



DOWWAY HOLDINGS LIMITED

天平道合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8403

THIRD
QUARTERLY
REPORT
2018

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

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

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CHAIRMAN'S STATEMENT

To all shareholders,

On behalf of the Board (the "Board") of Dowway Holdings Limited (collectively with its subsidiaries, the "Group"), I am pleased to present the Group's unaudited third quarterly results for the nine months ended 30 September 2018 (the "Period").

The Group is a leading integrated exhibition and event management service provider in the PRC. The Group is mainly engaged in design, planning, coordination and management services for exhibitions and events in the PRC. Our business covers over 40 cities in the PRC. Great reputation and a solid customer foundation have been established. Since 2009, the Group has been providing integrated exhibition and event management services to automobile companies, for facilitating showcases, promotion and/or sales of various world-renowned automobile brands. It also undertakes projects related to automobile exhibitions and events from non-automobile companies. According to a report prepared by Frost & Sullivan (an independent market research and consulting company) (the "F&S Report"), in 2017, in terms of total revenue of automobile exhibition services, the Group was the fourth largest player in the highly fragmented automobile exhibition services market in the PRC. The Group also offers services in relation to different promotional, commercial and private events (e.g. award ceremonies, film promotional activities and press conferences).

In the first three quarters of 2018, the PRC economy remained sound, with GDP up 6.7% year-on-year, according to the National Bureau of Statistics. The macro-economy was growing steadily and favouring all industries, and the supportive government policies has fuelled the growth of the domestic exhibition industry. As a whole, the industry continued to top the list in the world, boosting market demand for exhibition services in the country. The automobile exhibition services market has been growing quickly due to the increased output and sales of new automobile models. During the reporting period, the Group was able to seize the golden trend in the midst of development of the exhibition and related service industry in the PRC. The Group was dedicated to strengthen the quality of our exhibition and event management services, aiming to uphold our leading position in PRC's relevant industry.

For the nine months ended 30 September 2018, the Group undertook 58 exhibition and event projects while 44 of them were completed, realizing a revenue of approximately RMB72.37 million, representing a period-on-period increase of 20.46% or about RMB12.29 million. During the Period, the gross profit grew steadily by 9.27% to approximately RMB17.56 million period-on-period and its gross profit margin was 24.26%. The Group recorded profit attributable to owners of the Company of approximately RMB0.17 million for the nine months ended 30 September 2018 even though the administrative expenses had increased to RMB15.16 million, of which listing expenses was one of the reasons of increment. The Board does not recommend payment of dividend for the nine months ended 30 September 2018.

CHAIRMAN'S STATEMENT

The Group adheres to a “customer-oriented” principle and aims for “quality and highly effective, partnering for win-win” development. It pays attention to and timely seizes the new opportunities in the developing exhibition services market in the PRC, and is also active in expanding its exhibition and event management services and customer base, improving brand reputation, stepping up marketing efforts, exploring strategic acquisition opportunities and setting up branches and/or representative offices in different cities and regions in the PRC for capturing opportunities. The Group made an effort to stand out and become one of the market leaders in the highly competitive exhibition and event management service industry in the PRC.

In order to undertake building decoration works when providing exhibition showroom services, the Group had applied to the Beijing Huairou District Commission of Housing and Urban-Rural Development for the Grade II qualification for building decoration under the Qualification Standards for Construction Enterprises (《建築業企業資質標準》) and such qualification has been obtained in May 2018.

2018 is a milestone year for the Group. The Group was listed on GEM of the Stock Exchange on 12 June 2018, (“Listing Date”) starting a new chapter of the Group’s development. On behalf of the Board, I would like to express my gratitude to all shareholders, customers and business partners for their unrelenting trust and support, and also our management team and staff for their valuable contribution to the Group’s development.

Chairman, Chief Executive Officer and Executive Director

Huang Xiaodi

Hong Kong, 8 November 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first three quarters of 2018, the exhibition industry in the PRC remained sound fundamentally with the overall scale expanding gradually. The three major performance indicators: total number, area and revenue, were rapidly growing and gathering momentum, spurring greatly demand for exhibition services in the domestic market.

