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Dowway Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8403)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

The Board of Directors (the “Board”) of Dowway Holdings Limited (the “Company”) is pleased to announce the audited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019. This announcement, containing the extracts of the 2019 Annual 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 the preliminary announcement of annual results.

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

This announcement will 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.

RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Dowway Holdings Limited (“**Dowway**” or the “**Company**”) announces the audited consolidated final results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**Year 2019**”) together with the comparative audited figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	RMB'000	RMB'000
Revenue	4	228,256	124,779
Cost of service		<u>(215,251)</u>	<u>(99,182)</u>
Gross profit		13,005	25,597
Selling expenses		(4,193)	(3,485)
Administrative expenses		(11,274)	(22,074)
Net impairment losses on financial and contract assets		(2,007)	(1,510)
Other income	5	334	157
Other gains — net	6	<u>5,104</u>	<u>3,435</u>
Operating Profit		969	2,120
Finance income	7	38	36
Finance expenses	7	<u>(226)</u>	<u>(10)</u>
Finance (expenses)/income — net	7	<u>(188)</u>	<u>26</u>
Profit before income tax		781	2,146
Income tax expense	8	<u>(2,034)</u>	<u>(3,142)</u>
Loss for the year		<u>(1,253)</u>	<u>(996)</u>
Total comprehensive loss for the year		<u><u>(1,253)</u></u>	<u><u>(996)</u></u>
Loss per share attributable to shareholders of the Company			
Basic and diluted loss per share (<i>in RMB cents</i>)	9	<u><u>(0.06)</u></u>	<u><u>(0.06)</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2019	2018
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,140	1,997
Right-of-use assets		1,650	–
Deferred income tax assets	13	1,087	916
Other non-current assets		281	2,485
Total non-current assets		7,158	5,398
Current assets			
Inventories		3,478	–
Trade and other receivables	10	45,626	37,040
Notes receivables		30,076	6,061
Contract assets		42,122	11,362
Other current assets		8,054	3,740
Cash and cash equivalents		25,116	61,676
Total current assets		154,472	119,879
Total assets		161,630	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		(5,987)	(6,842)
Retained earnings		1,617	3,323
Total equity		73,059	73,910

		As at 31 December	
		2019	2018
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Current liabilities			
Trade and other payables	12	75,876	43,753
Contract liabilities		2,222	3,307
Current income tax liabilities		4,269	4,307
Borrowings		5,000	–
Lease liabilities		1,204	–
		<hr/>	<hr/>
Total current liabilities		88,571	51,367
		<hr/>	<hr/>
Total liabilities		88,571	51,367
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		161,630	125,277
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE 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, events and showrooms 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’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (“**GEM**”) since 12 June 2018.

The consolidated financial statements are presented in Renminbi (‘**RMB**’), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Dowway Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 — 2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards which have been issued but not yet effective on 1 January 2019 are applicable to the Group and have not been early adopted by the Group.

Amendment to HKFRS 3	Definition of a Business ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽²⁾
Amendments to HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽³⁾
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁽¹⁾
Revised Conceptual Framework for Financial Reporting	Framework which will be used in standard-setting decisions ⁽¹⁾

⁽¹⁾ Effective for annual periods on 1 January 2020

⁽²⁾ Effective for annual periods on 1 January 2021

⁽³⁾ To be determined

3 SEGMENT INFORMATION

The Group had one single operating and reportable segment, namely the provision of exhibition and event related services, including exhibition showroom related services. Although exhibition and event related services consist of different business units of the Group, information provided to the chief operating decision-maker is at the revenue level and the Group does not allocate operating costs or assets across business units, as the chief operating decision-maker does not use such information to allocate resources or evaluate the performance of the business units. Details of the Group's revenue are set out in note 4.

The Group's revenue is derived from within the PRC, no geographical information is presented.

