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## **METROPOLIS CAPITAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8621)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Metropolis Capital Holdings Limited (the “**Company**”, and its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2020. This announcement, containing the full text of the 2020 annual report of the Company (the “**2020 Annual Report**”), complies with the relevant requirements of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to the information to accompany the preliminary announcement of annual results. The printed version of the 2020 Annual Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.metropolis-leasing.com](http://www.metropolis-leasing.com)) in due course in the manner as required by the GEM Listing Rules.

By order of the Board  
**Metropolis Capital Holdings Limited**  
**Chau David**

*Chairman, chief executive officer and executive Director*

Hong Kong, 25 March 2021

*As at the date of this announcement, 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.*

*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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) 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 GEM website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be published on the website of the Company at [www.metropolis-leasing.com](http://www.metropolis-leasing.com).*

**CHARACTERISTICS OF GEM (“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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chau David (周大為)  
Ms. Zhou Hui (周卉)

### Non-executive Director

Ms. Chau On (周安)

### Independent non-executive Directors

Mr. Lau Chung Wai (劉仲緯)  
Mr. Mo Luojiang (莫羅江)  
Mr. Lo Kai Tung (盧啟東)

## AUDIT COMMITTEE

Mr. Lau Chung Wai (*Chairman*)  
Mr. Mo Luojiang  
Mr. Lo Kai Tung

## REMUNERATION COMMITTEE

Mr. Mo Luojiang (*Chairman*)  
Mr. Lau Chung Wai  
Mr. Lo Kai Tung

## NOMINATION COMMITTEE

Mr. Lo Kai Tung (*Chairman*)  
Mr. Mo Luojiang  
Mr. Lau Chung Wai

## AUTHORISED REPRESENTATIVES

Mr. Chau David  
Ms. Zhou Hui

## COMPLIANCE OFFICER

Ms. Zhou Hui

## COMPANY SECRETARY

Ms. Tang Winnie W (resigned on 2 December 2020)  
Mr. Tsang Martin Yiu Ting  
(appointed on 2 December 2020)

## REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 7003A  
887 Huai Hai Zhong Road  
Huangpu District  
Shanghai  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

## COMPLIANCE ADVISER

Octal Capital Limited  
801-805, 8th Floor  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners  
40th Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

## AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*  
42/F., Central Plaza,  
18 Harbour Road, Wanchai  
Hong Kong

## CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

Agricultural Bank of China Limited  
China Merchants Bank Co. Ltd.

## STOCK CODE

8621

## COMPANY WEBSITE

<http://www.metropolis-leasing.com/>

# CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of Metropolis Capital Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”). I am pleased to present the annual report of the Group for the year ended 31 December 2020 (the “Reporting Period”).

The shares (the “Shares”) of the Company were successfully listed on GEM of the Stock Exchange on 12 December 2018 (the “Listing Date”). The Group is headquartered in Shanghai and has been providing customised finance leasing services to customers throughout the country over a decade.

## PERFORMANCE REVIEW

The year of 2020 was bound to be a memorable year as the outbreak of the world-wide pandemic of the novel coronavirus (“COVID-19”) sadly led to significant economic consequences not only to the People’s Republic of China (“PRC”) but to the whole world. In addition, the tense Sino-US relationship was hard to foresee go through the trough even after the presidential election of the United States of America (the “US”). During the first half of the year in particular, the strict mandatory quarantine measures imposed over the PRC hindered the operations of the Group and its customers temporarily. Facing the unprecedented challenges, the Group took proactive and timely measures to safeguard the health of its employees as well as its assets. Thanks to the strong government leadership in the PRC, the epidemic situation in the PRC has gradually stabilised and the Group’s business has also slowly returned to normal. As a consequence, the Group did not experience any material deterioration of its leasing assets over the year and expects its business to go back to normal in the coming year.

Although the external environment brought adverse challenges to the Group, we have strived to improve the Group’s values for the shareholders of the Company (the “Shareholders”) by way of business innovation and exploration. Our factoring and leasing advisory business in certain niche markets have proved to be successful and we will carry on those business lines in the foreseeable future. The management appreciates that corporate governance and compliance are crucial to the Group’s sustainable development. We had carried out an extensive internal control review exercise in order to identify any possible inefficiencies in our business operations system. We will continue to improve and optimise our corporate governance goals to carry out the internal review exercise at least on an annual basis.

The Group’s revenue for the Reporting Period, was approximately RMB39.9 million, which represented an increase of approximately 6.9% from approximately RMB37.4 million for the year ended 31 December 2019 (the “Corresponding Period”). The Group’s finance leasing advisory business made good progress during the Reporting Period to have contributed RMB8.4 million and accounted for approximately 21.0% of the total revenue for the Reporting Period. The management was pleased to see that the receivables assets portfolio from finance leasing and sales and leaseback arrangements went through the trough and began to improve over the Reporting Period. The management would keep a close eye on its assets performance and would take actions as and when appropriate.

# CHAIRMAN STATEMENT

## OUTLOOK

Apart from the impact resulting from the COVID-19 pandemic, another challenge faced by the finance leasing industry as a whole is the growingly stringent regulations imposed by the PRC government. The compliance with these regulations in accordance with local and industrial protocols will not only add new costs to the finance leasing companies but also will limit the business realms of the finance leasing activities. All those external environmental changes demand more innovation and creativity from the Group and the management must strengthen the competitiveness of the Group to cope with the changes and competitions.

The Group will keep its focus to serve the financing needs from the small and medium-sized enterprises as well as individuals by way of finance leasing and factoring which is the new means of financing that the Group commenced during the year of 2020. To do so, the management may consider incorporating a new subsidiary as a new and separate business entity to operate the factoring business. In addition, we would leverage on our experience and competitiveness accumulated from vehicle-financing market to enter and explore further into some new and potentially more profitable niche markets such as the medical equipments and devices and culture-related sectors. The good progress made in the finance leasing advisory services business has brought confidence to the management that it is one of the business strategies of the Group that is worth pursuing further. The Group has made good progress with funding by forming strategic partnership with several new well-established financial institutions, during the Reporting Period. Not only will the Group maintain relationship with its current financing partners, it will keep engaging more institutions who can complement us to provide with a one-stop financing solution for the small and medium-sized enterprises as well as individuals, who are our core customers.

The Board would like to express its gratitude for the efforts and contributions made during the year by all of the Group's employees as well as the strong support of its business partners and customers.

### **David Chau**

*Chairman, chief executive officer and executive Director*  
Shanghai, the PRC, 25 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVENUE

The Group's revenue was principally derived from finance lease income for the provision of finance lease services to its customers in the PRC. During the Reporting Period, the Group's revenue increased by approximately RMB2.6 million or approximately 6.9% to approximately RMB39.9 million from approximately RMB37.4 million for the Corresponding Period. The increase in revenue for the Reporting Period was mainly attributable to the income derived from the finance leasing advisory services, which accounted for approximately 21.0% of the total revenue. Foreseeing the growing competition in the finance leasing industry, the management took actions as early as the year of 2019 to have restructured its management and workforces and deployed more resources to develop the finance leasing advisory service business. The finance leasing advisory service was rendered to serve as an intermediary between individual clients with financing needs and independent financial institutions who provide sale and leaseback arrangement services in relation to second-hand vehicles to individual clients. The Group acquired its individual clients either directly from its own outlet stores or indirectly from some other leasing business-related developers who may refer clients to the Group and provide their assistance with the finance leasing advisory service business (the "Auxiliary Service Providers"). The Group advised individual clients on their financing options based on their specific needs, and assisted with mediating the financial leasing contracts between the independent financial institutions and the individual clients, after assessing those clients' risk profiles. The Company's finance leasing advisory services include but not limited to: credit background referencing and vehicle value assessment; leasing application mediation, document preparation and auxiliary post lending assets management services and so on. Based on the clients' risk profiles, the needs of the individual clients and the Group's risk assessment on such individual clients, we may also provide guarantee to enhance the credit rating of such individual clients in support for their application for sales and leaseback arrangement provided by the independent financial institutions. As a means of risk management, we may also request counter-guarantees from these Auxiliary Service Providers as a condition in providing guarantees for such individual clients. The positive result has proved that the arrangement was necessary and successful. The finance leasing advisory service business not only enabled the Group to have established strong relations with many well established financial institutions, but also enhanced the Group's service competitiveness as the Group could now present more flexible and cheaper financing options to the potential clients. The management has full confidence in the fast development of the finance leasing advisory service business in future.

To further broaden the clientele base and diversify the revenue sources, the management may consider increasing its inputs into the factoring business by incorporating a new subsidiary in future which may focus on the factoring opportunities arising from the supply chain of the medical treatment equipments and devices sector.

## OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB2.1 million, representing an increase of approximately RMB0.5 million compared to that of the Corresponding Period, i.e. approximately RMB1.6 million. The increase was primarily due to the increase in government subsidies to the Group in respect of refund upon value-added tax and other levies.

## OTHER GAINS AND LOSSES

During the Reporting Period, the Group recorded other losses of approximately RMB0.7 million, whereas the Group recorded other losses of approximately RMB0.3 million during the Corresponding Period. The other losses of the Group during the Reporting Period was mainly attributable to the exchange losses that arose from the bank balances and cash held by the Group denominated in Hong Kong dollar which had depreciated much against Renminbi during the Reporting Period.

## STAFF COSTS

During the Reporting Period, the Group's staff costs amounted to approximately RMB15.8 million, representing an increase of approximately 21.6% from approximately RMB13.0 million for the Corresponding Period. The increase was mainly due to the increase in recruitment of the new sales and business development staff, which was in line with the Group's plan to expand the finance leasing advisory service business and sale and leaseback arrangements business in relation to second-hand vehicles.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER OPERATING EXPENSES

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB10.7 million, representing a decrease of approximately 25.8% from approximately RMB14.4 million during the Corresponding Period. The decrease was mainly due to (i) the decrease of remuneration payable to the auditors; (ii) the impact of COVID-19 pandemic that had brought about fewer business activities, hence resulting in the decrease of general expenditure in relation to the business operations, such as travelling and entertainment expenses and promotion expenses; and (iii) the decrease of professional fees for the Company's listing compliance, partially offset by the increase of finance leasing advisory service costs in relation to the finance leasing advisory service business.

## FINANCE COST

During the Reporting Period, the Group's finance costs amounted to approximately RMB5.2 million, representing a decrease of approximately 51.4% from approximately RMB10.7 million during the Corresponding Period. The decrease was mainly due to the decrease of imputed interest expense arising from the deposits received from the customers of finance leasing. The deposits received from finance leasing customers decreased from approximately RMB38.8 million as at 31 December of 2019 to approximately RMB17.6 million as at 31 December 2020. As a result, the imputed interest expense arising from deposits received from finance leasing customers decreased by approximately 67.3% from approximately RMB8.5 million for the Corresponding Period to approximately RMB2.8 million for the Reporting Period.

## QUALITY OF FINANCE LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (COLLECTIVELY, "LEASE RECEIVABLES")

As at 31 December 2020, the balance of the Lease Receivables (before loss allowances) was approximately RMB241.4 million and the balance as at 31 December 2019 was RMB271.5 million (before loss allowances), representing a decrease of approximately RMB30.1 million or 11.1%. The decrease was because of (1) the outbreak of the COVID-19 pandemic at the beginning of the Reporting Period which decreased the finance leasing market demand significantly and in turn lowering the Group's total lending amount; and (2) the expansion of the finance leasing advisory services and factoring business which tend to have better profit margins during the Reporting Period which has led to the Group's diversion of its resources into those new business areas. The decrease of Lease Receivables was partially offset by the increase in sale and leaseback arrangements which grew steadily during the Reporting Period and accounted for nearly 36.7% of the total balance of the Lease Receivables (before loss allowances).

Over the Reporting Period when the COVID-19 pandemic hit the economy hard, the management treated the asset safety as its top priority and accelerated its debt collection efforts greatly; and was pleased to see that the overall performance of the assets was satisfactory as demonstrated as follows (i) the proportion of overdue finance leasing assets to the total assets was decreasing during the Reporting Period as compared with that of the Corresponding Period due to the lower overdue rate of Lease Receivables in relation to the sale and leaseback arrangements services in relation to the second-hand vehicles; and (ii) the enhanced debt collection efforts resulted in better lease repayments from those historical overdue Lease Receivables. The management believed that the Group should have gone through the trough and further quality improvement was much expected and desirable. Further analysis in relation to the Group's Lease Receivables could be found in Notes 18 and 19 of the Group's consolidated financial statements.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LOSS ALLOWANCES ON THE LEASE RECEIVABLES

During the Reporting Period, the Group recognised loss allowances on Lease Receivables of approximately RMB1.4 million which was significantly lower than the loss allowances of approximately RMB43.5 million for the Corresponding Period. The decrease in loss allowances on the Lease Receivables was fundamentally due to the improved asset quality of the Lease Receivables. For the Reporting Period, the management of the Group led the collection team and paid vigorous collective efforts to control the Lease Receivables asset portfolio and consequently saw the decreased proportion of overdue Lease Receivables to the total Lease Receivables asset portfolio. More details about the loss allowances on the Lease Receivables can be found in Notes 18 and 19 of the consolidated financial statements. A large comparative loss allowances figure was provided for the Corresponding Period and its detailed explanation could be found in Notes 18, 19 and 36 of the Group's consolidated financial statements of this annual report. The management of the Group would like to emphasise that the loss allowances on the Lease Receivables mentioned above was of non-cash nature and did not have any material impact on the cash flows of the Group. The management of the Group will continue its strict quality control measures over its Lease Receivables.

