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Dowway Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8403)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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.

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This announcement, for which the directors (the "**Directors**") of Dowway Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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 be available on the Company's website **www.dowway-exh.com** and will remain on the "Latest Company Announcements" page on the GEM website at **www.hkgem.com** for at least 7 days from the date of its posting.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

At the end of 2018, the first China International Import Expo has set new records in terms of participating countries, area of booths, the number of companies, size of procurers, the number of visitors, and more, providing a positive impetus to the overall exhibition services industry in the PRC. During the Period following 2018, the exhibition industry in the PRC maintained a positive development momentum in terms of total number, area and revenue.

As the largest sector within the exhibition industry in the PRC, the automobile exhibition industry has maintained steady development, despite the drop in demand for automobile. According to the data released by China Association of Automobile Manufacturers, the automobile output and sales reported a slower growth in 2018 when compared with the peak in 2017 and dropped in the first three quarters of 2019. However, driven by the accelerating urbanisation process and the relatively low percentage of automobile ownership nationwide as compared with other developed countries, there is an expectation of a long-term steady demand for automobiles in the PRC. The growth of mid-range to high-end segments, which include SUVs, luxury vehicles and new energy vehicles, was above the industry average. As a result, automobile exhibition services providers that focused on these categories of automobiles were able to benefit from a steady demand for their services.

Overall growth of the exhibition industry has also spurred a continual strong demand for exhibition services. According to the Annual Report on China's Exhibition Industry 2018 published by the China Council for the Promotion of International Trade, revenue from the exhibition services market has grown steadily to approximately RMB100 billion in 2018, demonstrating robust expansion and innovation-driven momentum. Going forward, China's exhibition industry is expected to follow the practices of other world exhibition industries, namely the increasing supply of core ancillary services such as exhibition showroom construction, plus the gradual phasing-out of underperforming capacity. Innovation will become the main theme in this exhibition industry and transformation and upgrade will accelerate the pace, which in turn would enable the leading integrated exhibition and event management services providers to build a strong reputation and track record, network resources, operational experience and management capability.

BUSINESS REVIEW

The Group is an integrated exhibition and event management services provider in the PRC. It mainly serves as a project manager for exhibitions and events and provides a comprehensive range of related services. These services include design, planning, coordination and management of exhibitions and events covering customized themes, stage and venue design and overall planning, feasibility studies, procurement of construction materials and equipment. As part of its project management, the Group also liaises with suppliers and/or personnel for construction of backdrops, stages and exhibition booths as well as installation of audio, visual and lighting equipment and facilities and conducts on-site supervision. The Group also offers one-stop services by providing customized themes catered to the exhibition or event and contacting suppliers to execute the design and layout plans.

The Group is principally engaged in facilitating showcases, promotion and sales of automobiles. With a strong business foundation and over a decade of experience in this field, the Group has built an extensive customer base comprising various world-renowned brands including German and Italian automobile brands. The Group also takes on projects related to exhibitions as well as events from non-automobile related companies.

Led by an experienced and competent management team, the Group has actively leveraged its advantages to strengthen its strategic partnership with world-renowned automobile companies. Over the years, the Group has 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, the Group has completed 54 exhibition and event projects and 1 exhibition showroom project, with aggregate revenue increasing to approximately RMB146.41 million for the Period as compared to that for the corresponding period in 2018 of approximately RMB72.37 million, representing a period-on-period increase of approximately 102.29%.

During the Period, the Group has strategically expanded its business operation by allocating resources to business within the exhibition services industry. On 1 April 2019, a new subsidiary of the Group, namely, Sense and Creative Technology Co., Ltd. was incorporated and is principally engaged in providing the design, technology development, consultancy, photography and video, and audio and visual services for exhibitions and events. Meanwhile, the Group has also actively accelerated the expansion of its strategic business across the PRC. As of 30 September 2019, the Group's business spanned more than 50 cities in the PRC including Beijing, Shanghai, Guangzhou, Tianjin, Chengdu, Harbin, Shenyang, Kunming, Nanning and Chongqing.

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 nine months ended 30 September 2018 and 2019.

