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Dowway Holdings Limited

天平道合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8403)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

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.

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

The board of the Directors (the "**Board**") is pleased to announce the unaudited third quarterly results of the Company and its subsidiaries (the "**Group**") for the nine months ended 30 September 2023 (the "**Period**"). This announcement, containing the extracts of the 2023 third quarterly report of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcements of third quarterly results.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2022, China succeeded in balancing economic growth and social development facing multiple challenges with an annual gross domestic product of RMB121,020.7 billion, representing an increase of 3% over the previous year at constant prices. The tertiary industry, particularly the service sector, faced pressure but demonstrated a continued recovery trend overall with a positive development momentum.

Under this background, over 1,500 economic and trade exhibitions were held in China in 2022 (《中國博覽會和展覽會2022》). The automobile exhibition sector continues to hold a prominent position in exhibition and curatorial industry, characterized by its quantity, scale, location and frequency. What is more, the data on the output and growth rate of main industrial products released by National Bureau of Statistics, Chinese automobile production reached 27.476 million vehicles, with a year-over-year growth of 3.4%, in 2022. These data can be rendered as the epitome of the rapid recovery of the Chinese auto exhibition and vehicle market despite the challenging environments.

In the first three quarters of 2023, the Chinese economy has shown a trend of stabilization and recovery, and the internal growth impetus of the economy has continued to strengthen as a series of policies to stabilize growth continue to take effect. The industrial production sentiment has improved, and the total value added of industrial enterprises above the designated size grew by 4.0% year on year. In terms of consumption, the market sales was getting active with 5.5% up year on year and consumption of services grew fast by 18.9% higher year on year. Service sector maintained fast recovery and contact-and-gathering-based services and modern service industries played a stronger driving role.

BUSINESS REVIEW

The Group is an integrated exhibition and event management service provider in the People's Republic of China (the "PRC"). It mainly serves as a project manager and provides comprehensive and related services to customers, including design, planning, coordination and management of exhibitions and events, ranging from themes, stage, site design and master planning, feasibility studies, procurement of construction materials and equipment, project management, and coordination of suppliers and/or staff and on-site supervisors in respect of construction of settings, stage and exhibition booth, and installation of audiovisual and lighting facilities. The Group offers one-stop service and provides customers with customized themes for their exhibitions or events, and collaborates with different suppliers to plan, coordinate and manage the related plans.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the nine months ended 30 September 2023 (the “**Reporting Period**”), The Group completed 71 exhibition and event projects and 3 advertisement projects, with aggregate revenue decreasing to approximately RMB73.20 million (approximately 27.4%).

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 2022 and 2023.

	For the nine months ended 30 September			
	2023		2022	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Revenue from automobile related exhibitions and events related services	37,829	51.67%	54,459	54.02%
Revenue from non-automobile related exhibitions and events related services	27,866	38.07%	4,095	4.06%
Revenue from exhibition showroom related services	5,291	7.23%	5,314	5.27%
Revenue from advertisement related services	2,217	3.03%	36,949	36.65%
Total	73,203	100.00%	100,817	100.00%

Revenue decreased from approximately RMB100.82 million for the nine months ended 30 September 2022 to approximately RMB73.20 million for the Reporting Period, representing a period-on-period decrease of approximately 27.40% or approximately RMB27.62 million. The decrease was primarily because that the decrease of revenue from advertisement related services compared to that of the nine months ended 30 September 2022. The Group is trying to shift to exhibition and showroom business from the advertisement related services in the post-COVID-19 pandemic market to focus on higher margin businesses with resources at hand.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, revenue from automobile related exhibitions and events related services decreased from approximately RMB54.46 million for the nine months ended 30 September 2022 to approximately RMB37.83 million for the Reporting Period, representing period-on-period decrease of approximately 30.54% or approximately RMB16.63 million and accounting for 51.67% of the total revenue for the Reporting Period.

