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Dowway Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8403)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The board (the “**Board**”) of directors (the “**Directors**”) of Dowway Holdings Limited (the “**Company**”) is pleased to announce the unaudited first quarterly results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2022 (the “**Period**”). This announcement, containing the extracts of the 2022 first quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of first quarterly results.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2021, the global economic recovery continued as economic performance accelerated amid the lifting of most pandemic restrictions and deployment of COVID-19 vaccines. According to the International Monetary Fund (IMF), global growth reached 5.9% during the year. Thanks to the effective anti-pandemic measures and a series of economic support and stimulus policies implemented by the Chinese Government, China sustained the steady recovery of the national economy and maintained the leading position in economic growth and pandemic prevention and control in the world. China's economy showed a strong rebound in 2021. Gross domestic product (GDP) expanded 8.1%, beating the government's own target of "expected above 6%", despite the complex international environment, resurgent COVID-19 cases, and severe flooding in Henan province. Consumption remained one of the key drivers for China's economic growth. Retail sales grew by 12.5%, in which retail sales of automobiles exceeded RMB4 trillion to RMB4.4 trillion, up 7.6% year-on-year, according to the China Association of Automobile Manufacturers (CAAM).

Meanwhile, China's exhibition industry saw rapid expansion in 2021 against the backdrop of severe challenges brought by the COVID-19 pandemic to offline exhibitions across the world. As a result of the swift economic recovery and effective control of the virus within the border, China has emerged as a haven for global businesses.

Under this background, a total of 2,949 economic and trade exhibitions were held in China in 2021, surging 48.6% year-on-year, as the domestic exhibition industry began to recover. The exhibitions covered a total exhibition area of 92.99 million square meters in 2021, increased by 27.2% from the previous year. Digital exhibitions have become an important complement to offline exhibitions during the pandemic. As the shift from offline to online exhibitions accelerated, many Chinese exhibitions adopted a hybrid mode to help Chinese and overseas companies better expand international trade channels. During the year, the automobile exhibition sector experienced flourishing growth. It remained one of the leading sectors in terms of the number and area of exhibitions. The number of exhibitions in the sector increased substantially to 308, up 125 or 68.3% as compared with 2020, while the total exhibition area was 11.158 million square meters, representing a year-on-year increase of 3.309 million square meters or 42.2%. A couple of influential automobile exhibitions took place as scheduled, including the 19th Shanghai International Automobile Industry Exhibition 2021, the first A-class international auto show since the outbreak of COVID-19 pandemic. It fully demonstrated the economic recovery and growth following the successful fight against the pandemic, which in turn restored global confidence in the automobile market.

During the first quarter of 2022, China's economy registered a steady start with the GDP up by 4.8 percent year on year, demonstrating its resilience and potential in the face of a complicated external environment and resurgent domestic COVID-19 cases. China's government will coordinate the efforts of COVID-19 prevention and control and economic and social development, make economic stability their top priority and pursue progress while ensuring stability.

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.

The Group engages 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 Period, impacted greatly by the pandemic in the PRC, the Group completed 10 exhibition and event projects, with aggregate revenue decreasing to approximately RMB10.06 million by approximately 54.42%.

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 2021 and 2022.

| | For the three months ended 31 March | | | |
|---|-------------------------------------|-------------|---------------|-------------|
| | 2022 | | 2021 | |
| | RMB'000 | % | RMB'000 | % |
| | (Unaudited) | | (Unaudited) | |
| Revenue from automobile related exhibitions and events related services | 3,389 | 33.7% | 7,069 | 32.0% |
| Revenue from non-automobile related exhibitions and events related services | – | 0.0% | 1,850 | 8.4% |
| Revenue from exhibition showroom related services | – | 0.0% | 2,242 | 10.2% |
| Revenue from advertisement related services | 6,675 | 66.3% | 10,920 | 49.4% |
| Total | 10,064 | 100% | 22,081 | 100% |

Revenue decreased from approximately RMB22.08 million for the three months ended 31 March 2021 to approximately RMB10.06 million for the Period, representing a period-on-period decrease of approximately 54.42% or approximately RMB12.02 million. The decrease was primarily because that the exhibition industry started to recover for the three months ended 31 March 2021 but impacted greatly by the pandemic in March 2022. It resulted the suspension of exhibition events and decrease of revenue achieved by the Group in the Period.

During the Period, revenue from automobile related exhibitions and events related services decreased from approximately RMB7.07 million for the three months ended 31 March 2021 to approximately RMB3.39 million for the Period, representing a period-on-period decrease of approximately 52.06% or approximately RMB3.68 million and accounting for 33.7% of the total revenue for the Period.

