



METROPOLIS

METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8621

2020 First Quarterly Report



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This report, for which the directors (the “Director(s)”) of Metropolis Capital Holdings Limited (the “Company”, together with its subsidiaries, the “Group”), 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 aspects and not misleading or deceptive; and there are no other matters the omission of which would make this report or any statement herein or this report misleading.

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 RMB (Unaudited)	2019 RMB (Unaudited)
Revenue	3	6,788,056	10,750,140
Other income	3	346,616	59,976
Other gains and losses	3	435,285	(703,775)
Share of losses of an associate	4	–	(86,044)
Staff costs		(3,179,509)	(2,664,984)
Recognition of loss allowance on finance lease receivable, net		(320,463)	(769,758)
Other operating expenses		(1,622,256)	(2,731,888)
Finance cost	5	(1,855,213)	(3,366,986)
Profit before tax	6	592,516	486,681
Income tax expense	7	(253,628)	(121,670)
Profit and total comprehensive income for the period		338,888	365,011
Earnings per share			
– Basic (RMB cents)	8	0.04	0.05



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. CORPORATE INFORMATION

Metropolis International Finance Leasing Co., Ltd was established in the People Republic of China (the “PRC”) on 20 October 2009 as a limited liability company and an indirect wholly-owned subsidiary of the Company. The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business in the PRC is Room 7003A, 887 Huai Hai Zhong Road, Huangpu District, Shanghai, China and the principal place of business in Hong Kong is 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The shares (the “Shares”) of the Company were successfully listed on GEM of the Stock Exchange on 12 December 2018.

The Group is a well-established finance leasing group with a decade’s business history and the Group has five branch offices in the PRC and primarily provides customised vehicle finance leasing to its customers.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Group.

2. BASIS OF PREPARATION AND PRESENTATION

This unaudited condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 (the “Reporting Period”) have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “Audit Committee”). The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s financial statements for the year ended 31 December 2019.

3. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of the revenue from the Group's principal activities, other income, other gains and losses is as follows:

	Three months ended 31 March	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Finance leasing income		
<i>Vehicle finance leasing</i>		
Direct finance leasing	197,327	113,000
	197,327	113,000
<i>Machinery and equipment finance leasing</i>		
Direct finance leasing	106,156	122,451
	106,156	122,451
Interest income	6,484,573	10,514,689
Total revenue	6,788,056	10,750,140
Other income		
Bank interest income	27,898	14,071
Others	318,717	45,905
	346,616	59,976
Other gains and losses		
Other investment gain (note i)	91,805	9,738
Exchange gain/(loss), net (note ii)	343,479	(713,513)
	435,285	(703,775)

Notes:

- (i). Other investment gain represented the realised gain arising from the Group's investment in the short-term unlisted financial products which were purchased and redeemed upon maturity from the banks in the PRC and are low risk in nature.
- (ii). Exchange gain presented the gain arising from the Hong Kong dollar bank balance when Renminbi depreciated against Hong Kong dollar between 31 December 2019 and the end of the Reporting Period.

4. SHARE OF LOSSES OF AN ASSOCIATE

	Three months ended 31 March	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Share of losses of an associate	–	(86,044)
Total share of losses of an associate	–	(86,044)

The share of losses of an associate represents the Group's share of losses incurred by the associate from 23 January 2019 to 31 March 2019. The associate company was fully impaired at the end of the year of 2019 and was in the process of liquidation during the first quarter of 2020.

5. FINANCE COST

	Three months ended 31 March	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	664,283	867,967
Imputed interest expense arising from deposits from finance lease customers	1,165,479	2,428,025
Interest expense on lease liabilities	25,451	70,994
Total finance costs	1,855,213	3,366,986

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 31 March	
	2020 RMB (Unaudited)	2019 RMB (Unaudited)
Depreciation of property and equipment	22,909	42,392
Depreciation charge for the right-of-use asset	296,757	412,679
Total depreciation and amortisation	319,666	455,071
Recognition of loss allowance of finance lease receivables	320,463	769,758
Total impairment loss recognised	320,463	769,758
Directors' emoluments	313,915	298,005
Salaries, bonus and other benefits (excluding directors)	2,190,654	1,846,244
Retirement benefit scheme contributions (excluding directors)	674,940	520,735
Total staff cost	3,179,509	2,664,984

7. INCOME TAX EXPENSE

	Three months ended 31 March	
	2020 RMB (Unaudited)	2019 RMB (Unaudited)
PRC enterprise income tax	253,628	292,599
Deferred tax charge	-	(170,928)
Total income tax expense	253,628	121,670

The Group is only subject to the enterprise income tax in the PRC.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC, during the Reporting Period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Three months ended 31 March	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	338,888	365,011
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	960,000,000	800,000,000

No diluted earnings per share was presented as there were no potential ordinary shares in issue during both periods.