Revenue from non-automobile related exhibitions and events related services increased from approximately RMB4.10 million for the nine months ended 30 September 2022 to approximately RMB27.87 million for the Reporting Period, representing a period-on-period increase of approximately 579.76% or approximately RMB23.77 million and accounting for 38.07% of the total revenue for the Reporting Period.

Revenue from exhibition room related services decreased from approximately RMB5.31 million for the nine months ended 30 September 2022 to approximately RMB5.29 million for the Reporting Period, representing a period-on-period decrease of approximately 0.38% or approximately RMB0.02 million and accounting for 7.23% of the total revenue for the Reporting Period.

Revenue from advertisement related services for the Reporting Period decreased from approximately RMB36.95 million for the nine months ended 30 September 2022 to approximately RMB2.22 million for the Reporting Period, representing a period-on-period decrease of approximately 93.99% or approximately RMB34.73 million and accounting for 3.03% of the total revenue for the Reporting Period.

Cost of service

Cost of service decreased from approximately RMB96.48 million for the nine months ended 30 September 2022 to approximately RMB71.45 million for the Reporting Period, representing a period-on-period decrease of approximately 25.94% or approximately RMB25.03 million.

The cost of exhibition and event related services provided by suppliers decreased from approximately RMB87.64 million for the nine months ended 30 September 2022 to approximately RMB63.34 million for the Reporting Period, representing a period-on-period decrease of approximately 27.73% or approximately RMB24.30 million, accounted for 88.65% of the total cost of service for the Reporting Period.

Gross Profit and Gross Profit Margin

For the Reporting Period, the Group recorded a gross profit approximately RMB1.76 million, representing a period-on-period decrease of approximately RMB2.58 million as compared with approximately RMB4.34 million for the nine months ended 30 September 2022. The decrease in gross profit was mainly due to the decline of sales revenue for the Reporting Period compared to that of the nine months ended 30 September 2022.

For the Reporting Period, the Group's gross profit margin was approximately 2.40%. The Group's gross profit margin recorded a decrease primarily due to the decline of the Group's revenue in automobile related exhibitions and events related services and advertisement related services.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling expenses

Selling expenses for the Reporting Period were approximately RMB5.55 million, representing a period-on-period decrease of approximately 4.15% or approximately RMB0.24 million as compared to selling expenses of approximately RMB5.79 million for the nine months ended 30 September 2022.

Administrative expenses

Administrative expenses for the Reporting Period were approximately RMB9.64 million, representing a period-on-period increase of approximately 21.11% or approximately RMB1.68 million as compared to administrative expenses of approximately RMB7.96 million for the nine months ended 30 September 2022.

Other gains — net

Other net gains for the Reporting Period were approximately RMB0.99 million, mainly due to governmental tax policy of allowing for an additional 10% offset of output VAT from input VAT and foreign exchange gains. Other net gains increased by approximately RMB0.13 million compared to that of approximately RMB0.86 million for the nine months ended 30 September 2022.

Finance income

Finance income represented interest income on bank balances and deposits. The Group's finance income for the Reporting Period was approximately RMB9,000 (30 September 2022: RMB13,000).

Finance expenses

Finance expenses mainly represented interest expenses on bank borrowings and interest expense of lease liabilities. For the Reporting Period, the Group's finance expenses were approximately RMB484,000 (30 September 2022: RMB537,000).

Loss before income tax

As a result of the foregoing, the Group recorded a loss before income tax of approximately RMB12.92 million for the Reporting Period, representing a period-on-period increase of approximately RMB3.83 million as compared with a loss of approximately RMB9.09 million for the nine months ended 30 September 2022, which was mainly due to (i) the decline of the Group's revenue; and (ii) the growth of the cost of service and administrative expenses for the Reporting Period.

Income tax expense

Income tax expense decreased from approximately RMB19,000 for the nine months ended 30 September 2022 to approximately RMB13,000 for the Reporting Period.

