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道和環球
DAOHE GLOBAL

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2017

FINAL RESULTS HIGHLIGHTS

- Shipment value amounted to approximately US$199.3 million (equivalent to HK$1,550.6 million), a decrease of approximately 8.3% as compared to approximately US$217.4 million (equivalent to HK$1,691.4 million) for the last year.

- Revenue decreased by approximately 3.8% to approximately US$90.5 million (equivalent to HK$704.1 million) as compared to approximately US$94.1 million (equivalent to HK$732.1 million) for the last year.

- For the year ended 30 April 2017, a profit of approximately US$0.3 million (equivalent to HK$2.3 million) was achieved. For the last year, the Group reported a loss of approximately US$0.6 million (equivalent to HK$4.7 million), this was mainly attributable to the impairment loss of approximately US$0.9 million (equivalent to HK$7 million) on goodwill of 深圳市國採晟唐投資管理有限公司 (Shenzhen Guo Cai Sheng Tang Investment Co. Ltd.*) and an additional tax provision of approximately US$632,000 (equivalent to HK$4.9 million) for the Hong Kong Tax Case.

- The Directors do not recommend the payment of a final dividend for the year ended 30 April 2017.

* *For identification purpose only*

FINAL RESULTS

The board ("**Board**") of directors ("**Directors**") of Daohe Global Group Limited ("**Company**") announces the condensed consolidated financial information of the Company and its subsidiaries (together, the "**Group**") for the year ended 30 April 2017, together with comparative figures for the previous year, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

	Note	**2017** ***US$'000***	2016 *US$'000* (Restated)
REVENUE	*3*	**90,470**	94,053
Cost of sales		**(68,851)**	(71,024)
Gross profit		**21,619**	23,029
Other income		**288**	653
General and administrative expenses		**(20,910)**	(22,285)
Gain on disposal of a subsidiary		**62**	–
Expenses in relation to a proposed acquisition		**(638)**	–
Impairment loss on goodwill	*5*	**–**	(887)
Loss on dissolution of subsidiaries		**–**	(5)
PROFIT BEFORE TAX	*4*	**421**	505
Income tax expense	*6*	**(167)**	(1,118)
PROFIT/(LOSS) FOR THE YEAR		**254**	(613)
ATTRIBUTABLE TO:			
Owners of the Company		**290**	(560)
Non-controlling interests		**(36)**	(53)
		254	(613)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in US cents)	*8*		
Basic *(Note)*		**0.08**	(0.16)
Diluted *(Note)*		**0.08**	(0.16)

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

Condensed Consolidated Statement of Comprehensive Income

	2017	2016
	US$'000	*US$'000*
PROFIT/(LOSS) FOR THE YEAR	**254**	(613)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified subsequently to profit or loss:		
Fair value gain on an available-for-sale financial asset	**–**	109
Exchange differences:		
Translation of foreign operations	**(126)**	80
Reclassification adjustments		
– disposal of a subsidiary	**(4)**	–
– dissolution of subsidiaries	**–**	5
Other comprehensive (loss)/income to be reclassified subsequently to profit or loss	**(130)**	194
Other comprehensive loss not to be reclassified subsequently to profit or loss:		
Remeasurements from defined benefit plan	**(27)**	(51)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(157)**	143
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**97**	(470)
ATTRIBUTABLE TO:		
Owners of the Company	**131**	(417)
Non-controlling interests	**(34)**	(53)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**97**	(470)