4 REVENUE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Exhibition and event related services	219,124	124,779
Exhibition showroom related services	9,132	–
	<u>228,256</u>	<u>124,779</u>

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Automobile related exhibition and event related services	203,356	107,877
Non-automobile related exhibition and event related services	15,768	16,902
Exhibition showroom related services	9,132	–
	<u>228,256</u>	<u>124,779</u>

5 OTHER INCOME

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Agency commissions (a)	312	157
Others	22	–
	<u>334</u>	<u>157</u>

(a) During the years ended 31 December 2019 and 2018, the Group acted as an agent and introduced advertising company to its customers and earned agency commissions.

6 OTHER GAINS — NET

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (a)	5,000	—
Foreign exchange gains — net	104	3,435
	<u>5,104</u>	<u>3,435</u>

- (a) During the year ended 31 December 2019, the Group received a reward of RMB5,000,000 from Beijing Municipal Commission of Development and Reform for its initial public offerings on GEM.

7 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest income on bank balances and deposits	38	36
Finance expenses		
Interest expense on bank borrowings	(109)	—
Interest and finance charges paid/payable for lease liabilities	(94)	—
Others	(23)	(10)
	<u>(226)</u>	<u>(10)</u>
Finance expenses — net	<u>(188)</u>	<u>26</u>

8 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Current tax on profits for the year	2,205	3,416
Increase in deferred tax assets (<i>note 13</i>)	(171)	(274)
	<u>2,034</u>	<u>3,142</u>
Income tax expense	<u>2,034</u>	<u>3,142</u>

- (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 year ended 31 December 2019, 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 year ended 31 December 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 operated in the PRC.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	781	2,146
Tax expense calculated at applicable PRC statutory tax rate of 25%	195	537
Difference in tax rates	63	–
Expenses not deductible for tax purposes	323	1,832
Tax effect of unrecognised tax losses	1,393	669
Tax effect of unrecognised temporary differences	60	104
	<u>2,034</u>	<u>3,142</u>
Tax charge	<u>2,034</u>	<u>3,142</u>

(c) **Tax losses**

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	<u>8,248</u>	<u>2,674</u>
Potential tax benefit at 25%	<u>2,062</u>	<u>669</u>

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future.

The expiry date of tax losses is as follow:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
As at 31 December 2022	<u>1,085</u>	–
As at 31 December 2023	<u>2,674</u>	2,674
As at 31 December 2024	<u>4,489</u>	–
At the end of the year	<u>8,248</u>	<u>2,674</u>

(d) **Unrecognised temporary differences**

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Provisions	<u>240</u>	<u>415</u>
Unrecognised deferred tax assets relating to the above temporary differences	<u>60</u>	<u>104</u>

Temporary difference of RMB240,000 (2018: RMB415,000) has arisen as a result of provisions for impairment of trade receivables and contract assets of a subsidiary. However, a deferred tax asset has not been recognised as the subsidiary is not likely to generate taxable income in the foreseeable future.

- (e) According to PRC tax regulations, distribution of profits earning by PRC companies since 1 January 2018 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan to require the PRC subsidiaries to distribute the remaining earnings and intends to retain them to operate and expand its business in the PRC. As a result, no deferred tax liability on withholding tax was recognised.

9 LOSS PER SHARE

(a) Basic loss per share

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 financial year.

	Year ended 31 December	
	2019	2018
Total loss attributable to shareholders (<i>in RMB</i>)	(1,253,000)	(996,000)
Weighted average number of ordinary shares in issue (<i>thousand</i>)	<u>2,000,000</u>	<u>1,778,082</u>
Basic loss per share (<i>in RMB cents</i>)	<u>(0.06)</u>	<u>(0.06)</u>

(b) Diluted loss per share

Diluted loss per share were the same as basic loss per share as the share options had anti-dilutive effect on the basic loss per share amount presented.