	For the nine months ended 30 September			
	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Revenue from automobile related exhibitions and events related services	128,787	87.97%	68,640	94.84%
Revenue from non-automobile related exhibitions and events related services	12,139	8.29%	3,734	5.16%
Revenue from exhibition showroom related services	5,481	3.74%	–	–
Total	146,407	100%	72,374	100%

Revenue increased from approximately RMB72.37 million for the nine months ended 30 September 2018 to approximately RMB146.41 million for the Period, representing a period-on-period increase of approximately 102.29% or approximately RMB74.03 million. The increase was primarily due to the increase in amount of projects and contract value completed by the Group during the Period.

During the Period, revenue from automobile related exhibitions and events related services continued to be the main source of revenue for the Group, which increased from approximately RMB68.64 million for the nine months ended 30 September 2018 to approximately RMB128.79 million for the Period, representing a period-on-period increase of approximately 87.63% or approximately RMB60.15 million and accounting for 87.97% of the total revenue for the Period.

Cost of service

Cost of service increased from approximately RMB54.82 million for the nine months ended 30 September 2018 to approximately RMB136.47 million for the Period, representing a period-on-period increase of approximately 148.96% or approximately RMB81.65 million. Such an increase was primarily due to (i) the overall increase in the cost of exhibition and event related services provided by suppliers, resulting from the increase in the contract value of exhibition and event projects undertaken by the Group; (ii) the increase in staff costs caused by the increase in manpower to support business expansion and provision of on-the-job training for the existing and new staff; (iii) the designing staff costs and recovered overhead related to exhibition and event related services (including but not limited to the electricity and water expenses, and office supplies) have been adjusted to the cost of service from administrative expenses since 1 January 2019; and (iv) the additional operational lease rentals of a warehouse rented by the Group on 1 January 2019.

The cost of exhibition and event related services provided by suppliers increased from approximately RMB49.27 million for the nine months ended 30 September 2018 to approximately RMB123.18 million for the Period, representing a period-on-period increase of approximately 150.03% or approximately RMB73.92 million, accounted for approximately 90.27% of the total cost of service for the Period.

Gross Profit and Gross Profit Margin

For the Period, the Group recorded a gross profit of approximately RMB9.94 million, representing a period-on-period decrease of approximately RMB7.62 million or 43.40% as compared with approximately RMB17.56 million for the nine months ended 30 September 2018. The decrease in gross profit was mainly due to the increase in cost of service which is more than the increase in revenue as mentioned above for the Period.

For the Period, the Group's gross profit margin was approximately 6.79% when compared with approximately 24.26% for the nine months ended 30 September 2018. The Group's gross profit margin recorded a decrease primarily due to (i) the undertaking of several projects for the provision of exhibition and event management services with new customers with lower gross profit margins in the short run to expand the Group's customer base; and (ii) the increase in staff cost arising from business expansion.

Selling expenses

Selling expenses for the Period were approximately RMB2.61 million, representing a period-on-period increase of approximately 34.26% or approximately RMB0.67 million as compared to that of approximately RMB1.95 million for the nine months ended 30 September 2018. The increase in selling expenses for the Period was primarily due to the growth of staff costs during the Period to expand business.

Administrative expenses

Administrative expenses for the Period were approximately RMB6.79 million, representing a period-on-period decrease of approximately 55.23% or approximately RMB8.37 million as compared to that of approximately RMB15.16 million for the nine months ended 30 September 2018. The decrease in administrative expenses was primarily due to the incurrence of one-off Listing expenses during the nine months ended 30 September 2018 of approximately RMB7.62 million (the Period: nil).

Other income

Other income increased from nil for the nine months ended 30 September 2018 to RMB0.62 million for the Period. The increase was due to the agency commissions received during the Period.

Other gains-net

Other net gains for the Period was approximately RMB5.08 million, mainly due to a one-off governmental grant of RMB5.00 million by the PRC government for newly listed company.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income increased from approximately RMB17,000 for the nine months ended 30 September 2018 to approximately RMB 34,000 for the Period.

Finance expenses

Finance expenses mainly represented interest expenses on bank borrowings. For the Period, the Group's finance expenses were approximately RMB74,000 (nine months ended 30 September 2018: nil).

