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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Dowway Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2023 as follows.

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group for the Reporting Period was approximately RMB58.42million, representing an increase of approximately 12.63% as compared with approximately RMB51.87 million for the corresponding period in 2023.
- Gross profit from continuing operations of the Group for the Reporting Period was approximately RMB6.84 million, representing an increase of approximately 564.08% as compared with approximately RMB1.03 million for the corresponding period in 2023.
- Profit/(Loss) attributable to equity holders of the Company from continuing and discontinued operations for the Reporting Period increased to approximately RMB4.54 million from approximately (RMB9.20 million) for the corresponding period in 2023.
- Basic earning per share attributable to equity holders of the Company from continuing operations is RMB3.67 cents for the Reporting Period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	58,416	51,873
Cost of service		(51,577)	(50,845)
Gross Profit		6,839	1,028
Selling expenses		(1,280)	(3,914)
Administrative expenses		(8,152)	(7,074)
Allowance for expected credit loss on contract assets		(583)	–
Other gains	7	9,578	1,047
Operating profit/(loss)		6,402	(8,913)
Finance income		15	7
Finance expenses		(353)	(282)
Finance expenses — net		(338)	(275)
Profit/(Loss) before income tax		6,064	(9,188)
Income tax expense	8	(1,516)	(13)
Profit/(Loss) for the period		4,548	(9,201)
Total comprehensive profit/(loss) for the period		4,548	(9,201)
Profit/(Loss) for the period attributable to:			
Owners of the Company		4,540	(9,201)
Non-controlling interests		8	–
		4,548	(9,201)
Earnings/(Loss) per share attributable to owners of the Company			
— Basic earnings/(loss) per share (in RMB cents)	9	3.67	(7.67)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		714	747
Right-of-use assets		1,920	2,495
Other non-current assets	11	336	336
Total non-current assets		2,970	3,578
Current assets			
Trade receivables	10	19,638	37,460
Contract assets		72,383	37,069
Deposits, prepayments and other receivables	11	22,232	17,380
Restricted bank balances		1,000	1,000
Cash and cash equivalents		11,177	12,439
Total current assets		126,430	105,348
Total assets		129,400	108,926
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	1,589	1,531
Share premium	12	88,472	84,813
Other reserves		(78,229)	(82,769)
Equity attributable to owners Of the Company		11,832	3,575
Non-controlling interests		8	–
		11,840	3,575
LIABILITIES			
Current liabilities			
Trade payables	13	69,341	64,253
Contract liabilities		1,204	4,841
Accruals and other payables	13	16,140	11,336
Tax payables		5,308	3,798
Bank borrowings		12,976	17,976
Short-term loan		10,000	–
Lease liabilities		1,285	1,191
Total current liabilities		116,254	103,395
Non-current liability			
Lease liability		682	1,332
Deferred tax liabilities		624	624
Total non-current liability		1,306	1,956
Total liabilities		117,560	105,351
Total equity and liabilities		129,400	108,926

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2023	1,531	84,813	3,211	(9,600)	(59,462)	20,493	–	20,493
Total comprehensive loss for the year	-	-	-	-	(16,918)	(16,918)	-	(16,918)
Balance at 31 December 2023 and 1 January 2024	1,531	84,813	3,211	(9,600)	(76,380)	3,575	–	3,575
(Unaudited)								
Total comprehensive profit for the period	-	-	-	-	4,540	4,540	8	4,548
Share placing	58	3,659	-	-	-	3,717		3,717
Balance at 30 June 2024	1,589	88,472	3,211	(9,600)	(71,840)	11,832	8	11,840

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(9,180)	1,485
Income tax paid	(7)	(17)
Net cash (used in)/generated from operating activities	(9,187)	1,468
Cash flows from investing activities		
— Purchases of property, plant and equipment	–	(8)
— Interest received	15	7
Net cash generated/(used in) from investing activities	15	(1)
Cash flows from financing activities		
— Proceeds from placing ordinary shares	3,717	–
— Proceeds from borrowings	10,000	–
— Repayment of bank borrowings	(5,000)	(1,000)
— Interest paid	(294)	(128)
— lease payments	(556)	
Net cash generated/(used) from financing activities	7,867	(1,128)
Net cash (decrease)/increase in cash and cash equivalents	(1,305)	339
Cash and cash equivalents at beginning of period	12,439	4,251
Exchange gain on cash and cash equivalents	43	210
Cash and cash equivalents at the end of period	11,177	4,800

NOTES TO THE INTERIM 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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 showrooms and media advertising events, selling consumer products and provides digital platform service 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 Chairman 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 interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this announcement is to be read in conjunction with the annual report of the Group for the year ended 31 December 2023 (the “**Annual Report 2023**”) issued on 28 March 2024, 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 2023, as described in the Accountant’s report.