10 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	46,122	37,375
Less: allowance for impairment of trade receivables	<u>(3,173)</u>	<u>(2,457)</u>
Trade receivables — net	42,949	34,918
Deposits	2,219	1,472
Loan to employee	200	200
Staff advances	<u>258</u>	<u>450</u>
Trade and other receivables	<u>45,626</u>	<u>37,040</u>

At 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 90 days	37,737	28,939
91 days to 180 days	4,843	2,919
Over 180 days	<u>3,542</u>	<u>5,517</u>
	<u>46,122</u>	<u>37,375</u>

(i) **Fair values of trade receivables**

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) **Impairment and risk exposure**

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The loss allowance increased by RMB716,000 to RMB3,173,000 for trade receivables and increased by RMB1,291,000 to RMB1,829,000 for contract assets during the current reporting 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 as at 31 December 2019 and 2018			<u>20,000,000,000</u>		<u>2,000,000</u>
	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 1 January, 2018	10,000	1	–*	29,185	29,185
Capitalisation issue (a)	1,499,990,000	149,999	956	(956)	–
Issuance of ordinary shares upon public offering (b)	<u>500,000,000</u>	<u>50,000</u>	<u>321</u>	<u>47,923</u>	<u>48,244</u>
As at 31 December 2018 and 2019	<u>2,000,000,000</u>	<u>200,000</u>	<u>1,277</u>	<u>76,152</u>	<u>77,429</u>

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

- (a) 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 then existing shareholdings in the Company.

- (b) On 12 June 2018, the Company was listed on GEM 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 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	67,713	37,351
Employee benefit payables	298	1,172
Other tax payables	5,422	2,243
Others	2,443	2,987
	<u>75,876</u>	<u>43,753</u>

As at 31 December 2019 and 2018, the ageing analysis of the trade payables based on invoice date are follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
0–90 days	44,587	29,752
91–180 days	15,474	4,948
181–365 days	7,061	2,621
Over 365 days	591	30
	<u>67,713</u>	<u>37,351</u>

13 DEFERRED INCOME TAX ASSETS

As at 31 December 2019 and 2018, the deferred income tax assets recognised are expected to be recovered more than 12 months.

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances with the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provisions <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	371	271	642
Credited to consolidated statement of comprehensive income	<u>274</u>	<u>–</u>	<u>274</u>
As at 31 December 2018	<u>645</u>	<u>271</u>	<u>916</u>
As at 1 January 2019	645	271	916
Credited to consolidated statement of comprehensive income	<u>442</u>	<u>(271)</u>	<u>171</u>
As at 31 December 2019	<u>1,087</u>	<u>–</u>	<u>1,087</u>

The Group recognised the deferred tax assets of RMB1,087,000 in respect of provision for impairment of trade receivables and contract assets to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The unrecognised deferred income tax assets of provision was RMB60,000 (2018: RMB104,000) in respect of provisions amounting to RMB240,000 (2018: RMB415,000). The unrecognised deferred income tax assets of tax losses was RMB2,062,000 (2018: RMB 669,000) in respect of losses amounting to RMB8,248,000 (2018: RMB2,674,000) that can be carried forward against future taxable income for the year ended 31 December 2019. There is no material tax losses of other entities in the Group carried forward in respect of which deferred tax assets have not been accounted for.

14 DIVIDENDS

No dividend has been paid or declared by the Company during each of the years ended 31 December 2019 and 2018.

15 COMMITMENTS

The Group leases office under non-cancellable operating lease agreements expiring within eight months to eleven months. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments under non-cancellable operating leases of offices not recognised in the financial statements are payable as follows:		
Within one year	<u>–</u>	<u>517</u>
	<u>–</u>	<u>517</u>

16 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of controlling shareholder, key management and their close family member of the Group are also considered as related parties.

(a) Significant transactions with related parties

During the years ended 31 December 2019 and 2018, the Group has no significant transactions with related parties.

(b) Key management compensation

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	1,029	919
Share-based payments	181	–
Pension scheme and other social security costs	272	240
Housing benefits	113	93
Other costs and benefits	41	23
	<u>1,636</u>	<u>1,275</u>

17 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. As certain of the Group’s customers have postponed some of the contracted exhibition activities and the signing of new contracts with the Group, the level of business activities of the Group reduced significantly in the first quarter of 2020.

The directors of the Company expect that the Group’s revenue and financial performance will be affected adversely in the coming periods. The extent of the impact could not be estimated as at the date of this report.