Loss for the Reporting Period

As a cumulative effect of the factors cited above, the Group recorded loss for the Reporting Period of approximately RMB12.93 million, while the loss was approximately RMB9.11 million for the nine months ended 30 September 2022. The period-on period increase was approximately RMB3.82 million.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

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

Cash position

The following table sets forth the selected cash flow data from the Condensed Consolidated Statements of Cash Flows for the nine months ended 30 September 2023 and 2022.

	For the nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	5,329	(12,516)
Net cash (used in)/generated from investing activities	(4)	8
Net cash generated from financing activities	4,319	9,934
Net increase/(decrease) in cash and cash equivalents	9,644	(2,574)
Cash and cash equivalents at the end of the Reporting Period	14,077	4,097

At 30 September 2023, the cash and cash equivalents of the Group were approximately RMB14.08 million (30 September 2022: approximately RMB4.10 million), which mainly denominated in RMB and HKD.

Borrowings

As at 30 September 2023, the Group had bank borrowings of RMB14.60 million (as at 30 September 2022: RMB10.00 million), but did not have any other outstanding bank overdrafts, unutilised banking facilities, debt securities, other similar indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities nor guarantees outstanding (30 September 2022: Nil). The Group did not have any unutilised banking facilities nor plans for any material external debt financing.

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

Pledge of assets

As at 30 September 2023, none of the Group's assets were pledged (30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The Group's gearing ratio at 30 September 2023 and 31 December 2022 were as follows:

	As at 30 September 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Total interest-bearing borrowings	14,600	10,000
Total Equity	9,186	22,117
Gearing ratio	158.94%	45.21%

DIVIDEND

The Board does not recommend the payment of any third quarterly dividend for the Reporting Period (30 September 2022: 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\$36.34 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 (the "Prospectus"). Uses of net proceeds as at 30 September 2023 are listed as follows:

	Planned use of proceeds HK\$'000	Percentage of net proceeds	Actual use of proceeds from the listing date up to 30 September 2023 HK\$'000	Percentage of net proceeds	Unutilized net proceeds as at 30 September 2023 HK\$'000	Percentage of net proceeds
Expand the Group's exhibition and event management services	12,972	35.7%	12,972	35.7%	0	0%
Expand the Group's existing offices and/or set up branch or representative offices in different cities and regions across the PRC	3,016	8.3%	3,016	8.3%	0	0%
Expand the Group's workforce to support its business expansion	13,372	36.8%	13,372	36.8%	0	0%
Strengthen the Group's marketing efforts	3,343	9.2%	800	2.2%	2,543	7.0%
Working capital and other general corporate purpose	3,634	10.0%	3,634	10.0%	0	0%
Total	36,337	100%	33,794	93.0%	2,543	7.0%

MANAGEMENT DISCUSSION AND ANALYSIS

All unutilized balances of approximately HK\$2.54 million had been deposited in licensed banks in Hong Kong and the PRC. The unutilized net proceeds from initial public offering of the Company is expected to be fully utilized by 31 December 2023.

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES

According to the Company's Announcement on 8 April 2022, the Sole Placing Agent has completed procuring Placees who are Independent Third Parties to subscribe up to 20,000,000 Placing Shares at the Placing Price of HK\$0.55 per Placing Share on a best endeavor basis. The net proceeds from the Placing are approximately HK\$10,559,000 after deducting placing commissions. The Company has been applying the net proceeds according to the use of proceeds stated in the announcement of the Company dated 24 March 2022. Uses of net proceeds as at 30 September 2023 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 30 September 2023 <i>HK\$'000</i>	Percentage of net proceeds	Unutilized net proceeds as at 30 September 2023 <i>HK\$'000</i>	Percentage of net proceeds
Enhance the advertisement related services segment	5,279.5	50%	5,201.5	49.3%	78.0	0.7%
Enhance exhibition showroom related services segment	3,167.7	30%	3,167.7	30.0%	0.0	0.0%
Working capital and other general corporate purpose	2,111.8	20%	2,111.8	20.0%	0.0	0.0%
Total	10,559	100%	10,481	99.3%	78.0	0.7%

