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 2017

INTERIM RESULTS HIGHLIGHTS:

- Revenue increased by approximately 13% to approximately US$59.4 million (equivalent to HK$462.1 million) as compared to approximately US$52.5 million (equivalent to HK$408.5 million) for the corresponding period last year. The increase was primarily attributable to a mobile social networking platform, a new business acquired during the period under review. The new business contributed a revenue of approximately US$9.7 million (equivalent to HK$75.5 million), accounted for approximately 16.4% of the Group's total revenue.

- Loss for the period under review amounted to approximately US$73.4 million (equivalent to HK$571.1 million). The loss included the non-cash impairment losses on goodwill and amortisation of intangible assets of approximately US$73.1 million (equivalent to HK$568.7 million) and approximately US$5.4 million (equivalent to HK$42 million) respectively. Excluding the non-cash impairment losses on goodwill and amortisation of intangible assets, net of deferred tax credit of approximately US$1.4 million (equivalent to HK$10.9 million), the Group's profit for the period would be approximately US$3.7 million (equivalent to HK$28.8 million), representing an increase of approximately US$1.5 million (equivalent to HK$11.7 million) as compared to a profit of approximately US$2.2 million (equivalent to HK$17.1 million) for the corresponding period last year.

- The Directors have not declared the payment of an interim dividend for the six months ended 31 October 2017.

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 2017, together with relevant comparative audited or unaudited figures:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Statement of Profit or Loss

		For the six months ended 31 October	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
			(Restated)
REVENUE	2	**59,375**	52,539
Cost of sales		**(44,584)**	(39,856)
Gross profit		**14,791**	12,683
Other income		**422**	164
Selling and marketing expenses		**(6,235)**	–
General and administrative expenses		**(10,387)**	(10,397)
Gain on disposal of a subsidiary		**–**	62
Impairment losses on goodwill	8	**(73,098)**	–
(LOSS)/PROFIT BEFORE TAX	3	**(74,507)**	2,512
Income tax credit/(expense)	4	**1,071**	(298)
(LOSS)/PROFIT FOR THE PERIOD		**(73,436)**	2,214
ATTRIBUTABLE TO:			
Owners of the Company		**(73,434)**	2,249
Non-controlling interests		**(2)**	(35)
		(73,436)	2,214
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
(expressed in US cents)	6		
Basic *(Note)*		**(5.12)**	0.21
Diluted *(Note)*		**(5.12)**	0.21

Note:

Adjusted for the effect of share subdivision in August 2017.

Condensed Consolidated Interim Statement of Comprehensive Income

	For the six months ended 31 October	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(73,436)**	2,214
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified subsequently to profit or loss:		
Exchange differences:		
Translation of foreign operations	**4,286**	(79)
Reclassification adjustment		
– Disposal of a subsidiary	**–**	(4)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**4,286**	(83)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(69,150)**	2,131
ATTRIBUTABLE TO:		
Owners of the Company	**(69,148)**	2,164
Non-controlling interests	**(2)**	(33)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(69,150)**	2,131

Condensed Consolidated Interim Statement of Financial Position

	Note	**31 October 2017 (Unaudited)** *US$'000*	30 April 2017 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**614**	269
Goodwill	*8*	**66,699**	26,373
Other intangible assets	*7*	**55,900**	–
Available-for-sale financial asset		**229**	229
Investment in a joint venture		**10**	10
Deposit for acquisition of subsidiaries		**–**	2,571
Deposits		**336**	303
Deferred tax assets		**13**	12
Total non-current assets		**123,801**	29,767
CURRENT ASSETS			
Inventories		**127**	52
Available-for-sale financial asset		**1,807**	–
Loan receivable		**–**	6,000
Trade receivables	*9*	**6,953**	5,390
Prepayments, deposits and other receivables		**4,363**	3,360
Cash and cash equivalents		**15,045**	14,797
Total current assets		**28,295**	29,599
CURRENT LIABILITIES			
Trade payables	*10*	**6,350**	4,659
Loan from a director	*12(b)*	**3,856**	–
Accruals, provisions and other payables		**10,452**	9,786
Deferred revenue		**1,219**	–
Tax payable		**2,580**	2,480
Total current liabilities		**24,457**	16,925
NET CURRENT ASSETS		**3,838**	12,674
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,639**	42,441
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**13,975**	–
Post-employment benefits		**511**	553
Provisions		**1,405**	1,228
Total non-current liabilities		**15,891**	1,781
NET ASSETS		**111,748**	40,660
EQUITY			
Share capital		**20,128**	14,128
Reserves		**91,627**	26,537
Equity attributable to owners of the Company		**111,755**	40,665
Non-controlling interests		**(7)**	(5)
TOTAL EQUITY		**111,748**	40,660

