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DOWWAY HOLDINGS LIMITED

天平道合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8403

FIRST
QUARTERLY
REPORT
2023

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This report, for which the directors (the “**Directors**”) of Dowway Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company’s website www.dowway-exh.com and will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Huang Xiaodi
(Chairman of the Board and Chief Executive Officer)
Mr. Yan Jinghui
Mr. Dong Kejia
Mr. Shum Ngok Wa

Independent Non-executive Directors:

Ms. Xu Shuang
Mr. Gao Hongqi
Mr. Yu Leung Fai

AUDIT COMMITTEE

Mr. Yu Leung Fai (Chairman)
Mr. Gao Hongqi
Ms. Xu Shuang

REMUNERATION COMMITTEE

Mr. Gao Hongqi (Chairman)
Mr. Yu Leung Fai
Mr. Shum Ngok Wa

NOMINATION COMMITTEE

Ms. Xu Shuang (Chairman)
Mr. Gao Hongqi
Mr. Yan Jinghui

COMPANY SECRETARY

Ms. Ng Ka Man (ACG, HKACG)
(resigned on 3 February 2023)
Mr. Leung Gavin, L. (HKICPA)
(appointed on 3 February 2023)

COMPLIANCE OFFICER

Mr. Huang Xiaodi

AUTHORISED REPRESENTATIVES

Mr. Huang Xiaodi
Ms. Ng Ka Man (ACG, HKACG)
(resigned on 3 February 2023)
Mr. Leung Gavin, L. (HKICPA)
(appointed on 3 February 2023)

STOCK CODE

8403

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants
and Registered Public Interest Entity Auditor
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Chaoyang District
Beijing 100020
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3 Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Bank of Communications
Yong An Li Branch
1/F, Genertime International Centre
No.3 Yong An Li East
Chaoyang District
Beijing, PRC

COMPANY'S WEBSITE

<http://www.dowway-exh.com>

CHAIRMAN'S STATEMENT

To all shareholders,

On behalf of the Board (the "**Board**") of directors (the "**Directors**") of Dowway Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present the Group's unaudited first quarterly results for the three months ended 31 March 2023 (the "**Period**").

As an leading exhibition curator and event management service provider in the People's Republic of China ("**PRC**"), the Group has been involved in the design, planning, coordination and management services for exhibitions and events across more than 50 top-tier cities in the PRC. Since 2009, the Group has been providing integrated exhibition and event management services to domestic and overseas world-renowned automobile brands, primarily for facilitating showcases, promotion and/or sales of automobiles. The Group also undertakes projects related to exhibitions and events from non-automobile companies. Through its dedicated efforts and reliable services, the Group has established a strong reputation in this field and a solid and loyal customer base.

In 2022, China's economy remained resilient and stable with GDP in 2022 exceeded RMB121 trillion, representing a year-on-year increase of 3%. It was not easy for the country to maintain such growth and achievements amid the influence of waves of unexpected outbursts of the domestic COVID-19 and shadowing by the tightening monetary policies in several major economies, the tense geopolitical situation, as well as the supply chain and energy crisis. The positive trend bodes well for the national economy and highlights the determination of China's recovery after COVID-19 composure. The value added of the service sector increased by 2.3% year-on-year to approximately RMB63,869.8 billion, accounting for 52.8% of GDP. The exhibition and curatorial business have also been driven by this industry trend, recovered and revitalized from the downturn of the epidemic and have achieved stable and outstanding results step by step.

In the first quarter of 2023, faced with grave and complex international environment as well as arduous tasks to advance reform, development and ensure stability at home, all regions in China put economic stability the top priority and pursued progress while ensuring stability, fully and faithfully applied the new development philosophy on all fronts, accelerated the efforts to foster a new development pattern, and focused on promoting high-quality development, better balanced domestic and international imperatives, coordinated the work of COVID-19 prevention and control with economic and social development, ensured both development and security, and gave priority to ensuring stable growth, employment and prices. As a result, a smooth transition in COVID-19 prevention and control to the new phase was secured in a relatively short time, the production and demand registered a stable recovery, employment and prices were kept generally stable, residents income continued to rise, market expectation saw significant improvement and the national economy made a good start.

