equivalent to HK$522.0 million), accounting for roughly 59.2% of the Group's total shipment value. This was mainly due to a decline in business from Europe.

Shipment value from sales of merchandise also slightly decreased by approximately 1.3% to approximately US$46.3 million (equivalent to HK$360.2 million), contributing to around 40.8% of the Group's total shipment value.

(ii) Money lending business

In May 2016, the Group acquired the entire issued share capital of Tingo Consulting Company Limited ("**Tingo**") which is a holder of a Money Lenders Licence issued under the Money Lenders Ordinance (Chapter 163 of the Law of Hong Kong). Tingo has not commenced any business during the period under review.

Geographical Segmentation

	Shipment value For the six months ended 31 October	
	2016	2015
	(Unaudited)	(Unaudited)
	US$' million	*US$' million*
North America	**62.0**	61.6
Europe	**21.4**	30.6
Others	**30.0**	32.4
Total	**113.4**	124.6

In the same review period, shipments to North America slightly increased by approximately 0.6% to approximately US$62.0 million (equivalent to HK$482.4 million). North America continued to be the largest market of the Group, contributing approximately 54.7% of the Group's total shipment value.

A fall was identified in the European market during the period under review. Shipments to Europe decreased by approximately 30.1% to approximately US$21.4 million (equivalent to HK$166.5 million), due to the decline in business in United Kingdom and the overall depreciation in European currencies. Shipments to Europe presently account for approximately 18.9% of the Group's total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere decreased by approximately 7.4% to approximately US$30.0 million (equivalent to HK$233.4 million), mainly due to the price competition and depreciation in Australian dollars and South African Rand. Others represented approximately 26.4% of the Group's total shipment value.

Hong Kong Tax Case

As of the date of this announcement, the Group received protective assessments amounting to approximately HK$155,000,000 (equivalent to US$19,923,000) from the Inland Revenue Department in Hong Kong ("**IRD**") in respect of queries on the modus operandi of the Group and the chargeability of the profits for the years of assessment from 2003/2004 to 2009/2010. Objections have been lodged by the Group against the protective assessments. In addition, Tax Reserve Certificates amounting to HK$5,250,000 (equivalent to US$675,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under protective assessments for these years.

With the assistance of an independent tax advisor, the Group submitted a settlement proposal as part of negotiations with the IRD regarding this case in April 2015 and a further provision was made for the year ended 30 April 2016 based on the subsequent assessment. As at the close of the reporting period, the case was still under review by the IRD. Despite the unknown outcome, the Group is of the view that sufficient tax provisions have been made in the financial statements based on the information available.

Financial Review

The Group's financial position remains healthy with cash and cash equivalents of approximately US$27.3 million (equivalent to HK$212.4 million) as of 31 October 2016. In addition, the Group has total banking facilities of approximately US$10.3 million (equivalent to HK$80.0 million) including borrowing facilities of approximately US$0.1 million (equivalent to HK$1.0 million) as of 31 October 2016.

The Group has a current ratio of approximately 1.9 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US$43.2 million (equivalent to HK$336.1 million) as of 31 October 2016. There has not been any material change in the Group's borrowings since 31 October 2016.

Trade receivables increased from approximately US$4.4 million (equivalent to HK$34.2 million) as of 30 April 2016 to approximately US$4.9 million (equivalent to HK$38.1 million) as of 31 October 2016. Gross trade receivables aged over 90 days, which amounted to approximately US$0.9 million (equivalent to HK$7.0 million), are being carefully monitored by management and sufficient provision has been made.

The Group's net asset value recorded as of 31 October 2016 was approximately US$43.2 million (equivalent to HK$336.1 million). It had no material contingent liability as of 31 October 2016, and no material change has been identified since then.

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

Remuneration Policy and Staff Development Scheme

As of 31 October 2016, the Group had 347 staff members (2015: 370 staff members). Total staff costs for the period under review amounted to approximately US$7.1 million (equivalent to HK$55.2 million) (2015: US$7.5 million (equivalent to HK$58.5 million)).

The Group offers competitive remuneration schemes to its employees based on industry practices, along with individual and the Group's performance. In addition, the Company has a share option scheme for eligible staff and discretionary bonuses are payable to staff based on his or her individual performance and the Group's performance.