The thriving PRC economy has stimulated prosperous development of different industries and that in turn has driven growth of the local exhibition industry to world-leading scale. Also, factors such as supportive national policies, rising disposable income per capita and demand for cultural enrichment, and development of the Internet presenting more advertising and promotional channels have kept the total number, area and revenue of exhibitions on a steadily upward trend. According to the 2017 China Exhibition Statistics Report issued by Statistics Department of China Convention and Exhibition Society (CCES) (the “CCES Statistics Report”), up to 10,358 exhibitions were held in the PRC in 2017 and with a total exhibition area of 142.85 million sq.m.. According to the F&S Report prepared by Frost & Sullivan (an independent market research and consulting company), the total revenue of the PRC exhibition industry reached RMB578 billion in 2017.

Urbanization and improving living standard continuously stimulate the output and sales of new automobiles, automobile exhibitions have become the largest sector in the entire exhibition industry in the PRC. According to the CCES Statistics Report, 555 automobile exhibitions in terms of passenger vehicles with total exhibition area of 15.24 million sq.m. were held in 2017. The F&S Report pointed out, with the total number and area of automobile exhibitions on steady climb, the PRC automobile exhibition industry achieved total revenue of RMB58 billion in 2017.

At the pull of the rapidly growing exhibition industry, the demand for exhibition services has also continued to rise. Simultaneously, the “Opinions for Further Promotion of The Reformation and Development of Exhibition Industry” issued by the State Council in 2015, supporting the development of the PRC exhibition industry, came into effect, as well as the nationwide increase in the construction of the exhibition venues in response to the national exhibition demands, larger exhibition areas and its related infrastructures, it creates a tremendous room for growth for leading exhibition service providers with strong reputation, track records, network resources, operational experiences and management capability.

BUSINESS REVIEW

The Group is a leading integrated exhibition and event management service provider in the PRC. It mainly serves as project manager for exhibitions and events and provides a comprehensive range of related services including design, planning, coordination and management of exhibitions and events covering theme, stage and venue design and overall planning, feasibility study, procurement of construction materials and equipment, project management, liaison 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 on-site supervision. Depending on customers’ requests and subjects of exhibitions and events, the Group provides integrated management services which include design, planning, coordination and management of construction and installation works. It may also, upon request, design specific themes for relevant exhibitions and events and coordinate with different suppliers to implement for executing design and layout plans, in accordance with the types and objectives of the exhibition or event.

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2009, the Group has been providing integrated exhibition and event management services for facilitating showcases, promotion and/or sales of various world-renowned automobile brands. The Group maintains a reputable customer base comprising Lamborghini, Volkswagen and other international automobile brands. The Group also takes on projects related to automobile exhibitions and events from non-automobile companies. In terms of revenue, automobile companies accounted for the largest portion of all exhibitions and events among the Group. According to the F&S Report, in terms of total revenue of automobile exhibition services in 2017, the Group ranked the fourth largest player in the highly fragmented automobile exhibition services market in the PRC, with a market share of around 1.3%. In addition, the Group also provides services for promotional, commercial and private events like award ceremonies, film promotional events and press conferences.

In addition to the leadership of an experienced management team with industry expertise, the Group has a proven track record of providing integrated exhibition and event management services, the ability to maintain solid relationship with internationally renowned automobile brands, its consistently stringent quality control and high standard of service, and an extensive network of and cooperation track record with various suppliers. These strengths allowed the Group to achieve excellent results and stand out from the highly competitive exhibition service market in the PRC. For the nine months ended 30 September 2018, the Group completed 44 exhibitions and events, among the total of about 58 projects obtained in the PRC with aggregate revenue reaching approximately RMB72.37 million. As at 30 September 2018, the Group had a business footprint covering over 40 cities 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 2017 and 2018:

| | For the nine months ended 30 September | | | |
|--|--|---------------|------------------------|--------|
| | 2018 | | 2017 | |
| | RMB'000 (Unaudited) | % | RMB'000 (Unaudited) | % |
| Revenue from automobile related exhibitions and events | 68,640 | 94.84% | 56,834 | 94.60% |
| Revenue from non-automobile related exhibitions and events | 3,734 | 5.16% | 3,246 | 5.40% |
| Total | 72,374 | 100% | 60,080 | 100% |