According to preliminary estimates (data released by National Bureau of Statistics of China on 18 April 2023), the gross domestic product (GDP) in the first quarter reached 28,449.7 billion yuan, up by 4.5 percent year on year at constant price. The service sector continued to recover. Generally speaking, with further optimization of pandemic prevention and control measures and the implementation of the domestic demand strategy, the expected new development paradigm appeared in the first quarter and the national economy continued the momentum of recovery. The GDP of the tertiary industry was 16,547.5 billion yuan, up by 5.4 percent, and the value added of services went up by 5.4 percent year on year, 3.1 percentage points higher over that in the fourth quarter of 2022.

CHAIRMAN'S STATEMENT

During the Period, the Group has managed and coordinated 25 exhibitions and event projects, 14 exhibition showroom project and 3 advertisement projects, among which 12 projects had been completed, which collectively generated a revenue of approximately RMB7.26 million, representing a period-on-period decrease of RMB2.81 million or approximately 27.89%. The Group recorded a gross loss of approximately RMB0.37 million, decreased by approximately RMB0.51 million period-on-period, which was primarily due to the decline of the revenue from advertisement related services which had lower margin. The Group recorded a net loss attributable to the owners of the Company of approximately RMB4.48 million during the Period. The Board does not recommend the payment of dividend for the Period.

Looking ahead, the fundamentals of China's long-term sound economic growth remain unchanged. The government will strive to pursue high-quality development, and implement macro policies in a scientific and targeted manner and unleash the potential of domestic demand through a variety of means and channels. Moreover, favorable policies launched due to the inner circulation policy will continue to be advocated by the PRC government. It is one of our core commitments to revamp and enhance the Group's business framework to ensure its comprehensiveness, adaptability, and resilience. By harnessing cutting-edge technology to strengthen our professional layout and overcome challenges posed by unforeseen events in the future, the Group aspires to build a sounder foundation for business and corporate growth, and approach potential growth prospects with a judicious and modern mindset for a sustainable outcome.

Finally, on behalf of the Board of Directors, I would like to extend my sincere gratitude to the shareholders, customers and business partners who have always supported the Group, as well as all my colleagues who have dedicated and worked hard for the Group.

Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director
Beijing China, 10 May 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, China succeeded in balancing and social development facing multiple challenges with an annual GDP of RMB121,020.7 billion, representing an increase of 3% over the previous year at constant prices. The tertiary industry, particularly the service sector, faced pressure but demonstrated a continued recovery trend overall with a positive development momentum.

Under this background, over 1,500 economic and trade exhibitions were held in China in 2022 (《中國博覽會和展覽會2022》). The automobile exhibition sector continues to hold a prominent position in exhibition and curatorial industry, characterized by its quantity, scale, location and frequency. What is more, the data on the output and growth rate of main industrial products released by National Bureau of Statistics, Chinese automobile production reached 27.476 million vehicles, with a year-over-year growth of 3.4%, in 2022. These data can be rendered as the epitome of the rapid recovery of the Chinese auto exhibition and vehicle market despite the challenging environments.

During the first quarter of 2023, China's economy registered a steady start with the GDP up by 4.5 percent year on year, demonstrating its resilience and potential. China's government will further pursue high-quality development, and implement macro policies in a scientific and targeted manner to achieve stable growth in the new phase after COVID-19 pandemic.

BUSINESS REVIEW

The Group is an integrated exhibition and event management service provider in PRC. It mainly serves as a project manager and provides comprehensive and related services to customers, including design, planning, coordination and management of exhibitions and events, ranging from themes, stage, site design and master planning, feasibility studies, procurement of construction materials and equipment, project management, and coordination of suppliers and/or staff and on-site supervisors in respect of construction of settings, stage and exhibition booth, and installation of audiovisual and lighting facilities. The Group offers one-stop service and provides customers with customized themes for their exhibitions or events, and collaborates with different suppliers to plan, coordinate and manage the related plans.

As a seasoned facilitator in the realm of automotive display, promotion, and sales, the Group boasts an impressive decade of experience and a diversified clientele. These esteemed partnerships are globally renowned automobile brands such as Lamborghini and Volkswagen, as well as a couple of other German and Italian automobile companies. Despite its focus on the automotive industry, the Group remains versatile and flexible, extending its expertise to exhibitions and event management projects commissioned by a wide range of non-automobile entities.

Over the last year, the Chinese economy has presented staunch resilience in the face of numerous adverse circumstances, eliciting relief and admiration as it continues to persist in a positive upward trajectory. Inspired and propelled by a few favorable conditions, the exhibition industry has thereby sustained growth overall.

