

Daohe Global Announces FY2016 Annual Results

(14 July, 2016 – Hong Kong) – Supply chain management and solutions provider **Daohe Global Group Limited** (“Daohe Global” or the “Group”; stock code: 915) today announced its annual results for the year ended 30 April 2016 (“FY2016”).

During the year under review, growth in the global economy continued to be slow. There was a considerable divergence of performance in the economies across regions. Although there was a steady recovery in the United States (“US”) after a long-term quantitative easing policy, the economy in Europe and Japan remained sluggish. The economies in major developed countries have remained weak and the economic growth in developing countries has gradually decelerated, as a result of a decline in commodity prices, weak global trade, volatility in financial markets and a slowdown in capital flows. As a result, the Group’s overall shipments dropped by approximately 9.8% from approximately US\$241.1 million (equivalent to HK\$1,880.6 million) last year to approximately US\$217.4 million (equivalent to HK\$1,691.4 million) this year.

Revenue decreased by approximately 3.9% to approximately US\$94.1 million (equivalent to HK\$732.1 million) this year from approximately US\$97.9 million (equivalent to HK\$763.6 million) last year. Gross profit dropped by around 7.9% from approximately US\$25.0 million (equivalent to HK\$195.0 million) last year to approximately US\$23.0 million (equivalent to HK\$178.9 million) this year.

During the year under review, the Group recognised an impairment loss of approximately US\$0.9 million (equivalent to HK\$7.0 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.*).

For the year ended 30 April 2016, the Group reported a loss of approximately US\$0.6 million (equivalent to HK\$4.7 million), against a profit of approximately US\$1.7 million (equivalent to HK\$13.3 million) last year. This was mainly attributable to the decline in shipment of the Group and the impairment loss on goodwill as aforementioned and an additional tax provision for the Hong Kong Tax Case.

* For identification purpose only

Mr. ZHOU Xijian, Chairman of Daohe Global, said, “The past year was challenging for our traditional business in sourcing and supply chain management. Our revenue for the financial year reflects the slower global trade environment. Nonetheless, I am confident that our strong and dynamic management team will lead Daohe Global to an even brighter future, and will take on each challenge and seize it as an opportunity to grow the Group’s business. In the immediate future, we will continue to pursue opportunities for acquisition or investment in financial services and in supply chain management related businesses.”

During the year under review, shipments to North America dropped by approximately 12.8% to approximately US\$105.7 million (equivalent to HK\$822.3 million) due to a decrease in order from certain US retail customers. Nevertheless, North America remained the Group’s largest market, contributing approximately 48.6% of the Group’s total shipment value.

The European market also weakened during the year under review. Shipments to Europe decreased by approximately 13.4% to approximately US\$50.9 million (equivalent to HK\$396.0 million) mainly due to a decline in business in Russia and the overall depreciation in European currencies. Shipments to Europe presently account for approximately 23.4% of the Group’s total shipment value.

Shipments to other locations (“Others”) mainly southern hemisphere decreased slightly by approximately 0.5% to approximately US\$60.8 million (equivalent to HK\$473.0 million). “Others” represented approximately 28.0% of the Group’s total shipment value.

The Group’s financial position remains healthy with cash and cash equivalents of approximately US\$25.0 million (equivalent to HK\$194.5 million) as of 30 April 2016. In addition, the Group has total banking facilities of approximately US\$10.3 million (equivalent to HK\$80.1 million) including borrowing facilities of approximately US\$0.1 million (equivalent to HK\$0.8 million) as of 30 April 2016. The Group has a current ratio of approximately 1.8 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US\$40.9 million (equivalent to HK\$318.2 million) as of 30 April 2016.

Prospects

The global economy is expected to remain vulnerable, as there is faster-than-expected slowdown in developing economies while the recovery in developed economies is slower-than-expected. The global economic activities are expected to remain subdued in a near-term.

The macroeconomic environment is not favorable to the Group's existing business. China, being the world's second largest economy, is undergoing an economic transformation with structural change; the price of commodities is weakening; and the US is implementing a tightened monetary policy. Manufacturing activities and trade are thus remain weak globally. Besides, consumer spending remains suppressed while the uncertainty and instability of the global economy continued.

In recent years, the buying pattern of consumers has shifted to online shopping through e-commerce platform or digital devices, leaving many of the traditional players continue to suffer from excess stock and declining sales. In addition, in the era of information and digital, with a high price transparency and a keen competition in today's consumer market, consumers expect to buy at a lower price or discount, this further lead to a markdown in price in order to maintain the business. Along with the deflation on customer's retail price, the Group is also facing challenges of increase in labour and other operating costs.

In order to cope with these difficulties, the Group continues to diversify its product portfolio and provide value-added services to strengthen its relationships with customers, as well as to implement cost controls and explore more potential low cost sourcing markets to enhance the Group's competitiveness in pricing.

We note the growth in demand for financial services and believe that certain acquisitions/proposed acquisitions during the year under review and up to the date of this press release represent opportunities for the Group to diversify and broaden its business base. The Group will actively seek potential business and high-growth investment opportunities. The Group will also strive to provide better value-added services to our existing customers and maintain long-term relationships with them.

Looking forward, the Group will pay extra efforts to address customers' needs and explore new business opportunities, aiming to bring a greater return to our shareholders.

About Daohe Global Group Limited

Daohe Global Group Limited is an investment holding company with its principal business being a one-stop supply chain management solutions provider. With a global presence in over 20 regions/territories and a sourcing network throughout Asia, the Group offers comprehensive and efficient sourcing solutions and value-added services to its customers, the majority of whom are leading retail chain operators, well-known brands and licensors, wholesalers, mail order houses and department stores in North America, Europe, Asia, Australia and South Africa.

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Daohe Global Group Limited FY2016 Annual Results Announcement

Condensed Consolidated Statement of Profit or Loss

For the year ended 30 April

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
REVENUE	94,053	97,872
Cost of sales	(71,024)	(72,879)
Gross profit	23,029	24,993
Other income	653	984
General and administrative expenses	(22,285)	(23,292)
Impairment loss on goodwill	(887)	-
Loss on dissolution of subsidiaries	(5)	-
PROFIT BEFORE TAX	505	2,685
Income tax expense	(1,118)	(1,009)
(LOSS)/PROFIT FOR THE YEAR	(613)	1,676
ATTRIBUTABLE TO:		
Owners of the Company	(560)	1,676
Non-controlling interests	(53)	-
	(613)	1,676
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cents)		
– Basic (<i>Note</i>)	(0.02)	0.05
– Diluted (<i>Note</i>)	(0.02)	0.05

Note:

Adjusted for the effect of Share Subdivision in June 2015.