Revenue from advertisement related services for the Period was approximately RMB6.68 million, accounting for 66.3% of the total revenue for the Period.

Cost of service

Cost of service decreased from approximately RMB21.32 million for the three months ended 31 March 2021 to approximately RMB10.94 million for the Period, representing a period-on-period decrease of approximately 48.66% or approximately RMB10.38 million. Such a decrease was primarily because the exhibition industry affected by the COVID-19 epidemic in the Period and the cost of exhibition and event services decreased with the slowdown of market demands and decrease in sales revenue.

The cost of exhibition and event related services provided by suppliers decreased from approximately RMB20.16 million for the three months ended 31 March 2021 to approximately RMB10.14 million for the Period, representing a period-on-period decrease of approximately 49.70% or approximately RMB10.02 million, accounted for 92.69% of the total cost of service for the Period.

Gross Loss/Profit

For the Period, the Group recorded a gross loss of approximately RMB0.88 million, representing a period-on-period decrease of approximately RMB1.64 million as compared with a gross profit of approximately RMB0.76 million for the three months ended 31 March 2021. The decrease in gross profit was mainly due to the decrease in the Group's revenue resulted by the COVID-19 epidemic in 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 RMB0.70 million, representing a period-on-period decrease of approximately 42.46% or approximately RMB0.51 million as compared to selling expenses of approximately RMB1.21 million for the three months ended 31 March 2021.

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 RMB1.85 million, representing a period-on-period increase of approximately 22.95% or approximately RMB0.56 million as compared to administrative expenses of approximately RMB2.41 million for the three months ended 31 March 2021.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income for the Period was approximately RMB4,000 (for the three months ended 31 March 2021: RMB8,000).

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 RMB181,000 (for the three months ended 31 March 2021: RMB118,000).

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB3.61 million for the Period, representing a period-on-period increase of approximately RMB0.79 million as compared with a loss of approximately RMB2.82 million for the three months ended 31 March 2021, which was mainly due to the decrease in sales revenue and gross profit due to COVID-19 pandemic during the Period.

Income tax expense

Income tax expense decreased from approximately RMB10,000 for the three months ended 31 March 2021 to approximately RMB2,000 for the Period, representing a period-on-period decrease of approximately RMB8,000.

Loss for the Period

As a cumulative effect of the factors cited above, the Group recorded loss of the Period of approximately RMB3.62 million, while the loss was approximately RMB2.83 million for the three months ended 31 March 2021. The period-on-period increase was approximately RMB0.79 million.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There was no material change in the capital structure of the Group during the Period. Details are set out in Note 10 to the consolidated financial statements.

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 2021 and 2022.

| | For the three months ended | |
|--|----------------------------|-------------|
| | 31 March | |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from/(used in) operating activities | 2,863 | (7,574) |
| Net cash generated from/(used in) investing activities | 2 | (88) |
| Net cash (used in) financing activities | (87) | (87) |
| Net increase/(decrease) in cash and cash equivalents | 2,778 | (7,749) |
| Cash and cash equivalents at the end of the Period | 9,375 | 7,472 |

At 31 March 2022, the cash and cash equivalents of the Group were approximately RMB9.38 million (at 31 March 2021: approximately RMB7.47 million), which were mainly denominated in RMB and HKD.

Borrowings

As at 31 March 2022, the Group had bank borrowings of RMB9.00 million (as at 31 March 2021: RMB9.00 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 March 2021: nil). The Group did not have any plans for any material external debt financing.

Pledge of assets

As at 31 March 2022, none of the Group's assets were pledged (at 31 March 2021: nil).

Gearing ratio

The Group's gearing ratio at 31 March 2022 and 31 December 2021 were as follows:

| | As at 31 March 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|-----------------------------------|--|--|
| Total interest-bearing borrowings | 9,000 | 9,000 |
| Total Equity | 46,346 | 49,862 |
| Gearing ratio | 19.42% | 18.01% |

DIVIDEND

The Board did not recommend the payment of any final dividend for the Period (for the three months ended 31 March 2021: 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.

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.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no significant contingent liabilities (as at 31 March 2021: Nil).

HUMAN RESOURCES

As at 31 March 2022, the Group employed a total of 54 employees, among which 9 of them were at management level, all stationed in the PRC. For the Period, the staff costs (including Directors' emoluments) were approximately RMB2.23 million (for the three months ended 31 March 2021: approximately RMB2.65 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 RMB0.82 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.