During the Period, the Group completed 10 exhibition and event projects, 1 showroom projects, and 1 advertisement projects, with aggregate revenue amounting to approximately RMB7.26 million, a decrease of approximately 27.89% over the three months ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group generates revenue mainly from the provision of design, planning, coordination and management services of exhibitions and events in the PRC. The following table sets forth the breakdown of revenue from business operations for the three months ended 31 March 2022 and 2023.

	For the three months ended 31 March			
	2023		2022	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Revenue from automobile related exhibitions and events related services	3,270	45.06%	3,389	33.7%
Revenue from non-automobile related exhibitions and events related services	2,020	27.83%	–	0.0%
Revenue from exhibition showroom related services	259	3.57%	–	0.0%
Revenue from advertisement related services	1,708	23.54%	6,675	66.3%
Total	7,257	100%	10,064	100%

Revenue decreased from approximately RMB10.06 million for the three months ended 31 March 2022 to approximately RMB7.25 million for the Period, representing a period-on-period decrease of approximately 27.89% or approximately RMB2.81million. The decrease was primarily because that the decrease of revenue from advertisement related services compared to that of the three months ended 31 March 2022. The Group is trying to shift to exhibition and showroom business from the advertisement related services in the post-COVID-19 pandemic market to focus on higher margin businesses with resources at hand.

During the Period, revenue from automobile related exhibitions and events related services decreased from approximately RMB3.39 million for the three months ended 31 March 2022 to approximately RMB3.27 million for the Period, representing a period-on-period decrease of approximately 3.51% or approximately RMB0.12 million and accounting for 45.06% of the total revenue for the Period.

Revenue from non-automobile related exhibitions and events related services for the Period was approximately RMB2.02 million, accounting for 27.83% of the total revenue for the Period.

Revenue from advertisement related services decreased from approximately RMB6.68 million for the three months ended 31 March 2022 to approximately RMB1.71 million for the Period, representing a period-on-period decrease of approximately 74.41% or approximately RMB4.97 million and accounting for 23.54% of the total revenue for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of service

Cost of service decreased from approximately RMB 10.94 million for the three months ended 31 March 2022 to approximately RMB7.63 million for the Period, representing a period-on-period decrease of approximately 30.31% or approximately RMB3.31 million. Such a decrease was primarily because the decrease of sales revenue from advertisement related services compared to that of the three months ended 31 March 2022.

The cost of exhibition and event related services provided by suppliers decreased from approximately RMB10.14 million for the three months ended 31 March 2022 to approximately RMB6.87 million for the Period, representing a period-on-period decrease of approximately 32.25% or approximately RMB3.27 million, accounted for 90.11% of the total cost of service for the Period.

Gross loss

For the Period, the Group recorded a gross loss approximately RMB0.37 million, representing a period-on-period decrease of approximately RMB0.51 million as compared with approximately RMB0.88 million loss for the three months ended 31 March 2022.

Selling expenses

The Group's selling expenses mainly represent (i) staff costs; (ii) travelling expenses; (iii) entertainment expenses; and (iv) others.

Selling expenses for the Period were approximately RMB1.70 million, representing a period-on-period increase of approximately 143.98% or approximately RMB1.00 million as compared to selling expenses of approximately RMB0.70 million for the three months ended 31 March 2022.

Administrative expenses

The Group's administrative expenses mainly represent (i) staff costs; (ii) travelling expenses; (iii) entertainment expenses; (iv) office supplies; (v) subsidies paid to staff; (vi) operating lease rentals in respect of buildings and related expenses; (vii) management consulting and other services expenses; and (viii) others.

Administrative expenses for the Period were approximately RMB3.20 million, representing a period-on-period increase of approximately 72.97% or approximately RMB1.35 million as compared to administrative expenses of approximately RMB1.85 million for the three months ended 31 March 2022.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income for the Period was approximately RMB5,000 (for the three months ended 31 March 2022: RMB4,000)

Finance expenses

Finance expenses mainly represented interest expenses on bank borrowings and interest expense of lease liabilities. For the Period, the Group's finance expenses were approximately RMB165,000 (for the three months ended 31 March 2022: RMB 181,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB4.48 million for the Period, representing a period-on-period increase of approximately RMB0.87 million as compared with a loss of approximately RMB3.61 million for the three months ended 31 March 2022, which was mainly due to the increase of selling expenses and administration expenses.

Income tax expense

Income tax expense decreased from approximately RMB 2,000 for the three months ended 31 March 2022 to approximately RMB1,000 for the Period, representing a period-on-period decrease of approximately RMB1,000.

