

Daohe Global Announces FY2017 Annual Results

(HONG KONG, 14 July 2017) – 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 2017 (“FY2017”).

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).

Revenue decreased by approximately 3.8% to approximately US\$90.5 million (equivalent to HK\$704.1 million) from approximately US\$94.1 million (equivalent to HK\$732.1 million) last year. Gross profit dropped by around 6.1% from approximately US\$23.0 million (equivalent to HK\$178.9 million) last year to approximately US\$21.6 million (equivalent to HK\$168.0 million).

Profit of approximately US\$0.3 million (equivalent to HK\$2.3 million) was achieved this year. 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\$7.0 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.*) and an additional tax provision of approximately US\$632,000 (equivalent to HK\$4.9 million) for the Hong Kong Tax Case. Basic earnings per share were approximately 0.08 US cent (equivalent to 0.62 HK cent) versus basic loss per share of approximately 0.16 US cent (equivalent to 1.24 HK cents) last year.

Reviewing the past year, the economy in the United States (‘US’) has gradually stabilised but other major economies around the world have not yet fully recovered, which has presented challenges to the Group’s traditional business in sourcing and supply chain management. However, Daohe Global has insisted on providing more value-added services and expanding the product mix through which it aims to solidify its relationship with its major customers. Moreover, effective cost control measures were also implemented. These efforts have helped the Group maintain stable development of its core businesses.

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\$312.0 million) mainly due to the decline of business from the United Kingdom. Shipments to Europe accounted 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) because of continued depreciation of the Rand translating into a decline of business from South Africa. “Others” represented approximately 27.5% of the Group’s total shipment value.

* For identification purpose only

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). The Group's current ratio was approximately 1.7 and gearing ratio was zero, 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.

The management has been closely tracking potential projects in the market. While Daohe Global continues to develop its traditional business, it has strived to look for unique opportunities. Therefore, observing the immense potential in the proliferation of games in the mobile social networking sector in China, the Group has signed a share purchase agreement this year to acquire Duimian (對面), one of the largest gamified mobile social network platforms in China, which has a huge and fast-growing user base. The management is happy to see the acquisition completed in June and is currently working on integration of the new business. The Group looks forward to Duimian's contribution in the near future.

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 seek to expand across additional markets to widen its vendor base, and in turn, lower procurement costs. At the same time, 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.

Regarding new business, the Group 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.

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. Moreover, the Group will strive to develop its gamified mobile social network business. Looking ahead, it will actively develop the gamified mobile social network business, with an aim to expand the Group's revenue stream.

Our website: www.daoheglobal.com.hk

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Daohe Global Group Limited FY2017 Annual Results Announcement

Condensed Consolidated Statement of Profit or Loss	For the year ended 30 April	
	2017	2016
	US\$'000	US\$'000
		(Restated)
REVENUE	90,470	94,053
Cost of sales	(68,851)	(71,024)
	<hr/>	<hr/>
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	-	(887)
Loss on dissolution of subsidiaries	-	(5)
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PROFIT BEFORE TAX	421	505
Income tax expense	(167)	(1,118)
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PROFIT/ (LOSS) FOR THE YEAR	254	(613)
	<hr/> <hr/>	<hr/> <hr/>
ATTRIBUTABLE TO:		
Owners of the Company	290	(560)
Non-controlling interests	(36)	(53)
	<hr/>	<hr/>
	254	(613)
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EARNINGS/ (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cents)		
Basic (<i>Note</i>)	0.08	(0.16)
Diluted (<i>Note</i>)	0.08	(0.16)
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Note:

Adjusted for the effect of Share Consolidation in September 2016.

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