Revenue increased from approximately RMB60.08 million for the nine months ended 30 September 2017 to approximately RMB72.37 million for the nine months ended 30 September 2018, representing a period-on-period increase of approximately 20.46% or approximately RMB12.29 million. Such increase was primarily due to the increase in number of exhibition and event projects undertaken by the Group, from 36 for the nine months ended 30 September 2017 to 58 for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, revenue from automobile related exhibitions and events continued to be the main source of revenue for the Group, which increased from approximately RMB56.83 million for the nine months ended 30 September 2017 to approximately RMB68.64 million for the nine months ended 30 September 2018, representing a year-over-year increase of approximately 20.77% or approximately RMB11.81 million, accounted for 94.84% of the total revenue.

COST OF SERVICE

The Group's cost of service mainly comprises (i) cost of exhibition and event related services provided by suppliers (including but not limited to the costs of human resources, construction materials and equipment); (ii) staff costs; (iii) transportation and logistics expenses; (iv) travelling expenses; and (v) depreciation of property, plant and equipment. The following table sets forth the breakdown of cost of service for the nine months ended 30 September 2017 and 2018:

| | For the nine months ended 30 September | |
|---|--|---------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Cost of exhibition and event related services provided by suppliers | 49,267 | 39,989 |
| Staff costs | 3,478 | 2,082 |
| Depreciation of property, plant and equipment | 331 | 331 |
| Office supplies | 213 | 23 |
| Subsidies paid to our staff | 21 | 28 |
| Travelling expenses | 1,205 | 991 |
| Transportation and logistics expenses | 254 | 565 |
| Others | 46 | 2 |
| Total | 54,815 | 44,011 |

Cost of service increased from approximately RMB44.01 million for the nine months ended 30 September 2017 to approximately RMB54.82 million for the nine months ended 30 September 2018, representing a period-on-period increase of approximately 24.55% or approximately RMB10.80 million. Such increase was primarily due to the increase in the number of exhibition and event projects undertaken by the Group, leading to the overall increase in the cost of exhibition and event related services provided by suppliers.

During the Period, cost of exhibition and event related services provided by suppliers remained to be the major component of the Group's cost of service, which increased from approximately RMB39.99 million for the nine months ended 30 September 2017 to approximately RMB49.27 million for the nine months ended 30 September 2018, representing a period-over-period increase of approximately 23.21% or approximately RMB9.28 million, accounted for 89.88% of the total cost of service for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's gross profit (revenue less cost of service) for the nine months ended 30 September 2018 was approximately RMB17.56 million, representing a period-over-period increase of approximately 9.27% or approximately RMB1.49 million as compared to gross profit of approximately RMB16.07 million for the nine months ended 30 September 2017. The increase in gross profit was mainly attributed to the increase in revenue during the nine months ended 30 September 2018.

For the nine months ended 30 September 2018, the Group's gross profit margin was approximately 24.26%. The Group's gross profit margin recorded a slight decrease primarily due to (i) the increase in cost of exhibition and event related services provided by suppliers; and (ii) the increase in staff costs as a result of recruitment of staff for business expansion.

Administrative expenses

Administrative expenses for the nine months ended 30 September 2018 were approximately RMB15.16 million, representing an increase of approximately 47.04% or RMB4.85 million as compared to administrative expenses of approximately RMB10.31 million for the nine months ended 30 September 2017. The increase in administrative expenses was primarily due to (i) the one-off listing expenses of approximately RMB7.62 million incurred for the nine months ended 30 September 2018; and (ii) the increase in the staff costs for business expansion.

Other Income

Other income decreased from approximately RMB69,000 for the nine months ended 30 September 2017 to nil for the nine months ended 30 September 2018. The Group did not hold any investment product for the nine months ended 30 September 2018 and therefore no other income was yielded from the investment product, resulting in the decrease in other income.

Other gains-net

Other gains for the nine months ended 30 September 2018 consist of income amounting to approximately RMB1.40 million as a result of foreign exchange gains.