The Group will closely monitor the latest development of the COVID-19 outbreak so as to adopt positive counter-measures to overcome any challenges arising and to assess the related impact to the Group on a continuous basis.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Throughout 2019, the risks and challenges in the domestic and foreign political and economic situations rose significantly. Although the growth rate of global economy and trade has declined, China's overall economy managed to maintain a steady growth. According to the announcement of the National Bureau of Statistics of China on 18 January 2020, the gross domestic product (GDP) of China in 2019 was close to RMB 100 trillion. The growth rate was in line with expectations and the per capita GDP was for the first time heading towards a new levels of US\$10,000.

Consumption is still the most important driving force for China's economic growth. Against this background, the volume of China's exhibition industry in 2019 steadily ranked first in the world with a continued overall trend of stable and positive development. The exhibition industry stepped into profound transformation from rapid growth to high-quality development and moved towards large-scale and centralized development. Its industrial structure and regional layout were also gradually optimized. During the year, the national strategies, such as the "Belt and Road" policy, continued to drive demand for commerce, trade and tourism and motivated cities, especially Beijing, Shanghai and Guangzhou, to actively run and participate in exhibitions. Among them, the China International Import Expo held in November 2019 had attracted worldwide attention. Other than the China International Digital Economy Expo 2019, the 4th China-Arab States Expo, the China International Big Data Industry Expo 2019, the World New Energy Vehicle Congress 2019 and the International Horticultural Expo 2019, Beijing, China had also set new records repeatedly in terms of scale of exhibitions, number of exhibitors and number of visitors. Quite a number of exhibitions have brought powerful spillover effects and driven the development of the industry chain of domestic exhibition and economy. Moreover, China's first exhibition fund was set up in Shanghai in June with a total size of RMB 3 billion. The support from capital market will enhance the acquisition, merger and investment capabilities of Chinese exhibition companies and continue to further strengthen the integration of resources.

As the largest industry in China's exhibition industry, the automobile exhibition industry has maintained a steady growth for the year ended 31 December 2019. The Shanghai International Automotive Show 2019 (the 18th Shanghai International Automotive Industry Exhibition) was successfully held in April, indicating the vitality and development potential of the Chinese automotive market. For the first time, the automobile show brought into existence a future travel zone, marking the trend of intellectualization, digitalization and cross-border integration of the industry. During the year, even though China's automobile sales experienced a downturn, the country's long-term demand for cars subsists and the trend of consumption upgrading has not changed. The market shares of SUV, new energy vehicles and high-end branded passenger cars have increased in accelerated speed, which is beneficial to the development of the exhibitions for large, mid-end and high-end branded cars.

The overall improvement of the exhibition industry has led to a steady demand for exhibition services, thus creating a huge development space for leading integrated exhibition and event management service providers with good reputation and track record, network resources, operating experience and management capacity. According to the “China’s Exhibition Economy Development Report 2019” issued by the China Council for the Promotion of International Trade, significant progress has been made in the reform of “delegating power, streamlining administration and optimizing services” of the exhibition industry in China. Commercial exhibitions will be further opened up to stimulate the vitality of the market. Among all the heavy industry exhibitions held in 2019, a total of 414 were in relation to the automobile industry, representing a year-on-year increase of 29%; the total exhibition area was 18.402 million square meters, representing a year-on-year increase of 75.6%, and ranking first in terms of number and area of exhibitions.

BUSINESS REVIEW

As one of China’s leading integrated exhibition and event management service providers, the Group mainly undertakes exhibition and event projects 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 automobile. 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.

In 2019, under the leadership of a management team with acute market awareness and rich business experience, the Group actively utilized its advantages to consolidate its strategic cooperation with internationally renowned automobile brands. Relying on an extensive supplier network and its continuous and firm implementation of strict service quality control, the Group has successfully achieved steady progress of its performance in a highly competitive and fragmented market. For the year ended 31 December 2019, the Group completed approximately 85 exhibitions and events; achieved a total revenue of approximately RMB228.26 million, representing an increase of 82.93% over the same period in 2018.

