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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 31 DECEMBER 2022**

FINAL RESULTS HIGHLIGHTS:

- Revenue declined by approximately 17.2% to approximately US\$51.9 million (equivalent to approximately HK\$403.8 million) for the year ended 31 December 2022 as compared to approximately US\$62.6 million (equivalent to approximately HK\$487.0 million) for the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 amounted to approximately US\$1.0 million (equivalent to approximately HK\$7.8 million), a decrease of approximately 75.0% as compared to approximately US\$4.1 million (equivalent to approximately HK\$31.9 million) for last year.
- The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022.

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Daohe Global Group Limited (the “**Company**”) announces the consolidated financial information of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022, together with relevant comparative figures, is as follows:

CONSOLIDATED FINANCIAL INFORMATION

Consolidated Statement of Profit or Loss

	<i>Note</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
REVENUE	4	51,878	62,639
Cost of sales		<u>(34,776)</u>	<u>(41,727)</u>
Gross profit		17,102	20,912
Other income		1,430	755
Selling and marketing expenses		(2,619)	(3,133)
General and administrative expenses		(14,248)	(14,259)
Finance costs		(104)	(107)
Gain on dissolution of subsidiaries		–	277
Impairment of property, plant and equipment	9	(20)	–
Impairment of right-of-use assets	9	(499)	–
Reversal of allowance/(allowance) for trade receivables		<u>219</u>	<u>(220)</u>
PROFIT BEFORE TAX	5	1,261	4,225
Income tax	6	<u>(240)</u>	<u>(139)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>1,021</u>	<u>4,086</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cent)			
Basic	8	<u>0.07</u>	<u>0.27</u>
Diluted		<u>0.07</u>	<u>0.27</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
PROFIT FOR THE YEAR	1,021	4,086
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Translation of foreign operations	(744)	222
Reclassified to gain on dissolution of subsidiaries	—	(277)
Items that may be reclassified to profit or loss in subsequent periods	(744)	(55)
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurements from defined benefit plan	24	8
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(720)	(47)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	301	4,039

Consolidated Statement of Financial Position

	<i>Note</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	305	562
Right-of-use assets	9	765	779
Financial asset at fair value through profit or loss		167	135
Deposits		221	282
		<hr/>	<hr/>
Total non-current assets		1,458	1,758
CURRENT ASSETS			
Inventories		837	772
Trade receivables	10	3,210	8,006
Prepayments, deposits and other receivables		2,562	4,208
Bank deposits with initial term of over three months		3,724	–
Cash and cash equivalents		14,482	16,104
		<hr/>	<hr/>
Total current assets		24,815	29,090
CURRENT LIABILITIES			
Trade payables	11	885	4,253
Accruals, provisions and other payables		6,458	7,510
Contract liabilities		1,378	1,051
Lease liabilities		697	955
Loan from a shareholder	12(a)	3,856	3,856
Bank borrowings		416	1,161
Tax payable		446	305
		<hr/>	<hr/>
Total current liabilities		14,136	19,091
NET CURRENT ASSETS		<hr/> 10,679	<hr/> 9,999
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 12,137	<hr/> 11,757

	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	703	392
Provisions	–	149
Post-employment benefits	174	257
	<hr/>	<hr/>
Total non-current liabilities	877	798
	<hr/>	<hr/>
NET ASSETS	11,260	10,959
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	20,128	20,128
Reserves	(8,868)	(9,169)
	<hr/>	<hr/>
TOTAL EQUITY	11,260	10,959
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Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Companies Ordinance. They have been prepared under historical cost convention, except for financial asset at fair value through profit or loss 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 except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRSs issued by the HKICPA for the first time for the current year’s financial statements.

Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Business Combination – Reference to the Conceptual Framework</i>
Annual Improvements Project	<i>Annual Improvements to HKFRSs 2018–2020 Cycle</i>

The adoption of the above amendments to the standards has had no significant financial effect on these consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group’s business comprises two reportable operating segments as follows:

- (a) trading and supply chain management services; and
- (b) operation of online social platforms.

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 before tax except that bank interest income, interest on bank borrowings, gain 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.

Segment assets do not include corporate and other unallocated assets. Segment liabilities do not include loan from a shareholder as well as corporate and other unallocated liabilities.