Profit before income tax

As a result of the foregoing, the Group recorded a profit before income tax of approximately RMB6.20 million for the Period, representing a period-on-period increase of approximately 231.91% or approximately RMB4.33 million as compared to that of approximately RMB1.87 million for the nine months ended 30 September 2018, which was mainly due to (i) the decrease of administrative expenses by approximately RMB8.37 million as no Listing expenses were incurred during the Period; (ii) the other gains generated for the Period from a one-off governmental grant by the PRC government of RMB5.00 million for newly listed company.

Income tax expense

Income tax expense increased from approximately RMB1.70 million for the nine months ended 30 September 2018 to approximately RMB2.45 million for the Period, representing a period-on-period increase of 44.06% or approximately RMB0.75 million.

Profit for the Period

As a cumulative effect of the factors above, the Group recorded profit for the Period of approximately RMB3.75 million, while the profit for the nine months ended 30 September 2018 was approximately RMB0.17 million. The period-on period increase was approximately RMB3.58 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 11 to the consolidated financial statements.

Cash position

The following table sets forth the selected cash flow information from the Condensed Consolidated Statements of Cash Flows for the nine months ended 30 September 2018 and 2019:

	For the nine months ended 30	
	September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash (used in) operating activities	(50,357)	(23,593)
Net cash (used in) investing activities	(430)	(49)
Net cash generated from financing activities	5,000	49,804
Net (decrease)/increase in cash and cash equivalents	(45,787)	26,162
Cash and cash equivalents at the end of the period	15,969	46,325

As at 30 September 2019, the cash and cash equivalents of the Group were approximately RMB15.97 million (30 September 2018: approximately RMB 46.33 million), which is mainly denominated in RMB and HKD.

Borrowings

As at 30 September 2019, the Group had bank borrowings of RMB 5.00 million (30 September 2018: nil), 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 (30 September 2018: nil). The Group did not have any unutilised banking facilities nor plans for any material external debt financing.

The Directors confirm that there has been no material adverse change in the Group's indebtedness and contingent liabilities during the Period.

Pledge of assets

As at 30 September 2019, none of the Group's assets were pledged (30 September 2018: nil).

Gearing ratio

The Group's gearing ratio as at 30 September 2019 and 31 December 2018 were as follows:

	As at 30 September 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Total interest-bearing borrowings	5,000	–
Total Equity	77,661	73,910
Gearing ratio	6.44%	N/A

DIVIDEND

The Board did not recommend the payment of any dividend for the Period (nine months ended 30 September 2018: 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 related 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 may not be able to be passed 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.

The cost of exhibition and event related services provided by suppliers takes 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 within 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

Save as disclosed in the Prospectus, the Group did not have other plans for material investments, acquisitions and capital assets during the Period.

Business strategies and implementation plan

Business strategies and implementation plan for the Period are set out as follows:

Business strategies

Implementation activities

Expand the Group's exhibition and event management services

- Development of exhibition showroom services including planning, coordination and management of exhibition showrooms at the premises or venues as agreed with our customers for a fixed contract period
- Purchase of multimedia audiovisual equipment, including but not limited to amplifiers, projectors, LCD/LED monitors, speakers and stage lighting systems. Such equipment will be used for enhancing exhibition and event management services
- Installation and/or upgrade of the Group's information technology systems and/or computer hardware and software to enhance its financial and project management capabilities

Expand the Group's existing offices and/or set up branch or representative offices in different cities and regions across the PRC

- Expansion of its offices and/or set up branch or representative offices
- Payment of rental and management fees for its expanded offices and/or branches or representative offices
- Decoration, fixture, furniture and office equipment for its expanded offices and/or branches or representative offices

Expand the Group's workforce to support its business expansion

- Recruitment of additional staff for (i) undertaking exhibition showroom services and handling the management and quality control of the Group's exhibition and event projects; (ii) strengthening its design capabilities; (iii) executing its marketing plans; and (iv) providing administration services to support its business operations
- Provision of training to existing and newly recruited staff

Strengthen the Group's marketing efforts

- Carrying out marketing and promotional campaigns in different cities and regions of the PRC

COMMITMENTS

The Group had committed to future minimum lease payments for leased offices (with a term of no more than one year) of approximately RMB0.34 million as at 30 September 2019.

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no significant contingent liabilities (30 September 2018: Nil).