All unutilized balances of approximately HK\$0.08 million had been deposited in licensed banks in Hong Kong and the PRC. The unutilized net proceeds from initial public offering of the Company is expected to be fully utilized by 31 December 2023.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

9. The Group relies on its senior management and other key personnel and may not be able to retain these staff to provide services.
10. The Group may not be able to implement its business strategies and its future growth could be limited.
11. The control and prevention of epidemic around the world are still challenging and risky and may continue to influence on the recovery of exhibition industry in the PRC to normal, which may in turn have a material and adverse effect on the Group's business, financial position and results of operations.

The cost of exhibition and event related services provided by suppliers makes up a significant portion of the Group's cost of service. The following uncertainties may affect the Group's efforts to implement cost control measures:

1. As human resources and costs of construction materials and equipment are the major components of the cost of exhibition and event related services, increase in salary of employees of suppliers and average consumer prices may push up the lump sum cost of exhibition and event related services provided by suppliers.

Major risks and uncertainties relating to the implementation of business strategies

1. The Group expects to tender proposals to potential new customers with lower profit margins in the short run in connection with its future expansion to new segments in the market and such expansion could exert great pressure on allocation of resources.
2. The Group cannot guarantee that it will have sufficient resources to support future development. Its future growth is also subject to the preferences of potential clients and the overall market situation. Failure to execute expansion strategy effectively may lead to higher costs, inefficient operation flow and decline in profitability.

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

Save as otherwise disclosed, there were neither significant investments held as at 30 September 2023 nor material acquisitions and disposals of subsidiaries during the Reporting Period.

Save as otherwise disclosed, the Group does not have any future plan for material investments during the Reporting Period.

CONTINGENT LIABILITIES

As at 30 September 2023, the Group did not have any material contingent liabilities (30 September 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND SALARIES POLICY

As at 30 September 2023, the Group employed a total of 63 employees, among which 9 of them were at management level, all stationed in the PRC. For the Reporting Period, the staff costs (including Directors' emoluments) were approximately RMB12.56 million (30 September 2022: approximately RMB9.52 million). The Group conducts periodic performance review with employees and determines their salaries, benefits and discretionary bonuses based on factors including qualifications, contributions, years of experience and performance.

In accordance with the applicable PRC laws and regulations, the Group has made contributions to social security insurance and housing provident funds for all eligible staff. For the Reporting Period, the total amount contributed in these areas by the Group was approximately RMB2.78 million. The Group has complied with all the requirements about social security insurance and housing provident fund obligations applicable under the PRC laws and regulations.

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

The Group has maintained a good working relationship with its employees. During the Reporting Period, the Group has not experienced any significant 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 EXPOSURE

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

CREDIT RISK

Credit risk exposures arise principally in cash and cash equivalents, trade and other receivables, notes receivables and contract assets shown on consolidated balance sheets.

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is one of the most significant risks for the Group's business.

For cash at bank, the Group manages the credit risk by placing its domestic deposits in reputable nationwide financial institutions with good credit ratings in the PRC and overseas' deposits in reputable international financial institutions. The Group believes those banks and financial institutions are of high-credit-quality without significant credit risk. Thus it considers its cash at bank are not at high credit risk.

The Group's trade receivables arise from exhibition and event management services fees, over 70% of which are in turn derived from 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 themselves experience financial difficulties which in turn causes difficulties in their settling payables to the Group, the Group's revenue from those automobile companies might be adversely affected due to deterioration in recoverability of trade receivables from them.

MANAGEMENT DISCUSSION AND ANALYSIS

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, the 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 financial position, market reputation and other factors about these new customers would be considered by the management.