During the Year 2019, the Group allocated resources to the business segments in the exhibition service industry to enable each business segment to co-operate and provide customers with better services and experiences. On 1 April 2019, the Group established a new subsidiary, Sense and Creative Technology Co., Ltd. Its main business areas include exhibition and event design, technology development, consulting, image production and audiovisual services and it is already in operation. At the same time, the Group is also actively accelerating its strategic business expansion across the country and has made good business progress in the areas of exhibition showroom construction and event planning, which has enhanced the Group's comprehensive competitiveness and reinforced its leadership in the industry. As of 31 December 2019, the Group's business covers more than 50 cities in the Mainland China, 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 years ended 31 December 2018 and 2019.

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Revenue from automobile related exhibitions and events	203,356	89.09%	107,877	86.45%
Revenue from non-automobile related exhibitions and event related services	15,768	6.91%	16,902	13.55%
Revenue from exhibition showroom related services	9,132	4.00%	—	—
Total	228,256	100%	124,779	100%

Revenue increased from approximately RMB124.78 million for the year ended 31 December 2018 to approximately RMB228.26 million for the year ended 31 December 2019, representing a year-over-year increase of approximately 82.93% or approximately RMB103.48 million. The increase was primarily due to the increase in number of projects and amounts of contract value completed by the Group during the Year 2019.

During the Year 2019, revenue from automobile related exhibitions and events continued to be the main source of revenue for the Group, which increased from approximately RMB107.88 million for the year ended 31 December 2018 to approximately RMB203.36 million for the year ended 31 December 2019, representing a year-over-year increase of approximately 88.51% or approximately RMB95.48 million and accounting for 89.09% of the total revenue for the Year 2019.

Revenue from exhibition showroom related services for the year ended 31 December 2019 was approximately RMB9.13 million, accounting for 4% of the total revenue for the year.

Cost of service

Cost of service increased from approximately RMB99.18 million for the year ended 31 December 2018 to approximately RMB215.25 million for the year ended 31 December 2019, representing a year-over-year increase of approximately 117.03% or approximately RMB116.07 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 (iii) the additional operational lease rentals of a warehouse rented by the Group.

During the year ended 31 December 2019, the cost of exhibition and event related services provided by suppliers increased from approximately RMB88.87 million for the year ended 31 December 2018 to approximately RMB194.61 million for the year ended 31 December 2019, representing a year-over-year increase of approximately 119.00% or approximately RMB105.75 million, accounting for 90.41% of the total cost of service for the year ended 31 December 2019.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2019 was approximately RMB13.01 million, representing a year-on-year decrease of around 49.19% or approximately RMB12.59 million as compared with approximately RMB25.60 million for the year ended 31 December 2018. For the year ended 31 December 2019, the Group's gross profit margin was approximately 5.70%, as compared with 20.51% for the corresponding financial year in 2018. The Group's gross profit and gross profit margin recorded a decrease primarily due to (i) the increase in staff costs arising from business expansion; (ii) the decision to adopt a very competitive pricing strategy in order to broaden the customer base of the Group amid a challenging business environment in the PRC.

Selling expenses

Selling expenses for the year were approximately RMB4.19 million, representing a year-over-year increase of approximately 20.32% or approximately RMB0.71 million as compared to selling expenses of approximately RMB3.49 million for the year ended 31 December 2018. The increase in selling expenses was primarily due to the growth of staff costs to expand business.

Administrative expenses

Administrative expenses for the year ended 31 December 2019 were approximately RMB11.27 million, representing a year-over-year decrease of approximately 48.93% or approximately RMB10.80 million as compared to administrative expenses of approximately RMB22.07 million for the year ended 31 December 2018. The decrease in administrative expenses was primarily due to a one-time listing expense of approximately RMB7.62 million was incurred for the year ended 31 December 2018 and there was no such listing expense during the Year.

Other income

Other income increased from approximately RMB0.16 million for the year ended 31 December 2018 to RMB0.33 for the year ended 31 December 2019. Other income for the years ended 31 December 2018 and 2019 mainly represented the agency commissions received.