HUMAN RESOURCES

As at 30 September 2019, the Group employed a total of 104 employees, among which 12 of them were at management level, all stationed in the PRC. For the Period, the staff costs (including Directors' emoluments) were approximately RMB12.81 million (nine months ended 30 September 2018: approximately RMB7.96 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 RMB3.26 million. The Group has complied with all the requirements regarding the 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.

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

The Group's credit risk is primarily attributable to trade receivables and deposits in banks. With respect to trade receivables from current customers, the Group has maintained frequent communications with points of contact of customers in order to get hold of their latest business development and financial conditions. Moreover, customers are mainly internationally branded automobile brands that are well-known both overseas and in the PRC. Taking into account also the years of business relationship the Group has developed with such customers as well as the past service fee collection history, the Directors are of the view that the credit risk with respect to current customers is low.

In relation to new customers, the Group performs credit check and analysis, including those against their financial position, past payment record and other relevant factors on these new customers before accepting their engagement or offering standard payment and delivery terms and conditions. In view of the aforementioned, the Directors are of the view that the credit risk with respect to new customers is controlled.

The Group places deposits in state-owned financial institutions in the PRC and in reputable international financial institutions. The Directors believe that these financial institutions are of high credit-quality without significant 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 third quarter of 2019, a series of policies aimed at stabilising employment, financial conditions, foreign trade, both foreign and domestic investment and managing people's expectations were launched by the Central Government to facilitate the stable operations of the PRC economy. It will help contribute to steady development across different industries, thus creating room for sustainable growth of the exhibition services industry across the country.

Facing the opportunities presented by industrial upgrade and transformation, the Group will strive to reinforce its competitive edge in areas such as service capability, customer base, promotion and marketing to deliver higher quality growth through a variety of means. The Group will augment service ability by upgrading audiovisual and IT equipment, and minimise the costs of leasing multimedia audiovisual equipment from third party suppliers at the same time. It will also enhance its exhibition showroom services to expand its service mix, including planning, coordination and management of exhibition showrooms at the premises or venues as agreed with customers for a fixed contractual period, etc. As for expanding its customer base, it will undertake various proactive moves, such as business referral and business networking as well as participation in more exhibitions and marketing events, to enlarge its market share in the automobile exhibition and event sector. In addition, the Group will explore and secure new customers in other sectors to reduce its reliance on automobile companies. In terms of promotion and marketing, the Group aims at promoting the brand through taking part in events and exhibitions, producing corporate brochures and marketing materials to distribute to potential customers, and access more extensive potential customer groups through online and offline marketing platforms and multimedia marketing channels, so as to ultimately expand revenue sources. Besides, the Group plans to seek and explore strategic acquisition opportunities, with the hope of creating synergies with existing businesses, and reinforcing its presence in the PRC exhibition and event management services industry.

Looking ahead, through implementing the aforementioned business strategies, the Group will be able to strengthen its coordination and management of exhibitions and events, aiming at improving overall customer services and experience, so it can speed up all-round business development and continue to create sustainable returns for all 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 Code Provision A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Huang Xiaodi is the Chairman and the Chief Executive Officer of the Company. Considering that Mr. Huang 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 Code Provision A.2.1 of the Code is appropriate in such circumstance.

INTEREST OF THE COMPLIANCE ADVISER

As advised by the Company’s previous compliance adviser, RaffAello Capital Limited (“RaffAello”), as at 30 September 2019, save for the compliance adviser agreement entered into between the Company and RaffAello dated 3 November 2017, neither RaffAello nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of the Company or in any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

RaffAello ceased to be the compliance adviser to the Company on 5 October 2019 and Kingsman HK Capital Limited was appointed as the compliance adviser to the Company with effect from 6 October 2019. Please refer to the Company’s announcement dated 4 October 2019 for details.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Period, the Company had not entered into any connected transaction or continuing connected transactions which is subject to the 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) 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.

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.