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 31 October 2017 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 ("**HKICPA**") 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 2017.

For the periods up to and including the year ended 30 April 2017, the Group prepared its financial statements in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by the International Accounting Standards Board. For the six months ended 31 October 2017, the Group prepared this interim financial information in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Accordingly, the Group has prepared the comparative period data for the six months ended 31 October 2016 and as at 30 April 2017 in accordance with HKFRSs. In preparing the interim financial information, the Group's date of transition to HKFRSs was 1 May 2015. The transition to HKFRSs did not have any impact on the accounting policies, and the financial position of the Group as at 1 May 2015 and 30 April 2016 and its financial performance for the six months ended 31 October 2016, so the reconciliations as required under HKFRS 1 "*First Time Adoption of Hong Kong Financial Reporting Standards*" are not presented. The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements of the Group for the six months ended 31 October 2017 are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 30 April 2017.

2. OPERATING SEGMENT INFORMATION

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

(a) trading and supply chain management services *(Note)*;

(b) operation of online social platform; and

(c) money lending business.

Note:

Following the acquisition of the operation of online social platform and the change in the internal structure of the Group, management of the Group has decided to consolidate the segments of "Sales of merchandise" and "Provision of services" into "Trading and supply chain management services" considering that they are operated under the same management team. The segment information for earlier periods has been restated to conform with these changes.

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/(loss) before tax except that interest income, gain on disposal of a subsidiary as well as corporate and other unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue and (loss)/profit for the Group's reportable segments for the six months ended 31 October 2017 and 2016.

	For the six months ended 31 October 2017			
	Trading and supply chain management services (Unaudited) *US$'000*	**Operation of online social platform (Unaudited)** *US$'000*	**Money lending business (Unaudited)** *US$'000*	**Total (Unaudited)** *US$'000*
Segment revenue:				
Revenue from external customers	**49,554**	**9,726**	**95**	**59,375**
Segment results	**(9,981)**	**(63,012)**	**40**	**(72,953)**
Interest income				**7**
Corporate and other unallocated expenses				**(1,561)**
Loss before tax				**(74,507)**
Income tax credit				**1,071**
Loss for the period				**(73,436)**
Other segment information:				
Impairment losses on goodwill	**13,600**	**59,458**	**40**	**73,098**
Amortisation of intangible assets	**–**	**5,428**	**–**	**5,428**
Depreciation	**83**	**73**	**–**	**156**
Capital expenditures	**128**	**259**	**–**	**387**
Impairment of trade receivables	**79**	**–**	**–**	**79**

	For the six months ended 31 October 2016		
	Trading and supply chain management services (Unaudited) *US$'000*	Money lending business (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Segment revenue:			
Revenue from external customers	52,539	–	52,539
Segment results	3,173	(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	149	–	149
Capital expenditures	92	–	92
Impairment of trade receivables	116	–	116

3. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 31 October	
	2017 (Unaudited) ***US$'000***	2016 (Unaudited) *US$'000*
Depreciation	**156**	149
Amortisation of intangible assets	**5,428**	–
Gain on disposal of a subsidiary	**–**	(62)
Impairment of trade receivables	**79**	116
Impairment losses on goodwill	**73,098**	–

4. INCOME TAX (CREDIT)/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 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	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current		
– Hong Kong	**204**	289
– Outside Hong Kong	**89**	18
Net overprovision in prior years	**(6)**	(9)
Deferred	**(1,358)**	–
Total tax (credit)/expense for the period	**(1,071)**	298

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 these 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 reporting period, 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.