Other gains — net

Other gains for the year ended 31 December 2019 of approximately RMB5.10 million, was mainly as a result of a one-off governmental grant of RMB5.00 million by the PRC government for its initial public offerings on the GEM.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income remained relatively stable during 2018 and 2019.

Finance expenses

Finance expenses mainly represented interest expenses on bank borrowings and interest expense of lease liabilities. During the year, the Group's finance expenses was approximately RMB226,000 (for the year ended 31 December 2018: RMB10,000).

Profit before income tax

As a result of the foregoing, the Group recorded profit before income tax of approximately RMB0.78 million for the year ended 31 December 2019 representing a year-over-year decrease of approximately 63.61% or approximately RMB1.37 million as compared with approximately RMB2.15 million for the year ended 31 December 2018, which was mainly due to (i) increase in staff costs arising from business expansion and the Board's decision to adopt a very competitive pricing strategy in order to broaden the customer base of the Group amid a challenging business environment in the PRC as well as an increase in the transportation and logistics expenses, which collectively led to a decrease in the Group's gross profit by approximately RMB12.59 million for the year ended 31 December 2019, as compared to the corresponding financial year in 2018; and (ii) an increase in net impairment losses on financial and contract assets by approximately RMB0.5 million. The effect of decrease in gross profit and increase in net provision losses in financial and contract assets is partially offset by the decrease in administrative expenses incurred during the year.

Income tax expense

Income tax expense decreased from approximately RMB3.14 million for the year ended 31 December 2018 to approximately RMB2.03 million for the year ended 31 December 2019, representing a year-over-year decrease of approximately 35.26% or approximately RMB1.11 million.

Loss for the period

As a cumulative effect of the factors cited above, the Group recorded net loss of the year ended 31 December 2019 of approximately RMB1.25 while the net loss was approximately RMB1.0 million for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The change in capital structure of the Group for the year ended 31 December 2019 is set out in note 11.

Cash position

The following table sets forth the selected cash flow data from the Consolidated Statements of Cash Flows for the years ended 31 December 2018 and 2019.

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net Cash Used in Operating Activities	39,473	5,877
Net Cash Used in Investing Activities	447	2,570
Net Cash Generate from Financing Activities	3,039	49,804
Net Increase/(decrease) in Cash and Cash Equivalents	(36,881)	41,357
Cash and Cash Equivalents at the end of the Year	<u>25,116</u>	<u>61,676</u>

As at 31 December 2019, cash and cash equivalents of the Group were approximately RMB25.12 million (as at 31 December 2018: approximately RMB61.68 million), which was mainly denominated in RMB and Hong Kong dollars, recording a decrease of approximately 59.28% as compared with that as at 31 December 2018, primarily due to the usage of net proceeds from the share offering.

Net Current Assets

The Group recorded net current assets of approximately RMB65.90 million as at 31 December 2019, while the net current assets as at 31 December 2018 was approximately RMB68.51 million.

Treasury Policies

The Group adopts a prudent approach in respect of treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group. The Group will continue to strengthen its policies to manage the operating cash flows, in particular, in the area of billing to and collecting from customers and payment to suppliers, to fulfil the needs of its daily operation and manage the liquidity risk.

Borrowings

As at 31 December 2019, the Group had bank borrowings of RMB5.0 million under a credit agreement (31 December 2018: nil). Pursuant to the agreement, the Group is granted with a credit limit up to RMB5.0 million during the period from 17 May 2019 to 16 May 2021. The Group did not have any other outstanding bank overdrafts, debt securities, term-loan borrowings, other similar indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees outstanding (31 December 2018: nil). The Group did not have any other unutilised banking facilities nor plans for any material external debt financing.

Save for the above, the Directors confirm that there has been no material adverse change in the Group's indebtedness and contingent liabilities for the year ended 31 December 2019.

Pledge of assets/charge on assets

As at 31 December 2019, none of the Group's assets were pledged or charged (31 December 2018: nil).