	Trading and supply chain management services US\$'000	Operation of online social platforms US\$'000	Total US\$'000
Year ended 31 December 2022			
Segment revenue:			
Revenue from external customers	<u>26,737</u>	<u>25,141</u>	<u>51,878</u>
Segment results	<u>3,931</u>	<u>(1,981)</u>	<u>1,950</u>
Bank interest income			240
Corporate and other unallocated expenses			(901)
Interest on bank borrowings			<u>(28)</u>
Profit before tax			1,261
Income tax			<u>(240)</u>
Profit for the year			<u><u>1,021</u></u>
Other segment information:			
Impairment of property, plant and equipment	–	20	20
Impairment of right-of-use assets	–	499	499
Fair value gain on financial asset at fair value through profit or loss	(32)	–	(32)
Depreciation:			
Property, plant and equipment	36	324	360
Right-of-use assets	362	397	759
Capital expenditures	140	24	164
Reversal of allowance for trade receivables	<u>(160)</u>	<u>(59)</u>	<u>(219)</u>
As at 31 December 2022			
Segment assets	<u>13,464</u>	<u>12,570</u>	<u>26,034</u>
Corporate and other unallocated assets			<u>239</u>
Total assets			<u><u>26,273</u></u>
Segment liabilities	<u>7,189</u>	<u>3,808</u>	<u>10,997</u>
Loan from a shareholder			3,856
Corporate and other unallocated liabilities			<u>160</u>
Total liabilities			<u><u>15,013</u></u>

	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended 31 December 2021			
Segment revenue:			
Revenue from external customers	29,648	32,991	62,639
Segment results	2,783	1,825	4,608
Bank interest income			161
Gain on dissolution of subsidiaries			277
Corporate and other unallocated expenses			(793)
Interest on bank borrowings			(28)
Profit before tax			4,225
Income tax			(139)
Profit for the year			4,086
Other segment information:			
Depreciation:			
Property, plant and equipment	25	411	436
Right-of-use assets	341	272	613
Capital expenditures	29	326	355
Allowance for trade receivables	153	67	220
As at 31 December 2021			
Segment assets	13,837	16,744	30,581
Corporate and other unallocated assets			267
Total assets			30,848
Segment liabilities	10,878	5,045	15,923
Loan from a shareholder			3,856
Corporate and other unallocated liabilities			110
Total liabilities			19,889

Geographical information

(a) Revenue from external customers

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
People's Republic of China ("PRC")	27,834	35,466
Southern hemisphere	10,334	12,495
North America	9,569	11,001
Europe	1,907	1,698
Others	2,234	1,979
	<u>51,878</u>	<u>62,639</u>

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

(b) Non-current assets

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
PRC	1,223	1,304
Hong Kong	26	141
Others	42	178
	<u>1,291</u>	<u>1,623</u>

The non-current assets information above is based on the locations of assets and excludes a financial asset at fair value through profit or loss.

Information about major customers

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

Operating segment		2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Customer A	Trading and supply chain management services	<u>9,937</u>	<u>11,993</u>

4. REVENUE

An analysis of the Group's revenue is as follows:

	2022 US\$'000	2021 US\$'000
<i>Revenue from contracts with customers</i>		
Sales of merchandise	18,813	24,586
Commission income	11,751	11,063
Internet value-added services ("IVAS") revenue	21,287	26,965
Other services income	27	25
	<u>51,878</u>	<u>62,639</u>

Disaggregated revenue information

Segments	Trading and supply chain management services US\$'000	Operation of online social platforms US\$'000	Total US\$'000
Year ended 31 December 2022			
Type of goods or services			
Sales of merchandise	14,986	3,827	18,813
Commission income	11,751	–	11,751
IVAS revenue	–	21,287	21,287
Other services income	–	27	27
	<u>26,737</u>	<u>25,141</u>	<u>51,878</u>
Geographical markets			
PRC	2,693	25,141	27,834
Southern hemisphere	10,334	–	10,334
North America	9,569	–	9,569
Europe	1,907	–	1,907
Others	2,234	–	2,234
	<u>26,737</u>	<u>25,141</u>	<u>51,878</u>
Timing of revenue recognition			
Goods transferred/services rendered at a point in time	<u>26,737</u>	<u>25,141</u>	<u>51,878</u>