5. DIVIDENDS

On 11 January 2017, a dividend of 0.46 HK cents (adjusted for the effect of share subdivision in August 2017) per ordinary share was paid to shareholders of the Company as interim dividend in respect of the six months ended 31 October 2016.

The directors of the Company have not declared the payment of an interim dividend for the six months ended 31 October 2017.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share (six months ended 31 October 2016: basic earnings per share) is based on the loss for the period attributable to owners of the Company of approximately US$73,434,000 (six months ended 31 October 2016: profit of US$2,249,000), and the weighted average number of 1,433,777,483 (six months ended 31 October 2016: 1,059,592,701 (adjusted for the effect of share subdivision in August 2017)) ordinary shares in issue during the period.

The Group had no dilutive potential ordinary shares in issue for the periods ended 31 October 2017 and 2016.

7. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment *US$'000*	Other intangible assets *US$'000*	Total *US$'000*
Unaudited			
At 1 May 2017, net of accumulated depreciation and amortisation	**269**	**–**	**269**
Acquisition of subsidiaries	**111**	**59,689**	**59,800**
Additions	**387**	**–**	**387**
Disposals	**(3)**	**–**	**(3)**
Depreciation charged for the period	**(156)**	**–**	**(156)**
Amortisation charged for the period	**–**	**(5,428)**	**(5,428)**
Exchange realignment	**6**	**1,639**	**1,645**
At 31 October 2017, net of accumulated depreciation and amortisation	**614**	**55,900**	**56,514**
	US$'000	*US$'000*	*US$'000*
Audited			
At 1 May 2016, net of accumulated depreciation	416	–	416
Additions	138	–	138
Disposals	(1)	–	(1)
Depreciation provided during the year	(282)	–	(282)
Exchange realignment	(2)	–	(2)
At 30 April 2017, net of accumulated depreciation	269		269

8. GOODWILL

	Total *US$'000*
Unaudited	
At 1 May 2017, net of accumulated impairment	**26,373**
Acquisition of subsidiaries	**110,297**
Impairment charged for the period	**(73,098)**
Exchange realignment	**3,127**
At 31 October 2017, net of accumulated impairment	**66,699**
Audited	
At 1 May 2016, net of accumulated impairment	26,857
Acquisition of a subsidiary	40
Disposal of a subsidiary	(524)
At 30 April 2017, net of accumulated impairment	26,373

Impairment testing of goodwill

Goodwill has been allocated to the following cash-generating units for impairment testing:

- Trading and supply chain management services;
- Operation of online social platform; and
- Others

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures, long term growth rates and selection of discount rates. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine the key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections. The discount rates applied to the cash flow projections for trading and supply chain management services, operation of online social platform and others are 11% (30 April 2017: 11%), 23.69% (30 April 2017: nil) and 10% (30 April 2017: 10%), respectively. The estimated growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period is no more than 3%.

During the period ended 31 October 2017, the Group recognised impairment losses of US$13,600,000, US$59,458,000 and US$40,000 in connection with goodwill allocated to the trading and supply chain management services, operation of online social platform and others respectively. The impairment losses are made based on the results of impairment tests for the goodwill using their values in use in accordance with HKAS 36. The impairment loss of US$59,458,000 in connection with the goodwill allocated to the operation of online social platform was mainly related to the increase in fair value of the 150,000,000 consideration shares at the completion date of the acquisition as detailed in note 11.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Trading and supply chain management services		**Operation of online social platform**		**Others**		**Total**	
	31 October 2017 (Unaudited)	30 April 2017 (Audited)	**31 October 2017 (Unaudited)**	30 April 2017 (Audited)	**31 October 2017 (Unaudited)**	30 April 2017 (Audited)	**31 October 2017 (Unaudited)**	30 April 2017 (Audited)
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Goodwill	**12,733**	26,333	**53,966**	–	**–**	40	**66,699**	26,373