Condensed Consolidated Statement of Financial Position

	Note	**30 April 2017** *US$'000*	30 April 2016 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**269**	416
Goodwill		**26,373**	26,857
Available-for-sale financial asset		**229**	229
Investment in a joint venture		**10**	10
Deposit for acquisition of subsidiaries	*10*	**2,571**	–
Deposits		**303**	–
Deferred tax assets		**12**	10
Total non-current assets		**29,767**	27,522
CURRENT ASSETS			
Inventories		**52**	–
Loan receivable	*11*	**6,000**	–
Trade receivables	*12*	**5,390**	4,392
Prepayments, deposits and other receivables		**3,360**	3,010
Cash and cash equivalents		**14,797**	24,956
Total current assets		**29,599**	32,358
CURRENT LIABILITIES			
Trade payables	*13*	**4,659**	5,100
Accruals, provisions and other payables		**9,786**	10,936
Tax payable		**2,480**	2,388
Total current liabilities		**16,925**	18,424
NET CURRENT ASSETS		**12,674**	13,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,441**	41,456
NON-CURRENT LIABILITIES			
Post-employment benefits		**553**	512
Provision		**1,228**	–
Total non-current liabilities		**1,781**	512
NET ASSETS		**40,660**	40,944
EQUITY			
Share capital		**14,128**	14,128
Reserves		**26,537**	26,890
Equity attributable to owners of the Company		**40,665**	41,018
Non-controlling interests		**(5)**	(74)
TOTAL EQUITY		**40,660**	40,944

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the year ended 30 April 2017 have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and the disclosure requirements of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). They have been prepared under historical cost convention, except for an available-for-sale financial asset, which has been measured at fair value. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURE

The principal accounting policies adopted in the preparation of the condensed consolidated 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 amendments to IFRSs and International Accounting Standards ("**IASs**") as noted below.

Amendments to IFRS 10, IFRS 12 and IAS 28	*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 IAS16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

The adoption of these revised standards has had no material financial effect on the financial statements.

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 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, 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, expenses in relation to a proposed acquisition, reversal of impairment of an available-for-sale financial asset, impairment loss on goodwill, 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.

Year ended 30 April 2017	Sales of merchandise	Provision of services	Money lending business	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment revenue:				
Revenue from external customers	**78,824**	**11,418**	**228**	**90,470**
Segment results	**1,928**	**839**	**129**	**2,896**
Interest income				**16**
Gain on disposal of a subsidiary				**62**
Expenses in relation to a proposed acquisition				**(638)**
Corporate and other unallocated expenses				**(1,915)**
Profit before tax				**421**
Income tax expense				**(167)**
Profit for the year				**254**
Other segment information:				
Depreciation	**112**	**170**	**–**	**282**
Capital expenditures	**37**	**101**	**–**	**138**
Impairment of trade receivables	**20**	**135**	**–**	**155**

Year ended 30 April 2016	Sales of merchandise	Provision of services	Total
	US$'000	*US$'000*	*US$'000*
Segment revenue:			
Revenue from external customers	81,038	13,015	94,053
Segment results	2,480	505	2,985
Interest income			14
Reversal of impairment of an available-for-sale financial asset			36
Impairment loss on goodwill			(887)
Loss on dissolution of subsidiaries			(5)
Corporate and other unallocated expenses			(1,638)
Profit before tax			505
Income tax expense			(1,118)
Loss for the year			(613)
Other segment information:			
Depreciation	129	190	319
Capital expenditures	166	241	407
Impairment of trade receivables	17	89	106

Geographical information

(a) *Revenue from external customers*

	2017	2016
	US$'000	*US$'000*
Australia	**34,939**	35,356
North America	**28,221**	23,338
Africa	**16,995**	22,821
Europe	**4,880**	6,625
Others	**5,435**	5,913
	90,470	94,053

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

(b) *Non-current assets*

	2017	2016
	US$'000	*US$'000*
Hong Kong	**29,407**	26,627
Others	**119**	656
	29,526	27,283

The non-current assets information above is based on the locations of assets and excludes an available-for-sale financial asset and deferred tax assets.

Information about major customers

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

	Operating segment	2017	2016
		US$'000	*US$'000*
Customer A	Sales of merchandise	**34,449**	34,270
Customer B	Sales of merchandise	**20,425**	15,336
Customer C	Sales of merchandise	**16,973**	22,821
		71,847	72,427

4. PROFIT BEFORE TAX

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

	2017	2016
	US$'000	*US$'000*
Depreciation	**282**	319
Gain on disposal of a subsidiary	**(62)**	–
Expenses in relation to a proposed acquisition	**638**	–
Reversal of impairment of an available-for-sale financial asset	**–**	(36)
Loss on dissolution of subsidiaries	**–**	5
Gain on disposal of property, plant and equipment	**(4)**	–
Impairment loss on goodwill	**–**	887
Impairment of trade receivables	**155**	106