Profit before income tax

As a result of the foregoing, the Group recorded profit before income tax of approximately RMB1.87 million for the nine months ended 30 September 2018, representing a period-over-period decrease of approximately 43.50% or approximately RMB1.44 million as compared to profit before income tax of approximately RMB3.31 million for the nine months ended 30 September 2017, which was mainly due to the increase of administrative expenses resulted from the increase of listing expenses and the increase in staff cost as mentioned above, partially offset by the increase of approximately RMB1.49 million of gross profit of as mentioned above.

Income tax expenses

Income tax expense decreased from approximately RMB1.83 million for the nine months ended 30 September 2017 to approximately RMB1.70 million for the nine months ended 30 September 2018, representing a period-over-period decrease of approximately 7.26% or RMB0.13 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/loss for the period and net profit/loss margin

As a cumulative effect of the above, the Group recorded net profit for the period attributable to owners of the Company of approximately RMB0.17 million for the nine months ended 30 September 2018, while the profit for the period attributable to owners of the Company was approximately RMB1.48 million for the nine months ended 30 September 2017, representing a period-on-period decrease of 88.63% or RMB1.31 million. The loss was primarily due to one-off listing expenses of approximately RMB7.62 million and the increase in staff cost resulted from business expansion.

LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

The changes in the capital structure of the Group from 1 January 2018 to 30 September 2018 are set out in note 10 to the condensed financial statements.

Borrowing

At 30 September 2018, the Group did not have any bank overdrafts, unutilised banking facilities, debt securities, term-loan borrowings, other similar indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees outstanding (30 September 2017: nil). The Group did not have any unutilized 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 for the nine months ended 30 September 2018.

Pledge of assets

At 30 September 2018, none of the Group's assets were pledged (30 September 2017: nil).

Gearing ratio

At 30 September 2018, the Group's gearing ratio was nil (30 September 2017: nil).

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in 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 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 makes up a significant portion of the Group's cost of service. The following uncertainties may affect the Group's 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 price may surge 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 overall market situation. Failure to execute expansion strategy effectively may lead to increase in costs, inefficient operation flow and decline in profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS, ACQUISITIONS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 29 May 2018 (the "Prospectus"), the Group did not have other plans for material investments, acquisitions and capital assets from the Listing Date to 30 September 2018.

The comparison between Business strategies and implementation progress

The analysis of the implementation of business strategies and the planned use of proceeds from the Listing Date to 30 September 2018 will be disclosed in the annual report for the year ended 31 December 2018.

CONTINGENT LIABILITIES

At 30 September 2018, the Group had no significant contingent liabilities (at 30 September 2017: Nil).

HUMAN RESOURCES

At 30 September 2018, the Group employed a total of 99 employees, among which 10 of them were at management level, all stationed in the PRC. For the nine months ended 30 September 2018, the staff costs (including Directors' emoluments) was approximately RMB7.96 million (for the nine months ended 30 September 2017: approximately RMB3.65 million). The Group conducted periodic performance review with employees and determine their salaries, benefits and discretionary bonuses based on factors including qualifications, contributions, year 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 the nine months ended 30 September 2018, the total amount of social security insurance and housing provident fund required to be contributed by the Group was approximately RMB1.90 million. Our PRC legal advisor has confirmed that for the nine month ended 30 September 2018, the Group has complied with all the applicable social security insurance and housing provident fund obligations applicable to the Group under the PRC laws and regulations.

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

The Group has maintained a good working relationship with employees. During the Track Record Period, the Group has not experienced any significant labour disputes which have had or are likely to have a material adverse impact on business, financial conditions and results of operations.

FOREIGN EXCHANGE RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 at customers in order to get hold of their latest business development and financial conditions. Moreover, customers are mainly international automobile brands, and they have established a solid foundation both at home and abroad. Taking into account the years of business relationship the Group has developed with such customers, as well as the past service fee collection history, 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, 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. Directors believe that these financial institutions are of high credit-quality without significant credit risk.

LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet liquidity requirements in the short and long run. The Group monitors liquidity position through rolling forecasts of liquidity requirements in order to ensure the Group has sufficient cash to satisfy operational needs.