9. TRADE RECEIVABLES

The general credit terms granted to customers range from 30 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 2017 (Unaudited) *US$'000*	30 April 2017 (Audited) *US$'000*
Within 30 days	**3,805**	2,742
31 to 60 days	**1,255**	953
61 to 90 days	**542**	321
91 to 365 days	**1,547**	1,622
Over 1 year	**263**	132
	7,412	5,770
Impairment	**(459)**	(380)
	6,953	5,390

Note:

The trade receivables aged over 90 days are being carefully monitored by management. Approximately US$459,000 (30 April 2017: US$380,000) 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 2017 (Unaudited) *US$'000*	30 April 2017 (Audited) *US$'000*
Within 30 days	**5,348**	4,022
31 to 60 days	**735**	468
61 to 90 days	**37**	11
91 to 365 days	**163**	97
Over 1 year	**67**	61
	6,350	4,659

11. ACQUISITIONS OF SUBSIDIARIES

On 21 February 2017, a wholly-owned subsidiary of the Company, Glory Sino Limited ("**Glory Sino**") entered into a share purchase agreement ("**Agreement**") with independent third parties to acquire the entire issued share capital of Loovee Holdings Inc. ("**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*" ("對面").

* *For identification purpose only*

Pursuant to the Agreement, the consideration was satisfied by (i) the allotment and issue of the 150,000,000 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. For details of the acquisition, please refer to the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 28 April 2017.

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$153,020,000) accordingly.

The Group incurred transaction costs of US$638,000 for this acquisition. These transaction costs had been expensed and were included in general and administrative expenses in the consolidated statement of profit or loss for the year ended 30 April 2017. None of the goodwill recognised was expected to be deductible for income tax purpose.

The fair values of the identifiable assets and liabilities of Loovee as at the date of acquisition were as follows:

	Note	**(Unaudited)** *US$'000*
Property, plant and equipment		**111**
Other intangible assets		**59,689**
Trade receivables		**637**
Prepayments, deposits and other receivables		**66**
Cash and cash equivalents		**1,308**
Accruals, provisions and other payables		**(2,580)**
Deferred revenue		**(1,585)**
Deferred tax liabilities		**(14,923)**
Total identifiable net assets at fair value		**42,723**
Fair value of purchase consideration:		
Cash		**12,853**
Consideration shares		**140,167**
		153,020
Goodwill	*8*	**110,297**
An analysis of the net cash outflows in respect of the acquisition		
Cash consideration		**12,853**
Less: Deposit paid during the year ended 30 April 2017		**(2,571)**
Less: Cash and cash equivalents acquired		**(1,308)**
Net cash outflows during the period		**8,974**

12. RELATED PARTY TRANSACTIONS

(a) In addition to the balances and transactions detailed elsewhere, the Group had no significant related party transactions during the six months ended 31 October 2017 and 2016.

(b) Loan from a director

At 31 October 2017, the loan from a director is unsecured, non-interest-bearing and repayable by 20 March 2018.

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

	For the six months ended 31 October	
	2017	2016
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Short term employee benefits	**512**	617
Post-employment benefits		
– defined contribution plans	**33**	50
Total compensation paid to key management personnel	**545**	667

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the period under review, the Group acquired a new business, a mobile social networking platform, based in Shenzhen, the People's Republic of China ("**PRC**"). The new business contributed a revenue of approximately US$9.7 million (equivalent to HK$75.5 million) during the period under review, representing approximately 16.4% of the Group's revenue.

Regarding the Group's trading and supply chain management services, business environment remained challenging during the period under review, revenue decreased by approximately 5.7% from approximately US$52.5 million (equivalent to HK$408.5 million) for the same period last year to approximately US$49.6 million (equivalent to HK$385.9 million).