5. IMPAIRMENT LOSS ON GOODWILL

For the year ended 30 April 2016, the Group recognised an impairment loss of US$887,000 in connection with goodwill arising from the acquisition of a 60% 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.*) ("**Guo Cai Sheng Tang**"). The impairment was made based on the results of impairment test for the goodwill using their values in use in accordance with IAS 36.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	US$'000	*US$'000*
Current		
– Hong Kong	**153**	153
– Outside Hong Kong	**49**	68
Net (overprovision)/underprovision in prior years	**(33)**	895
Deferred	**(2)**	2
Total tax expense for the year	**167**	1,118

As of the date of this announcement, the Group received protective assessments amounting to approximately HK$173,000,000 (equivalent to US$22,237,000) 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 2010/2011. 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 those years.

In April 2015, with the assistance of an external tax specialist, the Group submitted a settlement proposal as part of negotiation with the IRD in relation to this case. Subsequent to the submission to the IRD, the Group kept close dialogue with the IRD and understood that the IRD required additional evidence from the Group to further assess the tax position. At the close of the year end, the case was still under negotiation with 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.

* *For identification purpose only*

7. DIVIDEND

	2017	2016
	US$'000	*US$'000*
Interim, paid, of 1.38 HK cents (2016: 1.5 HK cents) per ordinary share *(Note)*	**626**	681

The Directors do not recommend the payment of a final dividend for the year ended 30 April 2017.

Note:
Dividend for the year ended 30 April 2016 was adjusted for the effect of Share Consolidation in September 2016.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year, after taking into account the Share Consolidation in September 2016.

The Group had no dilutive potential ordinary shares in issue for the years ended 30 April 2017 and 2016.

The calculation of the basic and diluted earnings/(loss) per share are based on:

	2017	2016 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company *(US$'000)*	**290**	(560)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year *('000) (Note)*	**353,198**	351,404

Note:
Adjusted for the effect of Share Consolidation in September 2016.

9. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 April 2017, the Group spent approximately US$138,000 (2016: US$407,000) on acquisition of property, plant and equipment.

10. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

Glory Sino Limited ("**Glory Sino**"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, entered into a share purchase agreement with independent third parties, pursuant to which Glory Sino conditionally agreed to acquire the entire issued share capital of Loovee Holdings Inc. ("**Loovee**"), at an aggregate consideration of HK$800,500,000 (equivalent to US$102,892,000).

The consideration shall be satisfied by (i) the allotment and issue of the 150,000,000 consideration shares of the Company at an issue price of HK$4.67 per consideration share; and (ii) cash consideration of HK$100,000,000 (equivalent to US$12,853,000). A deposit of HK$20,000,000 (equivalent to US$2,571,000) was paid on 20 January 2017; HK$40,000,000 (equivalent to US$5,141,000) was paid on 1 June 2017 and the remaining HK$40,000,000 (equivalent to US$5,141,000) will be paid within 90 days from the date of completion of acquisition.

11. LOAN RECEIVABLE

On 15 November 2016, Tingo Consulting Company Limited ("**Lender**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with 鄭聯軍 (ZHENG Lianjun*) ("**Borrower**") and Xin Kai He Trading Co., Limited ("**Guarantor**"), whose equity is wholly-owned by the Borrower, in relation to the provision of a loan ("**Loan**") in the principal amount of US$6,000,000 (equivalent to HK$46,680,000). The Loan was drawn down by the Borrower on 7 December 2016. Pursuant to the terms of the loan agreement, 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. Besides, the Borrower may prepay the Loan in whole or in part, together with all accrued or unpaid interest thereon, without penalty or premium at any time after the first anniversary of the Loan utilisation date. 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.

The Loan was repaid on 30 June 2017 according to the notice of loan repayment made by the Lender to the Borrower on 27 February 2017.

12. 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:

	2017	2016
	US$'000	*US$'000*
Within 30 days	**2,742**	2,967
31 to 60 days	**953**	369
61 to 90 days	**321**	469
91 to 365 days	**1,622**	782
Over 1 year	**132**	46
	5,770	4,633
Impairment	**(380)**	(241)
	5,390	4,392

Note:
The trade receivables aged over 90 days are being carefully monitored by management. Approximately US$0.4 million (2016: US$0.2 million) of these balances were covered by the impairment.