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.

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 2022, China's government consolidated and expanded the achievements of prevention and control as well as economic and social development, and implemented macroeconomic policies in a scientific and targeted way. The national economy in the first quarter continued the momentum of recovery, performing within the reasonable range. However, the faster-than-expected first-quarter growth was mainly aided by robust growth in the first two months before the weakening in economic activities in March, and warned of challenges and uncertainties at both home and abroad that may cloud the overall outlook. The government will further strengthen the implementation of macro policies, take solid steps to ensure stability on six key fronts (employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations) and security in six key areas (job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary level governments), focus on maintaining stable macroeconomic performance, continue to stabilize employment and prices, ensure to meet basic living needs and keep the economy performing within an appropriate range. The exhibition and event services industry will recover step by step and is promising to return to normal operation. Under the above situation, the Group will increase its online exhibitions, strengthen its online service capabilities by updating audiovisual and information technology equipment and lower the expense of leasing multimedia audiovisual equipment and venues from third-party suppliers. The Group will actively tackle the challenges due to force majeure, seize new opportunities for business transformation and create new business growth.

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 C.2.1 of the Code.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph C.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 C.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 save for disclosed in this announcement.

PLACING OF NEW SHARES (“SHARES”) OF THE COMPANY UNDER GENERAL MANDATE

On 24 March 2022, the Company entered into a placing agreement (the “Placing Agreement”) with a sole placing agent, pursuant to which the Company appointed the sole placing agent as its agent to procure not less than six placees who were independent third parties to subscribe up to 20,000,000 ordinary Shares at the placing price (the “Placing Price”) of HK\$0.55 per Share (the “Placing”), representing approximately 16.67% of the issued share capital of the Company as immediately after the completion of the Placing.

The Placing Price represents (i) a discount of approximately 14.06% to the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on 24 March 2022, being the date of the Placing Agreement; and (ii) a discount of approximately 19.83% to the average closing price of approximately HK\$0.686 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Placing Agreement.

The aggregate nominal value of the maximum number of the placing Shares under the Placing is USD40,000. The completion of the Placing took place on 8 April 2022 in accordance with the terms and conditions of the Placing Agreement.

The net proceeds from the Placing are approximately HK\$10,559,000, in which (i) approximately 50% of the net proceeds in the amount of approximately HK\$5,280,000 will be used to enhance the advertisement related services segment; (ii) approximately 30% of the net proceeds in the amount of approximately HK\$3,168,000 will be used to enhance exhibition showroom related services segment; and (iii) approximately 20% of the net proceeds in the amount of approximately HK\$2,111,000 will be used as the general working capital of the Group.

For details of the Placing, please refer to the announcements of the Company dated 24 March and 8 April 2022.

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 2022, the interests and short positions of the Directors and Chief Executive of the Company in the shares of the Company, 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 in the Shares

| Director's Name | Capacity/Nature | Number of Shares Held/ Interested | Percentage of Interest |
|---------------------------|------------------------------------|--|-------------------------------|
| Mr. Huang Xiaodi (Note 1) | Interest of controlled corporation | 63,645,000 | 63.65% |
| Mr. Ma Yong (Note 2) | Beneficial Owner | 1,000,000 | 1% |
| Mr. Yan Jinghui (Note 3) | Beneficial Owner | 1,000,000 | 1% |

Note 1: These 63,645,000 Shares are held by A&B Development Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Huang Xiaodi ("**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: Mr. Ma Yong ("**Mr. Ma**") is an executive Director. On 16 August 2019, Mr. Ma was granted 20,000,000 share options (1,000,000 share options after Share Consolidation) (the "**Share Options**") by the Company under the share option scheme adopted by the Company on 16 May 2018 (the "**Share Option Scheme**") entitling him to subscribe for 1,000,000 Shares at the exercise price of HK\$1.016 per share, subject to the terms and conditions of the Share Option Scheme.

Note 3: Mr. Yan Jinghui ("**Mr. Yan**") is an executive Director. On 16 August 2019, Mr. Yan was granted 20,000,000 Share Options (1,000,000 Share Options after Share Consolidation) by the Company under the Share Option Scheme entitling him to subscribe for 1,000,000 Shares at the exercise price of HK\$1.016 per share, subject to the terms and conditions of the Share Option Scheme.