## PROFIT BEFORE TAX

The Group recognised a profit before tax of approximately RMB8.8 million for the Reporting Period as compared to a loss before tax of approximately RMB46.6 million for the Corresponding Period. The significant profit improvement of the Reporting Period was mainly due to (i) the revenue growth attributable to the growth of finance leasing advisory services; (ii) less operating expenses partly due to more efficient cost control measures and partly due to the impact of COVID-19 causing less operational expenditure as less business activities were needed; and (iii) less aforementioned loss allowances thanks to the quality improvement of the Lease Receivables portfolio. The Group's operating profit, being the difference between revenue and finance costs, as a lessor, for the Reporting Period was approximately RMB34.8 million, which was approximately RMB8.1 million more than that of the Corresponding Period.

## INCOME TAX CREDIT/EXPENSE

During the Reporting Period, the Group recorded an income tax credit of approximately RMB0.5 million while recorded an income tax expense of approximately RMB3.4 million for the Corresponding Period. Income tax expense represents the sum of the current income tax and deferred tax. By the end of 2020, the Group has deductible temporary differences of RMB46,721,474 (2019: RMB56,624,986).

## MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there were no material mergers and acquisitions or disposal of subsidiaries, associated companies and joint ventures by the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE RISK

The Group's primary business operations are exposed to limited foreign exchange risk because its domestic operations and finance leasing business are primarily funded in Renminbi. The Group's exposure to the risk of changes in foreign exchange is primarily due to the proceeds from the placing of new Shares completed in November 2019, which was denominated in Hong Kong dollar. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

## LIQUIDITY AND CAPITAL RESOURCES

	For the year ended 31 December	
	2020 RMB	2019 RMB
Cash and cash equivalents (as at 31 December)	16,715,611	43,336,137
Net cash from (used in) operating activities	1,302,855	(9,225,248)
Net cash from (used in) investing activities	2,135,716	(6,314,656)
Net cash (used in) from financing activities	<u>(29,790,506)</u>	5,960,114

As at 31 December 2020, cash and cash equivalents of the Group was approximately RMB16.7 million, as compared with that of approximately RMB43.3 million as at 31 December 2019.

For the Reporting Period, net cash from operating activities was approximately RMB1.3 million, as compared to the net cash used in operating activities of approximately RMB9.2 million for the Corresponding Period. For the Reporting Period, net cash from investing activities was approximately RMB2.1 million as compared to the net cash used in investing activities of approximately RMB6.3 million for the Corresponding Period. For the Reporting Period, net cash used in financing activities was approximately RMB29.8 million, as compared to the net cash from financing activities of approximately RMB6.0 million for the Corresponding Period.

## CAPITAL MANAGEMENT

The Group's overall capital management strategy remains unchanged. The Group reviews its capital structure regularly to ensure that it has a solid and healthy financial foundation whilst seeking a long-term sustainable return to the Shareholders. On the other hand, the Group attaches great importance to its funding capability and regards it as one of the key driving forces of business growth. During the Reporting Period, the Group successfully broadened its funding source further by engaging more independent financial institutions, which provided the Group with a new potential funding capacity of up to approximately RMB550 million. Since those new funding agreements were signed to the end of the Reporting Period, approximately RMB50 million of this new funding facility had been utilised. And by the date of this annual report is to be published, another approximately RMB35 million funding facility will have been drawn down to support the business growth of the Group. The Group plans to fully utilise its funding facility in the coming year and expects the business to grow steadily.

# MANAGEMENT DISCUSSION AND ANALYSIS

The gearing ratio (defined as overall financing divided by total equity) of the Group at the end of the Reporting Period and the Corresponding Period were as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB</b>	RMB
Total equity	<u>205,828,707</u>	196,545,929
Overall financing		
– Bank and other borrowings	<u>49,889,301</u>	26,436,002
Gearing ratio	<u>24.2%</u>	13.5%

At the end of the Reporting Period, the gearing ratio of the Group was approximately 24.2% which represents an increase compared to approximately 13.5% at the end of the Corresponding Period. The gearing level was still lower than other leasing companies of the same industry and the Group is prudent to safeguard its capital base and may only elevate the gearing position to a reasonable level.

## EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group had 138 full-time employees as compared with 72 full-time employees as at 31 December 2019. Total staff cost including Directors' remuneration was approximately RMB15.8 million for the Reporting Period, as compared with approximately RMB13.0 million for the Corresponding Period. Since the Group decided to expand the finance leasing advisory service and sale and leaseback arrangements services in relation to the second-hand vehicles to individual clients, the Group has recruited a large number of sales and business development staff, especially those recruited for the outlet stores which the Group opened during the Reporting Period in order to expand its customer acquisition capability. The Group believes that employees are one of its most important assets and has been recruiting individuals based on merits. Remuneration package offered to all employees is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The remuneration of the Directors is determined based on, among others, the prevailing market conditions and his/her roles and responsibilities. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills. The Group has adopted the share option scheme to recognise and reward the contribution of selected participants to the Group, including the employees of the Group. Further details of the share option scheme are set out in the Directors' Report of this annual report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities (31 December 2019: nil).

## PLEDGE OF ASSETS

	At 31 December 2020 RMB	2019 RMB
Finance lease receivables	–	17,420,359
Receivables arising from sale and leaseback arrangements	<b>39,613,289</b>	–
	<b>39,613,289</b>	17,420,359

### Restrictions on assets

These lease receivables were pledged to independent financial institutions, as at 31 December 2020 and 2019, to secure the Group's certain other borrowings. As at 31 December 2019, lease liabilities of RMB1,295,776 were recognised with related right-of-use assets of RMB1,265,253. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes. As at 31 December 2020, no lease liabilities were recognised.

## SIGNIFICANT INVESTMENT

During the Reporting Period, the Company did not have any significant investment.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at the date of this annual report.

## USE OF PROCEEDS FROM THE PLACING

On 21 November 2019, the Company has completed a placing (the "Placing") of 160,000,000 new Shares (the "Placing Shares") under the general mandate at the placing price of HK\$0.162 per Placing Share to not less than six placees, who are independent third parties. After deducting placing commissions and all other expenses related to the Placing, the net proceeds from the Placing amounted to approximately HK\$25.4 million, which was intended to be used for expanding the capital base for the Group's vehicle finance leasing operations. The net price per Placing Share was approximately HK\$0.159 per Placing Share and the closing price on the date of signing the Placing agreement was HK\$0.202 per Share. The net proceeds has been fully utilised as at 31 December 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENTS

As at 31 December 2020, the Company had no capital commitments.

## EVENTS AFTER THE REPORTING PERIOD

The Company would like to remind the Shareholders that although the spread of the COVID-19 pandemic was much under control within the mainland China territory, thanks to the strict measures imposed by the central and local governments, it is early to foresee that the trauma brought by this virus will come to an end in the near future. The management of the Group cannot rule out that some travel restrictions or lockdown measures, as consequential actions to curb the spread of the virus, would not have an adverse impact on the quality of the Group's vehicle leasing assets in future. The management of the Group does not believe there should be any long-term adverse financial impacts on the Group, and it will closely monitor the situation and the Group will take appropriate measures as necessary and make further announcement(s) as and when appropriate.

The Group has been diversifying its business and has commenced to conduct factoring business in 2020. On 24 March 2021, the Group entered into a factoring agreement with a customer pursuant to which we provide accounts receivable factoring revolving facility to such customer. Please refer to the announcement of the Company dated 24 March 2021 for details.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## DIVIDEND

The Company has not paid out and the Directors do not recommend the payment of any final dividend for the Reporting Period.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chau David (alias DAVID CHAU) (周大為)**, aged 36, is the Chairman, chief executive officer and an executive Director, a controlling Shareholder and the founder of the Group. Mr. Chau was appointed as the Director on 29 June 2017 and was re-designated as an executive Director on 8 March 2018. Mr. Chau is primarily responsible for the overall corporate strategies, management and business development of the Group.

Mr. Chau is the founder of the Group. Based on when he first founded the Group in 2009, he has over ten years of experience in finance services, focusing on vehicle finance leasing and has been a key driver of the Group's business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Mr. Chau is currently a director of Metropolis Asia Ltd., a director of Metropolis International Investment Holding (Hong Kong) Company Limited ("Metropolis Hong Kong") and a director and legal representative of Metropolis International Finance Leasing Co., Ltd.\* (信都國際融資租賃有限公司) ("Metropolis Leasing"). He has been the legal representative of Xin You (Cangzhou) Real Estate Development Co., Ltd\* (信友(滄州)房地產開發有限公司) ("Xin You"), which engages in property development since August 2010. Prior to founding the Group, Mr. Chau was a chief executive officer and an art director of Shanghai Hwa's Cultural Development Co., Ltd.\* (上海華氏文化發展有限公司) ("Shanghai Hwa's"), an artwork trading company, from November 2007 to September 2009. Through participating in the daily operation and management of Shanghai Hwa's and further developing the operation scale of Shanghai Hwa's, he accumulated knowledge and experience in business and management.

Mr. Chau obtained a Bachelor of Arts degree from the University of British Columbia in Canada in November 2007.

Mr. Chau David is the cousin of Ms. Zhou Hui, an executive Director and chief operation officer of the Company, and the son of Ms. Chau On, a non-executive Director.

**Ms. Zhou Hui (周卉)**, aged 38, is an executive Director and the chief operation officer. Ms. Zhou was appointed as the Director on 29 August 2017 and was re-designated as an executive Director on 8 March 2018. Ms. Zhou joined the Group as a vice president in September 2010. She is primarily responsible for risks management and compliance of the Group.

Ms. Zhou has more than 14 years of experience in risks management of which she has eight years of experience in vehicle finance leasing sector. Prior to joining the Group, Ms. Zhou worked as a tax associate in Deloitte Touche Tohmatsu from August 2006 to March 2007 and deputy manager of risk management, responsible for risk control and assessment, in Bank of East Asia (China) Limited from March 2007 to September 2010. She has been the legal representative of Shanghai Junyu Asset Management Company Limited\* (上海君禦資產管理有限公司) which engages in asset management since October 2016.

Ms. Zhou obtained a bachelor's degree in commerce from the University of Otago in New Zealand in December 2005.

Ms. Zhou is the cousin of Mr. Chau David, the Chairman, chief executive officer of the Company, an executive Director and the controlling Shareholder, and the niece of Ms. Chau On, a non-executive Director.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## NON-EXECUTIVE DIRECTOR

**Ms. Chau On (周安)**, aged 65, is a non-executive Director. Ms. Chau was appointed as the Director on 29 August 2017 and was re-designated as a non-executive Director on 8 March 2018. She is primarily responsible for supervising the Board and providing strategic advice to the Board. She joined the Group in June 2009.

Ms. Chau is currently the director of Metropolis Hong Kong and a supervisor of Metropolis Leasing. Ms. Chau has more than ten years of experience in the administrative field. She has been a director of Xin You, which engages in property development since May 2010.

Ms. Chau obtained a bachelor's degree in politics and education from Shanghai Normal University (currently known as East China Normal University\* (上海華東師範大學)) in January 1980.

Ms. Chau is the mother of Mr. Chau David, the Chairman, the chief executive officer of the Company, executive Director and a controlling Shareholder, and the auntie of Ms. Zhou, an executive Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lau Chung Wai (劉仲緯)**, aged 39, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the audit committee of the Board and member of the nomination committee and remuneration committee of the Board.

Mr. Lau has over 17 years of experience in accounting and finance. Prior to joining the Group, Mr. Lau had been working in Ernst & Young from September 2004 to September 2011 and his last position was manager of the assurance service team. He was a finance manager in a media company which is a subsidiary of Publicis Groupe SA, a company listed on the Euronext Paris (stock code: PUB.PA), from September 2011 to April 2013, and group financial controller of an enterprise engaging in the manufacturing of furniture and home decoration products in the PRC from May 2013 to July 2015. From August 2015 to March 2019, Mr. Lau has been chief financial officer and company secretary of Da Sen Holdings Group Limited (stock code: 1580), the shares of which are listed on the Main Board of the Stock Exchange. Since March 2019, Mr. Lau has been the chief financial officer and company secretary of Kwung's Holdings Limited (stock code: 1925), the shares of which are listed on the Main Board of the Stock Exchange, and is responsible for overseeing the investment, legal and financial affairs.

Mr. Lau obtained his bachelor of business administration in accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants ("HKICPA") in January 2014 and has become member and fellow of HKICPA since January 2008 and May 2015, respectively.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Mo Luojiang (莫羅江)**, aged 41, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the remuneration committee of the Board and member of the audit committee and nomination committee of the Board.

Mr. Mo has more than 17 years of experience in trading of petrochemical and agricultural products and financial services in the PRC. Mr. Mo joined Shanghai Dasheng Agriculture Finance Technology Co., Ltd. (formerly known as Shanghai Tonva Petrochemical Co., Ltd.) (stock code: 1103) (“Dasheng Agriculture Finance”), the shares of which are listed on the Main Board of the Stock Exchange, in July 2003 and was responsible for the preparation of the listing of Dasheng Agriculture Finance in Hong Kong and in charge of its business operation. Mr. Mo has served several positions at Dasheng Agriculture Finance, including its secretary of the board from July 2003 to July 2006 and from April 2012 to May 2013, its vice general manager from May 2006 to June 2013, its executive vice general manager from March 2007 to December 2010 and its executive director from May 2007 to June 2012 when Dasheng Agriculture Finance was listed on GEM. Mr. Mo has served as a chief executive officer and an executive director of Dasheng Agriculture Finance from May 2013 to December 2018 and from June 2013 to December 2018, respectively.