Gearing ratio

The Group's gearing ratio as at 31 December 2019 (31 December 2018: nil) were as follows:

	2019	2018
	RMB'000	RMB'000
	(Audited)	(Audited)
Total interest-bearing borrowings	5,000	–
Total Equity	73,059	73,910
Gearing ratio	6.84%	–

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: nil).

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERINGS

The Company raised a total of HK\$72.50 million in gross proceeds after the completion of the initial public offering on 12 June 2018 (the “**Listing Date**”), and the net proceeds amounted to HK\$36.74 million after deducting underwriting commissions and professional service fees in relation to the Share Offer. The Company has been applying the net proceeds according to the “Use of Proceeds” stated in the prospectus of the Company dated 29 May 2018. Uses of net proceeds as at 31 December 2019 are listed as follows:

	Planned use of proceeds <i>HK\$'000</i>	Percentage of net proceeds	Actual use of proceeds from the Listing Date up to 31 December 2019 <i>HK\$'000</i>	Percentage of net proceeds	Unutilized net proceeds as at 31 December 2019 <i>HK\$'000</i>	Percentage of net proceeds
Expand exhibition and event management services	12,972	35.7%	10,843	29.8%	2,129	5.9%
Expand existing offices and/or set up branch or representative offices in different cities and regions across the PRC	3,016	8.3%	844	2.3%	2,172	6.0%
Expand the Group’s workforce to support its business expansion	13,372	36.8%	7,174	19.8%	6,198	17.0%
Strengthen the Group’s marketing efforts	3,343	9.2%	0	0.0%	3,343	9.2%
Working capital and other general corporate purpose	3,634	10.0%	2,724	7.5%	910	2.5%
Total	<u>36,337</u>	<u>100%</u>	<u>21,585</u>	<u>59.4%</u>	<u>14,752</u>	<u>40.6%</u>

The Directors will continually evaluate the Group’s business strategies in line with market conditions, to support business growth of the Group.

The unutilized balances of approximately HK\$14.75 million had been deposited in licensed banks in Hong Kong and the PRC.

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 outbreak of COVID-19 or any other natural disasters or infectious diseases may severely affect and restrict the level of economic activity in the PRC 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 or commitments for material investments, acquisitions and capital assets as at 31 December 2019.

Business strategies and implementation plan

For the year ended 31 December 2019, business strategies and implementation plan are set out as follows:

Business strategies	Implementation activities
Expand the Group's exhibition and event management services	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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

Business strategies

Expand the Group's workforce to support its business expansion

Implementation activities

- 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 minimum lease payments under non-cancellable operating leases of offices not recognised in the financial statements as payables is nil as at 31 December 2019 (for the year ended 31 December 2018: RMB517,000).

Significant investments, material acquisitions and disposals related to the subsidiaries, associates and joint ventures

During the Year, the Group did not have any significant investments, material acquisitions or disposals related to the subsidiaries, associates and joint ventures (2018: same).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (as at 31 December 2018: nil).

HUMAN RESOURCES

As at 31 December 2019, the Group employed a total of 93 employees (for the year ended 31 December 2018: 109), among which 12 of them were at management level, all stationed in the PRC. For the year ended 31 December 2019, the staff costs (including Directors' emoluments) were approximately RMB17.02 million (for the year ended 31 December 2018: approximately RMB11.03 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 year ended 31 December 2019, the total amount contributed to social security insurance and housing provident funds by the Group was approximately RMB3.84 million. The Group has complied with all 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 year ended 31 December 2019, 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, 71.4% of which are in turn derived from main customers that are renowned automobile companies. Should there be change in the strategic relationships with these main customers that might cause change in the cooperative arrangements; or if they experience financial difficulties themselves which in turn causes difficulties in their settling payables to the Group, the Group's revenue from those automobile companies might be adversely affected due to deterioration in recoverability of trade receivables from them.

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

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

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

LIQUIDITY RISK

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

For the year ended 31 December 2019, no significant investment was held by the Group. As at the date of this annual results announcement, save for the plans under "Future Plans and Use of Proceeds" detailed in the Company's prospectus dated 29 May 2018, the Group had no other future plans for material investments or capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2019 (2018: same).