3 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(i) Amendments to HKFRSs that are mandatorily effective for the current year

During the Reporting Period, the Group has applied the Amendments to References to Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant (“HKICPA”) for the first time for their annual reporting period commencing 1 January 2024:

	Effective for annual periods beginning on or after
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current (“ 2020 amendments ”)	1 January 2024
Amendments to HKAS 1 Non-current liabilities with covenants (“ 2022 amendments ”)	1 January 2024
Amendments to HKAS 7 Supplier finance arrangement	1 January 2024
Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The application of the amendments to HKFRSs in the Reporting Period has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have issued but not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4 ESTIMATES

The preparation of the interim 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 interim 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 2023 of the Group.

5 FINANCIAL RISK MANAGEMENT

5.1 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 condensed consolidated interim 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 2023 of the Group.

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

5.2 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.

6 REVENUE INFORMATION

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Automobile related exhibition and event related services	24,837	28,528
Non-automobile related exhibition and event related services	23,864	18,882
Exhibition showroom related services	1,544	2,246
Advertisement related services	–	2,217
Selling consumer products	8,143	–
Providing digital platform services	28	–
	58,416	51,873

7 OTHER GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains	(43)	982
Additional deduction of input VAT *	–	62
Government Subsidy	16	–
Others	294	3
Recovery from ECL of trade receivable	8,745	–
Recovery from ECL of contract assets	566	–
	9,578	1,047

* On 20 March 2019, PRC 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 six months ended 30 June 2023.

8 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax on profits for the period	1,516	13
Income tax expenses	1,516	13

- (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 HK\$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 Reporting 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 Reporting 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.

9 EARNINGS/(LOSSES) PER SHARE

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Total earnings/(losses) attributable to shareholders (<i>in RMB</i>)	4,548,000	(9,201,000)
Weighted average number of ordinary shares in issue (<i>thousand</i>) <i>Note</i>	124,000	120,000
Basic earnings/(losses) per share (<i>in RMB cents</i>)	3.67	(7.67)

Note: Besides, the Company entered into a subscription agreement with an independent third party as subscriber on 3 June 2024, pursuant to which the subscriber agreed to subscribe for 4,000,000 Shares and completion of which took place on 24 June 2024.

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

10 TRADE RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	Trade receivables	27,016
Less: allowance for impairment of trade receivables	(7,378)	(16,122)
Trade receivables — net	19,638	37,460

As at 31 December 2023 and 30 June 2024, the aging analysis of trade receivables based on invoice date are as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	Up to 90 days	19,087
91 days to 180 days	551	12,665
Over 180 days	–	4,286
	19,638	37,460

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current portion		
Deposits	336	336
Current portion		
Deposits	1,775	–
Loans to staff	466	466
Prepayment	19,991	16,914
Deposits, prepayments and other receivables, trade and other receivables net	22,232	17,380

12 SHARE CAPITAL AND SHARE PREMIUM

Ordinary Shares

	Number of shares	Value of ordinary shares US\$
Authorised:		
Ordinary shares of US\$0.002 each as at 30 June 2024	124,000,000	248,000

	Number of shares	Nominal value of ordinary shares US\$	Equivalent value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and paid:					
As at 31 December 2023, and 1 January 2024	120,000,000	240,000	1,531	84,813	86,344
Placing of Ordinary Shares (Note)	4,000,000	8,000	58	3,659	3,717
As at 30 June 2024	124,000,000	248,000	1,589	88,472	90,061

12 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

Ordinary Shares *(Continued)*

Notes:

- (a) On 24 August 2021, the Company consolidated every twenty issued and unissued shares of the Company of US\$0.0001 each into one consolidated share of the Company of US\$0.002 each.
- (b) On 24 June 2024, the company fulfilled the placing agreement with an aggregate of 4,000,000 ordinary shares were placed to certain placee who is independent third party. The placing price is HK\$1 per placing share and the gross proceeds from the placing are approximately HK\$4,000,000 (approximately RMB3,716,572), and the net proceeds from the share placing are approximately HK\$3,950,000 (approximately RMB3,670,115), after netting of placing expenses of approximately HK\$50,000 (approximately RMB46,457).