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

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

LIQUIDITY RISK

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

PROSPECTS

Entering the third quarter, with various pro-growth policies gradually being implemented, domestic consumption, investment, and production are marginally warming up, supporting the economy to gradually stabilize. However, insufficient demand is still the key issue constraining economic growth and there are still bottlenecks in the transmission path from "loose money" to "loose credit", and the problem of credit contraction in the real economy still exists, even though the central bank has cut interest rates and reserve requirements and increased credit provision to stimulate demand. Meanwhile, in the context of continuous decline in exports, stabilizing and enhancing domestic demand is key to the sustainable development of China's economy. The Government needs to coordinate short-term counter-cyclical regulation and medium and long-term structural reforms closely, to promote sustainable growth in consumption, recover the real estate market and stimulate the development of private enterprises.

At the next stage, China's government will continue to implement relevant policies to ensure stability on six key fronts (employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations) and security in six key areas (job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary level governments) in order to sustain the economic improvement with solid progress and achieve the annual development targets.

Looking forward, the Group will effectively improve the level of co-ordination and management of exhibitions and events through the implementation of the above business strategies, improve customer service and experience in an all-round way, actively seek reformation with a view to continuing to create sustainable returns for shareholders.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 15 to the GEM Listing Rules, save for the deviation from code provision C.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision C.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Huang Xiaodi (“Mr. Huang”) is the chairman and the chief executive officer of the Company. The Board considered that Mr. Huang has more than 11 years of professional experience in the exhibition and event management industry, the Board believed that it is in the best interest of the Group to have Mr. Huang taking up both roles for efficient overall strategy and business development.

CHANGE IN DIRECTOR’S INFORMATION

Reference is made to the Company’s announcement dated 27 October 2023, in which the Company announced the appointment of Mr. Tsoi Ka Shing (“Mr. Tsoi”) as an independent non-executive director of the Company, the chairman of the audit committee of the Company (the “Audit Committee”) and a member of the remuneration committee of the Company with effect from 27 October 2023.

Following Mr. Tsoi’s appointment on 27 October 2023, as he (one of the independent non-executive Directors and the chairman of the Audit Committee) has appropriate professional qualifications or accounting or related financial management expertise, the Company is in compliance with the requirements under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

Reference is also made to the announcement of Bao Shen Holdings Limited (“Bao Shen”) (寶申控股有限公司) (Stock Code: 8151), which is listed on the GEM of the Stock Exchange, dated 8 November 2023, in which Bao Shen announced the resignation of Mr. Tsoi as the chief financial officer, the company secretary and the authorized representative of Bao Shen with effect from 8 November 2023.

COMPETING INTERESTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group had not entered into any connected transactions nor continuing connected transactions which were subject to disclosure requirements under the GEM Listing Rules.

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

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

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

As at 30 September 2023, 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/Short positions in the Shares

Directors' Name	Capacity/Nature	Number of Shares Held/ Interested	Percentage of Interest
Mr. Huang Xiaodi (“Mr. Huang”)	Interest of controlled corporation	43,645,000 (L) 12,000,000 (S)	(Note 1) 36.37% (Note 3) 10.00%
Mr. Dong Kejia (“Mr. Dong”)	Interest of controlled corporation	23,987,500 (L)	(Notes 2 & 3) 19.99%

L: Long Positions

S: Short Positions

Note 1: These 43,645,000 Shares are held by A&B Development Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Huang, the Chairman, Chief Executive Officer and Executive Director of the Company. Therefore, Mr. Huang is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

Note 2: These 23,987,500 Shares are held by Wing Ka Yuen Company Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Dong, the Executive Director of the Company. Therefore, Mr. Dong is deemed to be interested in all the Shares held by Wing Ka Yuen Company Limited for the purpose of the SFO.

Note 3: A&B Development Holding Limited and Wing Ka Yuen Company Limited entered into an option agreement (the “Option Agreement”) on 2 December 2022, pursuant to which A&B Development Holding Limited has granted an option to Wing Ka Yuen Company Limited which entitles it to purchase from the A&B Development Holding Limited up to 12,000,000 option shares at an exercise price of HK\$1.00 per Share within the exercise period of 2 years from the date of the Option Agreement.