OUTLOOK

The National Bureau of Statistics announced that China's GDP in 2019 increased by 6.1% year-on-year. On the whole, the national economy in 2019 continued to maintain an overall stable development trend with steady growth, bringing sustainable room of growth to the exhibition service industry in China. Meanwhile, as a result of the current slowdown in the growth of the world's economy and trade, the increased sources of turbulence and risk factors, intertwined by the domestic structural, systemic and cyclical issues, and the impact brought by the new coronavirus pneumonia epidemic, the downward pressure on the economy remains high.

Facing the opportunities for industry upgrading and transformation, the Group will continue to maintain its existing competitiveness in various aspects such as service capabilities, customer base and promotion and marketing strength, and adopt a multi-pronged approach to improve profitability. The Group will also deepen its exhibition showroom services to expand its service portfolio, including the planning, coordinating and managing the sites or the exhibition showroom at the venues agreed with customers during fixed contract periods. With regard to expanding the customer base, the Group will continue to expand its market share in automobile exhibitions and events through business referrals and business networks, and participate in more marketing activities. At the same time, it will seek to reach out to customers in other industries to expand its business diversification and reduce reliance on a single business target. With regard to promotion and marketing, the Group aims to promote brands through participation in events and exhibitions, compiling company brochures and marketing materials to distribute to potential customers, and widening marketing platforms and multimedia channels to reach a wider potential customer base so as to extend the source of income. In addition, the Group plans to seek and consider opportunities of strategic acquisition with a view to generating synergies with existing businesses and further enhancing the Group's position in the market of exhibition and event management services industry in China.

In the first quarter of 2020, due to the impact of the new coronavirus pneumonia epidemic in China, the upstream demand of the Mainland's convention and exhibition industry plummeted. In the worst cases, the scheduled convention and exhibition activities would be forced to be cancelled, bringing impact to the Mainland's convention and exhibition industry. But up to the date of this announcement, there is not any indication that the Group's clients would cancel the arranged exhibition activities. However, at the same time, the organizers of the local conventions and exhibitions have successively issued announcements about the postponement of the exhibition and the organizers of the conventions have drawn up emergency plans right away to minimize their losses. At the macro level, the central bank mitigated the impact brought by the epidemic through injecting liquidity into the market and cutting interest rates. The local governments of Zhejiang Province, Shanghai and other places have successively introduced measures to provide financial support for SMEs, reduce financing costs, corporate taxes burdens to mitigate the impact of the epidemic. Against this backdrop, 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.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting of the Company will be held on 6 May 2020 (Wednesday), the transfer books and Register of Members of the Company will be closed from 29 April 2020 (Wednesday) to 6 May 2020 (Wednesday), both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the Annual General Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 28 April 2020 (Tuesday).

CORPORATE GOVERNANCE PRACTICE

During the year ended 31 December 2019, 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 of the Code.

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.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings during the year ended 31 December 2019.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the GEM Listing Rules, was held by the public at all times during the year ended 31 December 2019 and as at the latest practicable date prior to the issue of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company on the Stock Exchange or any other stock exchange, by private arrangement, or by way of grant offer during the year ended 31 December 2019.

IMPORTANT EVENT SINCE THE END OF THE REPORTING YEAR

Following the outbreak of the COVID-19, the level of business activities of the Group reduced significantly in the first quarter of 2020 because customers postponed their exhibition activities. The Group will closely monitor its financial condition and funding requirement in order to capture further business opportunities and the prevailing unstable economic environment.

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

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Leung Fai, Mr. Gao Hongqi and Ms. Xu Shuang. Mr. Yu Leung Fai is the chairman of the Audit Committee. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2019.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has discussed with the Company's management and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019. The work performed by PricewaterhouseCoopers in this respect was limited and did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.dowway-exh.com. The annual report of the Company for the year ended 31 December 2019 containing all information required by the GEM Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board
Dowway Holdings Limited
Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 March 2020

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.