* *For identification purpose only*

13. 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:

	2017	2016
	US$'000	*US$'000*
Within 30 days	**4,022**	4,594
31 to 60 days	**468**	368
61 to 90 days	**11**	2
91 to 365 days	**97**	87
Over 1 year	**61**	49
	4,659	5,100

14. RELATED PARTY TRANSACTIONS

(a) The Group had no significant related party transactions during the years ended 30 April 2017 and 2016.

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

	2017	2016
	US$'000	*US$'000*
Short term employee benefits	**1,225**	1,034
Post-employment benefits – defined contribution plans	**93**	103
Total compensation paid to key management personnel	**1,318**	1,137

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The business environment remained frail during the year under review, the Group continued to be affected by weakened demand, fierce competition, price and margin pressure from customers lowering retail prices and also political instability. The Group's overall shipment dropped by approximately 8.3% from approximately US$217.4 million (equivalent to HK$1,691.4 million) last year to approximately US$199.3 million (equivalent to HK$1,550.6 million) this year.

Revenue decreased by approximately 3.8% to approximately US$90.5 million (equivalent to HK$704.1 million) this year from approximately US$94.1 million (equivalent to HK$732.1 million) last year.

Gross profit dropped by around 6.1% from approximately US$23 million (equivalent to HK$178.9 million) last year to approximately US$21.6 million (equivalent to HK$168 million) this year.

General and administrative expenses for the year were down by 6.2% to approximately US$20.9 million (equivalent to HK$162.6 million), compared to approximately US$22.3 million (equivalent to HK$173.5 million) last year.

For the year ended 30 April 2017, profit of approximately US$0.3 million (equivalent to HK$2.3 million) was achieved. The Group reported loss of approximately US$0.6 million (equivalent to HK$4.7 million) last year, mainly attributable to the impairment loss of approximately US$0.9 million (equivalent to HK$7 million) on goodwill of 深圳市國採晟唐投資管理有限公司 (Shenzhen Guo Cai Sheng Tang Investment Co. Ltd.*) ("**Guo Cai Sheng Tang**") and an additional tax provision of approximately US$632,000 (equivalent to HK$4.9 million) for the Hong Kong Tax Case.

* *For identification purpose only*

Segmental Analysis

Operating Segmentation

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

(i)&(ii) Provision of services and sales of merchandise

	Shipment value For the year ended 30 April	
	2017	2016
	US$' million	*US$' million*
Provision of services	**120.5**	136.4
Sales of merchandise	**78.8**	81.0
Total	**199.3**	217.4

During the year under review, shipment value for provision of services fell by approximately 11.7% to approximately US$120.5 million (equivalent to HK$937.5 million), accounting for roughly 60.5% of the Group's total shipment value. This was mainly due to decline in business from Europe.

Shipment value for sales of merchandise also decreased by approximately 2.7% to approximately US$78.8 million (equivalent to HK$613.1 million), making up around 39.5% of the Group's total shipment value.

Geographical Analysis

	Shipment value For the year ended 30 April	
	2017	2016
	US$' million	*US$' million*
North America	**104.4**	105.7
Europe	**40.1**	50.9
Others	**54.8**	60.8
Total	**199.3**	217.4

During the year under review, shipments to North America dropped slightly by approximately 1.2% to approximately US$104.4 million (equivalent to HK$812.2 million). Nevertheless, North America remained the largest market of the Group, contributing approximately 52.4% of the Group's total shipment value.

Shipments to Europe decreased by approximately 21.2% to approximately US$40.1 million (equivalent to HK$312 million) mainly due to the decline of business from the United Kingdom. Shipments to Europe presently account for approximately 20.1% of the Group's total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere, decreased by approximately 9.9% to approximately US$54.8 million (equivalent to HK$426.3 million) due to the decline of business from South Africa as a result of continued depreciation of the South African Rand. "Others" represented approximately 27.5% of the Group's total shipment value.