Corporate Events During the Reporting Period

Acquisition of a Money Lender

On 18 May 2016, Daohe Capital Limited, a direct wholly-owned subsidiary of the Company, entered into an agreement to acquire the entire issued share capital of Tingo Consulting Company Limited ("**Tingo**") (together with an outstanding shareholder's loan) at an aggregate consideration of HK$420,000 (equivalent to approximately US$54,000). Tingo is a company incorporated in Hong Kong on 23 November 2015 with limited liability and is a holder of a Money Lenders Licence issued under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The acquisition was completed on 19 May 2016.

Proposed Placing of New Shares under General Mandate and the Lapse of the Placing Agreement

On 5 June 2016, the Company entered into the placing agreement ("**Placing Agreement**") with the placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, 690,620,000 new shares of the Company to not less than six independent placees at the placing price of HK$0.42 per placing share pursuant to the terms and conditions of the Placing Agreement.

The Company announced on 4 July 2016 that due to the reasons disclosed therein, the Placing Agreement lapsed.

The Directors are of the view that the lapse of the Placing Agreement has no material adverse impact on the business operation and financial position of the Group.

For details, please refer to the Company's announcements dated 5 June 2016 and 4 July 2016.

*Acquisition of a Company Established in the People's Republic of China ("**PRC**")*

On 7 July 2016, 深圳勝運科技有限公司 (Shenzhen Sheng Yun Technology Co. Ltd.*) ("**Sheng Yun**"), a subsidiary of the Company, acquired a 51% interest in an aggregate of RMB1 in 深圳國之道新能源汽車銷售服務有限公司 (Shenzhen Guo Zhi Dao New Energy Vehicle Sales Services Co. Ltd.*) ("**Guo Zhi Dao**"). Guo Zhi Dao is a company incorporated in the PRC on 11 May 2016 with limited liability and has an unpaid registered capital of RMB10 million. For details of the acquisition, please refer to the Company's 2016 annual report published on 27 July 2016.

As at the date of this announcement, Guo Zhi Dao has not commenced any business.

* *For identification purpose only*

Lapse of an Option to Acquire an Equity Interest and a Connected Transaction regarding a Disposal

A wholly-owned subsidiary of the Company, 林麥商品信息諮詢(深圳)有限公司(Linmark Merchandise Consultancy (Shenzhen) Limited*) ("**SZ Linmark**") owned a 60% equity interest in 深圳市國採晟唐投資管理有限公司 (Shenzhen Guo Cai Sheng Tang Investment Co. Ltd.*) ("**Target Company**") after completion of the acquisition from 深圳市國採立信投資管理有限公司 (Shenzhen Guocai Lixin Investment Management Company Limited*) ("**Lixin**") and 吳玥鋆 (Wu Yuejun*) ("**Mr. Wu**") which took place on 25 November 2015 ("**Share Transaction**").

The Company announced on 10 August 2016 that due to the reasons disclosed therein, the Board considered that a disposal of the 60% equity interest in the Target Company would allow the Group to exit from subsidising the nonperforming business of the Target Company having considered the Target Company had been loss-making since its incorporation; and SZ Linmark had decided not to exercise its option to acquire the remaining 40% equity interest in the Target Company ("**Second Tranche Sale Interest**").

Accordingly, SZ Linmark, Lixin and Mr. Wu had entered into a disposal agreement on 10 August 2016 ("**Disposal Agreement**") for the disposal of an aggregate of 60% equity interests in the Target Company (of which 30.6% equity interests would be transferred to Lixin and 29.4% equity interests would be transferred to Mr. Wu) ("**Disposal**") at an aggregate consideration of HK$5,000,000 (of which HK$2,550,000 would be payable by Lixin and HK$2,450,000 would be payable by Mr. Wu).

The Target Company was a subsidiary of the Company and was owned as to 20.4% by Lixin and as to 19.6% by Mr. Wu. Lixin and Mr. Wu were therefore connected persons of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal was subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, Lixin is 70%-owned by the spouse of Mr. ZHANG Li, who was a former director of the Company who resigned on 12 July 2016. As such, Lixin was an associate of Mr. ZHANG Li and thus a connected person of the Company. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details including lapse of the option to acquire the Second Tranche Sale Interest and the Disposal were disclosed in the Company's announcements dated 26 October 2015, 3 November 2015, 24 November 2015, 25 November 2015, 13 May 2016 and 10 August 2016.