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 30 September 2019, the interests and short positions of the Directors and Chief Executive of the Company in the shares of the Company (the “**Shares**”), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) which are 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 are 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 and underlying shares of the Company

Director's Name	Capacity/Nature	Number of Shares Held/Interested	Percentage of Interest
Mr. Huang Xiaodi (Note 1)	Interest of controlled corporation	1,272,900,000	63.65%
Mr. Ma Yong (Note 2)	Beneficial Owner	20,000,000	1%
Mr. Yan Jinghui (Note 3)	Beneficial Owner	20,000,000	1%
Mr. Yuen Lai Him (Note 4)	Beneficial Owner	20,000,000	1%

Notes:

1. These 1,272,900,000 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 is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.
2. Mr. Ma Yong (“**Mr. Ma**”) is an executive Director. On 16 August 2019, Mr. Ma was granted 20,000,000 share options (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 20,000,000 Shares at the exercise price of HK\$0.0508 per share, subject to the terms and conditions of the Share Option Scheme.
3. Mr. Yan Jinghui (“**Mr. Yan**”) is an executive Director. On 16 August 2019, Mr. Yan was granted 20,000,000 Share Options by the Company under the Share Option Scheme entitling him to subscribe for 20,000,000 Shares at the exercise price of HK\$0.0508 per share, subject to the terms and conditions of the Share Option Scheme.
4. Mr. Yuen Lai Him (“**Mr. Yuen**”) is a non-executive Director. On 16 August 2019, Mr. Yuen was granted 20,000,000 Share Options by the Company under the Share Option Scheme entitling him to subscribe for 20,000,000 Shares at the exercise price of HK\$0.0508 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	One	100%

Save as disclosed above and so far as is known to the Directors, as at 30 September 2019, 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 are 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.

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

As at 30 September 2019, to the best knowledge of 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 are 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

Director's Name	Capacity/Nature	Number of Shares Held/Interested	Percentage of Interest
A&B Development Holding Limited (Note)	Beneficial Owner	1,272,900,000	63.65%

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

Save as disclosed above, as at 30 September 2019, 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 are 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 under the sections headed "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" and "Share Option Scheme" in this announcement, at no time during the 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 has adopted a share option scheme on 16 May 2018, details of which have been set out in the Company's annual announcement for the year ended 31 December 2018.

The movement of Share Options under the Share Option Scheme during the Period was as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per Share (HK\$)	Closing price per Share immediately before the date of grant (HK\$)	As at 1 January 2019	Number of Share Options				As at 30 September 2019
						Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	
Directors										
Mr. Ma Yong	16 August 2019	16 August 2022 to 15 August 2029 (both days inclusive)	0.0508	0.048	-	20,000,000	-	-	-	20,000,000
Mr. Yan Jinghui	16 August 2019	16 August 2022 to 15 August 2029 (both days inclusive)	0.0508	0.048	-	20,000,000	-	-	-	20,000,000
Mr. Yuen Lai Him	16 August 2019	16 August 2022 to 15 August 2029 (both days inclusive)	0.0508	0.048	-	20,000,000	-	-	-	20,000,000
Sub-total					-	60,000,000	-	-	-	60,000,000
Other Eligible Participants										
In aggregate	16 August 2019	16 August 2022 to 15 August 2029 (both days inclusive)	0.0508	0.048	-	76,000,000	-	-	-	76,000,000
Total					-	136,000,000	-	-	-	136,000,000

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 C.3.3 of the Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of external auditor, to review financial statements of the Company and make judgments in respect of financial reporting; and to oversee the effectiveness of the internal control procedures of the Group.

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

THIRD QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2019, together with the unaudited comparative figures for the respective corresponding period in 2018 as follows:

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Nine months ended 30 September	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	6	146,407	72,374
Cost of service		(136,468)	(54,815)
Gross Profit		9,939	17,559
Selling expenses		(2,614)	(1,947)
Administrative expenses		(6,786)	(15,159)
Other income	7	619	–
Other gains-net	8	5,082	1,398
Operating profit		6,240	1,851
Finance income		34	17
Finance expenses		(74)	–
Finance income/(expenses) — net		(40)	17
Profit before income tax		6,200	1,868
Income tax expense	9	(2,449)	(1,700)
Profit for the period		3,751	168
Total comprehensive income/(loss) for the period		3,751	168
Earnings per share attributable to owners of the Company			
— Basic earnings per share (in RMB cents)	10	0.21	0.01