Long Positions in the Ordinary Shares of Associated Corporation

Directors' Name	Name of Associated Corporation	Capacity/Nature	Number of Shares Held	Percentage of Interest
Mr. Huang	A&B Development Holding Limited	Beneficial Owner	1	100%
Mr. Dong	Wing Ka Yuen Company Limited	Beneficial Owner	10,000	100%

Save as disclosed above and so far as is known to the Directors, as at 30 September 2023, none of the Directors nor the Chief Executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which

OTHER INFORMATION

were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2023 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

Shareholders' Name	Capacity/Nature	Number of Shares Held/ Interested	Percentage of Interest
A&B Development Holding Limited	Beneficial Owner	43,645,000 (L)	(Note 1) 36.37%
		12,000,000 (S)	(Note 4) 10.00%
Mr. Huang	Interest of controlled corporation	43,645,000 (L)	(Note 1) 36.37%
		12,000,000 (S)	(Note 4) 10.00%
Ms. Lin Yuting	Interest of a spouse	43,645,000 (L)	(Note 2) 36.37%
		12,000,000 (S)	(Note 4) 10.00%
Wing Ka Yuen Company Limited	Beneficial Owner	23,987,500 (L)	(Notes 3 & 4) 19.99%
Mr. Dong	Interest of controlled corporation	23,987,500 (L)	(Notes 3 & 4) 19.99%

L: Long Positions

S: Short Positions

Note 1: A&B Development Holding Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Huang. Therefore, Mr. Huang is deemed to be interested in all the Shares held by A&B Development Holding Limited for the purpose of the SFO.

Note 2: Ms. Lin Yuting is the spouse of Mr. Huang. Therefore, Ms. Lin Yuting is deemed, or taken to be, interested in all the Shares in which Mr. Huang has, or is deemed to have, an interest for the purpose of the SFO.

Note 3: Wing Ka Yuen Company Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Dong. Therefore, Mr. Dong is deemed to be interested in all the Shares held by Wing Ka Yuen Company Limited for the purpose of the SFO.

Note 4: A&B Development Holding Limited and Wing Ka Yuen Company Limited entered into the Option Agreement on 2 December 2022, pursuant to which A&B Development Holding Limited has granted an option to Wing Ka Yuen Company Limited which entitles it to purchase from the A&B Development Holding Limited up to 12,000,000 option shares at an exercise price of HK\$1.00 per Share within the exercise period of 2 years from the date of the Option Agreement.

Save as disclosed above, as at 30 September 2023, 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.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this announcement, at no time during the Reporting Period and up to the date of this announcement was the Group or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SHARE OPTION SCHEME

The Group has adopted a share option scheme on 16 May 2018, details of which have been set out in the Company's annual report for the year ended 31 December 2022.

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

REQUIRED STANDARD OF DEALING IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**"). All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the Required Standard of Dealings as set out in the Code of Conduct and there was no event of non-compliance during the Reporting Period up to the date of this announcement.

AUDIT COMMITTEE

The Group has established the Audit Committee on 16 May 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with code provision D.3.3 of the Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of external auditor, to review financial statements of the Company and make judgments in respect of financial reporting; and to oversee the effectiveness of the internal control procedures of the Group.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Tsoi Ka Shing as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, Mr. Gao Hongqi and Ms. Xu Shuang. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the nine months ended 30 September 2023, which was of the opinion that the preparation of third quarterly results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

THIRD QUARTERLY RESULTS

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and the nine months ended 30 September 2023, together with the unaudited comparative figures for the respective corresponding period in 2022 as follows:

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	21,330	45,917	73,203	100,817
Cost of service		(20,602)	(41,814)	(71,447)	(96,479)
Gross Profit		728	4,103	1,756	4,338
Selling expenses		(1,631)	(2,092)	(5,545)	(5,794)
Administrative expenses		(2,569)	(3,274)	(9,643)	(7,962)
Other gains — net	6	(58)	486	989	855
Operating loss		(3,530)	(777)	(12,443)	(8,563)
Finance income		2	2	9	13
Finance expenses		(202)	(174)	(484)	(537)
Finance expenses — net		(200)	(172)	(475)	(524)
Loss before income tax		(3,730)	(949)	(12,918)	(9,087)
Income tax expense	7	—	(11)	(13)	(19)
Loss for the period		(3,730)	(960)	(12,931)	(9,106)
Total comprehensive loss for the period		(3,730)	(960)	(12,931)	(9,106)
Loss per share attributable to owners of the Company					
— Basic and diluted losses per share (in RMB cents)	8	(3.11)	(0.80)	(10.78)	(8.07)

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

THE THIRD QUARTERLY CONDENSED CONSOLIDATED BALANCE SHEETS

	<i>Notes</i>	As at 30 September 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		779	832
Right-of-use assets		2,895	6,498
Other non-current assets		546	546
Total non-current assets		4,220	7,876
Current assets			
Trade and other receivables		22,741	49,157
Contract assets		60,125	63,931
Other current assets		10,555	11,856
Cash and cash equivalents		14,077	4,251
Total current assets		107,498	129,195
Total assets		111,718	137,071
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	1,531	1,531
Share premium	9	84,813	84,813
Reserves		(6,389)	(6,389)
Retained earnings		(70,769)	(57,838)
Total equity		9,186	22,117
LIABILITIES			
Current liabilities			
Trade and other payables		79,406	90,017
Contract liabilities		1,938	4,631
Current income tax liabilities		3,783	3,801
Credit loan from bank		14,600	10,000
Lease liabilities		1,130	2,031
Total current liabilities		100,857	110,480
Non-current liabilities			
Lease liabilities		1,675	4,474
Total liabilities		102,532	114,954
Total equity and liabilities		111,718	137,071

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

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Share capital RMB'000	Share premium RMB'000	Statutory Reserves RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
For the nine months ended 30 September 2023							
Balance at 1 January 2023 (Audited)	1,531	84,813	3,211	-	(9,600)	(57,838)	22,117
Total comprehensive loss for the period	-	-	-	-	-	(12,931)	(12,931)
Balance at 30 September 2023 (Unaudited)	1,531	84,813	3,211	-	(9,600)	(70,769)	9,186

For the nine months ended 30 September 2022

	Share capital RMB'000	Share premium RMB'000	Statutory Reserves RMB'000	Share option reserves RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
For the nine months ended 30 September 2022							
Balance at 1 January 2022 (Audited)	1,277	76,152	3,211	2,790	(9,600)	(23,868)	49,962
Total comprehensive loss for the period	-	-	-	-	-	(9,106)	(9,106)
Lapse of share option	-	-	-	(263)	-	263	-
Net proceeds from placing ordinary shares	254	8,661	-	-	-	-	8,915
Balance at 30 September 2022 (Unaudited)	1,531	84,813	3,211	2,527	(9,600)	(32,710)	49,772

THE THIRD QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from/(used in) operations	5,342	(12,497)
Income tax paid	(13)	(19)
Net cash generated from/(used in) operating activities	5,329	(12,516)
Cash flows from investing activities		
— Purchases of property, plant and equipment	(13)	(5)
— Interest received	9	13
Net cash (used in)/generated from investing activities	(4)	8
Cash flows from financing activities		
— Proceeds from placing ordinary shares	—	9,124
— Borrowings received	16,600	10,000
— Repayment of Borrowings	(12,000)	(9,000)
— Government subsidy for interest of loan	—	70
— Interest paid	(281)	(260)
Net cash generated from financing activities	4,319	9,934
Net cash increase/(decrease) in cash and cash equivalents	9,644	(2,574)
Cash and cash equivalents at beginning of period	4,251	6,614
Exchange gain on cash and cash equivalents	182	57
Cash and cash equivalents at the end of period	14,077	4,097

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The ultimate controlling party of the Group is Mr. Huang Xiaodi, who is also the executive director and Chairman of the Board of the Company (the “**Controlling Shareholder**” or “**Mr. Huang**”).