Segments	Trading and supply chain management services <i>US\$'000</i>	Operation of online social platforms <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended 31 December 2021			
Type of goods or services			
Sales of merchandise	18,585	6,001	24,586
Commission income	11,063	–	11,063
IVAS revenue	–	26,965	26,965
Other services income	–	25	25
	<u>29,648</u>	<u>32,991</u>	<u>62,639</u>
Geographical markets			
PRC	2,475	32,991	35,466
Southern hemisphere	12,495	–	12,495
North America	11,001	–	11,001
Europe	1,698	–	1,698
Others	1,979	–	1,979
	<u>29,648</u>	<u>32,991</u>	<u>62,639</u>
Timing of revenue recognition			
Goods transferred/services rendered at a point in time	<u>29,648</u>	<u>32,991</u>	<u>62,639</u>

5. PROFIT BEFORE TAX

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Cost of inventories sold	17,523	22,313
Cost of services provided	17,253	19,414
Depreciation:		
Property, plant and equipment	360	436
Right-of-use assets	759	613
Loss on disposal of property, plant and equipment	1	7
Fair value gain on financial asset at fair value through profit or loss	(32)	–
Foreign exchange differences, net	271	(14)
	<u>271</u>	<u>(14)</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current		
– Provision for the year	256	174
– Net overprovision in prior years	(16)	(35)
	<u>240</u>	<u>139</u>
Total tax expense for the year	<u>240</u>	<u>139</u>

7. DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the number of ordinary shares in issue during the year.

The Group had no dilutive potential ordinary shares in issue for the year.

The calculation of the basic and diluted earnings per share is based on:

	2022	2021
Profit		
Profit attributable to owners of the Company (US\$'000)	<u>1,021</u>	<u>4,086</u>
Number of ordinary shares		
Number of ordinary shares in issue during the year ('000)	<u>1,509,593</u>	<u>1,509,593</u>

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Property, plant and equipment US\$'000	Right-of-use assets US\$'000
At 1 January 2021, net of accumulated depreciation and impairment	671	882
Additions	355	512
Disposals	(42)	–
Depreciation for the year	(436)	(613)
Termination	–	(14)
Exchange realignment	14	12
	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022, net of accumulated depreciation and impairment	562	779
Additions	164	1,308
Disposals	(1)	–
Depreciation for the year	(360)	(759)
Impairment	(20)	(499)
Exchange realignment	(40)	(64)
	<hr/>	<hr/>
At 31 December 2022, net of accumulated depreciation and impairment	<u>305</u>	<u>765</u>

10. TRADE RECEIVABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables	3,870	9,181
Allowance for doubtful debts	(660)	(1,175)
	<u>3,210</u>	<u>8,006</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing. The carrying amount of the trade receivables approximates to its fair value.

The ageing analysis of the gross carrying amount of trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 30 days	1,865	4,050
31 to 60 days	796	1,615
61 to 90 days	148	1,176
91 to 365 days	488	1,384
Over 1 year	573	956
	<u>3,870</u>	<u>9,181</u>

11. TRADE PAYABLES

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 30 days	785	2,590
31 to 60 days	17	460
61 to 90 days	–	682
91 to 365 days	19	455
Over 1 year	64	66
	<u>885</u>	<u>4,253</u>

12. RELATED PARTY TRANSACTIONS

(a) Loan from a shareholder

At 31 December 2022, the loan from a shareholder of the Company is unsecured, non-interest-bearing and repayable by 22 May 2023. The repayment date of the loan was extended to 22 May 2024 subsequent to the year end.

At 31 December 2021, the loan from a shareholder of the Company is unsecured, non-interest-bearing and repayable by 22 May 2022. The repayment date of the loan was extended to 22 May 2023 before due date.

(b) Compensation of key management personnel of the Group

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Short term employee benefits	1,248	1,423
Post-employment benefits	227	140
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>1,475</u>	<u>1,563</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group's revenue fell by approximately 17.2% to approximately US\$51.9 million from approximately US\$62.6 million last year.

In respect of the trading and supply chain management services business, it has a good start in 2022 with increase in orders placed in late 2021 and early 2022 under the growing economy. Despite the demand was slowed down in the second half amid high inflation, aggressive tightening of monetary policies, and uncertainties from the Russia-Ukraine war, the shipment volume for the full year still recorded a slight growth of 3.8% year-on-year. Regardless of growth in business, the revenue of the Group's trading and supply chain management services business declined by approximately 9.8% to approximately US\$26.7 million from last year's approximately US\$29.6 million due to the change in sales mix with a reduced volume of sales of merchandise.