Loss for the Period

As a cumulative effect of the factors cited above, the Group recorded loss for the Period of approximately RMB4.48 million, while the loss was approximately RMB3.62 million for the three months ended 31 March 2022. The period-on-period increase was approximately RMB0.86 million.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There was no material change in the capital structure of the Group during the Period.

Cash position

The following table sets forth the selected cash flow data from the Condensed Consolidated Statements of Cash Flows for the three months ended 31 March 2022 and 2023.

	For the three months ended	
	31 March	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	7,664	2,863
Net cash (used in)/generated investing activities	(2)	2
Net cash used in financing activities	(1,084)	(87)
Net increase in cash and cash equivalents	6,578	2,778
Cash and cash equivalents at the end of the period	10,902	9,375

At 31 March 2023, the cash and cash equivalents of the Group were approximately RMB10.90 million (at 31 March 2022: approximately RMB9.38 million), which mainly denominated in RMB and HKD.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at 31 March 2023, the Group had bank borrowings of RMB 9.00 million (as at 31 December 2022: RMB10.00 million), but did not have any other outstanding bank overdrafts, unutilised banking facilities, debt securities, other similar indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities nor guarantees outstanding (as at 31 December 2022: nil). The Group did not have any unutilised banking facilities nor plans for any material external debt financing.

The directors of the Company (the “**Directors**”) confirm that there has been no material adverse change in the Group’s indebtedness and contingent liabilities for the Period.

Pledge of assets

As at 31 March 2023, none of the Group’s assets were pledged (at 31 December 2022: nil).

Gearing ratio

The Group’s gearing ratio at 31 March 2023 and 31 December 2022 were as follows:

	As at 31 March 2023 RMB’000 (Unaudited)	As at 31 December 2022 RMB’000 (Audited)
Total interest-bearing borrowings	9,000	10,000
Total Equity	17,637	22,117
Gearing ratio	51.03%	45.21%

DIVIDEND

The Board did not recommend the payment of any interim dividend for the Period (for the three months ended 31 March 2022: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces the following principal risks and uncertainties that may materially and adversely affect its business, financial status and operating results:

1. The exhibition services industry in the PRC has relatively low entry barriers and competition is keen within the industry.
2. The Group’s business depends heavily on the provision of exhibition and event management services in the automobile industry.
3. The majority of the Group’s customers are automobile companies and there is no assurance that it can successfully diversify its customer base.
4. There is no assurance that the demand for integrated exhibition and event management services the Group provides can continue or increase.
5. There may be fluctuations in the Group’s cost of service which it may not be able to pass on to customers.

MANAGEMENT DISCUSSION AND ANALYSIS

6. The Group may face cash flow problems if it is unable to receive payments from customers on time and in full under the current pricing policy.
7. The Group may be exposed to litigation risk as a result of the engagement of suppliers without obtaining written consent from customers.
8. The Group relies on suppliers for the provision of construction services, leasing of equipment and logistics and transportation services, hence may have to bear the consequences should these suppliers deliver substandard services on its own.
9. The Group relies on its senior management and other key personnel and may not be able to retain these staff to provide services.
10. The Group may not be able to implement its business strategies and its future growth could be limited.
11. The control and prevention of epidemic around the world are still challenging and risky and may continue to influence on the recovery of exhibition industry in PRC to normal, which may in turn have a material and adverse effect on the Group's business, financial position and results of operations.

The cost of exhibition and event related services provided by suppliers makes up a significant portion of the Group's cost of service. The following uncertainties may affect the Group's efforts to implement cost control measures:

1. As human resources and costs of construction materials and equipment are the major components of the cost of exhibition and event related services, increase in salary of employees of suppliers and average consumer prices may push up the lump sum cost of exhibition and event related services provided by suppliers.

Major risks and uncertainties relating to the implementation of business strategies

1. The Group expects to tender proposals to potential new customers with lower profit margins in the short run in connection with its future expansion to new segments in the market and such expansion could exert great pressure on allocation of resources.
2. The Group cannot guarantee that it will have sufficient resources to support future development. Its future growth is also subject to the preferences of potential clients and the overall market situation. Failure to execute expansion strategy effectively may lead to higher costs, inefficient operation flow and decline in profitability.

FUTURE PLANS FOR MATERIAL INVESTMENTS, ACQUISITIONS AND CAPITAL ASSETS

The Group did not have other plans for material investments, acquisitions and capital assets during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS RELATED TO THE SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Period, the Group did not have any material acquisitions and disposals related to the subsidiaries and associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had no significant contingent liabilities (as at 31 March 2022: Nil).