PROSPECTS

In the fourth quarter of 2018, as macroeconomic conditions in China and the exhibition services industry are expected to develop well, and the influence of the US-China trade war on the global economy is still limited, the Group remains cautiously optimistic about the development of the exhibition services industry in the PRC.

In the long run, Chinese government's "Belt and Road" initiative is expected to foster closer ties between China and countries along the route, providing a platform for advertisement, promotion, and communication for the exhibition industry in the PRC, thereby possibly creating abundant growth opportunities for domestic exhibition services market. Meanwhile, in light of the exponential growth in technological development, new technologies of display, communication, and digital transformation are increasingly adopted by the exhibition industry in the PRC, accelerating the enrichment and development in exhibition technologies, potentially increasing per unit yield for exhibitions, and thus creating value growth opportunities for Chinese exhibition service providers.

MANAGEMENT DISCUSSION AND ANALYSIS

With a vision to becoming China's top exhibition and event management company, the Group will continue to fully utilize its existing competitive edges to launch a series of strategic initiatives. The Group is planning to expand its exhibition and event management services, on one hand developing exhibition showroom services which include planning, coordination and management of exhibition showrooms in the premises or venues as agreed with customers for a fixed contractual period, but on the other hand purchasing multimedia audiovisual equipments to enhance service quality and at the same time minimizing the leasing costs of such multimedia audiovisual equipments from third party suppliers. The Group is also planning to expand its customer base. By making the most out of business referrals and our business network and partaking in more exhibition and marketing events, the Group will expand its market share among its existing and potential customers. Exploration of new customers in other industries will also be carried out to increase market share in terms of exhibitions and events in other industries. Furthermore, the Group seeks to further promote its brand, improve its brand recognition and uplift its marketing efforts, specifically through participating in events and exhibitions to promote its brand, preparing company brochures and marketing materials for distribution to potential customers, and enhancing the publicity of its brand through various online and offline platforms and multimedia channels. In addition, the Group intends to selectively pursue and explore strategic acquisition opportunities in order to create synergies with its existing business. To timely capture opportunities, the Group also plans to expand the Guangzhou branch office with one additional office and establish one additional office as representative office in Tianjin, and station its staff members in these offices to promote the Group's exhibition and event management services.

Looking forward, the Group seeks to further consolidate and strengthen its leading position in China's exhibition and event management services industry through carrying out the aforementioned plans. The Group will continue to enhance its standard of coordination and management of all types of exhibitions and events, grasp the development opportunities of China's exhibition industry, and cater to the ever-changing needs of customers from all aspects, in a bid to strive for more substantial investment returns for the Group's shareholders.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

During the period from the Listing Date to 30 September 2018, 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

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

INTEREST OF THE COMPLIANCE ADVISER

As advised by the Group’s compliance adviser, RaffAello Capital Limited (the “Compliance Adviser”), as at 30 September 2018, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 3 November 2017, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Group 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.

COMPETING BUSINESS

During the period from the Listing Date to 30 September 2018, none of the Directors, controlling shareholders or substantial shareholders of the Company, nor any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 September 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

OTHER INFORMATION

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

At 30 September 2018, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

| Director's Name | Capacity/Nature | Number of Shares held/ interested | Percentage of interest |
|-------------------------|------------------------------------|-----------------------------------|------------------------|
| Mr. Huang Xiaodi (Note) | Interest of controlled corporation | 1,272,900,000 | 63.65% |

Note: 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. Therefore, Mr. Huang Xiaodi is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

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, at 30 September 2018, none of the Directors and 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 corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION

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

At 30 September 2018 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

| Names | 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 Xiaodi. Therefore, Mr. Huang Xiaodi is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

Save as disclosed above, as of 30 September 2018, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Period and up to the date of this report was the Company 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 Company has adopted a share option scheme on 16 May 2018. From the date of adoption of such share option scheme to 30 September 2018, no share option was granted, exercised or cancelled and there is no outstanding share option as at 30 September 2018.

OTHER INFORMATION

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 period from the Listing Date to 30 September 2018.

AUDIT COMMITTEE

The Company has established 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 Corporate Governance 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 our Company and 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. Ng Yuk Yeung, Mr. Gao Hongqi and Ms. Xu Shuang. Mr. Ng Yuk Yeung is the chairman of the audit committee. The audit committee has reviewed the unaudited third quarterly financial statements of the Group for the nine months ended 30 September 2018.