As a result, the overall Group's revenue increased by approximately 13% to approximately US$59.4 million (equivalent to HK$462.1 million) from approximately US$52.5 million (equivalent to HK$408.5 million) for the same period last year.

Gross profit increased by around 16.6% from approximately US$12.7 million (equivalent to HK$98.8 million) for the same period last year to approximately US$14.8 million (equivalent to HK$115.1 million). The growth was mainly attributable to the new online social platform business generating a higher margin.

The overall operating costs increased from approximately US$10.4 million (equivalent to HK$80.9 million) for the same period last year to approximately US$16.6 million (equivalent to HK$129.1 million). The increase was mainly due to the costs in relation to the new acquired online social platform business of approximately US$6.7 million (equivalent to HK$52.1 million).

The Group recorded a loss of approximately US$73.4 million (equivalent to HK$571.1 million) during the period, as compared with profit of approximately US$2.2 million (equivalent to HK$17.1 million) for the same period last year. The significant loss was mainly due to the impairment losses on goodwill of approximately US$73.1 million (equivalent to HK$568.7 million) and the amortisation of intangible assets of approximately US$5.4 million (equivalent to HK$42 million). Excluding the non-cash impairment losses on goodwill and amortisation of intangible assets, net of deferred tax credit of approximately US$1.4 million (equivalent to HK$10.9 million), the Group's profit for the period would be approximately US$3.7 million (equivalent to HK$28.8 million), an increase of approximately US$1.5 million (equivalent to HK$11.7 million) as compared to a profit of approximately US$2.2 million (equivalent to HK$17.1 million) for the corresponding period last year.

Segmental Analysis

Operating Segmentation

The Group's business comprises three operating segments: (i) trading and supply chain management services; (ii) operation of an online social platform; and (iii) money lending business.

(i) Trading and supply chain management services

Revenue for trading and supply chain management services reduced by approximately 5.7% from approximately US$52.5 million (equivalent to HK$408.5 million) for the same period last year to approximately US$49.6 million (equivalent to HK$385.9 million), but it still accounts for approximately 83.5% of the Group's revenue. The drop in revenue was mainly due to the decline in trading business from a few US customers.

(ii) Operation of the online social platform

On 1 June 2017, the Group's acquisition of the entire issued share capital of Loovee which 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. "Duimian" targets younger user groups with most users currently in first-tier cities in the PRC. After the completion of acquisition of Loovee, the business generated revenue of approximately US$9.7 million (equivalent to HK$75.5 million) contributing around 16.4% of the Group's total revenue.

(iii) Money lending business

On 15 November 2016, Tingo Consulting Company Limited ("**Tingo**"), a subsidiary of the Company, entered into a loan agreement ("**Loan Agreement**") with 鄭聯軍 (ZHENG Lianjun*) ("**Borrower**"), a businessman, and Xin Kai He Trading Co., Limited (being the guarantor of the loan and whose equity is wholly-owned by the Borrower), 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 has been fully settled on 30 June 2017. There was no loan granted or no new borrower during the period under review.

Impairment losses on goodwill

During the period ended 31 October 2017, the Group recognised impairment losses of US$13,600,000, US$59,458,000 and US$40,000 in connection with goodwill allocated to trading and supply chain management services, operation of online social platform and others respectively. The impairment losses are made based on the results of impairment tests for the goodwill using their values in use in accordance with HKAS 36.

The impairment loss of US$13,600,000 in connection with the goodwill allocated to trading and supply chain management services was mainly related to an expected future decline in revenue due to a challenging business environment.

The impairment loss of US$59,458,000 in connection with the goodwill allocated to the operation of online social platform was mainly related to the increase in fair value of the 150,000,000 consideration shares at the completion date of the acquisition of Loovee.

The impairment loss of US$40,000 was recognised to others as no more money lending business is expected in the future.

The details of the goodwill and acquisition of subsidiaries are set out in note 8 and note 11 of this announcement respectively.

Hong Kong Tax Case

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 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.