13 TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	69,341	64,253
Employee benefit payables	1,231	2,312
Other tax payables	7,335	7,369
Others	7,574	1,655
	85,481	75,589

As at 31 December 2023 and 30 June 2024, the aging analysis of the trade payables based on invoice date are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
0–90 days	30,483	34,683
91–180 days	15,480	11,076
181–365 days	8,981	8,002
Over 365 days	14,397	10,492
	69,341	64,253

14 DIVIDENDS

No dividend has been paid or declared by the Group during each of periods ended 30 June 2023 and 2024.

15 RELATED-PARTY TRANSACTIONS

(a) During each of periods ended 30 June 2023 and 2024, the Group has no significant transactions with any related party.

(b) Key management compensation

Details of compensation paid or payable to key management of the Group are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages and salaries	1,105	1,738
Pension scheme and other social security costs	152	148
Housing benefits	28	52
Other costs and benefits	6	20
	1,291	1,958

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that require additional disclosure after the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2023, PRC further returned to normalcy in both its economy and society, showcasing its prowess as a vast and lucrative market. Various sectors, including cultural entertainment, tourism, and sports events, witnessed a significant uptick in consumer demand. As a result, consumption once again emerged as the primary propeller of economic expansion, with the nation's GDP reaching RMB126,058.2 billion, reflecting a substantial 5.2% increase at constant prices compared to the previous year.

Under this background, over 1,370 economic and trade exhibitions were held in PRC in 2023 (《中國博覽會和展覽會 2023》). The automobile exhibition sector continues to hold a prominent position in exhibition and curatorial industry, characterized by its quantity, scale, location and frequency. Despite the robust economic recovery, the exhibition industry has undergone a profound transformation due to the swift advancement of the digital economy. The COVID-19 pandemic has accelerated the digital transformation process within the exhibition industry, necessitating a deep integration with digital technologies as an inevitable trend for its development. Even as offline exhibitions gradually resume regular operation in 2023, the emergence of dual-line exhibitions, encompassing both online and offline components, will continue to drive innovation in the exhibition industry model. This evolution will inevitably lead to a reduction in the prevalence of physical exhibitions.

During the first half of 2024, PRC's economic development showed good momentum of progress with stability, with the GDP reaching RMB61,683.6 billion, up by 5.0% year-on-year at constant price. The PRC's government will further pursue progress while ensuring stability by dedicating more efforts to invigorate the market and stimulated the internal impetus, and create new pattern of high-quality development.

BUSINESS REVIEW

The business operations of the Group consist of three major segments, (i) provision of integrated exhibition and event management services in the PRC; (ii) provision of one-stop value chain service in the PRC; and (iii) provision of SaaS platform service.

(i) Integrated exhibition and event management services

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.

The Group is engaged principally in offering assistance to display, promotion and sales of automobiles. With more than ten years of rich business experience, the Group has established an extensive customer base, including internationally renowned automobile companies such as premium German and Italian car brands. In addition, the Group will also accept requests from non-automobile related companies to run exhibitions and events for them.

Led by an experienced and competent management team with shrewd market acumen and rich business experience, the Group has actively leveraged its advantages to strengthen its strategic partnership with world-renowned automobile companies, expanded its supplier network and continuously implemented stringent service quality control, and hence successfully achieved steady growth in a highly dispersed market.

During the Reporting Period, the Group completed 34 exhibition and event projects, with aggregate revenue decreasing to approximately RMB50.24 million by approximately 3.14%.

(ii) New business — One-stop value chain service

During the Reporting Period, the Group has established a new subsidiary to supply consumer products in the PRC. The subsidiary commenced business in April 2024. The market is mainly in Wuhan, PRC. The subsidiary supplies consumer products to customer by instalments. The subsidiary company cooperates with well-known consumer goods suppliers in the PRC, evaluates merchants based on its own risk control system, and provides merchants with supplies within the scope of credit in installment mode.