HUMAN RESOURCES

As at 31 March 2023, the Group employed a total of 67 employees, among which 11 of them were at management level, all stationed in the PRC. For the Period, the staff costs (including Directors' emoluments) were approximately RMB2.84 million (for the three months ended 31 March 2022: approximately RMB2.23 million). The Group conducts periodic performance review with employees and determines their salaries, benefits and discretionary bonuses based on factors including qualifications, contributions, years of experience and performance.

In accordance with the applicable PRC laws and regulations, the Group has made contributions to social security insurance and housing provident funds for all eligible staff. For the Period, the total amount contributed in these areas by the Group was approximately RMB0.97 million. The Group has complied with all the requirements about social security insurance and housing provident fund obligations applicable under the PRC laws and regulations.

In order to continually maintain the quality, knowledge and skills of employees, the Group has provided various training opportunities, which include on-the-job training, technical training and professional training.

The Group has maintained a good working relationship with its employees. During the period, the Group has not experienced any significant labor disputes which are likely to have an adverse material impact on business, financial conditions and results of operations.

The Company's policies concerning emoluments of Directors are (i) the amount of emoluments is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

FOREIGN EXCHANGE RISK

The Group is not exposed to any significant foreign exchange risk in the normal course of business, as it operates in the PRC with the majority of the transactions being conducted and settled in RMB.

CREDIT RISK

Credit risk exposures arise principally in cash and cash equivalents, trade and other receivables, notes receivables and contract assets shown on consolidated balance sheets.

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is one of the most significant risks for the Group's business.

For cash at bank the Group manages the credit risk by placing its domestic deposits in reputable nationwide financial institutions with good credit ratings in the PRC and overseas' deposits in reputable international financial institutions. The Group believes those banks and financial institutions are of high-credit-quality without significant credit risk. Thus it considers its cash at bank are not at high credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's trade receivables arise from exhibition and event marketing services fees, over 70% of which are in turn derived from main customers that are renowned automobile companies. Should there be change in the strategic relationships with these main customers that might cause change in the cooperative arrangements; or if they experience financial difficulties themselves which in turn causes difficulties in their settling payables to the Group, the Group's revenue from those automobile companies might be adversely affected due to deterioration in recoverability of trade receivables from them.

To manage this risk, the Group's management team maintains frequent communications with their contacts at those automobile companies to ensure the Group captures the most updated understanding about relevant customer's business status and assesses their credibility. In view of the smooth cooperation history with these automobile companies and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from those automobile companies is low. As for new customers, the management is responsible for managing and analysing the credit risk for each of their new customers before they offer such new customers standard payment and delivery terms and conditions. To do such assessment, various factors including their financial position and other factors about these new customers would be considered.

The Group's other receivables comprise of deposits, staff advance and loan to employees, which have a low risk of default, thus the Group considers its other receivables are not at high credit risk.

The notes receivables are bank acceptance bills which have a low risk of default; thus the Group considers its notes receivables are not at high credit risk.

LIQUIDITY RISK

The Group regularly monitors current and expected liquidity demand to ensure that it maintains sufficient cash reserves to meet related demand in the short and long run. The Group monitors liquidity position through rolling forecasts of liquidity requirements in order to ensure that it has sufficient cash on hand to satisfy operational needs.

PROSPECTS

In the first quarter of 2023, as the COVID-19 prevention and control shifted to the new phase in a rapid and steady way, multiple policies and measures to stabilize growth, employment and prices took effect early on and positive factors kept accumulating, the national economy showed a steady recovery and made a good start. Service sector rebounded markedly and contact-intensive services grew fast. The economy will maintain the momentum of stable recovery and the GDP in second quarter is promising to grow faster than that of first quarter even under the situation of insufficient domestic demand and unexpected impact from external risks.

Looking forward, the Group will effectively improve the level of co-ordination and management of exhibitions and events through the implementation of the above business strategies, improve customer service and experience in an all-round way, actively seek reformation with a view to continuing to create sustainable returns for shareholders.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

During the Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from Paragraph A.2.1 of the Code.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Huang Xiaodi is the Chairman and the Chief Executive Officer of the Company. Considering that Mr. Huang Xiaodi has more than 10 years of professional experience in the exhibition and event management industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Code is appropriate in such circumstance.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Period, the Group had not entered into any connected transactions nor continuing connected transactions which are subject to disclosure requirements under the GEM Listing Rules.