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

THE THIRD QUARTERLY CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2019 <i>RMB'000</i> (Unaudited)	As at 31 December 2018 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,399	1,997
Deferred income tax assets		916	916
Other non-current assets		2,912	2,485
Total non-current assets		5,227	5,398
Current assets			
Trade and other receivables		33,410	43,101
Contract assets	2	90,147	11,362
Other current assets		10,208	3,740
Cash and cash equivalents		15,969	61,676
Total current assets		149,734	119,879
Total assets		154,961	125,277
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	1,277	1,277
Share premium	11	76,152	76,152
Other reserves		(6,842)	(6,842)
Retained earnings		7,074	3,323
Total equity		77,661	73,910
LIABILITIES			
Current liabilities			
Trade and other payables		63,444	43,753
Contract liabilities		3,307	3,307
Borrowings		5,000	–
Current income tax liabilities		5,549	4,307
Total current liabilities		77,300	51,367
Total liabilities		77,300	51,367
Total equity and liabilities		154,961	125,277

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018	–*	29,185	–	(7,147)	4,624	26,662
Total comprehensive loss for the year	–	–	–	–	(996)	(996)
Capitalisation issue	956	(956)	–	–	–	–
Net proceeds from issuance of ordinary shares	321	47,923	–	–	–	48,244
Appropriations to statutory reserves	–	–	–	305	(305)	–
Balance at 31 December 2018	1,277	76,152	–	(6,842)	3,323	73,910
(Unaudited)						
Balance at 1 January 2019	1,277	76,152	–	(6,842)	3,323	73,910
Total comprehensive income for the period	–	–	–	–	3,751	3,751
Balance at 30 September 2019	1,277	76,152	–	(6,842)	7,074	77,661

* The balance stated above was less than RMB 1,000.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended	
	30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(49,150)	(20,851)
Income tax paid	(1,207)	(2,742)
Net cash (used in)/generated from operating activities	(50,357)	(23,593)
Cash flows from investing activities		
– Purchases of property, plant and equipment	(450)	(729)
– Interest received	(20)	14
– Decrease in advances to Controlling Shareholder	–	666
Net cash (used in)/generated from investing activities	(430)	(49)
Cash flows from financing activities		
– Net proceeds from issuance of ordinary shares	–	49,804
– Borrowings received	5,000	–
Net cash generated from financing activities	5,000	49,804
Net cash (decrease)/increase in cash and cash equivalents	(45,787)	26,162
Cash and cash equivalents at beginning of period	61,676	20,163
Exchange gain on cash and cash equivalents	80	–
Cash and cash equivalents at the end of period	15,969	46,325

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The ultimate controlling party of the Group is Mr. Huang Xiaodi, who is also the executive director and 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 third quarterly financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated financial information for the nine months ended 30 September 2019 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 third 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 2018 issued on 22 March 2019, which has been prepared in accordance with the Hong Kong Financial Reporting Standards issued by HKICPA.

The accounting policies adopted are consistent with those of financial statement for the year ended 31 December 2018, as described in the Accountant’s report except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- **HKFRS 15 Revenue from Contract with Customers**

The group has adopted HKFRS 15 Revenue from contract with customers from 1 January 2018. In accordance with HKFRS 15, the group has contract assets recognized in relation to service contracts approximately RMB90.15 million (net of impairment allowance) as at 30 September 2019. These were related to 29 contracts completed and 24 on going contracts during the Period.

- **HKFRS 16 Leases**

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standard did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

3 CHANGES IN ACCOUNTING POLICIES

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the lease item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The Group applied the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

As of 30 September 2019, all of the commitments of the Group are relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss.

The Group has no activities as a lessor and hence does not expect any significant impact on the financial statements.

4 ESTIMATES

The preparation of the third 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 third quarterly financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in preparation of the Accountant's Report as contained in the Annual Report 2018 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 third quarterly condensed consolidated financial information does not include all financial risk management information and disclosure required in the annual financial statements, and should be read in conjunction with the Accountant's Report as contained in the Annual Report 2018 of the Group.

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

5.2 Liquidity risk

With the great growth in amounts and values of projects undertaken by the Group since the beginning of 2019, cash flow forecasting of entities in consolidating level is necessary. 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

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Automobile related exhibition and event related services	128,787	68,640
Non-automobile related exhibition and event related services	12,139	3,734
Exhibition showroom related services	5,481	–
	146,407	72,374

7 OTHER INCOME

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Agency commissions*	619	–
	619	–

* During the Period, the Group acted as an agent and introduced advertising company to its customers and earned agency commissions.