With the assistance of an external tax specialist, the Group submitted a settlement proposal as part of a negotiation with the IRD in relation to this case in April 2015. 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. As at the close of the reporting period, 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.

Financial Review

Financial Resources and Liquidity

The Group's financial position remains healthy with cash and cash equivalents of approximately US$15 million (equivalent to HK$116.7 million) as at 31 October 2017. In addition, the Group has 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 31 October 2017.

The Group has a current ratio of approximately 1.16 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US$111.7 million (equivalent to HK$869 million) as at 31 October 2017. There has not been any material change in the Group's borrowings since 31 October 2017.

On 21 March 2017, the Group entered into a loan agreement with a Director, 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 and possible future acquisitions. The loan is unsecured, non interest-bearing and repayable by 20 March 2018 on the first anniversary from the date of drawdown or such later date to be agreed. During the period under review, 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$5.4 million (equivalent to HK$42 million) as at 30 April 2017 to approximately US$7 million (equivalent to HK$54.5 million) as at 31 October 2017.

The Group's net asset value recorded as at 31 October 2017 was approximately US$111.7 million (equivalent to HK$869 million).

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

As at 31 October 2017, the Group had no material contingent liabilities or guarantees, or charges on any group asset.

Remuneration Policy and Staff Development Scheme

As at 31 October 2017, the Group had 412 staff members (2016: 347 staff members). Total staff costs for the period under review amounted to approximately US$7.6 million (equivalent to HK$59.1 million) (2016: US$7.1 million (equivalent to HK$55.2 million)).

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

Corporate Events during the Reporting Period

Acquisition of a gamified mobile social networking platform in the PRC

On 21 February 2017, a wholly-owned subsidiary of the Company, Glory Sino entered into the 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 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 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).

Further details of the acquisition are set out in the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 18 April 2017.

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$153,020,000) accordingly.

Share Subdivision

The existing issued and unissued shares of US$0.04 each in the share capital of the Company has been divided into three (3) shares with par value of one and one third U.S. cents each. There will be no change to the board lot size after the share subdivision. Please refer to the section headed below "Capital Structure" for details.

Change of financial year end date

The Board issued an announcement on 21 September 2017 to change the financial year end date of the Company from 30 April to 31 December ("**Change**"). Accordingly, the forthcoming financial year end date of the Company will be 31 December 2017.

The Change is intended to facilitate the future development direction of the Group, whose medium-to-long term strategic plan is to continue to make strategic investments in the PRC.

The Group's operations are mostly carried out through its subsidiaries established in the PRC, which are statutorily required to close their accounts on the financial year end date of 31 December ("**PRC Operating Subsidiaries**"). Since the financial results of the PRC Operating Subsidiaries are to be consolidated into the Company's consolidated accounts each year, the Change aligns the financial year end date of the Company with the PRC Operating Subsidiaries. This streamlines and facilitates the preparation of the consolidated financial statements of the Group.

For the above reasons, the Board believes that it is in the Company's interests that the Change to be effectuated.

Save as disclosed in this announcement, there are no other important events affecting the Company and its subsidiaries which have occurred since 31 October 2017.

Prospects

The spread of the Internet has brought world-shaking changes to the global economy. The increased popularity of the Internet has resulted in higher degree of price transparency and pricing pressure, which is expected to continually pose challenges to traditional supply chain management. However, with challenges often come opportunities, and the rapid growth of the Internet has also nurtured a new economy. Industries within this new economy, including China's mobile social networking sector which the Group ventured into during the period under review, have attracted the world's attention. A report from Analysys International, the independent market research firm, projects that China's mobile social network market possesses immense potential with the number of users expected to reach 880 million by 2018, representing a compound annual growth rate of 147.1% between 2014 and 2018.

For operation of the Group's mobile social networking platform business, the management aims to build "Duimian" in third- and fourth-tier cities to further broaden its user base.

Traditional sourcing and supply chain management businesses are expected to be challenging, the Group will continue to strengthen the cooperative relationship with existing customers by developing a more diversified product mix and offering more comprehensive value-added services.