COMPETING BUSINESS

During the Period, none of the Directors, controlling shareholders or substantial shareholders of the Company, nor any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

OTHER INFORMATION

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of the Directors and Chief Executive of the Company in the shares of the Company (the “**Shares**”), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows.

Long positions/Short positions in the Shares

Director's Name	Capacity/Nature	Number of Shares Held/ Interested	Percentage of Interest
Mr. Huang Xiaodi (Mr. Huang)	Interest of controlled corporation	46,645,000 (L) 12,000,000 (S)	(Note 1) 38.87% (Note 3) 10.00%
Mr. Dong Kejia (Mr. Dong)	Interest of controlled corporation	11,987,500 (L) 12,000,000 (S)	(Note 2) 9.99% (Note 3) 10.00%

L: Long Positions

S: Short Positions

Note 1: These 46,645,000 Shares are held by A&B Development Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Huang, the Chairman, Chief Executive Officer and Executive Director of the Company. Therefore, Mr. Huang Xiaodi is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

Note 2: These 11,987,500 Shares are held by Wing Ka Yuen Company Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Dong, the Executive Director of the Company. Therefore, Mr. Dong is deemed to be interested in all the Shares held by Wing Ka Yuen Company Limited for the purpose of the SFO.

Note 3: A&B Development Holding Limited and Wing Ka Yuen Company Limited entered into an option agreement (the “**Option Agreement**”) on 2 December 2022, pursuant to which A&B Development Holding Limited has granted an option to Wing Ka Yuen Company Limited which entitles it to purchase from the A&B Development Holding Limited up to 12,000,000 option shares at an exercise price of HK\$1.00 per Share within the exercise period of 2 years from the date of the Option Agreement.

OTHER INFORMATION

Long Positions in the Ordinary Shares of Associated Corporation

Director's Name	Name of Associated Corporation	Capacity/Nature	Number of Shares Held	Percentage of Interest
Mr. Huang	A&B Development Holding Limited	Beneficial Owner	One	100%
Mr. Dong	Wing Ka Yuen Company Limited	Beneficial Owner	10,000	100%

Save as disclosed above and so far as is known to the Directors, as at 31 March 2023, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2023 and so far as is known to the Directors, the following persons (other than the Directors or Chief Executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long Positions in the Shares

Shareholders' Name	Capacity/Nature	Number of Shares Held/ Interested	Percentage of Interest
A&B Development Holding Limited	Beneficial Owner	46,645,000 (L)	(Note 1) 38.87%
		12,000,000 (S)	(Note 4) 10.00%
Mr. Huang	Interest of controlled corporation	46,645,000 (L)	(Note 1) 38.87%
		12,000,000 (S)	(Note 4) 10.00%
Ms. Lin Yuting	Interest of a spouse	46,645,000 (L)	(Note 2) 38.87%
		12,000,000 (S)	(Note 4) 10.00%
Wing Ka Yuen Company Limited	Beneficial Owner	11,987,500 (L)	(Note 3) 9.99%
		12,000,000 (S)	(Note 4) 10.00%
Mr. Dong	Interest of controlled corporation	11,987,500 (L)	(Note 3) 9.99%
		12,000,000 (S)	(Note 4) 10.00%

L: Long Positions
S: Short Positions

OTHER INFORMATION

Note 1: A&B Development Holding Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Huang. Therefore, Mr. Huang is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

Note 2: Ms. Lin Yuting is the spouse of Mr. Huang. Therefore, Ms. Lin Yuting is deemed, or taken to be, interested in all the Shares in which Mr. Huang has, or is deemed to have, an interest for the purpose of the SFO.

Note 3: Wing Ka Yuen Company Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Dong. Therefore, Mr. Dong is deemed to be interested in all the Shares held by Wing Ka Yuen Company Limited for the purpose of the SFO.

Note 4: A&B Development Holding Limited and Wing Ka Yuen Company Limited entered into the Option Agreement on 2 December 2022, pursuant to which A&B Development Holding Limited has granted an option to Wing Ka Yuen Company Limited which entitles it to purchase from the A&B Development Holding Limited up to 12,000,000 option shares at an exercise price of HK\$1.00 per Share within the exercise period of 2 years from the date of the Option Agreement.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Period and up to the date of this report was the Group or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE OPTION SCHEME

The Group has adopted a share option scheme on 16 May 2018, details of which have been set out in the Company's annual report for the year ended 31 December 2022.