* *For identification purpose only*

Share Consolidation and Change of Board Lot Size

During the period under review, the Board issued a circular to the Company's shareholders dated 8 September 2016 proposing (i) that the share consolidation on the basis that every ten (10) issued and unissued then-existing shares of US$0.004 each in the share capital of the Company be consolidated into one (1) consolidated share of US$0.04 ("**Share Consolidation**"); and (ii) subject to the Share Consolidation becoming effective, that the board lot size for trading on the Stock Exchange be changed from 10,000 then-existing shares to 1,000 consolidated shares.

The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company held on 26 September 2016. The Share Consolidation became effective on 27 September 2016 and the board lot size of trading on the Stock Exchange had been changed from 10,000 shares to 1,000 consolidated shares.

Prospects

Looking ahead, the global economy is expected to remain vulnerable. Brexit, political uncertainty in Europe and an unexpected US presidential election result have only increased the uncertainty in the state of the global economy. At the same time, China, the world's second largest economy, is undergoing structural transformation and has been experiencing slower growth.

The global trade environment has been unfavorable for the Group's business. Potential adverse US trade policies against China under the new presidency would negatively affect the Group's trading business, as China is the major sourcing hub of the Group.

Meanwhile, global buying patterns are shifting away from traditional in-store shopping, to online shopping. This poses challenges to the Group's traditional supply chain business. The increased popularity of e-commerce has resulted in higher price transparency and pricing pressures, accompanied by increased competition in the consumer market.

The weakness of many currencies against the US dollar will also dampen consumer spending in some of the Group's key markets, such as Europe, Australia and elsewhere.

In order to cope with the difficulties and maximize the returns to our shareholders, the Group will continue to strengthen ties with our key customers by providing more value-added services and product categories to expand the existing business, to remain cautious on cost and implement effective cost control measures, to continue expanding different markets to mitigate the political risks and widen vendor base to address customers' needs, and to explore new customers and new business platform and opportunities.

With reference to the sections headed "Corporate Events During the Reporting Period" and "Corporate Events After the Reporting Period", during the reporting period and as at the date of this announcement, due to the non-performance of the investment management and advisory related services PRC company in which the Company invested ("**Investment**"), and the change in the business environment and strategy of the Company, the Company has since disposed of the Investment, and also terminated a proposed acquisition of a licensed corporation licensed by the Securities and Futures Commission respectively.

Concurrently with the foregoing, the Group has continued to explore new income streams. On 7 December 2016, the Company granted a loan to the owner of a company engaged in supplying goods from outside Mainland China to customer(s) in Mainland China, secured against the shares and business of that company. The key terms of the loan under the loan agreement dated 15 November 2016 are set out in the section headed "Corporate Events After the Reporting Period". The loan is expected to generate stable income for the Group.

Going forward, the Group will continue to explore other potential investment opportunities to further develop its business, bringing a long-term and stable income, aiming to bring a greater return to our shareholders.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 1.38 HK cents per ordinary share in respect of the six months ended 31 October 2016 and such interim dividend will be paid in cash on Wednesday, 11 January 2017 to shareholders whose names appear on the register of members of the Company on Wednesday, 4 January 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend for the period under review, the register of members of the Company will be closed from Friday, 30 December 2016 to Wednesday, 4 January 2017, both dates inclusive. In order to qualify for the interim dividend, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 29 December 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

REVIEW OF RESULTS

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 October 2016 have been reviewed by Ernst & Young, the external auditors of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee, comprising three independent non-executive Directors, has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the report prepared by the external auditors to the audit committee in respect of the review of the Group's unaudited condensed consolidated interim financial information for the six months ended 31 October 2016. There was no disagreement by the external auditors or the audit committee with the accounting treatment adopted by the Company.

The audit committee has also reviewed the terms and conditions of the continuing connected transaction of the Company that subsisted during the period under review.

CORPORATE EVENTS AFTER THE REPORTING PERIOD

Termination of a Connected Transaction

On 10 November 2016, the Company announced that given the significant passage of time since the agreement ("**Agreement**") between Daohe Capital Limited, a direct wholly-owned subsidiary of the Company as purchaser and Hong Kong Wing Yue Financial Group Holdings Limited as vendor ("**Vendor**") in relation to the possible acquisition ("**Proposed Acquisition**") of the entire issued share capital of Hong Kong Wing Yue Asset Management Limited ("**Target Company**") was signed on 22 January 2016, and due to changes in the business environment and strategy of the Company in the past nine months, the original commercial intent and expectations of the parties to the Agreement ("**Parties**") no longer hold and the Parties had agreed to terminate the Agreement by entering into a memorandum of termination, pursuant to which the Parties shall release and discharge each other from all performances, liabilities, sum of money, actions, proceedings, accounts, claims and demands in any form whatsoever in relation to the Agreement. No consideration for the Proposed Acquisition had been paid to the Vendor.