As for online social platforms business, its overall revenue slipped by approximately 23.8% to approximately US\$25.1 million from approximately US\$33.0 million last year as impacted by the lingering pandemic prevailing in the PRC.

Gross profit decreased by approximately 18.2% to approximately US\$17.1 million for the year ended 31 December 2022 from approximately US\$20.9 million for the last year. The drop was mainly attributable to the decline in overall revenue and the narrowed gross margin of online social platforms business.

Other income for the year amounted to approximately US\$1.4 million (2021: approximately US\$0.8 million). The increase was mainly attributable to the reversal of provisions and the subsidy income from the PRC and Hong Kong Governments.

Operating expenses for the year ended 31 December 2022 amounted to approximately US\$17.0 million, representing a drop of approximately 3.0% from last year's approximately US\$17.5 million. The savings in operating expenses was mainly from reduced personnel costs and marketing expenses as business activities decreased.

During the year ended 31 December 2022, the Group recognised non-cash impairment loss on property, plant and equipment, and right-of-use assets totalling approximately US\$0.5 million for the online social platforms segment in view of the loss incurred by the segment and the path to recovery being uncertain.

Profit for the year ended 31 December 2022 was approximately US\$1.0 million, significantly lower than the approximately US\$4.1 million for 2021, with the online social platforms segment recording loss in 2022.

Segmental Analysis

Operating Segmentation

The Group's business comprises two operating segments, namely: (i) trading and supply chain management services; and (ii) operation of online social platforms.

(i) Trading and supply chain management services

During the year ended 31 December 2022, the shipment value of trading and supply chain management services grew by approximately 3.8% to approximately US\$162.8 million from approximately US\$156.9 million the previous year.

Geographical Analysis

	Shipment value	
	2022	2021
	<i>US\$' million</i>	<i>US\$' million</i>
North America	120.8	115.7
Europe	30.5	27.3
Others	11.5	13.9
	<u>162.8</u>	<u>156.9</u>

Shipments to North America rose by approximately 4.4% to approximately US\$120.8 million. North America remained the largest market of the Group, accounting for approximately 74.2% of the Group's total shipment value (2021: approximately 73.7%).

Shipments to Europe climbed by approximately 11.7% to approximately US\$30.5 million due to the rise in orders from a customer in France. Europe accounted for approximately 18.7% of the Group's total shipment value (2021: approximately 17.4%).

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere, dropped by approximately 17.3% due to less orders from a South African customer. "Others" represented approximately 7.1% of the segment's total shipment value (2021: approximately 8.9%).

The trading and supply chain management services segment recorded revenue of approximately US\$26.7 million in 2022 (2021: approximately US\$29.6 million), accounting for approximately 51.5% of the Group's total revenue (2021: approximately 47.3%). The approximately 9.8% decline in revenue despite growth in shipment volume was mainly due to the approximately US\$3.6 million drop in the sales of merchandise during the year.

(ii) *Operation of online social platforms*

During the review year, revenue from operation of online social platforms fell by approximately 23.8% to approximately US\$25.1 million in 2022 from approximately US\$33.0 million in 2021.

	2022	2021
	<i>US\$' million</i>	<i>US\$' million</i>
Gamified social and online entertainment	21.3	27.0
Sales of goods	3.8	6.0
	25.1	33.0

The domestic PRC economy has been on a downtrend since the second quarter of 2022 due to the spread of Omicron. Lockdowns in many cities forced shops to close as well as limited online live broadcasting and offline activities. With stifled online and offline traffics and poor economic prospects greatly dampening consumption sentiment, revenue from gamified social and online entertainment and sales of goods for the year fell by approximately 21.1% and approximately 36.2%, respectively.

As for sales of pop toys, they were also affected by severe competition and the new compliance guideline released by Shanghai market regulators in early 2022.

Financial Review

Financial Resources and Liquidity

The Group had deposits and cash and cash equivalents of approximately US\$18.2 million as at 31 December 2022 (2021: approximately US\$16.1 million). In addition, it had total banking facilities of approximately US\$5.6 million including borrowing facilities of approximately US\$0.5 million as at 31 December 2022 (2021: approximately US\$6.3 million and approximately US\$1.3 million, respectively).