During the Period no share option was granted, exercised or cancelled and there is no outstanding share option.

REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct for share securities transactions by the Directors. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealings in the Period.

OTHER INFORMATION

AUDIT COMMITTEE

The Group has established an audit committee (the “**Audit Committee**”) on 16 May 2018 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of external auditor, to review financial statements of the Company and make judgments in respect of financial reporting; and to oversee the effectiveness of the internal control procedures of the Group.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Gao Hongqi and Ms. Xu Shuang. Mr. Yu Leung Fai is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited first quarterly financial statements of the Group for the Period.

By Order of the Board
Dowway Holdings Limited
Huang Xiaodi
Chairman, Chief Executive Officer and Executive Director

Beijing, 10 May 2023

As at the date of this report, the executive Directors are Mr. Huang Xiaodi, Mr. Yan Jinghui, Mr. Dong Kejia, and Mr. Shum Ngok Wa; and the independent non-executive Directors are Ms. Xu Shuang, Mr. Gao Hongqi and Mr. Yu Leung Fai.

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FIRST QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023, together with the unaudited comparative figures for the respective corresponding period in 2022 as follows:

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three months ended 31 March	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	7,257	10,064
Cost of service		(7,628)	(10,945)
Gross Loss		(371)	(881)
Selling expenses		(1,703)	(698)
Administrative expenses		(3,197)	(1,853)
Other gains/(loss)-net	6	951	(6)
Operating loss		(4,320)	(3,438)
Finance income		5	4
Finance expenses		(165)	(181)
Finance expenses-net		(160)	(177)
Loss before income tax		(4,480)	(3,615)
Income tax expense	7	(1)	(2)
Loss for the period		(4,481)	(3,617)
Total comprehensive loss for the period		(4,481)	(3,617)
Loss per share attributable to owners of the Company			
— Basic loss per share (in RMB cents)	8	(3.91)	Restated (3.16)

The above condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

THE FIRST QUARTERLY CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		814	832
Right-of-use assets		5,985	6,498
Other non-current assets		546	546
Total non-current assets		7,345	7,876
Current assets			
Trade and other receivables		13,815	49,157
Notes Receivables		126	–
Contract assets		55,295	63,931
Other current assets		13,485	11,856
Cash and cash equivalents		10,902	4,251
Total current assets		93,623	129,195
Total assets		100,968	137,071
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	1,531	1,531
Share premium	9	84,813	84,813
Other reserves		(6,389)	(6,389)
Retained earnings		(62,319)	(57,838)
Total equity		17,636	22,117
LIABILITIES			
Current liabilities			
Trade and other payables		60,082	90,017
Contract liabilities		4,445	4,631
Tax payables		3,783	3,801
Bank borrowings		9,000	10,000
Lease liabilities		2,063	2,031
Total current liabilities		79,373	110,480
Non-current liability			
Lease liabilities		3,959	4,474
Total liabilities		83,332	114,954
Total equity and liabilities		100,968	137,071

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2022	1,277	76,152	(3,599)	(23,868)	49,962
Total comprehensive loss for the year	–	–	–	(36,967)	(36,967)
Share Placing	254	8,661	–	–	8,915
Lapse of share options	–	–	(301)	301	–
Share-based payments expenses	–	–	207	–	207
Cancellation of share options	–	–	(2,696)	2,696	–
Balance at 31 December 2022 and 1 January 2023	1,531	84,813	(6,389)	(57,838)	22,117
(Unaudited)					
Total comprehensive loss for the period	–	–	–	(4,481)	(4,481)
Balance at 31 March 2023	1,531	84,813	(6,389)	(62,319)	(17,636)

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	7,665	2,865
Income tax paid	(1)	(2)
Net cash generated from operating activities	7,664	2,863
Cash flows from investing activities		
— Purchases of property, plant and equipment	(7)	(2)
— Interest received	5	4
Net cash (used in)/generated from investing activities	(2)	2
Cash flows from financing activities		
— Repayment of bank borrowings	(1,000)	—
— Interest paid	(84)	(87)
Net cash used in financing activities	(1,084)	(87)
Net cash increase in cash and cash equivalents	6,578	2,778
Cash and cash equivalents at beginning of period	4,251	6,614
Exchange gain/(loss) on cash and cash equivalents	73	(17)
Cash and cash equivalents at the end of period	10,902	9,375

THE FIRST QUARTERLY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Dowway Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 April 2017 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in design, planning, coordination and management of exhibitions and events in the People’s Republic of China (the “**PRC**”).