(iii) Money lending business

In May 2016, the Group acquired the entire issued share capital of Tingo Consulting Company Limited ("**Tingo**") which holds a Money Lenders Licence issued under the Money Lenders Ordinance (Chapter 163 of the Law of Hong Kong). On 15 November 2016, Tingo entered into a loan agreement ("**Loan Agreement**") with 鄭聯軍 (ZHENG Lianjun*) ("**Borrower**"), who is a businessman, and Xin Kai He Trading Co., Limited ("**Guarantor**"), a company incorporated in Hong Kong. Pursuant to the Loan Agreement, Tingo agreed to provide a loan in the principal amount of US$6,000,000 (equivalent to HK$46,680,000) to the Borrower subject to and upon the terms and conditions thereof. The loan carries interest at 9.5% per annum and Tingo generated corresponding interest income of approximately US$0.2 million (equivalent to HK$1.6 million) during the year under review.

Hong Kong Tax Case

As at the date of this announcement, the Group received protective assessments amounting to approximately HK$173,000,000 (equivalent to US$22,237,000) 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 assessment years from 2003/2004 to 2010/2011. 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 those years.

In April 2015, with the assistance of an external tax specialist, the Group submitted a settlement proposal as part of negotiation with the IRD in relation to this case. Subsequent to the submission to the IRD, the Group kept close dialogue with the IRD and understood that the IRD required additional evidence from the Group to further assess the tax position. At the close of the year end, the case was still under negotiation with 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.

* *For identification purpose only*

Financial Review

The Group's financial position remained healthy with cash and cash equivalents of approximately US$14.8 million (equivalent to HK$115.1 million) as at 30 April 2017. In addition, the Group had total banking facilities of approximately US$10.3 million (equivalent to HK$80 million) including borrowing facilities of approximately US$0.1 million (equivalent to HK$0.8 million) as at 30 April 2017.

The Group's current ratio was approximately 1.7 and had zero gearing, based on no interest-bearing borrowings and total equity of approximately US$40.7 million (equivalent to HK$316.6 million) as at 30 April 2017.

On 21 March 2017, the Group entered into a loan agreement with a director of the Company, pursuant to which the director agreed to provide a loan facility to the Group in an aggregate amount of US$10 million (equivalent to HK$77.8 million) to finance the acquisition of Loovee Holdings Inc. ("**Loovee**") and possible future acquisition. The loan is unsecured, interest free and repayable in full on the first anniversary from the date of drawdown or such later date to be agreed. Subsequent to year end, a loan of approximately US$3.9 million (equivalent to HK$30 million) was drawn down by the Group.

Trade receivables increased from approximately US$4.4 million (equivalent to HK$34.2 million) as at 30 April 2016 to approximately US$5.4 million (equivalent to HK$42 million) as at 30 April 2017. Gross trade receivables aged over 90 days, which amounted to approximately US$1.8 million (equivalent to HK$14 million), are being carefully monitored by management and sufficient provision has been made.

The Group had a loan receivable of US$6 million (equivalent to HK$46.68 million) as at 30 April 2017 which was subsequently repaid on 30 June 2017.

The Group's net asset value recorded as at 30 April 2017 was approximately US$40.7 million (equivalent to HK$316.6 million).

The Group had no material contingent liability as at 30 April 2017, and no material change has been identified since then.

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

Corporate Events During the Reporting Period

Acquisition of a Money Lending Business

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 (together with an outstanding shareholder's loan of HK$100,000) at an aggregate consideration of HK$420,000 (equivalent to approximately US$54,000). Tingo is a company incorporated in Hong Kong 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.

On 15 November 2016, Tingo entered into the Loan Agreement as lender with 鄭聯軍 (ZHENG Lianjun*) as borrower. Details of the Loan Agreement is disclosed in the paragraph headed "Segmental Analysis" above in this announcement. The Loan Agreement is conducted in the ordinary and usual course of business of Tingo which will provide interest income to the Group.

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 were 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.

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 Guo Cai Sheng Tang 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.

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 Guo Cai Sheng Tang would allow the Group to exit from subsidising the nonperforming business of Guo Cai Sheng Tang having considered Guo Cai Sheng Tang 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 Guo Cai Sheng Tang ("**Second Tranche Sale Interest**").