9. DIVIDENDS

No dividends were paid, declared or proposed during the Reporting Period (three months ended 31 March 2019: nil). The Directors do not recommend the payment of a dividend in respect of the Reporting Period (three months ended 31 March 2019: nil).

10. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital RMB	Share premium RMB	Merger reserve RMB	Other reserve RMB	Statutory surplus reserve RMB	Retained profits RMB	Total equity
At 1 January 2019 (audited)	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	42,536,587	223,618,851
Profit and total comprehensive income for the period	-	-	-	-	-	365,011	365,011
At 31 March 2019 (unaudited)	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	42,901,598	223,983,862
At 1 January 2020 (audited)	8,503,450	208,490,971	(138,043,162)	121,889,064	3,151,975	(7,446,369)	196,545,929
Profit and total comprehensive income for the period	-	-	-	-	-	338,888	338,888
At 31 March 2020 (unaudited)	8,503,450	208,490,971	(138,043,162)	121,889,064	3,151,975	(7,107,481)	196,884,817



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the outbreak of the world-wide pandemic of the novel coronavirus (“COVID-19”) led to significant economic consequences. To contain the rapid spread of the virus, the central government imposed travel restrictions in many cities in the PRC and prohibited entry and exit of individuals into and out of such cities fully or partially. Those extreme measures literally put those transportation and logistics businesses into suspension. Consequently, many of our clients from those industries were facing liquidity problems that they had never seen before and hence brought new pressure to their leasing payments to the Company. However, thanks to the effective actions taken by the central government of the PRC, the COVID-19 virus is much under control in the PRC and the economy is gradually back to normal. And therefore, the Company believes that the virus should only have a temporary impact to its clientele’s business and should not bring big and permanent damages to the quality of the Company’s leasing receivables. In addition, according to the statistics from China Associations of Automobiles Manufacturers, from January to March 2020, the production and sales volume of auto-vehicles in the PRC decreased by 45.2% and 42.4% respectively compared with the same period of 2019 (“Corresponding Period”). This sharp decline directly led to the lack of finance leasing needs from new customers.

During the Reporting Period, the Company made good progress in developing finance-leasing related consultation services. It is expected that the Company should expect service-related income from the mid of the year of 2020. This new stream of income will not only diversify the Company’s income hence strengthening our earning capability, but also help the Company continue to form closer relationship with bigger financial institutions who can provide long term support to the growth of the Group.



FINANCIAL REVIEW

Overall performance

During the Reporting Period, the Group recorded a revenue of approximately RMB6.8 million, representing a decrease of approximately 36.9% from approximately RMB10.8 million for the Corresponding Period. The decrease in revenue was primarily the result of the strict travel restrictions imposed by the government as a measure to contain the spread of COVID-19 virus. During the Reporting Period, the Group recorded a profit after tax of approximately RMB0.34 million, representing a decrease of approximately 7.2% from approximately RMB0.37 million for the Corresponding Period. The decrease was mainly due to the decrease of revenue as mentioned above but was partly offset by (i) the decrease of finance cost by approximately RMB1.51 million; and (ii) the decrease of other operating expenses by approximately RMB1.11 million. In addition, the increase in income tax expense also contributed to the decrease of profit after tax since the Group did not recognise any deferred tax assets during the Reporting Period in relation to the deductible temporary differences as it was not probable that taxable profit would be enough against which the deductible temporary differences could be utilised.

Other gains and losses

During the Reporting Period, the Group's other gains and losses amounted to a gain of approximately RMB0.4 million, representing an increase of approximately 161.9% from a loss of approximately RMB0.7 million for the Corresponding Period. The increase was primarily attributable to foreign exchange fluctuation between Hong Kong dollar and Renminbi. The Group recorded a conversion gain of approximately RMB0.3 million for the Reporting Period but recorded a conversion loss of approximately RMB0.7 million for the Corresponding Period.

Staff costs

During the Reporting Period, the Group's staff costs amounted to approximately RMB3.2 million, representing an increase of approximately 19.3% from approximately RMB2.7 million for the Corresponding Period. The increase was mainly due to costs associated with personnel restructuring, such as the recruitment of new sales staff and redundancy payments to other staff.

Other operating expenses

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB1.6 million, representing a decrease of approximately 40.6% from approximately RMB2.7 million during the Corresponding Period. The decrease was mainly due to the decrease in travel expenses and efficient cost control measures imposed by the Group in the face of declined business demand and leasing payments which were caused by the spread of COVID-19.



Recognition of impairment loss

During the Reporting Period, the Group recognised an impairment loss of approximately RMB0.3 million, representing a decrease of RMB0.5 million from approximately RMB0.8 million during the Corresponding Period. The outbreak of COVID-19 affected the leasing payments as many clients faced strained cashflow difficulties. However, since this kind of incident was an one-off unprecedented event and would only have temporary impacts to the clients, the Group did not alter its expectation of those assets' performance over the whole lease terms and therefore did not make extra provisions for the impacts of COVID-19 on those assets.