The revenue of this segment was RMB8.14 million during the Reporting Period.

(iii) New Business — SaaS platform service

In order to enhance the Group's digital service capability to target clients, the Group aims to develop an enterprise resource planning (ERP) SaaS technology solution, integrating supply chain management, risk control management, blockchain application and customer relationship management function specifically for enterprise clients in the industry based on the characteristics and development trends of the business.

During the Reporting Period, the Company successfully completed the first phase of development, which established a credit leasing SaaS platform capable of supporting key leasing operations including order management, contract management, procurement payments, and sales collections.

The Group has been providing SaaS platform service to a merchant in 3C leasing industry enabling the management of their supply chain operations. The SaaS service fee was charged on an installment and ongoing basis. The revenue of this segment was RMB28,000 during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group generates revenue mainly from the provision of design, planning, coordination and management services of exhibitions and events, and selling consumer products and provides digital platform service in the PRC. The following table sets forth the breakdown of revenue for the six months ended 30 June 2023 and 2024.

	For the six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Revenue from automobile related exhibitions and events	24,837	42.52%	28,528	55.00%
Revenue from non-automobile related exhibitions and events	23,864	40.85%	18,882	36.40%
Revenue from exhibition room related services	1,544	2.64%	2,246	4.33%
Revenue from advertisement	–	0%	2,217	4.27%
Revenue from selling consumer products	8,143	13.94%	–	0%
Revenue from SaaS platform service	28	0.05%	–	0%
Total	58,416	100%	51,873	100%

Revenue increased from approximately RMB51.87 million for the six months ended 30 June 2023 to approximately RMB58.42 million for the Reporting Period, representing a period-on-period increase of approximately 12.63% or approximately RMB6.55 million. The increase in revenue was primarily attributable to the increase of revenue from new business of selling consumer products and related SaaS platform service fee compared to that of the six months ended 30 June 2023. Besides, 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 profit margin businesses with resources on hand.

During the Reporting Period, revenue from automobile related exhibitions and events related services decreased from approximately RMB28.53 million for the six months ended 30 June 2023 to approximately RMB24.84 million for the Reporting Period, representing a period-on-period decrease of approximately 12.94% or approximately RMB3.69 million and accounting for 42.52% of the total revenue for the Reporting Period.

Revenue from non-automobile related exhibitions and events related services for the Reporting Period increased from approximately RMB18.88 million for the six months ended 30 June 2023 to approximately RMB23.86 million for the Reporting Period, representing a period-on-period increase of approximately 26.38% or approximately RMB4.98 million and accounting for 40.85% of the total revenue for the Reporting Period.

Revenue from exhibition room related services decreased from approximately RMB2.25 million for the six months ended 30 June 2023 to approximately RMB1.54 million for the Reporting Period, representing a period-on-period decrease of approximately 31.26% or approximately RMB0.70 million and accounting for 2.64% of the total revenue for the Reporting Period.

Revenue from selling consumer products is the new segment of the Group. This new segment generated revenue of RMB8.14 million (30 June 2023: Nil) and accounting for 13.94% of the total revenue for the Reporting Period.

Revenue from providing SaaS platform services is another new segment of the Group. This new segment generated revenue of RMB28,000 (30 June 2023: Nil) and accounting for 0.05% of the total revenue for the Reporting Period.

Cost of services/products

The Group's cost of services mainly comprise (i) cost of exhibition and event related services provided by suppliers (including but not limited to the costs of human resources, construction materials and equipment); (ii) cost of consumer products from suppliers; (iii) staff costs; (iv) transportation and logistics expenses; (v) travelling expenses; (vi) depreciation of property, plant and equipment; and (vii) recovered overhead related to providing exhibition and event related services.

The following table sets forth the breakdown of cost of services from business operations for the six months ended 30 June 2023 and 2024.