* *For identification purpose only*

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 Guo Cai Sheng Tang (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).

Guo Cai Sheng Tang 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, 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.

Share Consolidation and Change of Board Lot Size

During the year 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.

Termination of a Connected Transaction

With respect to the connected transaction in relation to the acquisition of the entire issued share capital of Hong Kong Wing Yue Asset Management Limited ("**Transaction**") announced on 2 December 2015 and 22 January 2016, original commercial intent and expectations of the parties to the Transaction ("**Parties**") no longer hold due to changes in the business environment and strategy of the Parties. The Parties agreed to terminate the Transaction and entered into a memorandum of termination to terminate the Transaction on 10 November 2016.

Pursuant to the memorandum of termination, 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 Transaction. In view of the aforesaid reason, the Board considered that the termination of the Transaction is in the interests of the Company and its shareholders as a whole.

No consideration for the Transaction has been paid and the Board considered the termination of the Transaction shall have no material adverse impact on the existing business operation and financial position of the Group as a whole.

Remuneration Policy and Staff Development Scheme

As at 30 April 2017, the Group had 345 employees (2016: 361). Total staff costs for the year under review amounted to approximately US$14.3 million (equivalent to HK$111.3 million) (2016: US$15 million (equivalent to HK$116.7 million)). The Group offers competitive remuneration schemes to its employees based on industry practices, as well as the performance of the individual employee and the Group. In addition, the Company has adopted a share options scheme for eligible persons and discretionary bonuses are payable to staff based on his or her individual performance and that of the Group.

Prospects

The apparel industry is expected to face a challenging business environment in the coming year, impacted by a global economy that will itself be vulnerable to various vagaries. Consequently, the industry will be confronted with a mixture of intensifying volatility, uneven growth and lackluster demand. Furthermore, the rise of internet shopping and popularity of fast retailing are trends that will continue to affect sales of traditional brands and retailers, resulting in excess inventory.

The Group will therefore fortify ties with its key customers by developing an even more diversified product portfolio and by providing a more comprehensive range of value-added services. In addition, the Group will explore new customers and business opportunities in the sourcing and supply chain management businesses, as well as in the gamified mobile social networking industry for realising long-term growth.

Subsequent to the year under review, the Group acquired Duimian ("對面"), one of the largest gamified mobile social networking platforms in the PRC with a rapidly growing and highly engaged user base. The acquisition was completed on 1 June 2017. The closing share price of the Company on the completion date increased to HK$7.27 and the fair value of the purchase consideration for Duimian was increased to approximately HK$1,190,500,000 (equivalent to US$153,021,000) accordingly. It is expected that the Group will make a non-cash impairment loss in the next reporting period, for details, please refer to the paragraph headed "Events after the reporting period — Acquisition of a gamified mobile social networking platform in the PRC" below.

In spite of the one off non-cash loss as aforementioned, the Group is consolidating this new business with the aim of bringing contributions to the Company in the near future. The management is confident in Duimian's ability to tap the gamified mobile social networking industry in the PRC, which possesses immense potential as suggested by a report from Analysys International, the independent market research firm having estimated that the market will achieve a compound annual growth rate of 147.1% from 2014 to 2018.

Going forward, the Group will primarily utilise resources for bolstering the traditional sourcing and supply chain management businesses, as well as for developing the newly acquired gamified mobile social networking business. Besides such investments, the management will closely monitor market developments and remain receptive to potential investment opportunities that enable the Group to deliver optimal returns to its shareholders.

DIVIDEND

An interim dividend of 1.38 HK cents per ordinary share in respect of the six months ended 31 October 2016 was paid on 11 January 2017.

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 April 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on Wednesday, 30 August 2017. For the purpose of ascertaining the shareholders' rights of attending and voting at the forthcoming AGM, the register of members of the Company will be closed from Friday, 18 August 2017 to Wednesday, 23 August 2017, both days inclusive. In order to be entitled to attend the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 17 August 2017.

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 year ended 30 April 2017.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's results for the year ended 30 April 2017 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. 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 ("**Audit Committee**") currently comprising 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 30 April 2017 have been reviewed by the Audit Committee.