8 OTHER GAINS

	Nine months ended 30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains	80	1,398
Additional deduction of input VAT	2*	–
Government grant	5,000	–
	5,082	1,398

* 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). Benefitting from this policy, the Group has other gains of approximate RMB2,000 for the Period.

9 INCOME TAX EXPENSE

	Nine months ended	
	30 September	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax on profits for the period	2,449	2,453
Increase in deferred tax assets	–	(753)
Income tax expenses	2,449	1,700

- (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) Hong Kong profits tax rate was 16.5% (2018: 16.5%) for the Period. 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 nine months ended 30 September 2019 and 2018.
- (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.

10 EARNINGS PER SHARE

	Nine months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Total earnings attributable to shareholders (in RMB'000)	3,751	168
Weighted average number of ordinary shares in issue (thousand)	1,778,082	1,552,486
Basic earnings per share (in RMB cents)	0.21	0.01

- (a) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both years has been retrospectively adjusted for the effect of 1,499,990,000 ordinary shares allotted and issued on 16 May 2018, which were credited as fully paid to the then shareholders pursuant to the capitalisation issue immediately completing the share offering (note 11(c)), as if the capitalisation issue has been effective to the then existing ordinary shares since the beginning of each period.

(b) Diluted earnings per shares

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

11 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

	Number of shares	Value of ordinary shares US\$
Authorised:		
Ordinary shares of US\$0.0001 each upon incorporation and as at 1 January 2018(a)	500,000,000	50,000
Increased in authorised share capital on 16 May 2018(c)	19,500,000,000	1,950,000
Ordinary shares of US\$0.0001 each as at 30 September 2019	20,000,000,000	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 28 April 2017 (date of incorporation) and 30 June 2017 (a)	100	*	**	**	**
Issuance of ordinary shares (b)	9,900	1	**	29,185	29,185
Capitalisation issue (c)	1,499,990,000	149,999	956	(956)	-
Issuance of ordinary shares upon public offering (d)	500,000,000	50,000	321	47,923	48,244
As at 1 January 2019	2,000,000,000	200,000	1,277	76,152	77,429
As at 30 September 2019	2,000,000,000	200,000	1,277	76,152	77,429

* The balance stated above was less than USD 1.

** The balance stated above was less than RMB1,000.

- (a) The Company was incorporated in the Cayman Islands on 28 April 2017 with an authorised share capital of US\$50,000 divided into 500,000,000 shares of a par value of US\$0.0001 each. On the same day, 100 ordinary shares were allotted, full paid and issued.
- (b) On 27 October 2017, the Company allotted and issued 9,900 ordinary shares to Mr. Shao Riyao, Longling Capital Limited ("Longling Capital", an independent offshore investor), A&B Development Holding Limited ("A&B", a company wholly owned by Mr. Huang) and D&S Development Holding Limited ("D&S", a company wholly owned by Mr. Zhao Tao) respectively.

11 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Ordinary shares (Continued)

- (c) On 16 May 2018, the shareholders of the Company resolved to increase the authorised share capital of the Company from US\$50,000 to US\$2,000,000 by the creation of an additional of 19,500,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

Pursuant to the shareholders' resolutions of the Company dated 16 May, 2018, following conditional on the share premium account of the Company being credited as a result of the share offering, the directors of the Company were authorised to capitalise an amount of US\$149,999 standing to the credit of the share premium account of the Company by applying such sum to pay up in full 1,499,990,000 shares at par for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 14 May 2018 in proportion to their the existing shareholdings in the Company.

- (d) On 12 June 2018, the Company was listed on GEM of The Stock Exchange of Hong Kong Limited with the share offering of 500,000,000 ordinary shares of US\$0.0001 each of the Company, and the offer price is HK\$0.145 per share. The gross proceeds from the share offering were approximately RMB59 million. The total share issuance costs of the share offering were approximately RMB30 million, among which RMB11 million were recorded as a deduction of share premium.

12 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

Hong Kong, 8 November 2019

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 Lai Him; 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 Company Announcements" 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.