The Group's current ratio was approximately 1.8 (2021: approximately 1.5) and gearing ratio was approximately 0.04 (2021: approximately 0.11), based on an interest-bearing borrowing of approximately US\$0.4 million (2021: approximately US\$1.2 million) and total equity of approximately US\$11.3 million as at 31 December 2022 (2021: approximately US\$11.0 million). There has not been any material change in the Group's borrowings since 31 December 2022.

Trade receivables amounted to approximately US\$3.2 million as at 31 December 2022 (2021: approximately US\$8.0 million). Gross trade receivables aged over 90 days, which amounted to approximately US\$1.1 million, are being carefully monitored by management and sufficient provision has been made.

The Group adopts a prudent treasury policy in managing investment in financial products such as wealth management products. All investments must be conducted in accordance with the Group's treasury policy with the view of utilising surplus cash received from its business operations.

The Group's net asset value amounted to approximately US\$11.3 million as at 31 December 2022 (2021: approximately US\$11.0 million).

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

As at 31 December 2022, the Group had no material contingent liabilities or guarantees, or charges on any of its assets.

Remuneration Policy and Staff Development Scheme

As at 31 December 2022, the Group had 270 employees (2021: 301). Total staff costs for the year ended 31 December 2022 amounted to approximately US\$12.2 million (2021: approximately US\$12.6 million).

The Group offers competitive remuneration packages to its employees based on industry practices, and performance of the individual employee and that of the Group. In addition, the Company has in place a share option scheme for eligible persons and discretionary bonuses are payable to staff members based on their individual performance and that of the Group as a whole.

PROSPECTS

With most COVID-19 pandemic restrictions lifted and consumption-stimulating policies rolled out, the PRC's economy is expected to gradually recover, while the global economy continues to feel the weight of the Russia-Ukraine war, and high inflation and weak demand. The management expects the first half of 2023 to be challenging for its trading and supply chain management services business. Trade volume is expected to drop given most customers are already holding a high level of inventory. Customers are taking a more cautious approach in placing orders and have continued to demand lower prices, posing rising pressure on the Group's turnover and overall performance in the first half of 2023. Depending on how quickly customers are able to clear their current inventory as the economy picks up, trade volumes

may gradually increase in the second half year. The Group will continue to work closely with customers and supply chain partners to provide comprehensive value-added services to brace customer needs while exercising stringent cost control.

After taking a hard hit during the lockdowns in 2022, the Group expects to see more new users joining the online social platforms and in-game currency sales picking up in 2023, now that anti-pandemic restrictions are relaxed and consumer sentiments may improve. However, this business segment is expected to continue to face a harsh operating environment in 2023, with online channels having tighter regulations to navigate, coupled with intensifying competition. To increase player count and ultimately boost revenue, the Group will continue to partner with other online platforms, expand its sales and distribution channels, and upgrade gameplay by introducing new and flexible functions. The Group is cautiously optimistic to see the recovery in the second half of 2023.

In the short term, the Group expects its core businesses to remain under pressure, given the weaker customer demand and unfavourable macroeconomic conditions in the global market. In the longer run, however, the gradual economic recovery in the PRC and overseas markets will eventually support the Group to pick up its performance. In the meantime, the Directors will remain focused on strengthening the Group's market position by improving its sales channels, enhancing its offerings, and closely monitoring macroeconomic development to adjust the Group's strategies accordingly.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event affecting the Group after reporting period and up to the date of this announcement.

DIVIDENDS

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2022.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's results for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's auditor, RSM Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by RSM Hong Kong 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 RSM Hong Kong on this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises 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 31 December 2022 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2022, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

A corporate governance report containing details of the policies and practices on corporate governance of the Company will be set out in the Company's 2022 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**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 for the year ended 31 December 2022. The Company has also established written guidelines on no less exacting terms than the Model Code (the "**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 for the year ended 31 December 2022.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.daoheglobal.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2022 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 and Non-executive Director

Hong Kong, 30 March 2023

As at the date of this announcement, the Non-executive Director is Mr. ZHOU Xijian, the Executive Directors are Mr. WONG Hing Lin, Dennis and Mr. LONG Liping, and the Independent Non-executive Directors are Mr. WANG Arthur Minshiang, Mr. LAU Shu Yan and Mr. ZHANG Huijun.