By order of the Board
Dowway Holdings Limited
Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 8 November 2018

As at the date of this report, the executive Directors are Mr. Huang Xiaodi, Mr. Ma Yong and Mr. Yan Jinghui; and the independent non-executive Directors are Ms. Xu Shuang, Mr. Gao Hongqi and Mr. Ng Yuk Yeung.

The board of directors of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2018, together with the unaudited comparative figures for the respective corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Nine months ended 30 September | |
|---|------|-----------------------------------|--------------------------------|
| | | 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
| Revenue | 6 | 72,374 | 60,080 |
| Cost of service | | (54,815) | (44,011) |
| Gross profit | | 17,559 | 16,069 |
| Selling expenses | | (1,947) | (2,401) |
| Administrative expenses | | (15,159) | (10,308) |
| Other income | | — | 69 |
| Other gains — net | | 1,398 | (2) |
| Operating (loss)/profit | | 1,851 | 3,427 |
| Finance income | | 17 | 13 |
| Finance expenses | | — | (129) |
| Finance income/(expenses) — net | | 17 | (116) |
| (Loss)/profit before income tax | | 1,868 | 3,311 |
| Income tax expense | 7 | (1,700) | (1,833) |
| (Loss)/profit for the period | | 168 | 1,478 |
| Total comprehensive (loss)/income for the period | | 168 | 1,478 |
| Earnings per share attributable to owners of the Company | | | |
| — Basic (losses)/earnings per share (in RMB) | 8 | —* | 0.10 |

* The balance stated above was less than RMB0.01.

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

CONDENSED CONSOLIDATED BALANCE SHEETS

| | | 30 September 2018 RMB'000 (Unaudited) | 31 December 2017 RMB'000 (Audited) |
|---|-------|--|---|
| | Notes | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,166 | 2,195 |
| Deferred income tax assets | 9 | 1,395 | 642 |
| Total non-current assets | | 3,561 | 2,837 |
| Current assets | | | |
| Trade and other receivables | 3 | 9,257 | 44,727 |
| Contract assets | 3 | 44,942 | — |
| Other current assets | | 1,108 | — |
| Cash and cash equivalents | | 46,325 | 20,163 |
| Total current assets | | 101,632 | 64,890 |
| Total assets | | 105,193 | 67,727 |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 10 | 1,277 | —* |
| Share premium | 10 | 76,152 | 29,185 |
| Other reserves | | (7,147) | (7,147) |
| Retained earnings | | 4,792 | 4,624 |
| Total equity | | 75,074 | 26,662 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 24,865 | 37,639 |
| Contract liabilities | 3 | 1,440 | — |
| Current income tax liabilities | | 3,814 | 3,426 |
| Total current liabilities | | 30,119 | 41,065 |
| Total liabilities | | 30,119 | 41,065 |
| Total equity and liabilities | | 105,193 | 67,727 |

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Notes | Share capital RMB'000 | Share premium RMB'000 | Shareholder investment RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|--|-------|--------------------------|--------------------------|-----------------------------------|----------------------------|--------------------------|-----------------------------|-------------------------|
| (Unaudited) | | | | | | | | |
| Balance at | | | | | | | | |
| 1 January 2017 | | | | | | | | |
| | | - | - | - | 10,000 | 1,786 | 16,075 | 27,861 |
| Total comprehensive income for the period | | - | - | - | - | - | 1,478 | 1,478 |
| Dividend | | - | - | - | - | - | (10,000) | (10,000) |
| Shareholder investment | | - | - | 12,426 | - | - | - | 12,426 |
| Balance at | | | | | | | | |
| 30 September 2017 | | | | | | | | |
| | | - | - | 12,426 | 10,000 | 1,786 | 7,553 | 31,765 |
| (Unaudited) | | | | | | | | |
| Balance at | | | | | | | | |
| 1 January 2018 | | | | | | | | |
| | | - | 29,185 | - | - | (7,147) | 4,624 | 26,662 |
| Total comprehensive income for the period | | - | - | - | - | - | 168 | 168 |
| Capitalization issue | 10 | 956 | (956) | - | - | - | - | - |
| Net proceeds from issue of ordinary shares | 10 | 321 | 47,923 | - | - | - | - | 48,244 |
| Balance at | | | | | | | | |
| 30 September 2018 | | | | | | | | |
| | | 1,277 | 76,152 | - | - | (7,147) | 4,792 | 75,074 |

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

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 quarterly financial information is presented in Renminbi (“RMB”), unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated quarterly financial information for the nine months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard HKAS 34 Quarterly Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules.