Finance cost

During the Reporting Period, the Group's finance cost amounted to approximately RMB1.9 million, representing a decrease of approximately 44.9% from approximately RMB3.4 million during the Corresponding Period. The decrease was mainly due to the calculated imputed interests arising from less deposits received from new clients compared with the amounts for the Corresponding Period.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB0.25 million, representing an increase of approximately 108.5% from RMB0.12 million for the Corresponding Period. The main reason was because no deferred tax asset was recognised during the Reporting Period in relation to the deductible temporary differences as it was not probable that there would be enough taxable profit which the deductible temporary differences could be utilised to offset against.

Dividend

The Board did not recommend any dividend for the Reporting Period (three months ended 31 March 2019: nil).



CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance and a high level of transparency to safeguard the interests of the shareholders of the Company (the "Shareholders") and enhance its corporate value by observing the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. During the Reporting Period, the Group had complied with all the code provisions as set out in the CG Code except for the deviation from code provision A.2.1 as set out below.

Mr. Chau David is the Chairman and also the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since its establishment. Having considered the nature and extent of the Group's operations, and Mr. Chau David's in-depth knowledge and experience in the leasing services, in particular vehicle finance leasing market and familiarity with the operations of the Group which is beneficial to the management and business development of the Group, and all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Chau David taking up both roles. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was conditionally adopted by resolutions in writing passed by the sole Shareholder on 23 November 2018. As at 31 March 2020, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.



COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

The Company has adopted its own code of conduct for dealing in securities of the Company by the Directors and the relevant employees of the Group who are likely to be in possession of unpublished inside information of the Company (the "Securities Dealing Code") on terms no less exacting than the standard as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having made specific enquiries with all Directors and relevant employees, all Directors and relevant employees have confirmed that they have complied with the Securities Dealing Code and therefore, complied with the Model Code during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO") which were notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors required to be notified to the Company and the Stock Exchange, were as follows:

1. Interest in shares or underlying shares of the Company

Name of Director	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Chau David (Note 2)	Interest in controlled corporation	600,000,000 (L)	62.5%

Notes:

1. The letter "L" denotes long position of the Shares.
2. Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.



2. Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest and capacity	Number of shares in the associated corporation (Note 1)	Approximate percentage of shareholding
Mr. Chau David (Note 2)	View Art Investment Limited	Beneficial owner	10 (L)	100%

Notes:

1. The letter "L" denotes long position of the Shares.
2. Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executives of the Company had any interest or short position 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 would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 March 2020, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

Name of shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
View Art Investment Limited (Note 2)	Beneficial owner	600,000,000 (L)	62.5%

Notes:

1. The letter "L" denotes long position of the Shares.
2. Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



ADVANCE TO ENTITY

Pursuant to Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. As set out in the Prospectus, the Group entered into finance leases with the following customers in the past few years which would give rise to disclosure obligation under Rule 17.15 of the GEM Listing Rules in the Prospectus, and this obligation continued to exist as at 31 March 2020:

1. In 2016 and 2018, the Group entered into finance leases with a corporate customer ("Customer A"), which is an independent third party, in respect of sale and leaseback of vehicles. The aggregate net financing amount under such finance leases was approximately RMB32.4 million for the year ended 31 December 2016 and approximately RMB1.7 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 9.3% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 30.1 months and Customer A would make monthly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer A exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.
2. In 2018, the Group entered into finance leases with a corporate customer ("Customer E"), which is an independent third party, in respect of sale and leaseback of vehicles. The aggregate net financing amount under such finance leases was approximately RMB46.1 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 22.7% (which was calculated by dividing the total finance leasing income by the aggregate net financing amount of such finance leases). The average term of the finance leases was approximately 36.0 months and Customer E would make either monthly or quarterly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer E exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Directors' interests and/or short positions under the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" of this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, namely Mr. Lau Chung Wai (the chairman of the audit committee), Mr. Mo Luojiang Mr. Lo Kai Tung. The audit committee, together with the management of the Company, has reviewed the accounting principles and policies adopted by the Group and unaudited condensed consolidated quarterly financial statements for the Reporting Period, together with this report.

COMPETING INTEREST

The Directors have confirmed that, as at 31 March 2020, none of the Directors, controlling Shareholders and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business (other than that of the Group) which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this report.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Octal Capital Limited (“Octal Capital”) as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. As advised by Octal Capital, as at 31 March 2020, save for the compliance adviser agreement entered into between the Company and Octal Capital dated 14 March 2018, neither Octal Capital, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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

On behalf of the Board

Metropolis Capital Holdings Limited

Chau David

Chairman, chief executive officer and executive Director

Hong Kong

15 May 2020

As at the date of this report, the executive Directors are Mr. Chau David and Ms. Zhou Hui; the non-executive Director is Ms. Chau On; and the independent non-executive Directors are Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lo Kai Tung.