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided by suppliers	38,503	43,779
Cost of consumer products	8,062	–
Staff costs	3,373	5,253
Depreciation of property, plant and equipment	13	15
Office supplies	4	44
Subsidies paid to our staff	48	119
Travelling and entertainment expenses	492	708
Transportation and logistics expenses	707	457
Operating lease rentals in respect of buildings and related expenses	375	470
Total	51,577	50,845

Cost of service increased from approximately RMB50.85 million for the six months ended 30 June 2023 to approximately RMB51.58 million for the Reporting Period, representing a period-on-period increase of approximately 1.44% or approximately RMB0.73 million.

The cost of exhibition and event related services provided by suppliers decreased from approximately RMB43.78 million for the six months ended 30 June 2023 to approximately RMB38.50 million for the Reporting Period, representing a period-on-period decrease of approximately 12.05% or approximately RMB5.28 million, accounted for 74.65% of the total cost of service for the Reporting Period.

The cost of consumer products provided by suppliers was approximately RMB8.06 million (30 June 2023: Nil) and accounted for 15.63% of the total cost of product of the Reporting Period.

Gross Profit and Gross Profit Margin

For the Reporting Period, the Group recorded a gross profit of approximately RMB6.84 million, representing a period-on-period increase of approximately RMB5.81 million as compared to gross profit of approximately RMB1.03 million for the six months ended 30 June 2023. The increase in gross profit was mainly due to the decrease in cost of services compared to that of the six months ended 30 June 2023.

For the Reporting Period, the Group's gross profit margin was approximately 11.71%.

Selling expenses

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

The following table sets forth the breakdown of selling expenses for the six months ended 30 June 2023 and 2024.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs	–	388
Travelling expenses	218	230
Office supplies	15	2
Entertainment expenses	207	466
Advertising and marketing expenses	261	1,000
Other	579	1,828
Total	1,280	3,914

Selling expenses for the Reporting Period were approximately RMB1.28 million, representing a period-on-period decrease of approximately 67.30% or approximately RMB2.63 million as compared to selling expenses of approximately RMB3.91 million for the six months ended 30 June 2023. The decrease in selling expenses was primarily due to (i) a decrease in the entertainment expenses from approximately RMB0.47 million for the six months ended 30 June 2023 to approximately RMB0.21 million for the Reporting Period, (ii) a decrease in advertising and marketing expenses from approximately RMB1.00 million for the six months ended 30 June 2023 to approximately RMB0.26 million for the Reporting Period; and (iii) a decrease in other selling expenses incurred during the course of preparing and submitting tenders which the Group subsequently did not win from approximately RMB1.83 million for the six months ended 30 June 2023 to approximately RMB0.58 million for the Reporting Period.

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.

The following table sets forth the breakdown of administrative expenses for the six months ended 30 June 2023 and 2024.

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs	3,328	2,898
Travelling expenses	58	43
Office supplies	72	241
Entertainment expenses	245	13
Conference and training expenses	1	11
Management consulting and other services expenses	3,176	3,082
Auditor's remuneration	940	291
Subsidies paid to staff	26	45
Operating lease rentals in respect of buildings and related expenses	266	394
Depreciation of property, plant and equipment	16	22
Business taxes and surcharges	22	6
Other	2	28
Total	8,152	7,074

Administrative expenses for the Reporting Period were approximately RMB8.15 million, representing a period-on-period increase of approximately 15.24% or approximately RMB1.08 million as compared to administrative expenses of approximately RMB7.07 million for the six months ended 30 June 2023. The increase in administrative expenses was mainly due to an increase in staff costs and auditor's remuneration. The staff cost increased from approximately RMB2.90 million for the six months ended 30 June 2023 to approximately RMB3.33 million for the Reporting Period. The auditor's remuneration increased from approximately RMB0.29 million for the six months ended 30 June 2023 to approximately RMB0.94 million for the Reporting Period.

Other gains — net

Other net gains for the Reporting Period were approximately RMB9.58 million, mainly due to the recovery from expected credit loss ("ECL") of trade receivables, the payment of interest for the overdue receivables and governmental grants. Other net gains increased by approximately RMB8.53 million compared to that of approximately RMB1.05 million for the six months ended 30 June 2023.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income for the Reporting Period was approximately RMB15,000 (30 June 2023: RMB7,000).

Finance expenses

Finance expenses mainly represented interest expenses on bank borrowings and interest expense of lease liabilities. For the Reporting Period, the Group's finance expenses were approximately RMB353,000 (30 June 2023: RMB282,000).