The Audit Committee has also reviewed the terms and conditions of the continuing connected transaction and connected transaction of the Company that took place during the year.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of a gamified mobile social networking platform in the PRC

In February 2017, a wholly-owned subsidiary of the Company, Glory Sino Limited entered into a share purchase agreement ("**Agreement**") with independent third parties to acquire the entire issued share capital of Loovee at a consideration of HK$800,500,000 (equivalent to US$102,892,000).

Loovee, through its subsidiary, is principally engaged in the development and operation of a mobile social networking platform named Duimian, one of the largest gamified mobile social networking platforms in the PRC.

Pursuant to the Agreement, the consideration shall be satisfied by (i) the allotment and issue of the 150,000,000 consideration shares of the Company at an issue price of HK$4.67 per consideration share; and (ii) cash consideration of HK$100,000,000 (equivalent to US$12,853,000), of which HK$20,000,000 (equivalent to US$2,571,000) was paid on 20 January 2017 and HK$40,000,000 (equivalent to US$5,141,000) was paid on 1 June 2017 while the remaining HK$40,000,000 (equivalent to US$5,141,000) will be paid within 90 days from the date of completion of the acquisition. For details of the acquisition, please refer to the circular published on 28 April 2017.

To finance the acquisition of Loovee, (i) Tingo served a notice of loan repayment to 鄭聯軍 (ZHENG Lianjun*) requesting his repayment of the principal amount together with the outstanding interest on 27 February 2017, and Tingo has received the loan repayment in the principal of HK$46,680,000 (equivalent to US$6,000,000) on 30 June 2017; and (ii) the Company drew down a loan from a Director of HK$30,000,000 (equivalent to US$3,856,000) on 23 May 2017 pursuant to the loan agreement dated 21 March 2017 entered into between the Company and a Director.

The acquisition was subsequently completed on 1 June 2017. The closing share price of the Company on the completion date increased to HK$7.27 and the fair value of the purchase consideration for Loovee increased to approximately HK$1,190,500,000 (equivalent to US$153,021,000) accordingly. Independent valuations were conducted to assess the fair value of the identifiable net assets and goodwill as of the completion date in accordance with IFRS

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3 Business Combinations for the purpose of purchase price allocation and to assess the recoverability amount of the cash-generating unit to which the goodwill was allocated in accordance with IAS 36 Impairment of Assets by Roma Appraisals Limited, an independent professional valuer. At the date of this announcement, the Directors have estimated an impairment loss on goodwill of approximately HK$358,000,000 (equivalent to US$46,000,000) based on the valuations. Impairment assessment will be made by the Directors again at the end of the next reporting period and the actual financial effect could be different from the above, the Company will issue an announcement in compliance with the Listing Rules and the Inside Information Provisions under the Securities and Futures Ordinance (if applicable) shall the impairment assessment caused a material change in the actual financial effect.

CORPORATE GOVERNANCE

Throughout the year ended 30 April 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, save for the deviations as described below:

On 21 December 2016, Mr. TSE Hau Yin, Aloysius ("**Mr. Tse**") resigned as an independent non-executive Director and ceased to act as the chairman of the Audit Committee and a member of each of the nomination committee ("**Nomination Committee**"), and remuneration committee ("**Remuneration Committee**") of the Company. As a result, the Company was not in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the code provision A.5.1 of the CG Code after Mr. Tse's resignation. On 11 January 2017, Mr. LAU Shu Yan ("**Mr. Lau**") was appointed as an independent non-executive Director and the Chairman of Audit Committee. In addition, Mr. ZHANG Huijun ("**Mr. Zhang**") was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee and Remuneration Committee. Following the appointments of Mr. Lau and Mr. Zhang, the Company is in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the code provision A.5.1 of the CG Code.

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 2017 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 that they have complied with the required standards set out in the Model Code during the year.

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 during the year.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange and the Company's website at www.daoheglobal.com.hk. The 2017 annual 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
ZHOU Xijian
Chairman & non-executive Director

Hong Kong, 14 July 2017

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 Mr. ZHANG Jifeng; and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.