The Company has its primary listing on GEM of The Stock Exchange of Hong Kong Limited (“**GEM**”) since 12 June 2018.

The condensed consolidated third quarterly financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 BASIS OF PREPARATION

The third quarterly financial information of the Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The third quarterly financial information has been prepared under the historical cost convention.

The application of the new amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in the third quarterly financial information.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 ESTIMATES

The preparation of the third quarterly financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated third quarterly financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in preparation of the Accountant's Report as contained in the Group's annual report for the year ended 31 December 2022 (the "Annual Report 2022"), other than changes in accounting policies resulting from application of new and amendments to HKFRSs.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The condensed consolidated third quarterly financial information does not include all financial risk management information and disclosure required in the annual financial statements, and should be read in conjunction with the Accountant's Report as contained in the Annual Report 2022.

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

4.2 Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group's finance department. The Group's finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

5 REVENUE

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Automobile related exhibition and event related services	37,829	54,459
Non-automobile related exhibition and event related services	27,866	4,095
Exhibition showroom related services	5,291	5,314
Advertisement related services	2,217	36,949
	73,203	100,817

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER GAINS — NET

	Nine months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Foreign exchange gain	925	171
Additional deduction of input VAT	62	623
Government subsidy	–	70
Others	2	(9)
	989	855

* On 20 March 2019, the Chinese government issued “Announcement No. 39 2019 about further improvement of VAT system”. It states that from 1 April 2019 to 31 December 2021, the tax-payer who is a productive and daily life services provider is allowed to apply an additional 10% to offset output VAT from input VAT (i.e. additional deduction of input VAT policy). This policy was continued to be effective in 2022. Benefit from this policy, the Group has other gains of approximate RMB62,000 for the Reporting Period.

7 INCOME TAX EXPENSES

	Nine months ended 30 September	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax on profits for the period	13	19
Income tax expenses	13	19

- (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 Reporting Period, the profit tax rate for the entity incorporated in Hong Kong was 8.25%. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the Reporting Period.
- (iii) Provision for the PRC corporate income tax is calculated based on the statutory tax rate of 25% on the assessable income of each of the Group companies operated in the PRC.

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 BASIC AND DILUTED LOSS PER SHARE

	Nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (<i>in RMB</i>)	(12,931,000)	(9,106,000)
Weighted average number of ordinary shares in issue (<i>thousand</i>) <i>Note</i>	120,000	120,000
Basic (loss)/earnings per share (<i>in RMB cents</i>)	(10.78)	(7.59)

Note: The weighted average number of ordinary shares for the period ended 30 September 2023 and 2022 has been adjusted for the twenty-to-one share consolidation of the Company which become effective on 20 August 2021 and the placing agreement with an aggregate of 20,000,000 ordinary shares which become effective on 8 April 2022.

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

9 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares

	Number of shares	Value of ordinary shares
		US\$
Authorised:		
Ordinary shares of US\$0.002 each as at 30 September 2023	120,000,000	240,000

	Number of shares	Nominal value of ordinary shares <i>US\$</i>	Equivalent value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
Issued and paid:					
As at 31 December 2022, and 1 January 2023	120,000,000	240,000	1,531	84,813	86,344
As at 30 September 2023	120,000,000	240,000	1,531	84,813	86,344

NOTES TO THE THIRD QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 DIVIDENDS

No dividend has been paid or declared by the Group during each of periods ended 30 September 2022 and 2023, respectively.

11 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no subsequent events that require additional disclosure.

By Order of the Board
Dowway Holdings Limited
Huang Xiaodi

Chairman, Chief Executive Officer and Executive Director

Beijing, China, 10 November 2023

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

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

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