Looking ahead, the management will explore the potential acquisition opportunities and other investments and allocate resources to those projects with greater development potential. This approach will help the Group capture the new opportunities generated within the new economy and ultimately create greater value for shareholders of the Company.

CAPITAL STRUCTURE

Issue of Consideration Shares

On 21 February 2017, Glory Sino ("**Purchaser**"), a wholly-owned subsidiary of the Company, entered into the Agreement with Leqian Investment Limited, Mike Cai Investment Limited, Mr. Tsang Chun Ho Anthony, SA1 Investments Inc., Lemei Investment Limited, Letu Investment Limited, Leguang Investment Limited, Lehao Investment Limited and Leming Investment Limited (together the "**Vendors**"), Mr. Congwei Zhou, Mr. Shengqi Cai, Mr. Tsang Chun Ho Anthony, Mr. Sung Lee Ming Alfred, Ms. Jinchun Lai, Mr. Youming Zhang, Ms. Xin Zhang, Mr. Qi Feng and Mr. Jinfeng Liu (together the "**Guarantors**"). Pursuant to the Agreement, the Purchaser conditionally agreed to buy and the Vendors conditionally agreed to sell the entire issued share capital of Loovee at the aggregate consideration of HK$800,500,000, which will be satisfied by (i) cash consideration of HK$100,000,000; and (ii) allotment and issue of 150,000,000 consideration shares in an aggregate amount of HK$700,500,000 by the Company. Further details of the acquisition are set out in the announcements of the Company dated 21 February 2017 and 19 April 2017, and the circular of the Company dated 28 April 2017.

The acquisition has been approved by the shareholders of the Company ("**Shareholders**") at the special general meeting of the Company ("**SGM**") held on 23 May 2017. On 1 June 2017, upon completion of the acquisition, the Company allotted and issued 150,000,000 ordinary shares under the specific mandate as the consideration shares to the Vendors. The cash consideration payable under the Agreement has been fully settled in accordance with the term of the Agreement as at the date of this announcement.

Share Subdivision

Pursuant to an ordinary resolution passed at the SGM held on 9 August 2017, every one (1) existing issued and unissued share with par value of US$0.04 each in the share capital of the Company was subdivided into three (3) shares with par value of one and one third U.S. cents each with effect from 10 August 2017 ("**Share Subdivision**"). Upon completion of the Share Subdivision, the authorised share capital of the Company was US$40,000,000, divided into 3,000,000,000 ordinary shares of one and one third US cents each, of which 1,509,592,701 ordinary shares were issued and fully paid or credited as fully paid. Further details of the Share Subdivision are set out in the announcement of the Company dated 17 July 2017 and the circular of the Company dated 24 July 2017.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 31 October 2017 (31 October 2016: 0.46 HK cents (adjusted for the effect of Share Subdivision in August 2017) per share).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 October 2017, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any share of the Company.

AUDIT COMMITTEE

The Audit Committee 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 31 October 2017. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE

A corporate governance report has been published and included in the Company's 2017 annual report, in which the Company reported the adoption of the code provisions ("**Code Provisions**") as stated 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, save for the deviation as described below:

Code provision E.1.2 of the CG Code requires the chairman of the Board to attend the annual general meeting held on 30 August 2017 ("**2017 AGM**"). Due to other business commitments, Mr. ZHOU Xijian was not able to attend the 2017 AGM. Mr. WONG Hing Lin, Dennis, executive Director and president of the Company, acted as the chairman of the 2017 AGM to ensure an effective communication with the Shareholders.

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 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 throughout the six months ended 31 October 2017.

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 2017.

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 2017/18 interim report will be despatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 14 December 2017

As at the date of this announcement, the non-executive Director of the Company is Mr. ZHOU Xijian, the executive Directors are Mr. ZHANG Qi, Mr. WONG Hing Lin, Dennis and Mr. TSANG Chun Ho, Anthony (also known as Zichen), and the independent non-executive Directors are Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.