The Board considered that the termination of the Agreement had no material adverse impact on the existing business operation and financial position of the Company and its subsidiaries as a whole.

Details of the Proposed Acquisition and the termination of the Agreement were disclosed in the Company's announcements dated 2 December 2015, 22 January 2016 and 10 November 2016.

Provision of Loan

On 15 November 2016, Tingo ("**Lender**"), a wholly-owned subsidiary of the Company, entered into a loan agreement ("**Loan Agreement**") with 鄭聯軍 (Zheng Lianjun*) ("**Borrower**") and Xin Kai He Trading Co., Limited ("**Guarantor**"), whose equity interest is wholly-owned by the Borrower, in relation to the provision of a loan ("**Loan**") in the principal amount of US$6,000,000 (or its equivalent in Hong Kong Dollars). Pursuant to the terms of the Loan Agreement, (a) the Borrower shall repay the Loan on a date which is the earlier of (i) the fifth anniversary of the Loan utilisation date and (ii) the date on which demand for repayment is made by the Lender, and (b) at any time after the first anniversary of the Loan utilisation date, the Borrower may prepay the Loan in whole or in part, together with all accrued or unpaid interest thereon, without penalty or premium. The Loan carries interest at 9.5% per annum and is secured by a share charge provided by the Borrower in favour of the Lender in respect of the entire issued share capital of the Guarantor.

In consideration of the Lender agreeing to grant the Loan to the Borrower, the Borrower has granted to the Lender the right to require the Borrower to sell such number of shares in the Guarantor as determined in accordance with the terms of the Loan Agreement at such consideration as elected by the Lender, which shall be an amount not more than the outstanding principal amount of the Loan.

The Borrower delivered the utilisation request on 2 December 2016 for the full principal amount of the Loan. The utilisation date of the Loan was on 7 December 2016.

The provision of Loan was disclosed in the Company's announcement dated 15 November 2016.

CORPORATE GOVERNANCE

A corporate governance report has been published and included in the Company's 2016 annual report, in which the Company reported the adoption of the code provisions ("**Code Provisions**") as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules as the Corporate Governance Code of the Company.

During the period under review, the Company fully complied with the Code Provisions in the CG Code.

The corporate governance practices adopted by the Company during the period under review are in line with those practices set out in the Company's 2016 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 of the Company that they have complied with the required standards set out in the Model Code throughout the six months ended 31 October 2016.

* *For identification purpose only*

The Company has also established written guidelines on no less exacting terms than the Model Code ("**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 31 October 2016.

BOARD OF DIRECTORS

During the period under review and up to the date of this announcement, Mr. Jakob Jacobus Koert TULLENERS ceased to be an independent non-executive Director and an audit committee member with effect from 5 May 2016; Mr. WONG Chak Keung was appointed as an audit committee member with effect from 5 May 2016 and resigned as an independent non-executive Director and an audit committee member with effect from 11 August 2016; Mr. ZHANG Li resigned as the co-chairman of the Board, an executive Director and an executive committee member with effect from 12 July 2016; and Mr. HENG Victor Ja Wai was appointed as an independent non-executive Director and an audit committee member with effect from 11 August 2016.

As at the date of this announcement, the Board comprises one non-executive Director, being Mr. ZHOU Xijian (Chairman); three executive Directors, being Mr. ZHANG Qi (Chief Executive Officer), Mr. WONG Hing Lin, Dennis (President and Chief Financial Officer) and Mr. HWANG Hau-zen, Basil (Company Secretary, General Counsel and Head of Development and Investments); and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. TSE Hau Yin, Aloysius and Mr. HENG Victor Ja Wei.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange and the Company's website at www.daoheglobal.com.hk. The Company's 2017 interim report will be despatched to the shareholders and available on the same websites on or about 22 December 2016.

By Order of the Board
Daohe Global Group Limited
ZHOU Xijian
Chairman and non-executive Director

Hong Kong, 14 December 2016

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