Mr. Mo is a director of Hong Kong Dasheng Agriculture Holding Company Limited (“Hong Kong Dasheng”), which is an investment holding company and a wholly-owned subsidiary of Dasheng Agriculture Finance pursuant to the interim report of Dasheng Agriculture Finance published on 28 September 2018. According to the public search made at the Companies Registry, on 11 September 2018, receivers and managers were jointly and severally appointed pursuant to a share charge entered into between Hong Kong Dasheng and a bank. Further, according to the public search made at the Companies Registry, it is noted that a form of notification of payment, satisfaction of debt, release from charge, etc, and a form of notice of cessation of appointment of receiver or manager were filed on 26 November 2018. According to searches conducted against Mr. Mo, no disqualification order has been made against Mr. Mo personally and no bankruptcy petition filed against Mr. Mo, and there was no record of any claim against him personally as a defendant in relation to Hong Kong Dasheng. Mr. Mo confirmed that he had not actively participated in the business operation of Hong Kong Dasheng. Mr. Mo confirmed that there was no wrongful act, fraud or irregularities on his part in leading to the aforesaid appointment of receivers and managers. Mr. Mo resigned as the director of Hong Kong Dasheng on 27th December 2018 and did not hold any positions in Hong Kong Dasheng since then.

Mr. Mo obtained a bachelor’s degree in management specialising in accountancy from Shanghai University of Finance and Economics in July 2003. Mr. Mo was awarded “The Excellence in Achievement of World Chinese Youth Entrepreneurs” issued by World Federation of Chinese Entrepreneurs Organisation in 2008.

**Mr. Lo Kai Tung (盧啟東先生)**, aged 38, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the nomination committee of the Board and member of the audit committee and remuneration committee of the Board.



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo has over 16 years of experience in auditing, corporate finance and investment banking. Mr. Lo is currently a responsible officer in a licensed corporation in Hong Kong to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Lo obtained a degree of bachelor of business administration in accountancy and law from the City University of Hong Kong in November 2004. He has been a member of the HKICPA since April 2008.

## SENIOR MANAGEMENT

**Mr. Li Shun (李順先生)**, aged 44, has been the chief financial officer of the Group since August 2014 and is responsible for overseeing corporate strategies, financial affairs and investment of the Group. Mr. Li has over 17 years of experience in accounting and finance and has been a member of Chartered Institute of Management Accountant since 2006. Prior to joining the Group, Mr. Li was an accountant of Morgan Hall Solicitors from 2003 to 2008, a finance analyst of Macquarie Group Limited from 2008 to 2010 and a head of financial control department of China International Capital Corporation (UK) Limited, an investment bank, from April 2010 to July 2014.

Mr. Li obtained his bachelor's degree in English language from Beijing Foreign Studies University (北京外國語大學) in July 1999 and a master of science in management from The University of Lancaster in the United Kingdom in October 2002.

**Mr. Yuan Xiaobing (袁小兵先生)**, aged 41, has been the head of operation management department of the Group since October 2014 and the assistant of chief executive officer of the Group since May 2016. He is responsible for overseeing the operational management and information technology of the Group.

Mr. Yuan has over 15 years of experience in the information technology field. Prior to joining the Group, Mr. Yuan was a computer technician of Yew Chung International School of Shanghai from May 2005 to January 2008, a deputy director of Longguang (China) Sporting Goods Company Limited Shanghai branch\* (龍光(中國)體育用品有限公司上海分公司), a retail company, responsible for information resource management, from January 2008 to November 2010, head of information technology department of Shanghai Tong Yue Leasing Company Limited\* (上海同岳租賃有限公司), a company which provides finance leasing services, from December 2010 to August 2013 and a deputy director of systems management of Chuang Fu Financial Leasing (Shanghai) Company Limited\* (創富融資租賃(上海)有限公司) from August 2013 to October 2014, a company which provides finance leasing services.

Mr. Yuan obtained his bachelor's degree in computer science and technology from the University of Jiangsu (江蘇大學) in June 2002.

## COMPANY SECRETARY

**Mr. Tsang Martin Yiu Ting (曾耀霆)** was appointed as the company secretary of the Company on 2 December 2020. Mr. Tsang is currently a solicitor at the law firm of Chiu & Partners in Hong Kong, specialising in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Tsang is a practising solicitor in the field of commercial and corporate finance and was admitted as a solicitor in Hong Kong in November 2017. He completed the bachelor of law degree programme at The University of Hong Kong in November 2014.

\* for identification purpose only

# DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

## PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the Group is principally engaged in finance leasing, finance leasing advisory and factoring services in the PRC. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 December 2020.

## BUSINESS REVIEW

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Group's business, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future development in the Group's business, and an analysis using financial key performance indicators can be found in the section headed "Management discussion and analysis" of this annual report set out on pages 5 to 11. The "Management discussion and analysis" section and the Environmental, Social and Governance Report forms a part of this Directors' report.

## PRINCIPAL RISKS RELATING TO THE GROUP'S BUSINESS

1. The Group's finance leasing business is concentrated in the lease of vehicles. Any decrease in use of vehicles in the PRC due to any change caused by external factors such as the adoption of new government's policies or a slowdown in PRC's economy could affect the general spending power of its people and could have an adverse effect on the Group's financial conditions, results of operation and growth prospects. The quarantine measures and travel restrictions imposed by the government to curb the spread of COVID-19 virus was an example of how the Group's business could be affected by the government's policies.
2. The Group depends on the continued efforts of its senior management team and other key employees for its success. They collectively possess a deep understanding of the Group's target industries, its customers and competitors and the relevant laws. Therefore, they play an important role in formulating and implementing appropriate strategies for the success of the Group. The loss of service of any of the Group's key management could impair the Group's ability to operate and make it difficult to implement its business and growth strategies.

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

As a finance leasing company, the Group does not involve in a business that will generate air, water and land pollutions which are regulated by the applicable laws and regulations in the PRC. The Group complies with the relevant laws and regulations in environmental protection. The Group continually seeks to identify and manages environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group seeks to upgrade equipment such as lighting and air-conditioning systems in order to increase overall operating efficiency.

# DIRECTORS' REPORT

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing the business prudently and executing management decision with due care and attention.

## ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 66 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020.

The Company has adopted the dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to, among others, the discretion of the Board, the articles of association of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time.

As at the date of this annual report, the Board is not aware of any shareholders who have waived or agreed to waive any dividends.

## CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' rights to attend and vote at the forthcoming annual general meeting of the Company (the "AGM") which will be held on Monday, 10 May 2021, the register of members of the Company will be closed from 4 May 2021 to 10 May 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 May 2021 (Hong Kong time).

## SHARE CAPITAL

For the Reporting Period, there was no change in share capital of the Company and the total number of issued Shares remained at 960,000,000.

## DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company are set out in Note 39 to the consolidated financial statements. As at 31 December 2020, the Company's reserves available for distribution to equity holders, comprising the share premium and loss and total comprehensive loss for the year, amounted to approximately RMB192.5 million.

# DIRECTORS' REPORT

## PROPERTY AND EQUIPMENT

Details of the movements in the property and equipment of the Group during the year ended 31 December 2020 are set out in Note 13 to the consolidated financial statements.

## DONATION

No charitable and other donations were made by the Group during the year ended 31 December 2020 (2019: nil).

## DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

### Executive Directors:

Mr. Chau David (*Chairman and Chief Executive Officer*)  
Ms. Zhou Hui

### Non-executive Director:

Ms. Chau On

### Independent non-executive Directors:

Mr. Lau Chung Wai  
Mr. Mo Luojiang  
Mr. Lo Kai Tung

In accordance with the articles of association of the Company (the "Articles"), at each general meeting one third of the Directors for the time being shall retire from office by rotation provide that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

## DIRECTORS' SERVICE CONTRACTS

The Directors have entered into service contracts or, as the case may be, appointment letters, with the Company for an initial term of three years commencing from the Listing Date, and their employments are subject to the rotation requirements under the Articles.

None of the Directors offering for re-election at the upcoming annual general meeting on 10 May 2021 has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 15 of this annual report.

## DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the Directors' remuneration and the five highest paid individuals for the year ended 31 December 2020 are set out in Note 10 to the consolidated financial statements of this annual report.

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

As at 31 December 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.

# DIRECTORS' REPORT

## 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 December 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 December 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 December 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.

## 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 December 2020, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

### (a) The purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Company.

### (b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (i) any full-time or part-time employees, executives or officers of the Group;
- (ii) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of the Group; and
- (iii) any suppliers, customers, consultants, agents, advisers, franchisees, joint venture partners and related entities to the Group. The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

# DIRECTORS' REPORT

## (c) Total number of Shares available for issue

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time. The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Group) to be granted under the Share Option Scheme and any other share option schemes of the Group as may from time to time be adopted by the Company as permitted under the GEM Listing Rules initially must not, in aggregate, exceed 10% of the Issued Share Capital as at the time dealings in the Shares first commence on GEM (i.e. as at 12 December 2018) (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the shareholders). The maximum number of Shares that may be granted under the Share Option Scheme was 80,000,000 Shares, representing 8.3% of the total issued Shares as at the date of this annual report. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

## (d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

Such further grant of options must be approved by the Shareholders. The Company must send a circular to the Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.



## **(e) Minimum period of holding an option and performance target**

The Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

## **(f) Basis of determining the exercise price**

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option (which must be a business day); (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day); and (iii) the nominal value of the Shares.

## **(g) Time of acceptance and amount payable on acceptance of the option**

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

## **(h) Life of the Share Option Scheme**

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of its adoption (i.e. 23 November 2018). As at the date of this annual report, the Share Option Scheme had a remaining life of approximately eight years.

## **CONTRACTS OF SIGNIFICANCE**

Save as disclosed under the paragraph headed "Related party transactions" and note 38 to the consolidated financial statements, (i) no transaction, arrangement and contract of significance in relation to the Group's business to which any member of the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2020; (ii) no transaction, arrangement and contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2020; and (iii) no transaction, arrangement and contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2020.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2020, none of the Directors, the substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had held any position or had any interest in any businesses or companies that were or might be materially, either directly or indirectly, competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the year ended 31 December 2020.

## RELATIONSHIP WITH EMPLOYEES

The Group regards employees as its core assets and strive for good relationship with its employees. The company has adopted policies to make sure the employees can acquire competitive remunerations, good welfare and continuous professional training. Please refer to the paragraph headed "Employment and remuneration policy" on page 9 of this annual report for further details.

## RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group maintains a good and stable relationship with its customers, without whom the operation success will not be guaranteed. For the year ended 31 December 2020, the Group's five largest customers accounted for approximately 29.72% of its total revenue, while the largest customer accounted for approximately 14.27% of its total revenue.

At no time during the year ended 31 December 2020 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers. For the year ended 31 December 2020, the Group had no major suppliers due to the nature of its business.

## RELATED PARTY TRANSACTIONS

Details of the Group's material related party transactions are set out in Note 38 to the consolidated financial statements. Save as disclosed below, the transactions disclosed under Note 38 are continuing connected transactions which are exempt from annual reporting requirements in Chapter 20 of the GEM Listing Rules.

All related party transactions which constituted as connected transaction that had been completed by the end of the Reporting Period but that were not exempted under Chapter 20 of the GEM Listing Rules are disclosed below:

As set out in the prospectus of the Company dated 30 November 2018, on 5 June 2015, Metropolis Leasing, as lessor, entered into a finance lease master agreement in relation to leasing of certain number of elevators (the "Elevators") (the "Finance Lease Master Agreement") with Xin You, as lessee. The principal terms of the Finance Lease Master Agreement are as follows:

- (i) Metropolis Leasing shall enter into sale and purchase agreement(s) with the supplier (the "Elevator Supplier") designated by Xin You, and purchase the Elevators from the Elevator Supplier for the purpose of leasing them to Xin You;

- (ii) Metropolis Leasing shall lease the Elevators to Xin You, and enter into individual lease agreements (the "Individual Lease Agreements", each an "Individual Lease Agreement") which set out specific terms and conditions, including the amount of finance lease principal and finance lease interests, finance lease period (the "Lease Period") and other terms, with Xin You;
- (iii) Xin You shall pay to Metropolis Leasing the finance lease principal and finance lease interests pursuant to the Individual Lease Agreements; and
- (iv) upon the end of the Lease Period and the fulfillment of Xin You's obligation under the Finance Lease Master Agreement and the relevant Individual Lease Agreements, the ownership of the Elevators will be transferred to Xin You.

For the period from 5 June 2015 to 31 December 2017, Metropolis Leasing entered into 17 Individual Lease Agreements, 10 of which were completed as at 31 December 2019. Pursuant to the Individual Lease Agreements, Xin You shall pay to Metropolis Leasing the finance lease principal and finance lease interests at the end of the Lease Period. The Lease Period set out under each Individual Lease Agreement is 36 months, commencing from the date on which Metropolis Leasing pays the first instalment of purchase price of the Elevators to the Elevator Supplier. The Lease Period of the last Individual Lease Agreement has ended in November 2020.

The transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) are on normal commercial terms, and can generate revenue and cash flow stream for the Group. The amount of finance lease income was determined with reference to the interest margin, the market interest rate in respect of the finance lease arrangement of similar equipments. The proposed annual caps with respect to the transactions under the Finance Lease Master Agreement (being the 17 Individual Lease Agreements) were determined with reference to the aggregate transaction amount set out under the 17 Individual Lease Agreements. Pursuant to the Finance Lease Master Agreement, the total amount of finance lease rentals estimated to be received under the 17 Individual Lease Agreements for the years ending 31 December 2018, 2019 and 2020 will be RMB1.7 million, RMB2.8 million and RMB6.3 million, out of which RMB1.3 million, RMB2.2 million and RMB5.0 million being the amount of annual caps of the finance lease principal, respectively, and RMB0.4 million, RMB0.6 million and RMB1.3 million being the amount of annual caps of the finance lease interests, respectively. For the year ended 31 December 2020, the total amount of finance lease rentals received by the Group under the 17 Individual Lease Agreements was approximately RMB6.2 million, out of which approximately RMB4.9 million being the finance lease principal and approximately RMB1.3 million being the finance lease interests.

Metropolis Leasing is an indirect wholly-owned subsidiary of the Company. Xin You is indirectly wholly-owned by a company, 80% of the equity interest of which is held by Mr. Chow Chuen Chung and 20% of the equity interest of which is held by Ms. Chau On. Ms. Chau On is a non-executive Director and the mother of Mr. Chau David, the Company's controlling shareholder, chairman, chief executive officer and executive Director. Mr. Chow Chuen Chung, being the father of Mr. Chau David and the spouse of Ms. Chau On, is a connected person of the Company and therefore, Xin You is a connected person under the GEM Listing Rules. Hence the transactions under the Finance Lease Master Agreement constituted continuing connected transactions of the Company.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditor to report on these continuing connected transactions and the auditor has confirmed that these continuing connected transactions are in accordance with Rule 20.54 of the GEM Listing Rules and has issued an unqualified letter containing their findings and conclusions accordingly.

## DIRECTORS' REPORT

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong listing Rules issued by the HKICPA. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed by the Group regarding finance lease principal and interest received from Xin You in accordance with Rule 20.54 of the GEM Listing Rules. The unqualified conclusion is set out as below:

- (a) nothing has come to their attention that causes Mazars CPA Limited to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes Mazars CPA Limited to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (c) nothing has come to their attention that causes Mazars CPA Limited to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (d) nothing has come to their attention that causes Mazars CPA Limited to believe that the disclosed continuing connected transactions, have exceeded the maximum aggregate annual cap disclosed in the prospectus of the Company dated 26 September 2018 in respect of the transactions.

A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors have confirmed these continuing connected transactions in accordance with Rule 20.53 of the GEM Listing Rules. Specifically, the independent non-executive Directors have reviewed these continuing connected transactions and the unqualified letter from the auditor and have confirmed that these continuing connected transactions entered into by the Group were in the ordinary and usual course of its business of the Group, on normal commercial terms or better, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions set out above.

## 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 December 2020:

1. 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. In 2020, the Group entered into a debt restructuring with customer E, the aggregated net financing amount of such finance leases under the debt restructuring was approximately RMB52.14 million. The total contract yield of such finance leases under the debt restructuring was approximately 33.46% (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 under the debt restructuring was approximately 66 months and Customer E would make monthly 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.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Octal Capital Limited, as at 31 December 2020, save for the compliance adviser agreement dated 14 March 2018 entered into between the Company and Octal Capital Limited, neither Octal Capital Limited, 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 AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

## CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules, and the Company has adopted the Corporate Governance Code as its own code of corporate governance. The Board considered that during the year up to the date of this annual report, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, save for code provision A.2.1 of the Corporate Governance Code. For details, please refer to the "Corporate Governance Report" on pages 29 to 41 of this annual report.

# DIRECTORS' REPORT

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders. There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

## INDEPENDENT AUDITORS

The Company has appointed Mazars CPA Limited as the auditor of the Company with effect from 17 July 2020 to fill the casual vacancy due to the retirement of Deloitte Touche Tohmatsu.

The consolidated financial statements for the Reporting Period have been audited by Mazars CPA Limited who will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM. A resolution to re-appoint Mazars CPA Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM. Save as the above, there has been no other change in auditor of the Company in the preceding three years.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in China while the Company itself is listed on GEM of the Stock Exchange. The Group's operations shall comply with relevant laws and regulations in China and Hong Kong. For the Reporting Period, the Group has complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

## BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

For further details, please refer to the paragraph headed "Capital management" under "Management discussion and analysis" on page 8 of this annual report.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he/she shall or may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out and maintained appropriate Directors' liability insurance coverage for the Directors.

On behalf of the Board

**Chau David**

*Chairman, chief executive officer and executive Director*

Hong Kong

25 March 2021

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's annual report for the Reporting Period.

## A. CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, and the Company has adopted the CG Code as its own code of corporate governance.

The Board is of the view that, for the Reporting Period, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph "Chairman and Chief Executive Officer" below.

## B. 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 for the Reporting Period.

## C. BOARD COMPOSITION

The Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors, who together, bring the skills, experience and diversity the Company needs to meet its long-term objectives. During the Reporting Period and up to the date of this annual report, the Directors are:

### Executive Directors:

Mr. Chau David (*Chairman and Chief Executive Officer*)  
Ms. Zhou Hui

### Non-executive Director:

Ms. Chau On

### Independent non-executive Directors:

Mr. Lau Chung Wai  
Mr. Mo Luojiang  
Mr. Lo Kai Tung

# CORPORATE GOVERNANCE REPORT

The biographical details of the Directors and other senior management are set out in the section headed with “Biographical details of the Directors and senior management” from pages 12 to 15 of this annual report. Save as disclosed in the section “Biographical details of the Directors and senior management” in this annual report, each of the Board members has no financial, business, family or other material or relevant relationships with each other.

## **D. RESPONSIBILITIES OF AND DELEGATION BY THE BOARD**

The Board is principally responsible for overall leadership and control of the Company and oversees the Group’s businesses, overall strategic decisions and performance, approving the financial statements and annual budgets, and is collectively responsible for promoting the long-term success of the Company by directing and supervising its affairs. The Board ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders.

Our Company’s day-to-day management and operational decisions are made by the Group’s executive Directors and senior management, who are experienced in managing the Group’s business. The three independent non- executive Directors bring independent judgment to the decision-making process of the Board.

All Directors, including the non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company’s expenses for discharging their duties to the Company. Independent non-executive Directors are invited to serve on the audit committee, remuneration committee and nomination committee of the Company.

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code.

The Company has arranged appropriate insurance coverage on Directors’ and officers’ liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.



# CORPORATE GOVERNANCE REPORT

## E. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

## F. NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times complied with Rules 5.05 and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received the written confirmation from each of the independent non-executive Directors in respect of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence guidelines as set out in the GEM Listing Rules.

## G. TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date unless either party terminate the service contract by giving to the other party not less than three months' notice in writing. The non-executive Director and each independent non-executive Director has entered into an appointment letter with the Company with a term of three years with effect from the Listing Date.

Pursuant to Article 108(a) of the Company's Articles at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election.

# CORPORATE GOVERNANCE REPORT

Pursuant to Article 108(b) of the Articles, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 112 of the Articles shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Pursuant to Article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## H. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. For the Reporting Period, all the Directors (namely Mr. Chau David, Ms. Zhou Hui, Ms. Chau On, Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lo Kai Tung) have participated in continuous professional development by self-study of materials and/or attending training session on topics related to corporate governance and regulations.

# CORPORATE GOVERNANCE REPORT

## I. DIRECTORS' ATTENDANCE RECORDS

The attendance record of each Director at the Board meetings, Board Committees meetings and general meetings of the Company held during the Reporting Period is set out in the table below:

NAME OF DIRECTOR	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting
<b>Executive Directors</b>					
Mr. David Chau (周大為)	8/8	N/A	N/A	N/A	1/1
Ms. Zhou Hui (周卉)	8/8	N/A	N/A	N/A	1/1
<b>Non-executive Directors</b>					
Ms. Chau On (周安)	8/8	N/A	N/A	N/A	1/1
<b>Independent Non-executive Directors</b>					
Mr. Lau Chung Wai (劉仲緯)	8/8	6/6	1/1	1/1	1/1
Mr. Lo Kai Tung (盧啟東)	8/8	6/6	1/1	1/1	1/1
Mr. Mo Luojiang (莫羅江)	8/8	6/6	1/1	1/1	1/1

To supplement the formal Board Meetings, the Chairman held regular gatherings with Directors to consider issues in an informal settings.

## J. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the nomination committee (the "Nomination Committee") and the remuneration committee (the "Remuneration Committee"), for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the three Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Company's shareholders upon request.

### Audit Committee

The Audit Committee was established on 23 November 2018 with its defined written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code. As at 31 December 2020 and the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lau Chung Wai (Chairman of the Audit Committee), Mr. Mo Luojiang, with Mr. Lo Kai Tung.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and play a key oversight role on the financial reporting system, and risk management and internal control systems of the Company and review its efficiency and effectiveness.

# CORPORATE GOVERNANCE REPORT

Four meetings had been held by the Audit Committee during the Reporting Period. The committee members attended to review the annual financial results announcement and report of the Company for the year ended 31 December 2019, the quarterly financial report for the three months ended 31 March 2020, the interim financial report of the Company for the six months ended 30 June 2020, and the quarterly financial report for the nine months ended 30 September 2020, as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Company's internal audit function.

## Nomination Committee

The Nomination Committee of the Board was established on 23 November 2018 with its defined written terms of reference in compliance with the CG Code. As at 31 December 2020 and the date of this annual report, the Nomination Committee comprises three independent non-executive Directors, namely Mr. Lo Kai Tung (Chairman of the Nomination Committee), Mr. Mo Luojiang, with Mr. Lau Chung Wai.

The Nomination Committee is primarily responsible for reviewing the structure, size, composition and diversity of the Board at least annually, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

One meeting had been held by the Nomination Committee during the Report Period to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

In assessing the structure, size, composition and diversity of the Board, the Nomination Committee takes into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The Nomination Committee agrees on measurable objectives for achieving diversity on the Board as set out in the Board Diversity Policy, where necessary, and recommends them to the Board for adoption.

The Board has also adopted a nomination policy ("Nomination Policy"). A summary of the Nomination Policy is disclosed below:

### **1. Objective**

The nomination policy aims to set out the relevant selection criteria and nomination procedures to help the nomination committee and the Board to ensure that the Board has a balance of skills, experience and diversity of perspective appropriate to the requirement of the Group's businesses.

# CORPORATE GOVERNANCE REPORT

## 2. *Selection criteria*

The selection criteria specified in the Nomination Policy include:

- commitment of available time and ability to devote sufficient time and attention to the affairs of the Company;
- reputation for integrity;
- accomplishment and experience in the relevant industry(ies);
- effectiveness in carrying out the responsibilities of the Board; and
- diversity in all its aspects as set out in the board diversity policy of the Company.

These factors are for reference only, and not meant to be exhaustive and decisive. The nomination committee has the discretion to nominate any person, as it considers appropriate.

## 3. *Nomination procedures*

- (i) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation.
- (ii) Until the publication of circular to the Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.
- (iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from the Shareholders, a circular will be sent to the Shareholders. The circular will set out the lodgment period for the Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to the Shareholders.
- (iv) A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

# CORPORATE GOVERNANCE REPORT

## 4. *Review of the Nomination Policy*

The nomination committee of the Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy. The nomination committee of the Board will discuss any revisions that may be required.

## Remuneration Committee

The Remuneration Committee of the Board was established on 23 November 2018 with its defined written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. As at 31 December 2020 and the date of this annual report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Mo Luojiang (Chairman of the Remuneration Committee), Mr. Lo Kai Tung, with Mr. Lau Chung Wai.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

One meeting had been held by the Remuneration Committee during the Reporting period to consider and recommend to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters.

## K. **DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Directors have acknowledged their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 61 to 65 of this annual report.

# CORPORATE GOVERNANCE REPORT

## L. REMUNERATION OF MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2020 is set out below:

	<b>Number of members of senior management</b>
Nil to RMB1,000,000	<u>2</u>
Total	<u>2</u>

Details of the remuneration of each Director for the year ended 31 December 2020 are set out in note 10 to the consolidated financial statements for the year ended 31 December 2020.

## M. AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the remuneration payable/paid to the Company's external auditors, Mazars CPA Limited, is set out below:

<b>Type of Services</b>	<b>Amount of Fees Payable/Paid</b> RMB
Audit services	<u>1,200,000</u>

## N. RISK MANAGEMENT AND INTERNAL CONTROLS

As a finance leasing company, the Group faces a variety of risks in the daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed a risk management system tailored to the characteristics of the business operations, with a focus on managing the risks through, among others, comprehensive due diligence on the customer, independent information review and multi-level approval process. The risk management measures of the Group are integrated with every stage of its finance lease operations, from the pre-lease investigation, credit assessment, lease approval to management of finance lease.

The Group embraces the benefits brought by technology innovation and commits to more resource inputs into enhancing its risk control capabilities. During the Reporting Period, the Group deployed resource to improve its information management system, aiming at modifying the business operation procedures in line with the new business developments and innovations.