Profit before income tax

As a result of the foregoing, the Group recorded a profit before income tax of approximately RMB6.06 million for the Reporting Period, representing a period-on-period increase of approximately RMB15.25 million as compared with a loss before income tax of approximately RMB9.19 million for the six months ended 30 June 2023, which was mainly due to the increase in gross profit margin and recovery from the ECL of trade receivables compared to that of the six months ended 30 June 2023.

Income tax expense

Income tax expense increased from approximately RMB13,000 for the six months ended 30 June 2023 to approximately RMB1,516,000 for the Reporting Period.

Profit for the Reporting Period

As a cumulative effect of the factors cited above, the Group recorded profit for the Reporting Period of approximately RMB6.03 million, while for the six months ended 30 June 2023, the Group recorded a loss of approximately RMB9.20 million. The period-on period increase was approximately RMB15.26 million.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

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

Cash position

The following table sets forth the selected cash flow data from the Condensed Consolidated Statements of Cash Flows for the six months ended 30 June 2023 and 2024.

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(9,187)	1,468
Net cash generated from/(used in) investing activities	15	(1)
Net cash generated from/(used in) financing activities	7,867	(1,128)
Net (decrease)/increase in cash and cash equivalents	(1,262)	549
Cash and cash equivalents at the end of the Reporting Period	11,177	4,800

At 30 June 2024, the cash and cash equivalents of the Group were approximately RMB11.18 million (as at 30 June 2023: approximately RMB4.80 million), which mainly denominated in RMB.

Borrowings

As at 30 June 2024, save that the Group had bank borrowings of RMB12.98 million under a credit agreement (as at 30 June 2023: RMB9.00 million), the Group had a new private borrowing of RMB10.0 million under a credit agreement with a third-party company. Save as disclosed in this announcement, there were no other outstanding bank overdrafts, debt securities, term-loan borrowings, other similar indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities nor guarantees outstanding (as at 30 June 2023: nil). The Group did not have any unutilised banking facilities nor plans for any material external debt financing.

Save for the above, the Directors confirm that there has been no material adverse change in the Group's indebtedness and contingent liabilities for the Reporting Period.

Pledge of assets

As at 30 June 2024, none of the Group's assets were pledged (30 June 2023: Nil).

Gearing ratio

The Group's gearing ratio at 30 June 2024 and 31 December 2023 were as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Total interest-bearing borrowings	22,976	17,976
Total Equity	11,840	3,575
Gearing ratio	194.05%	502.83%

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (30 June 2023: Nil).

EQUITY FUND RAISING ACTIVITIES AND USE OF NET PROCEEDS

For the reason of replenishing the working capital of the Group, on 3 June 2024, the Company entered into a subscription agreement (the “**Subscription Agreement**”) with Mr. Li Wenjie (the “**Subscriber**”), an individual investor, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 4,000,000 new ordinary shares (the “**Subscription Shares**”) of US\$0.002 each in the share capital of the Company (the “**Share(s)**”) under the general mandate at the subscription price of HK\$1 per Share (the “**Subscription**”), representing a premium of approximately 20.48% over the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement. The aggregate nominal value of the Subscription Shares was US\$8,000. Completion of the Subscription took place on 24 June 2024 in accordance with the Subscription Agreement. The net proceeds of the Subscription amounted to approximately HK\$3.95 million, which was intended to be used for the general working capital of the Group. Details of the Subscription are set out in the announcements of the Company dated 3 June 2024 and 24 June 2024 respectively.

Set out below is a summary of the allocation and utilization of the net proceeds of the Subscription:

Fund raising activity	Use of proceeds	Planned	Actual use	Unutilized	Expected
		Use of	of net	net proceeds	timeline for
		Proceeds	proceeds	as at	utilization of
		as at	as at	30 June 2024	unutilized net
		30 June 2024	30 June 2024	30 June 2024	proceeds
		HK\$'000	HK\$'000	HK\$'000	
					31 December
Subscription	General working capital	3,950	727	3,273	2024

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Period, the Group has established a new subsidiary to sell consumer products in the PRC. The Group held 51% shares of that subsidiary. The subsidiary was commenced business in April 2024. The market is in mainly in Wuhan, Mainland China. The subsidiary purchase consumer products from the suppliers and sell to the customers who repay by instalment.