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 Xiaodi | A&B Development Holding Limited | Beneficial Owner | 1 | 100% |

Save as disclosed above and so far as is known to the Directors, as at 31 March 2022, 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 2022 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

| Name | Capacity/Nature | Number of Shares Held/ Interested | Percentage of Interest |
|--|----------------------|-----------------------------------|------------------------|
| A&B Development Holding Limited (Note 1) | Beneficial Owner | 63,645,000 | 63.65% |
| Ms. Lin Yuting (Note 2) | Interest of a spouse | 63,645,000 | 63.65% |

Note 1: A&B Development Holding Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Huang Xiaodi. 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: Ms. Lin Yuting is the spouse of Mr. Huang Xiaodi. 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.

Save as disclosed above, as at 31 March 2022, 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 announcement, at no time during the Period 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 2021.

Save for 650,000 share options lapsed, no other share option was granted, exercised, lapsed or cancelled during the Period. There were 6,150,000 share options outstanding as at 31 March 2022.

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.

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 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 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.

FIRST QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022, together with the unaudited comparative figures for the respective corresponding period in 2021 as follows:

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Three months ended | |
|---|------|--------------------|-----------------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 6 | 10,064 | 22,081 |
| Cost of service | | (10,945) | (21,320) |
| Gross Loss/Profit | | (881) | 761 |
| Selling expenses | | (698) | (1,213) |
| Administrative expenses | | (1,853) | (2,405) |
| Other (loss)/gains — net | 7 | (6) | 149 |
| Operating profit | | (3,438) | (2,708) |
| Finance income | | 4 | 8 |
| Finance expenses | | (181) | (118) |
| Finance expenses — net | | (177) | (110) |
| Loss before income tax | | (3,615) | (2,818) |
| Income tax expense | 8 | (2) | (10) |
| Loss for the period | | (3,617) | (2,828) |
| Total comprehensive loss for the period | | (3,617) | (2,828) |
| | | | <i>Restated</i> |
| Loss per share attributable to owners of the Company | | | |
| — Basic loss per share (in RMB cents) | 9 | (3.62) | (2.83) |

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

THE FIRST QUARTERLY CONDENSED CONSOLIDATED BALANCE SHEETS

| | Note | As at 31 March 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|---|------|---|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,354 | 1,906 |
| Right-of-use assets | | 8,036 | 9,204 |
| Other non-current assets | | 726 | 546 |
| Total non-current assets | | 10,116 | 11,656 |
| Current assets | | | |
| Trade and other receivables | | 23,765 | 53,390 |
| Contract assets | | 51,672 | 54,807 |
| Other current assets | | 31,632 | 22,393 |
| Cash and cash equivalents | | 9,375 | 6,614 |
| Total current assets | | 116,444 | 137,204 |
| Total assets | | 126,560 | 148,860 |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 10 | 1,277 | 1,277 |
| Share premium | 10 | 76,152 | 76,152 |
| Other reserves | | (3,862) | (3,599) |
| Accumulated losses | | (27,221) | (23,868) |
| Total equity | | 46,346 | 49,962 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 48,395 | 64,003 |
| Contract liabilities | | 10,804 | 12,774 |
| Current income tax liabilities | | 3,822 | 3,822 |
| Credit loan from bank | | 9,000 | 9,000 |
| Lease liabilities | | 2,171 | 2,794 |
| Total current liabilities | | 74,192 | 92,393 |
| Non-current liability | | | |
| Lease liabilities | | 6,022 | 6,505 |
| Total liabilities | | 80,214 | 98,898 |
| Total equity and liabilities | | 126,560 | 148,860 |

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 2021 | 1,277 | 76,152 | (4,793) | (16,217) | 56,419 |
| Total comprehensive loss for the year | – | – | – | (7,651) | (7,651) |
| Options issued under share option scheme | – | – | 1,194 | – | 1,194 |
| Balance at 31 December 2021 and 1 January 2022 | 1,277 | 76,152 | (3,599) | (23,868) | 49,962 |
| (Unaudited) | | | | | |
| Total comprehensive income for the period | – | – | – | (3,617) | (3,617) |
| Lapse of share option | – | – | (263) | 263 | – |
| Balance at 31 March 2022 | 1,277 | 76,152 | (3,862) | (27,221) | 46,346 |