# CORPORATE GOVERNANCE REPORT

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives, and can only provide a reasonable and not absolute assurance against material misstatement or loss. The senior management of the Group is responsible for formulating the risk management strategies and policies for the approval by the Board. Upon approval by the Board, they are also responsible for approving risk management execution plans.

The sudden and unexpected COVID-19 pandemic brought huge pressure to the Group as its clients were affected adversely due to the travel restrictions imposed, particularly for the first 6 months of the year. The management conducted an internal assessment and took measures to ensure the safety of its assets portfolio. Thanks to the timely efforts, the management was pleased to see that the assets quality did not deteriorate as a whole over the year of 2020, which in turn brought confidence to the management in the robustness and effectiveness of its risk control measures. Although the impact of COVID-19 may still have a negative bearing on the travel-related businesses in the foreseeable future, nevertheless, the management will monitor the business environment on an ongoing basis and to review the risk management policy regularly in order to strive for the best risk control practice in place. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations.

The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system.

## Handling and dissemination of inside information

The Company has developed the Information Disclosure Management System (《信息披露管理制度》) which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling and dissemination of inside information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

## O. COMPLIANCE OFFICER

Ms. Zhou Hui, an executive Director, has been designated as the Compliance Officer of the Group to oversee all compliance matters.

## P. NON-COMPETITION UNDERTAKING

Each of Mr. Chau David and View Art Investment Limited, being the controlling shareholders of the Company (as defined under the GEM Listing Rules), entered into a non-competition undertaking with the Company with effect from the Listing Date (the "Non-competition Undertaking"). Please refer to the Prospectus for additional information on the Non-competition Undertaking.

Each of Mr. Chau David and View Art Investment Limited has confirmed compliance with the terms of the Non-competition Undertaking during the Report Period. All the independent non-executive Directors are of the view that Mr. Chau David and View Art Investment Limited have been in compliance with the Non-competition Undertaking in favour of the Company.



# CORPORATE GOVERNANCE REPORT

## Q. COMPANY SECRETARY

Ms. Tang Winnie W was appointed as the company secretary of the Company with effect from 7 January 2019 and resigned her role with effect from 2 December 2020. Subsequently, Mr. Tsang Martin Yiu Ting was appointed as the company secretary of the Company with effect from 2 December 2020. His primary contact person at the Company is Mr. Li Shun, the chief financial officer of the Group. Mr. Tsang has complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules during the Reporting Period.

Biographical details of the company secretary of the Company is set out in the section headed "Biographical details of the Directors and senior management" of this annual report.

## R. SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information. The Board endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings, to communicate with them/answer their enquiries, and encourage their participation.

To promote effective communication, the Company maintains a website ([www.metropolis-leasing.com](http://www.metropolis-leasing.com)), where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are available for public access.

To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules, and poll results will be published on the websites of the Company and GEM after each general meeting.

## S. PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings pursuant to Article 64 of the Articles. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# CORPORATE GOVERNANCE REPORT

## T. PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Shareholders may propose a person for election as Director, the procedures of which are available on the Company's website ([www.metropolis-leasing.com](http://www.metropolis-leasing.com)).

## U. PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETING

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's address as mentioned below. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

## V. PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD ENQUIRIES TO THE BOARD

Shareholders are, at any time, welcome to raise questions and request information (to the extent it is publicly available and appropriate to provide) from the Board and management by writing to:

Address: Room 7003A  
887 Huai Hai Zhong Road  
Huangpu District  
Shanghai  
The People's Republic of China

Attention: Board of Directors

Tel: (86) 21 6474 7900

Fax: (86) 21 6474 9701

Email: [ir@metropolis-leasing.com](mailto:ir@metropolis-leasing.com)

# CORPORATE GOVERNANCE REPORT

Shareholders should direct their enquiries about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address: Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

## W. CONSTITUTIONAL DOCUMENTS

In preparation for the listing of the shares of the Company on GEM, the Company has conditionally adopted the amended and restated memorandum and articles of association by resolution passed on 23 November 2018 which became effective on 12 December 2018. During the Report Period, the Company has not made any changes to its memorandum and articles of association.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the “ESG Report”) serves the purpose of summarising the Environmental, Social and Governance (“ESG”) initiatives, plans and performance of Metropolis Capital Holdings Limited’s (the “Company”, together with its subsidiaries, the “Group” or “we”), as well as demonstrating our commitment towards sustainable development.

The Group is adhering to develop sustainably in accordance with the ESG management principles and is committed to effectively and responsibly handling the Group’s ESG issues as a core part of our business strategy since we believe this is the key to our continued success in the future.

### The ESG Governance Structure

The Group has established an ESG taskforce (the “Taskforce”). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant ESG information for the preparation of the ESG Report. The Taskforce reports to the board of directors (the “Board”) on a regular basis, assists in identifying and assessing the Group’s ESG risks, and evaluates the effectiveness of the Group’s ESG internal control mechanism. The Taskforce also examines and assesses the Group’s performance on the environment, health and safety, labour standards, product responsibility and other aspects in the ESG areas. The Board sets the direction of the Group’s ESG strategy and ensures the effectiveness of ESG risk management and its internal control mechanism.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2020 (the “Reporting Period” or “2020”).

## REPORTING SCOPE

The ESG Report covers the Group’s business activities in Shanghai headquarters, which comprises the middle and back office. Yet, the business activities of the Group’s outlet stores are excluded in this ESG Report as they had only operated for a short period of time during the Reporting Period. The key performance indicators (“KPIs”) are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosure where applicable.

## REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix 20 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Report on pages 29 to 41 of this annual report.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT

We recognise the responsibility and accountability to all our stakeholders. To understand and address the concerns of our stakeholders, we have been maintaining close communication with our key stakeholders, including but not limited to investors and shareholders, employees, customers, government and regulatory bodies, communities, non-governmental organisations and the media.

In the hopes of sustainably creating a greater value for the community, formulating operational strategies and ESG measures, as well as improving our performance through mutual cooperation with the stakeholders, stakeholders' expectations and concerns are collected and taken into consideration by utilising diversified key communication channels as shown below.

Key Stakeholders	Expectations and concerns	Communication Channels
<b>Investors and shareholders</b>	<ul style="list-style-type: none"><li>• Corporate governance system</li><li>• Business strategies and performance</li><li>• Transparent and effective communication channels</li><li>• Advancement in market value of the Group</li></ul>	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Financial reports</li><li>• Announcements and circulars</li><li>• Investor conferences</li></ul>
<b>Employees</b>	<ul style="list-style-type: none"><li>• Rights and benefits</li><li>• Remuneration and compensation</li><li>• Career development</li><li>• Health and safety</li><li>• Working environment</li></ul>	<ul style="list-style-type: none"><li>• Employee opinion survey</li><li>• Channels for employees' feedback (form, suggestion box, etc.)</li><li>• Employee newsletter and broadcasting</li><li>• Intranet</li></ul>
<b>Customers</b>	<ul style="list-style-type: none"><li>• Product quality</li><li>• Reasonable prices</li><li>• Health and safety</li><li>• Contract fulfilment</li><li>• Operation with integrity</li></ul>	<ul style="list-style-type: none"><li>• Customer satisfaction survey and feedback form</li><li>• Customer service manager</li><li>• Phone calls</li></ul>
<b>Government and regulatory bodies</b>	<ul style="list-style-type: none"><li>• Regulatory compliance</li><li>• Prevention of tax evasion</li><li>• Social welfare</li><li>• Promote local employment</li></ul>	<ul style="list-style-type: none"><li>• Regular work conferences</li><li>• Regular performance reports</li><li>• On-site inspection</li></ul>
<b>Communities, non-governmental organisations and the media</b>	<ul style="list-style-type: none"><li>• Environment protection</li><li>• Employment and community development</li><li>• Transparent information</li><li>• Social welfare</li><li>• Social networking</li></ul>	<ul style="list-style-type: none"><li>• ESG reports</li><li>• Public or community events and partnership projects on different topics</li></ul>

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

The management and employees in major functions of the Group have participated in preparing the ESG Report. They have assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of those relevant matters to our businesses and stakeholders. The Group has compiled a survey with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following table presents the list of topics that are considered as material to the Group.

### Environmental

- Pollution prevention and management
- Waste disposal management
- Resource management (electricity and water)
- Green working environment

### Social

- Responsible employment practice
- Safe working environment
- Disaster contingency
- Training and career development
- Prevention of child labour and forced labour
- Business partners management
- Privacy protection
- Integrity and anti-corruption practice
- Quality of service provided
- Corporate community responsibility

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

## CONTACT US

We treasure your feedback and comments on our sustainability performance. You can provide valuable advice in respect of the ESG Report or our performance in sustainable development by email to [ir@metropolis-leasing.com](mailto:ir@metropolis-leasing.com).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

#### General Disclosure and KPIs

The Group recognises the importance of maintaining good environmental management and strives to protect the environment in order to fulfil our social responsibilities. We are committed to promoting sustainability in terms of resource sustainability, operational sustainability and social sustainability. We aim to minimise the potential impacts of our business on the environment and society in which we operate to fulfil our commitment on social responsibility.

In order to mitigate the direct and indirect environmental impacts caused by the Group's operations, the Group has established related environmental management systems and has adopted relevant environmental policies. We also strive to enhance our employees' environmental protection awareness in their daily work practices and to actively implement the Group's environmental protection measures. Within our policy framework, we continually look for different opportunities to pursue environmentally friendly initiatives and to enhance our environmental performance by reducing the use of energy and other resources.

During the Reporting Period, the Group was not aware of any material non-compliance of environmental laws and regulations in relation to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, including but not limited to the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution that would have a significant impact to the Group.

#### Exhaust Gas Emissions

Due to our business nature, the Group does not generate a significant amount of exhaust gas emissions during business operation.

#### GHG Emissions

During the Reporting Period, the major sources of the Group's GHG emissions are indirect emissions generated from purchased electricity by the Group (Scope 2). We have actively adopted electricity conservation and energy saving measures to reduce the GHG emissions, such measures are described in the section headed "Energy Management" in aspect A2.

During the Reporting Period, the Group's GHG emissions intensity has increased by approximately 4%. The Group's GHG emissions performances were as follows:

Indicator <sup>1</sup>	Unit	Emissions	
		2020	2019
Direct GHG emissions (Scope 1)	tCO <sub>2</sub> e	–	–
Indirect GHG emissions (Scope 2)	tCO <sub>2</sub> e	16.39	16.59
Total GHG emissions	tCO <sub>2</sub> e	16.39	16.59
Total GHG emissions intensity <sup>2</sup>	tCO <sub>2</sub> e/employee	0.24	0.25

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the latest published Baseline Emission Factors for Regional Power Grids in the PRC.
2. As at 31 December 2020, the Group had a total of 67 employees (as at 31 December 2019: 67 employees) in Shanghai headquarters. These data are also used for calculating other intensity data.

## ***Sewage Discharge***

Due to the Group's business nature, we did not generate a significant amount of sewage. As the sewage generated by the Group is discharged directly into the municipal sewage pipe network to the regional water purification plant, the water consumed by the Group is considered as sewage discharged. The data on water consumption and corresponding water-saving initiatives will be described in the section "Water Management" in aspect A2.

## ***Waste Management***

The Group adheres to the waste management principle and strives to properly manage and dispose wastes generated from our business daily activities. Our waste management practices are in compliance with all relevant laws and regulations relating to environmental protection.

## ***Hazardous Wastes***

Due to the Group's business nature, the Group did not generate any hazardous wastes during the Reporting Period. Despite the Group did not generate hazardous wastes, the Group has established guidelines governing the management and disposal of hazardous wastes. In cases where hazardous wastes are produced, the Group will engage a qualified chemical waste collector to handle such wastes and complied with relevant environmental rules and regulations.

## ***Non-hazardous Wastes***

Non-hazardous wastes generated from the Group's daily business activity are mainly paper and general waste. The Group maintains a high standard in wastes reduction, educates its employees on the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, we have implemented measures to handle such wastes and launched different waste reduction initiatives. With such waste management approaches, we hope to embed the idea of environmental friendliness among our employees. Responsibilities of waste management in the office are shared between employees, and the following initiatives are implemented:

- Utilise the online system in offices, conduct general transaction notification and data transmission through the network system to establish an electronic workflow;
- Avoid printing and copying documents;
- Use recycled paper for printing and copying;



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Reduce the use of single-use disposable items; and
- Reuse used envelopes and recycled paper, cartons, envelopes and folders.

In addition, “Environmental Information” reminders are posted on different office equipment by the Group to further emphasises and elaborate the importance of environmental protection to employees and to enhance employees’ environmental awareness.

Due to the outbreak of the Coronavirus Disease 2019 (“COVID-19”) pandemic, the consumption of sanitisation and hygienic supplies such as hand sanitisers and alcoholic wipes had increased, which results to the increase in the disposal of general waste. The Group’s non-hazardous waste intensity has therefore increased by approximately 50% during the Reporting Period. The Group’s non-hazardous waste discharge performances were as follows:

Non-hazardous waste types	Unit	Disposal	
		2020	2019
Paper	tonnes	0.72	0.59
General waste	tonnes	5.48	3.30
Total non-hazardous waste	tonnes	6.20	3.89
Non-hazardous waste Intensity	tonnes/employee	0.09	0.06

## A2. Use of Resources

### General Disclosure and KPIs

The Group strives to optimise resource utilisation in our business operations and take initiatives to introduce measures on resource efficiency and adopt eco-friendly approaches in our operations. Electricity is frequently consumed in our daily business operations, therefore the Group has established relevant policies and procedures in governing the efficiency of usage of resources in reference to the objective of achieving higher energy efficiency and reducing the use of unnecessary resources.