The ultimate controlling party of the Group is Mr. Huang Xiaodi, who is also the executive director and chairmen of the Board of the Company (the “**Controlling Shareholder**” or “**Mr. Huang**”).

The Company has its primary listing on GEM of The Stock Exchange of Hong Kong Limited (“**GEM**”) since 12 June 2018.

The condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated financial information for the three months ended 31 March 2021 has been prepared in accordance with Hong Kong Accounting Standard HKAS 34 Quarterly Financial Reporting issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules.

The first quarterly report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial information of the Group for the year ended 31 December 2022 issued on 27 March 2023, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

The accounting policies adopted are consistent with those of financial statement for the year ended 31 December 2022, as described in the Accountant’s report.

3 ESTIMATES

The preparation of the first quarterly financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated first quarterly financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied in preparation of the Accountant’s Report as contained in the Annual Report 2022 of the Group.

THE FIRST QUARTERLY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group activities exposed it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk.

The first quarterly condensed consolidated financial information does not include all financial risk management information and disclosure required in the annual financial statements, and should be read in conjunction with the Accountant's Report as contained in the Annual Report 2022 of the Group.

There have been no changes in the risk management policies since the year end.

4.2 Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group's finance department. The Group's finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

5 REVENUE INFORMATION

	Three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from automobile related exhibitions and events related services	3,270	3,389
Revenue from non-automobile related exhibitions and events related services	2,020	–
Revenue from exhibition showroom related services	259	–
Revenue from advertisement related services	1,708	6,675
	7,257	10,064

6 OTHER GAINS/(LOSS) — NET

	Three months ended 31 March	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Foreign exchange gains/(loss)	889	(4)
Additional deduction of input VAT	62	–
Other	–	(2)
	951	(6)

* On 20 March 2019, Chinese government issued "Announcement No. 39 2019 about further improvement of VAT system". It states that from 1 April 2019 to 31 December 2021, the tax-payer who is a productive and daily life services provider is allowed to apply 10% of input VAT additionally in offsetting output VAT (i.e. additional deduction of input VAT policy). This policy was extended one year to be valid until 31 December 2022. Benefit from this policy, the Group has other gains of approximate RMB62,000 for the Period.

THE FIRST QUARTERLY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 INCOME TAX EXPENSES

	Three months ended 31 March	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current tax on profits for the period	1	2
Income tax expenses	1	2

- (i) The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there are no income, estate, corporation, capital gains or other taxes payable by the Company.
- (ii) According to the Inland Revenue (Amendment) (No. 3) Ordinance 2018, two-tiered profits tax rates regime was implemented from 1 April 2018. Under this regime, the profits tax rate for the first HKD 2,000,000 of profits of corporations will be lowered to 8.25%. Profits above that amount will continue to be subject to the tax rate of 16.5%. For the Period, the profit tax rate for the entity incorporated in Hong Kong was 8.25%. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the Period.
- (iii) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% on the assessable income of each of the Group companies operated in the PRC.

8 (LOSS) PER SHARE

	Three months ended 31 March	
	2023	2022
	(Unaudited)	Restated (Unaudited)
Total (loss) attributable to shareholders (in RMB)	(4,481,000)	(3,617,000)
Weighted average number of ordinary shares in issue (thousand)	114,575	114,575
Basic (loss) per share (in RMB cents)	(3.91)	(3.16)

Note: The weighted average number of ordinary shares for the period ended 31 March 2023 and 2022 has been adjusted for the placing agreement with an aggregate of 20,000,000 ordinary shares which become effective on 8 April 2022.

- (a) Basic (loss) per share is calculated by dividing the loss/earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the Period.
- (b) **Diluted (loss)/earnings per shares**
No diluted (loss)/earnings per share is presented as the Group has no dilutive potential ordinary shares during the Period.

THE FIRST QUARTERLY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

	Number of shares	Value of ordinary shares <i>US\$</i>
Authorised:		
Ordinary shares of US\$0.002 each as at 31 March 2023	120,000,000	240,000

	Number of shares	Nominal value of ordinary shares <i>US\$</i>	Equivalent value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and paid:					
As at 31 December 2022, and 1 January 2023	120,000,000	240,000	1,531	84,813	86,344
As at 31 March 2023	120,000,000	240,000	1,531	84,813	86,344

10 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that require additional disclosure.