THE FIRST QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three months ended | |
|---|--------------------|----------------|
| | 31 March | |
| | 2022 | 2021 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | |
| Cash generated from/(used in) operations | 2,865 | (7,564) |
| Income tax paid | (2) | (10) |
| Net cash generated from/(used in) operating activities | 2,863 | (7,574) |
| Cash flows from investing activities | | |
| — Purchases of property, plant and equipment | (2) | (96) |
| — Interest received | 4 | 8 |
| Net cash generated from/(used in) investing activities | 2 | (88) |
| Cash flows from financing activities | | |
| — Interest paid | (87) | (87) |
| Net cash used in financing activities | (87) | (87) |
| Net increase/(decrease) in cash and cash equivalents | 2,778 | (7,749) |
| Cash and cash equivalents at beginning of period | 6,614 | 15,312 |
| Exchange loss on cash and cash equivalents | (17) | (91) |
| Cash and cash equivalents at the end of period | 9,375 | 7,472 |

NOTES TO THE FIRST QUARTERLY 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 an executive director and chairman of the Board of the Company.

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 announcement is to be read in conjunction with the financial information of the Group for the year ended 31 December 2021 issued on 22 March 2022, 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 the Company’s audited financial statements for the year ended 31 December 2021, 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

In the 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 2022:

| | |
|------------------------|--|
| Amendments to HKFRS 3 | Reference to Conceptual Framework |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Costs of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvement to HKFRSs 2018-2020 |

The application of the amendments to HKFRSs in the 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:

| | |
|---|--|
| HKFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKFRS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

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 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 audited financial statements for the year ended 31 December 2021 as contained in the Annual Report 2021 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 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 audited financial statements for the year ended 31 December 2021 as contained in the Annual Report 2021 of the Group.

There have been no changes in the risk management policies since the year ended 31 December 2021.

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

| | Three months ended | |
|---|--------------------|---------------|
| | 31 March | |
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from automobile related exhibitions and events related services | 3,389 | 7,069 |
| Revenue from non-automobile related exhibitions and events related services | – | 1,850 |
| Revenue from exhibition showroom related services | – | 2,242 |
| Revenue from advertisement related services | 6,675 | 10,920 |
| | 10,064 | 22,081 |

7 OTHER (LOSS)/GAINS — NET

| | Three months ended 31 March | |
|-----------------------------------|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Foreign exchange (loss)/gains | (4) | (92) |
| Additional deduction of input VAT | – | 213* |
| Government grant | – | 31 |
| Others | (2) | (3) |
| | (6) | 149 |

* 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). Benefit from this policy, the Group had other gains of approximate RMB213,000 for the three months ended 31 March 2021.

8 INCOME TAX EXPENSE

| | Three months ended 31 March | |
|---------------------------------------|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Current tax on profits for the period | 2 | 10 |
| Income tax expense | 2 | 10 |

- (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.

9 LOSS PER SHARE

| | Three months ended | |
|---|--------------------|-------------|
| | 31 March | 2021 |
| | 2022 | Restated |
| | (Unaudited) | (Unaudited) |
| Total loss attributable to shareholders (in RMB) | (3,617,000) | (2,828,000) |
| Weighted average number of ordinary shares in issue (thousand) (Note) | 100,000 | 100,000 |
| Basic loss per share (in RMB cents) | (3.62) | (2.83) |

Note: The weighted average number of ordinary shares for the period ended 31 March 2022 and 2021 has been adjusted for the twenty-to-one share consolidation of the Company which become effective on 20 August 2021.

(a) Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the Period.

(b) Diluted loss per shares

No diluted loss per share is presented as the Group has no dilutive potential ordinary shares during the Period.

10 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 31 March 2022 | 1,000,000,000 | 2,000,000 |

| | 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 2021, and 1 January 2022 | 100,000,000 | 200,000 | 1,277 | 76,152 | 77,429 |
| As at 31 March 2022 | 100,000,000 | 200,000 | 1,277 | 76,152 | 77,429 |

Note: On 24 August 2021, the Company consolidated every twenty (20) issued and unissued shares of the Company of US\$0.0001 each into one (1) consolidated share of the Company of US\$0.002 each.

11 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save for the Placing, there were no subsequent events that require additional disclosure.

By Order of the Board

Dowway Holdings Limited

Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director

Beijing, China, 12 May 2022

As at the date of this announcement, the executive Directors are Mr. Huang Xiaodi, Mr. Ma Yong, and Mr. Yan Jinghui; the non-executive Director is Mr. Yuen Poi Lam William; and the independent non-executive Directors are Ms. Xu Shuang, Mr. Gao Hongqi and Mr. Yu Leung Fai.

This announcement, for which the Directors 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 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 GEM of the Stock Exchange website at www.hkgem.com for a minimum period of 7 days from the date of publication and on the website of the Company at www.dowway-exh.com.