### Energy Management

The major source of the Group’s energy consumption is electricity for operation, therefore we have formulated related measures in achieving the goal of electricity saving. The specific measures are as follows:

- Use energy-saving equipment and electrical appliances in offices, and gradually replacing outdated equipment with energy-certified equipment;
- Require employees to turn on electrical equipment, such as lighting equipment, air conditioners, fans, etc. during business hours based on actual needs;
- Encourage employees to turn off the power of electronic appliances when not in use or after work;
- Set computers and other information and communication technology equipment to automatic standby mode or switch them off when not in use; and
- Strengthen the maintenance and repair of equipment, maintain the electronic equipment at optimal state so as to use electricity effectively.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Besides, the Group promotes the awareness of energy conservation and environmental protection to employees by posting power-saving slogans. Anomalies in electricity consumption will be investigated to find out the root cause and preventative measures will be taken. Through formulating and implementing the above energy conservation measures, the Group's energy consumption intensity has increased by approximately 11% during the Reporting Period. The Group's energy consumption performances were as follows:

Energy Type	Unit	Consumption	
		2020	2019
Direct energy consumption	MWh	–	–
Indirect energy consumption – Purchased electricity	MWh	27.81	25.59
Total energy consumption	MWh	27.81	27.81
Electricity consumption intensity	MWh/employee	0.42	0.38

## **Water Management**

The Group's water consumption is mainly contributed by domestic water used in the office areas. We encourage all employees to develop the habit of water conservation. We have been enhancing our water-saving promotion and posting water-saving reminders in pantry and washrooms to constantly remind employees to consume water reasonably. The following are some of the measures we have implemented to increase water efficiency:

- Remind employees to close faucets after using water to prevent water wastage and leakage;
- Reduce water pressure to the lowest practicable level; and
- Fix dripping taps to avoid further leakage and wastage.

As the Group's water consumption expenses are included in the property management fee, the Group did not have water consumption record during the Reporting Period. Moreover, the Group does not encounter any significant issue in sourcing water that is fit for purpose due to our operating locations.

## **Use of Packaging Material**

Due to the Group's business nature, the use of packaging material is not considered to be a material ESG aspect of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A3. The Environment and Natural Resources

### General Disclosure and KPIs

The Group's business operations have a limited impact on the environment and natural resources, save for the aforementioned. However, the Group realises its responsibility in minimising any negative environmental impacts in its business operations and pursues the best practices for environmental protection. In addition to protecting the natural environment by complying with environmental regulations and international standards, the concept of environmental and natural resource protection is also integrated into the internal management and operation activities of the Group with the aim of achieving the goal of sustainable development.

### *Working Environment*

The Group is committed to providing employees a comfortable and green working environment to enhance work efficiency. The Group is dedicated to maintaining office order and environmental sanitation and keeps the office and public areas clean and tidy. From time to time, employee representatives will observe and inspect the condition of the living quarters and workspace, set up emergency plans in advance, and adopt prevention and control measures to identify problems and risks. The Group will deal with the identified problems and potential risks in time to maintain a sound working environment.

On the other hand, the Group regularly monitors and measures the indoor air quality of the workplace. The Group maintains indoor air quality by using air purification equipment in the workplace and regularly cleaning air-conditioning systems to filter pollutants and dust.

## B. SOCIAL

### B1. Employment

#### General Disclosure

Human resources are a fundamental element to the development of the Group, and we perceive employees as the most valuable assets as they play an essential role in continuous innovation.

The Group adheres to a people-oriented principle, respects and protects the legitimate rights and interests of each of our employees. We regulate labour employment management, safeguards employees' occupational health and safety, strengthens democratic management, safeguards the interests of employees, and fully respects and values employees' enthusiasm, initiative and creativity so as to build a harmonious labour relationship.

Relevant employment policies have been formally documented into the Group's Employee Handbook, covering recruitment, promotion and dismissal, remuneration and benefits, diversity and equal opportunities, etc. Our employment practices and policies are reviewed on a regular basis to ensure the continuous improvements of our employment standards.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and the Social Insurance Law of the People's Republic of China that would have a significant impact on the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Recruitment, Promotion and Dismissal***

We adopt robust, transparent and fair recruitment processes based on merit selection against the job criteria applied. Recruitment of individuals are based on their suitability for the position and potential to fulfil the Group's current and future needs. We ensure our employees and applicants are treated and evaluated in a fair way.

The Group specifies the basis and process for staff promotion and internal transfer. We offer transfer, internal promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their potential capability, provide platforms for career development, while simultaneously fulfilling the Group's needs of sustainable development. Also, the Group does not tolerate any unreasonable dismissal of employees, the dismissal process will only be carried out on a reasonable basis, and issues will be fully communicated before formal dismissal.

## ***Remuneration and Benefits***

The Group has established a fair, reasonable and competitive remuneration system which provides compensation to employees based on the principles of fairness, competition, incentives, rationality and legality. Employees' salaries are composed of basic salary, performance bonus and other bonuses and subsidies. Other remuneration package includes but not limited to paid annual leave, maternity leave, compassionate leave, marriage leave, and funeral leave. In addition, the Group also takes macroeconomic factors such as national policies and price standards, industry and regional salary levels, changes in the Group's development strategies, and its overall benefits into consideration when determining the extent of each employees' remuneration adjustment.

The Group signs and executes labour contracts with all employees in accordance with the Labour Contract Law of the People's Republic of China, and the signing rate of the labour contracts is 100%. We also pay "five social insurance and one housing fund" for employees in the Mainland China in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund, to ensure that employees are covered by social insurance.

With the above benefits and welfare, the Group's turnover rate remained at 39% during the Reporting Period. Employee turnover by gender and age group are as follows:

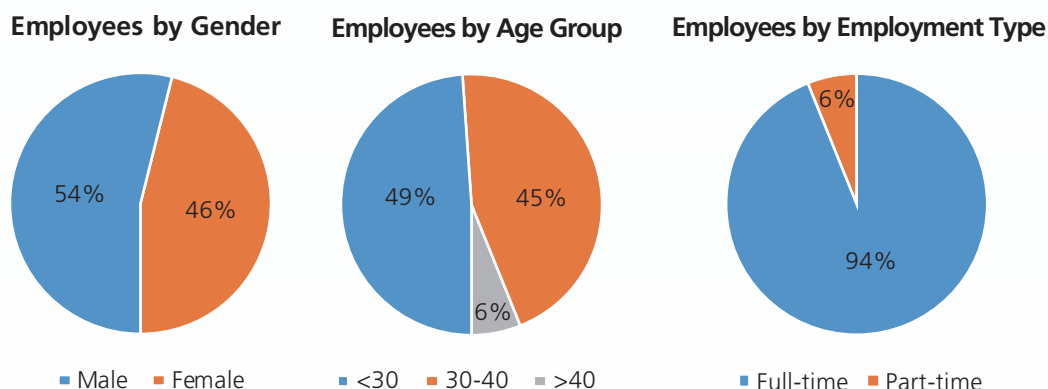
	<b>Turnover Rate (%)</b>
<b>By Gender</b>	
Male	25.00
Female	54.84
<b>By Age Group</b>	
< 30	51.52
30-40	26.67
> 40	25.00

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Diversity and Equal Opportunities

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which everyone can thrive. We are dedicated to providing equal opportunities in all aspects of employment and maintaining workplaces that are free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, and sexual orientation. We also have zero tolerance for sexual harassment or abuse in the workplace in any forms. Any employee who is intimidated, humiliated, bullied, or harassed (including sexual harassment) may report to the employee's representative, or file complaints directly to the management representative or the general manager, and the Company will take serious approaches to investigate and resolve these issues upon receiving the said complaints.

As at 31 December 2020, the Group had a total of 138 employees, for which 67 employees are within the Reporting Scope. These 67 employees are all located in Shanghai and their distribution of employees according to gender, age group, employment category are as follows:



## B2. Health and Safety

### General Disclosure

The Group highly values employees' health and safety and is always committed to providing employees with a healthy, safe and comfortable working environment. We strive to eliminate potential workplace health and safety hazards and implement safety management measures in all aspects to ensure employees' health and safety during work. The Group has formulated safety policies and relevant procedures for the prevention and remediation of safety accidents during work, which are formally documented in the Employee Handbook.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation were paid to its employees due to such accident. Also, the Group was not aware of any material non-compliance with health and safety-related laws and regulations, including but not limited to the Work Safety Law of the People's Republic of China, and the Fire Protection Law of the People's Republic of China that would have a significant impact on the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ***Internal Health and Safety Management System***

The Group maintains an internal inspection system to ensure the health and safety of customers and employees during business operations. We have designed a health and safety review process to ensure that the workplace is under constant monitoring and that any deficiencies are identified and corrected in a timely manner. Representatives from the Group will inspect and review safety issues in workplace regularly, and employees are encouraged to report health and safety incidents and risk whenever identified. We have also implemented health and safety measures aiming to maintain a safe working environment. Such measures include but are not limited to:

- Require the use of suitable ladder to reach items stored at high places;
- Encourage employees to ask for assistance or use the right tools to raise heavy objects;
- Require employees to keep their cabinet closed at all times; and
- Keep corridors and common areas clean and tidy.

In addition, the Group regularly communicates health and safety information to employees to enhance their awareness of occupational health and safety. At the same time, we provide medical examinations to our employees annually and provide them with medical treatment advice whenever necessary.

In response to the outbreak of COVID-19, the Group has taken various actions to strengthen the health and safety precautionary measures in our offices to ensure the health of our employees. The Group has established a thorough set of workplace health and safety plan with regards to COVID-19 for employees. Also, the Group has conducted additional sanitation procedures in its offices. For both its employees and clients, the Group required that their temperature be taken before entering the Group's premises, they were also required to wear a facial mask at all times.

## ***Disaster Management***

The Group understands that it is our responsibility to safeguard employees' health and safety. In view of that, we have developed a series of measures responding to natural disasters such as typhoons, rainstorms, earthquakes, etc. Some specific measures are as follows:

### ***Typhoons and Rainstorms***

The Group has formulated a series of emergency procedures in guiding employees to prepare and respond to typhoon and rainstorm events. The Group will prepare sandbags and pumps for emergency use during typhoon and rainstorm events.

### ***Fire Safety***

The Group has formulated fire safety systems in accordance with the Fire Protection Law of the People's Republic of China. The Group will provide training to employees in using fire equipment such as fire extinguishers, and conduct fire drills on a regular basis. Fire evacuation plans will also be evaluated regularly to ensure fire safety.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B3. Development and Training

### General Disclosure

The valuable contribution of our talents is key to the continued success of the Group. Therefore, nurturing talents and polishing the skills of our human capital is important for not only striving for excellence but also supporting the sustainable growth of business. This is achieved through the development of training strategy that focuses on creating value and serving the needs of our customers, our talents and society.

### *Training Management*

The Group has developed relevant training procedures to standardise the employees' training management. Our management team is responsible for developing training plans, and adjusting training plans on an annual basis so as to ensure contents are relevant to stakeholders' changing needs. Also, the training plans will be regularly evaluated by the management team so as to improve the effectiveness of the Group's training system. The Group also encourages employees to participate in external training courses by providing education and training incentives. At the same time, the Group subsidise employees to obtain professional qualifications related to the Group's business.

### *Training Programmes*

The Group has established a training programme to provide more systematic and effective training for employees. Training programmes provided by the Group are divided into internal training and outsourced training.

Internal training are usually organised by the Personnel Administration Department, and they are comprised of many topics including but not limited to induction training and rotation training. Outsourced training are usually held by consultants or external training companies in the form of lectures, presentations, and visits. Such training covers training topics that aim to enhance the professionalism, industry knowledge, professional skills and productivity of employees.

Employees will receive different training depending on their positions and department they belong, so as to accomplish different training purposes and outcomes, which in turns enables the Group to improve work efficiency and enhance employees' independent work ability.

## B4. Labour Standards

### General Disclosure

### *Prevention of Child and Forced Labour*

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group has established a complete recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. Personal data are collected during the employment process to assist in the selection of suitable candidates and to verify candidates' data. The Personnel Administration Department will also ensure identity documents such as physical examination certificates, academic credentials, identity cards, and account information are carefully checked. If violations are involved, it will be dealt with in the light of the circumstances.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Furthermore, employees of the Group working overtime are based on voluntary principles so as to avoid the violation of labour standards and safeguard the rights and interests of employees. To prevent any form of forced labour, a job description outlining the principal responsibilities of employee is attached to the labour contract. The Group also prohibits any punitive measures, management methods and behaviours such as abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) for any reason. At the same time, the Group also refrains appointing suppliers and contractors who are aware of child labour or forced labour in their operations from providing administrative supplies and services for the Group.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to the prevention of child labour and forced labour, including but not limited to the Labour Law of the People's Republic of China, and the Labour Contract Law of the People's Republic of China that would have a significant impact on the Group.