Furthermore, in order to enhance the Group’s digital service capability to target clients, the Group aims to develop an ERP SaaS technology solution, integrating supply chain management, risk control and management, and customer relationship management function specifically for enterprise clients in the ecommerce business based on the characteristics and development trends of the business.

Save for the above-mentioned transactions, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the Reporting Period.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (30 June 2023: Nil).

EMPLOYEE AND SALARIES POLICY

As at 30 June 2024, the Group employed a total of 69 employees, among which 11 of them were at management level. For the Reporting Period, the staff costs (including Directors' emoluments) were approximately RMB6.67 million (30 June 2023: approximately RMB8.54 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 Reporting Period, the total amount contributed by the Group was approximately RMB1.30 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 Reporting Period, the Group has not experienced any significant labour 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 EXPOSURE

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 and therefore considers its cash at bank are not at high credit risk.

The Group's trade receivables arise from exhibition and event management services fees, over 70% of which are in turn derived from major customers that are renowned automobile companies. Should there be change in the strategic relationships with these major customers that might cause change in the cooperative arrangements; or if they themselves experience financial difficulties 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 reliable collection history of receivables due from them, the management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from these automobile companies is low. As for new customers, the management is responsible for managing and analysing the credit risk for each of them before such new customers will be offered standard payment and delivery terms and conditions. In making such assessment, the management will consider various factors such as the new customers' financial position, market reputation and other factors.

The Group's other receivables comprise 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 half of 2024, the PRC's government applied a series of policies to solidly stabilize the economy achieving notable results, the national economy has demonstrated the momentum of a stable recovery, facing complex and grave international environment as well as arduous tasks to advance reform and development. The second quarter, in particular, witnessed a positive economic growth and the stable macroeconomic performance was maintained with the GDP up by 5.0% year-on-year. The services sector continued to recover and modern services enjoyed sound development.

It should be aware that the international environment is intertwined and complex, the domestic effective demand remains insufficient and the foundation for sound economic recovery and growth still needs to be strengthened. At the next stage, the general principle of pursuing progress while maintaining stability will be further followed by the government, new development philosophy on all fronts will be applied to promote smooth economic flow, and make more efforts to change growth model, improve economic structure and gather new growth momentum, to achieve effective enhancement of quality and reasonable growth of quantity of economy for the full year 2024.

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.

CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) contained in Appendix C1 to the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), save for the deviation from code provision C.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Huang Xiaodi (“Mr. Huang”) is the chairman and the chief executive officer of the Company. The Board considered that Mr. Huang has more than 12 years of professional experience in the exhibition and event management industry, the Board believed that it is in the best interest of the Group to have Mr. Huang taking up both roles for efficient overall strategy and business development. Therefore, the Board considers that the deviation from Code Provision C.2.1 of the Code is appropriate in such circumstance.

COMPETING INTERESTS

During the Reporting 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) have been 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 have they been aware of any other conflicts of interest which any such person has or may have with the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the Reporting Period and up to the date of this announcement 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 adopted a share option scheme on 16 May 2018, details of which have been set out in the Annual Report 2023.

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

REQUIRED STANDARD OF DEALING IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the “**Code of Conduct**”). The Company has made specific enquiry and the Directors have confirmed that they have complied with the Required Standard of Dealings as set out in the Code of Conduct and the Company was not aware of any non-compliance during the Reporting Period.

AUDIT COMMITTEE

The Group has established an audit committee of the Company (the “**Audit Committee**”) on 16 May 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph D.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 two independent non-executive Directors, namely Mr. Tsoi Ka Shing as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, and Ms. Xu Shuang. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2024, which was of the opinion that the preparation of interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By Order of the Board
Dowway Holdings Limited
Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Mr. Huang Xiaodi, Mr. Chen Xicheng, Mr. Yan Jinghui, Mr. Dong Kejia and Mr. Shum Ngok Wa; the non-executive Director is Mr. Lian Mingcheng; and the independent non-executive Directors are Ms. Xu Shuang and Mr. Tsoi Ka Shing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange at <https://www.hkexnews.hk> for at least 7 days from the date of its publication and published on the website of the Company at www.dowway-exh.com.