The quarterly report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial information of the Group for the year ended 31 December 2017 presented in the Appendix I to the prospectus of the Company as issued on 29 May 2018, 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 the financial statement for the year ended 31 December 2017, 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 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The details of the impact of changes in accounting policies on financial statements are set out in note 3 to the condensed financial statements of the interim report issued by the Group on 8 August 2018.

4 ESTIMATES

The preparation of 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 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 the preparation of the Accountant's Report as contained in the Appendix I of the Prospectus.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The quarterly condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Accountant's Report as contained in the Appendix I of the Prospectus.

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

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6 REVENUE INFORMATION

| | Nine months ended 30 September | |
|--|-----------------------------------|---------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from automobile related exhibitions and events | 68,640 | 56,834 |
| Revenue from non-automobile related exhibitions and events | 3,734 | 3,246 |
| Total | 72,374 | 60,080 |

7 INCOME TAX EXPENSE

| | Nine months ended 30 September | |
|---------------------------|-----------------------------------|--------------|
| | 2018 | 2017 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current income tax | 2,453 | 1,833 |
| Deferred income tax | (753) | — |
| Income tax expense | 1,700 | 1,833 |

- (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) 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

8 EARNINGS PER SHARE

(a) Basic earnings per shares

| | Nine months ended 30 September | |
|---|-----------------------------------|--------------------------------|
| | 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
| (loss)/profit attributable to shareholders (in RMB) | 168 | 1,478 |
| Weighted average number of ordinary shares in issue (thousands) | 1,552,486 | 15,000 |
| Basic (losses)/earnings per share (in RMB) | — ⁽ⁱ⁾ | 0.10 |

- (i) The weighted average number of ordinary shares for the purpose of calculating basic (losses)/earnings per share for both periods 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 10(b)), 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 (losses)/earnings per share is presented as the Group has no dilutive potential ordinary shares during the periods.

9 DEFERRED INCOME TAX ASSETS

As at 30 September 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:

| | Provisions RMB'000 | Tax losses RMB'000 | Total RMB'000 |
|---|-----------------------|-----------------------|------------------|
| (Unaudited) | | | |
| As at 1 January 2018 | 371 | 271 | 642 |
| Credited to statement of comprehensive income | 2 | 751 | 753 |
| As at 30 September 2018 | 373 | 1022 | 1395 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9 DEFERRED INCOME TAX ASSETS (CONTINUED)

The Group recognised the deferred tax assets of RMB2,000 in respect of provision for impairment of trade receivables to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group recognised the deferred income tax assets of RMB751,000 in respect of tax losses amounting to RMB3,004,000 for the period ended 30 September 2018. There is no material tax losses in the Group carried forward in respect of which deferred tax assets have not been accounted for.

RMB1,084,000 of the tax losses will be expired as of 31 December 2022. RMB3,004,000 of the tax losses will be expired as of 31 December 2023.

10 SHARE CAPITAL

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 (b) | 19,500,000,000 | 1,950,000 |
| Ordinary shares of US\$0.0001 each as at 30 September 2018 | 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 (c) | 9,900 | 1 | —** | 29,185 | 29,185 |
| As at 1 January 2018 | 10,000 | 1 | —** | 29,185 | 29,185 |
| Capitalisation issue (b) | 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 30 September 2018 | 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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

10 SHARE CAPITAL (CONTINUED)

- (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, fully paid and issued.
- (b) On 27 October 2017, the Company allotted and issued 210, 665, 8,393 and 632 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.
- (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 a par value of US\$0.0001 each of the Company. The 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.

11 EVENT OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that require additional disclosure.