## **B5. Supply Chain Management**

### **General Disclosure**

As a socially responsible enterprise, the Group attaches importance to the management of potential environmental and social risks in the supply chain. We regard banks and other lenders as our suppliers and has established measures and procedures to reduce risks associated with the economy, environment and society, and we are committed to building and maintaining close business relationships with our business partners.

### ***Business Partners Management***

The Group maintains close contact with our business partners and meets regularly to share market information and to ensure compliance with local laws and regulations. The Group will strictly and continuously monitor the quality of suppliers and business partners, as well as their practices for the supply chain management.

In addition, the Group's business cooperation process is conducted in an open, fair and impartial manner. It will not discriminate against any business partners, and will not allow any corruption or bribery. Employees and other individuals who have any interests in relevant business partners will not be allowed to participate in the related business activities. The Group focuses on the integrity of its partners and will only select business partners who have a good track record in the past and who do not have any serious incompliance or violation of business ethics.

## **B6. Product Responsibility**

### **General Disclosure**

The Group actively safeguards the quality of our services with our internal control process. We also maintain on-going communication with our customers to ensure the understanding and satisfaction of their demands and expectations. We aim to apprehend customers' needs and expectations and strive to continuously improve the quality of our products and services.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress, including but not limited to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Product Quality Law of the People's Republic of China, and the Patent Law of the People's Republic of China that would have a significant impact on the Group.

## ***Customer Service***

The Group values thoughts and opinions from every stakeholder, and we provide a quality and warm service experience to customers through standardised service quality and management. We believe complaints serve as good opportunities to collect feedback from different stakeholders, therefore a set of procedures in handling customers' feedback or complaints has been established. All complaints from customers, suppliers and partners will be reviewed by the Group in accordance with internal procedures and guidelines, and relevant investigations will be conducted to resolve complaints. Follow-up measures and improvements will also be carried out accordingly.

## ***Privacy Protection***

The Group is determined to protecting customers' data by handling them with the highest degree of confidentiality. Therefore, we have established strict policies for the collection and use of customers' data, which is formally documented in the Employee Handbook. The Group has also formulated security measures for data protection and encryption. All confidential data relating to the Group's business and customers' information are securely protected and are solely used for internal purposes. Any leakage of confidential information to third parties is strictly prohibited.

## ***Service Quality***

The Group is committed to providing clear and unbiased information to our clients. Important information such as product features, terms and conditions, and any associated risks are communicated to clients through emails and telephones (with recording function) so they can make informed decisions. Clients who are interested in the Group's services are required to sign a client agreement form, acknowledging the terms and conditions along with the associated risks.

## ***Advertising and Labelling***

Due to the Group's business nature, the business operation of the Group does not involve any advertising and labelling related matters.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B7. Anti-corruption

### General Disclosure

The Group believes that a corporate culture of high integrity is the key to its continued success, therefore we value the importance of anti-corruption work and are committed to building an incorruptness and transparent corporate culture.

During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Criminal Law of the People's Republic of China and the Company Law of the People's Republic of China, that would have a significant impact on the Group.

### *Anti-corruption*

The Group will not tolerate corruption in any forms and has zero toleration for any corruption, fraud and all other behaviour violating work ethics. Moreover, employees are expected to fulfil their duties with integrity, and to cease engaging in any activities that involve bribery, extortion, fraud and money laundering. The Group also requires employees to make declarations to the Compliance Department for any direct or indirect interest in businesses that competes with the Group or which the Group has business dealings with.

In addition, the Group has formulated a whistleblowing mechanism which allows all employees to report anonymously on any possible improprieties, misconducts, malpractices, or irregularities to the Audit and Supervision Department. Reports and complaints received will be handled in a prompt and fair manner. Such policy also aims at protecting whistleblowers from unfair dismissal, victimisation and unwarranted disciplinary actions, the identity of the whistleblower will be kept strictly confidential where possible.

## B8. Community Investment

### General Disclosure

### *Corporate Social Responsibility*

The Group believes in shouldering the responsibility of contributing to society. As a responsible corporate citizen, we actively perform our social responsibilities and have committed to supporting various charitable and community activities. We hope to foster employees' sense of social responsibility, thus encouraging them to participate in charitable activities during their work and spare time to make even greater contributions to the community. We believe that by participating in activities that contribute to the community, we can enhance the civic awareness of our employees and establish correct values for them. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the Group's strategic development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect A1: Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – GHG Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management (Not applicable – Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management (Not applicable – Explained)
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Management

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Use of Packaging Materials (Not applicable – Explained)
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources – Working Environment
<b>Aspect B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1 ("Recommended Disclosure")	Total workforce by gender, employment type, age group and geographical region	Employment – Employment Practices
KPI B1.2 ("Recommended Disclosure")	Employee turnover rate by gender, age group and geographical region.	Employment – Employment Practices
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B3: Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
<b>Aspect B4: Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 ("Recommended Disclosure")	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2 ("Recommended Disclosure")	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.5 ("Recommended Disclosure")	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.2 ("Recommended Disclosure")	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
<b>Aspect B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

# INDEPENDENT AUDITOR'S REPORT



## MAZARS CPA LIMITED

中審眾環(香港)會計師事務所有限公司  
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Email 電郵: info@mazars.hk  
Website 網址: www.mazars.hk

**To the shareholders of Metropolis Capital Holdings Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Metropolis Capital Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 66 to 151, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Loss allowances for expected credit loss (“ECL”) on finance lease receivables and receivables arising from sales and leaseback arrangements (the “Lease Receivables”)</b></p>	
<p>As at 31 December 2020, the Group held finance lease receivables and receivables arising from sales and leaseback arrangements (net of loss allowances for ECL) of RMB107,411,537 and RMB87,663,779, respectively. The loss allowances for ECL on finance lease receivables and receivables arising from sale and leaseback arrangements were of RMB45,398,762 and RMB960,449, respectively, as at 31 December 2020, as disclosed in Note 18 and Note 19 to the consolidated financial statements.</p> <p>As disclosed in Note 2, in determining the loss allowances for ECL on the Lease Receivables, the management of the Group assesses whether the credit risk on the Lease Receivables has increased significantly since initial recognition, and whether the Lease Receivables are credit-impaired and considers the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none"> <li>• enquiring the management to understand the Group’s process for estimating the loss allowances for ECL of the Lease Receivables;</li> <li>• evaluating the design and implementation of key controls relating to estimate loss allowances of the Lease Receivables;</li> <li>• evaluating the judgement made by the management in identifying the Lease Receivables with significant increase in credit risk and credit-impaired Lease Receivables;</li> <li>• reviewing lease agreements, on a sample basis, to understand relevant terms such as settlement schedules and checking the settlement records of the Lease Receivables to bank slips, on a sample basis;</li> <li>• evaluating the reasonableness of the ECL model methodology and related parameters including the probability of default, value of the collaterals, loss given default and forward-looking information;</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>We identified the loss allowances for ECL on the Lease Receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management of the Group in evaluating the ECL of the Lease Receivables.</p>	<ul style="list-style-type: none"> <li>• for credit-impaired Lease Receivables, testing and challenging the reasonableness of the loss allowances for ECL with reference to the future estimated cash flows from the customers as prepared by the management of the Group, including the expected recoverable amount from the counterparties, guarantors, or realisation of collateral held in supporting the computation of loss allowances, on a sample basis; and</li> <li>• recalculating the loss allowances for ECL of the Lease Receivables made by management of the Group.</li> </ul>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

# INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Mazars CPA Limited**

*Certified Public Accountants, Hong Kong*

25 March 2021

The engagement director on the audit resulting in this independent auditor's report is:

### **She Shing Pang**

Practising Certificate number: P05510

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December	
		2020 RMB	2019 RMB
Revenue			
– Finance lease income		17,890,339	35,760,452
– Interest income arising from sale and leaseback arrangements		13,139,816	1,618,167
– Finance leasing advisory service income		8,377,653	–
– Interest income arising from factoring arrangements		533,028	–
Total revenue	5	<b>39,940,836</b>	37,378,619
Other income	6a	2,082,487	1,580,283
Other gains and losses	6b	(747,649)	(268,859)
Staff costs	8	(15,810,730)	(13,006,165)
Share of loss of an associate	31	–	(552,219)
Recognition of loss allowances on finance lease receivables and receivables arising from sale and leaseback arrangements, net	18/19	(1,353,634)	(43,507,674)
Reversal (Recognition) of loss allowances on other financial assets measured at amortised cost, net	17	495	(249,729)
Impairment loss of an associate	31	–	(2,291,659)
Reversal (Recognition) of impairment loss on intangible assets	15	550,217	(550,217)
Other operating expenses	8	(10,693,168)	(14,408,115)
Finance costs	7	(5,182,513)	(10,674,409)
Profit (Loss) before tax	8	8,786,341	(46,550,144)
Income tax credit (expense)	9	496,437	(3,432,812)
Profit (Loss) and total comprehensive income (loss) for the year		<b>9,282,778</b>	(49,982,956)
Profit (Loss) and total comprehensive income (loss) for the year attributable to:			
– Owners of the Company		8,161,297	(49,982,956)
– Non-controlling interests	32	1,121,481	–
		<b>9,282,778</b>	(49,982,956)
		<b>RMB cent</b>	RMB cent
Earnings (Losses) per share attributable to owners of the Company			
– Basic and diluted	12	0.85	(6.11)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		At 31 December	
	Notes	2020 RMB	2019 RMB
<b>NON-CURRENT ASSETS</b>			
Investment in an associate	31	–	156,122
Property and equipment	13	4,151,695	672,154
Right-of-use assets	14	–	1,265,253
Intangible assets	15	3,476,097	2,596,480
Finance lease receivables	18	47,119,707	48,334,319
Receivables arising from sale and leaseback arrangements	19	51,315,049	32,256,833
Deferred tax assets	29	3,036,405	–
		<b>109,098,953</b>	<b>85,281,161</b>
<b>CURRENT ASSETS</b>			
Loans to related parties	16	4,634,393	–
Prepayments, deposits and other receivables	17	13,947,843	5,538,956
Finance lease receivables	18	60,291,830	120,304,845
Receivables arising from sale and leaseback arrangements	19	36,348,730	21,687,763
Factoring receivables	21	5,759,206	–
Account receivables	20	21,077,782	–
Deferred expenses	20	15,578,058	–
Security deposits for other borrowings	27	52,000,000	–
Term deposits	22	–	22,394,500
Financial assets at fair value through profit or loss (“FVTPL”)	23	–	10,000,000
Bank balances and cash	24	16,715,611	20,941,637
		<b>226,353,453</b>	<b>200,867,701</b>
<b>CURRENT LIABILITIES</b>			
Account payables	20	15,578,058	–
Other payables and accrued expenses	25	22,041,922	21,279,873
Deposits received from finance leasing customers	26	10,820,159	14,311,420
Deferred income	20	21,077,782	–
Bank and other borrowings	27	30,207,455	20,363,482
Lease liabilities	30	–	1,286,821
Tax payable		3,465,376	1,800,653
		<b>103,190,752</b>	<b>59,042,249</b>
<b>NET CURRENT ASSETS</b>			
		<b>123,162,701</b>	<b>141,825,452</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>232,261,654</b>	<b>227,106,613</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		At 31 December	
	Notes	2020 RMB	2019 RMB
<b>CAPITAL AND RESERVES</b>			
Share capital	28	8,503,450	8,503,450
Reserves		196,203,776	188,042,479
		<hr/>	
Equity attributable to owners of the Company		204,707,226	196,545,929
Non-controlling interests	32	1,121,481	–
		<hr/>	
<b>TOTAL EQUITY</b>		<b>205,828,707</b>	196,545,929
		<hr/>	
<b>NON-CURRENT LIABILITIES</b>			
Deposits received from finance leasing customers	26	6,751,101	24,479,209
Bank and other borrowings	27	19,681,846	6,072,520
Lease liabilities	30	–	8,955
		<hr/>	
		26,432,947	30,560,684
		<hr/>	
		232,261,654	227,106,613
		<hr/>	

The consolidated financial statements on pages 66 to 151 were approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by

**Mr. Chau David**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital RMB	Share premium RMB	Merger reserve RMB	Other reserve RMB	Statutory surplus reserve RMB	Retained profits (Accumulated losses) RMB	Sub-total RMB	Non- controlling interests RMB	Total equity RMB
At 1 January 2019	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	42,536,587	223,618,851	-	223,618,851
Loss and total comprehensive loss for the year	-	-	-	-	-	(49,982,956)	(49,982,956)	-	(49,982,956)
Issuance of new shares (Note 28 (i))	1,435,488	21,474,546	-	-	-	-	22,910,034	-	22,910,034
<b>At 31 December 2019 and 1 January 2020</b>	<b>8,503,450</b>	<b>208,490,971</b>	<b>(138,043,162)</b>	<b>121,889,064</b>	<b>3,151,975</b>	<b>(7,446,369)</b>	<b>196,545,929</b>	<b>-</b>	<b>196,545,929</b>
Profit and total comprehensive income for the year	-	-	-	-	-	8,161,297	8,161,297	1,121,481	9,282,778
Transfer to statutory surplus reserve	-	-	-	-	277,693	(277,693)	-	-	-
<b>At 31 December 2020</b>	<b>8,503,450</b>	<b>208,490,971</b>	<b>(138,043,162)</b>	<b>121,889,064</b>	<b>3,429,668</b>	<b>437,235</b>	<b>204,707,226</b>	<b>1,121,481</b>	<b>205,828,707</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December	
	2020 RMB	2019 RMB
<b>OPERATING ACTIVITIES</b>		
Profit (Loss) before tax	8,786,341	(46,550,144)
Adjustments for:		
Share of loss of an associate	–	552,219
Impairment loss of an associate	–	2,291,659
Depreciation of property and equipment	416,694	126,850
Depreciation of right-of-use assets	1,187,027	1,214,898
(Reversal) Recognition of impairment loss on intangible assets	(550,217)	550,217
Loss on early termination of lease liabilities	26,255	–
Loss on disposal of property and equipment	528	–
Gain on disposal of intangible assets	(663,231)	–
Bank interest income	(87,700)	(55,663)
Other investment gain	(176,919)	(320,095)
Interest on bank and other borrowings	2,335,131	1,941,084
Interest on lease liabilities	61,665	217,482
Imputed interest expense arising from deposits received from finance leasing customers	2,785,717	8,515,843
Recognition of loss allowances on finance lease receivables and receivables arising from sale and leaseback arrangements, net	1,353,634	43,507,674
(Reversal) Recognition of loss allowances on other financial assets measured at amortised cost, net	(495)	249,729
Exchange loss, net	268,591	314,996
Operating cash inflow before movements in working capital	15,743,021	12,556,749
Decrease in finance lease receivables	59,845,382	50,127,415
Increase in receivables arising from sale and leaseback arrangements	(33,690,572)	(54,933,656)
Increase in factoring receivables	(5,759,206)	–
Increase in account receivables	(21,077,782)	–
Increase in deferred expenses	(15,578,058)	–
Increase in prepayments, deposits and other receivables	(8,408,392)	(3,002,551)
Increase in account payables	15,578,058	–
Increase in deferred income	21,077,782	–
Decrease in deposits received from finance leasing customers	(24,005,086)	(20,613,180)
Increase in other payables and accrued expenses	762,049	8,474,003
Cash generated from (used in) operations	4,487,196	(7,391,220)
Income tax (paid) returned	(875,245)	138,062
Bank interest received	87,700	55,663
Interest paid	(2,396,796)	(2,027,753)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>1,302,855</b>	<b>(9,225,248)</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB	RMB
<b>INVESTING ACTIVITIES</b>		
Payments for property and equipment and intangible assets	(4,226,473)	(446,922)
Proceeds on disposal of property and equipment and intangible assets	663,541	45,783
Loans to related parties	(8,053,063)	(13,159,196)
Repayments from related parties	3,418,670	14,925,584
Purchase of financial assets at FVPL	(30,000,000)	(210,000,000)
Proceeds on disposal of financial assets at FVPL	40,176,919	205,320,095
Investment in an associate	–	(3,000,000)
Proceeds from dissolution of an associate	156,122	–
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>2,135,716</b>	<b>(6,314,656)</b>
<b>FINANCING ACTIVITIES</b>		
New bank and other borrowings raised	49,491,953	28,726,539
Repayments of bank and other borrowings	(26,038,654)	(42,863,085)
Repayments of lease liabilities	(1,243,805)	(1,359,471)
Proceeds from issuance of new shares upon a private placement	–	23,004,806
Issue costs paid	–	(1,563,562)
Payments of security deposits as to obtain bank and other borrowings	(52,000,000)	(2,524,671)
Withdrawal of security deposits as to obtain bank and other borrowings	–	2,539,558
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(29,790,506)</b>	<b>5,960,114</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(26,351,935)</b>	<b>(9,579,790)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>43,336,137</b>	<b>53,230,923</b>
<b>EFFECT OF EXCHANGE RATE CHANGE</b>	<b>(268,591)</b>	<b>(314,996)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY</b>	<b>16,715,611</b>	<b>43,336,137</b>
Bank balances and cash	16,715,611	20,941,637
Term deposits with original maturity of less than 3 months	–	22,394,500
	<b>16,715,611</b>	<b>43,336,137</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1. CORPORATE INFORMATION

Metropolis Capital Holdings Limited (the “Company”), which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 29 June 2017. The Company’s registered office in the Cayman Islands is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business in Hong Kong is located at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. The issued shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 December 2018.

The principal activity of the Company is investment holding and the principal activities of the Group are provision of finance lease, finance leasing advisory and factoring services in the People’s Republic of China (the “PRC”).

The immediate and ultimate holding company of the Company is View Art Investment Limited (“View Art”), a limited liability company incorporated in the British Virgin Islands (“BVI”) on 28 September 2007 which is 100% held and controlled by Mr. Chau David (“Mr. Chau” or the “Controlling Shareholder”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which collective term includes all applicable IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures requirements under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from/early adopt in the current period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### New and Amendments to IFRSs that are mandatorily effective for/early adopt in the current period

The Group has applied the following new and amendments to IFRSs for the first time in the current period:

Amendments to IASs 1 and 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 16	COVID-19-Related Rent Concessions

#### ***Amendments to IASs 1 and 8: Definition of Material***

The amendments clarify the definition of material and align the definition used across IFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### ***Amendments to IFRS 3: Definition of a Business***

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

#### ***Amendments to IFRS 16: COVID-19-Related Rent Concessions***

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

These amendments shall be applied for annual periods beginning on or after 1 June 2020 with earlier application permitted. The Group has elected to early adopt the amendments in the current year. In accordance with the transition provisions therein, the amendments have been applied retrospectively by the Group recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of accumulated profits and therefore the comparative information has not been restated.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### New and amendments to IFRSs issued but not yet effective

At the date of authorisation of the consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 <sup>[1]</sup>
Amendments to IAS 16	Proceeds before Intended Use <sup>[2]</sup>
Amendments to IAS 37	Cost of Fulfilling a Contract <sup>[2]</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>[2]</sup>
Annual Improvements to IFRSs	2018-2020 Cycle <sup>[2]</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current & Disclosures of Accounting Policies <sup>[3]</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>[3]</sup>
IFRS 17	Insurance Contracts <sup>[3]</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>[4]</sup>

<sup>[1]</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>[2]</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>[3]</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>[4]</sup> The effective date to be determined

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's financial position and financial performance.

A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements in IAS 36 *Impairment of Assets*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of measurement (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

### Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

### Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 39, investment in a subsidiary is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Revenue recognition

Finance lease income is recognised over the period of lease. Revenue is recognised over the lease period on a systematic and rational basis so as to produce a constant periodic rate of return on the net investment in the finance leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

### **Revenue from contracts with customers within IFRS 15**

#### *Nature of goods or services*

The nature of the goods or services provided by the Group is provision of finance leasing advisory services.

#### *Identification of performance obligations*

At contract inception, the Group assesses the services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a service (or a bundle of services) that is distinct; or
- (b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### **Revenue from contracts with customers within IFRS 15 (Continued)**

##### *Identification of performance obligations (Continued)*

A service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the service either on its own or together with other resources that are readily available to the customer (i.e. the service is capable of being distinct); and
- (b) the Group's promise to transfer the service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the service is distinct within the context of the contract).

##### *Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from provision of finance leasing advisory services is recognised over time when the relevant transactions have been arranged or the relevant services have been rendered.

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### ***Revenue from contracts with customers within IFRS 15 (Continued)***

##### *Transaction price: significant financing components*

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

### **Contract assets and contract liabilities**

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets, including computer software, trademark and website development cost, with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset, including vehicle licenses, with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment on investments in subsidiaries, property and equipment, right-of-use assets and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of investments in subsidiaries, property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of investments in subsidiaries, property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is same as the Company's functional currency.

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

### Retirement benefit costs

Payments to government-managed retirement benefit schemes are recognised as an expenses when employees have rendered service entitling them to the contributions.

In accordance with relevant government-managed retirement benefit schemes, the employees of the Group's entities established in the PRC are required to participate in retirement benefit schemes organised by local governments. Contributions to these schemes are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### ***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### ***The Group as a lessor***

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessor (Continued)*

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 Financial Instruments (“IFRS9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Sale and leaseback transactions*

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset but recognises a receivable arising from sale and leaseback transactions equal to the transfer proceeds within the scope IFRS 9.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee*

##### *Short-term leases*

The Group applies the short-term lease recognition exemption to leases of office building that have a lease term of 12 months or less from the commencement date which do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the Group; and/or
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidate statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and/or
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Lease liabilities (Continued)*

If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has applied the practical expedient provided in Amendments to IFRS 16: *COVID-19-Related Rent Concessions* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Lease modifications (Continued)*

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Classification and subsequent measurement of financial assets (Continued)***

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### *Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts***

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including account receivables, loans to related parties, deposits and other receivables, receivables arising from sale and leaseback arrangements, factoring receivables, deferred expenses, security deposits for other borrowings, term deposits and bank balances), lease receivables and financial guarantee contracts which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts (Continued)***

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument and lease receivables have increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument and lease receivables as at the reporting date with the risk of a default occurring on the financial instrument and lease receivables as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument and lease receivables' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, and the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset and lease receivable have increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts (Continued)***

##### *Significant increase in credit risk (Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables and lease receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset and lease receivables are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts (Continued)***

##### *Credit-impaired financial assets and lease receivables*

A financial asset or lease receivable is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset or lease receivable have occurred. Credit-impaired financial assets and lease receivables are referred to as Stage 3 assets. Evidence that a financial asset and lease receivables are credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### *Write-off policy*

The Group writes off a financial asset or lease receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets and lease receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For financial assets and lease receivables, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IFRS 16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts (Continued)***

##### *Measurement and recognition of ECL (Continued)*

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial assets are each assessed as a separate group;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables and receivables arising from sale and leaseback arrangements; and
- External credit ratings where available.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial assets (Continued)

#### ***Impairment of financial assets, lease receivables and financial guarantee contracts (Continued)***

##### *Measurement and recognition of ECL (Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

If the Group has measured the loss allowance for a financial instrument and lease receivables at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments or finance lease receivable with a corresponding adjustment to their carrying amount through a loss allowance account.

#### ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial liabilities and equity instruments

#### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

All financial liabilities including bank and other borrowings, account payables, other payables and accrued expenses, deposits received from finance leasing customers, deferred income and lease liabilities are subsequently measured at amortised cost using the effective interest method.

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Classification of leases*

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception date, that the option will be exercised. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statement of financial position and instead recognised finance lease receivables or receivables arising from sale and leaseback arrangements (Notes 18 and 19). The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by the management of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### ***Useful lives of property and equipment, right-of-use assets and intangible assets***

The management of the Group determines the estimated useful lives of the Group's property and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

#### ***Impairment of property and equipment, right-of-use assets and intangible assets***

The management of the Group determines whether the Group's property and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

#### ***Impairment of finance lease receivables and receivables arising from sale and leaseback arrangements***

The Group reviews its finance lease receivables and receivables arising from sale and leaseback arrangements to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly. Details of finance lease receivable and receivables arising from sale and leaseback arrangements are set out in Notes 18 and 19.

The management of the Group estimates the amount of loss allowances for ECL on financial lease receivables and receivables arising from sale and leaseback arrangements that are measured at amortised cost based on the credit risk of the finance lease receivables and receivables arising from sale and leaseback arrangements. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables and receivables arising from sale and leaseback arrangements. The assessment of the credit risk of the finance lease receivables and receivables arising from sale and leaseback arrangements involves high degree of judgment, estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgments are required in applying the accounting requirements for measuring the ECL:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### ***Impairment of finance lease receivables and receivables arising from sale and leaseback arrangements (Continued)***

##### *Significant increase in credit risk*

As explained in Note 2, ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative forward looking information that is reasonable and supportable.

##### *Models and assumptions used*

The Group uses various assumptions in estimating ECL, for example gross domestic product ("GDP") growth rate, producer price index ("PPI") rate and consumer price index ("CPI") rate. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

#### ***Impairment of other financial assets***

The management of the Group estimates the loss allowances for other financial assets by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of other financial assets.

#### ***Deferred tax assets***

As at the end of the reporting period, deferred tax assets have been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

#### ***Provision for obligation under financial guarantee contracts***

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of financial guarantee contracts when the Group computes the provision of loss allowances on the guaranteed amounts. Such estimation is made based on the available information as at the end of the reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 4. SEGMENT INFORMATION

The Company is an investment holding company and the principal place of business of the Group's operation is in the PRC. All of the Group's revenue from external customers during the reporting period is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group manages its business as a whole and the businesses of provision of finance lease, finance leasing advisory and factoring services are carried out in the PRC and the chief executive officer of the Company, being the chief operating decision-maker of the Group, regularly reviews the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. No operating segment information is presented other than the entity-wide disclosures.

### Entity-wide disclosures

#### *Geographical information*

The Group's operation is in the PRC and its specified non-current assets, i.e. property and equipment, right-of-use assets and intangible assets are situated in the PRC.

#### *Major customers*

##### *Information about major customers*

Revenue from customers individually contributing 10% or more of the total revenue of the Group were as follows:

	Year ended 31 December	
	2020	2019
	RMB	RMB
Customer A	Note	6,499,655
Customer B	<b>5,698,103</b>	Note

Note: The Group carried out transactions with this customer but the amount of the revenue recognised was less than 10% of the total revenue of the Group for the respective reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 5. REVENUE

### Revenue by nature

The following is an analysis of revenue by nature during the reporting period:

	Year ended 31 December	
	2020	2019
	RMB	RMB
<b>Finance lease income</b>		
Vehicle finance leasing	17,734,043	35,352,777
Machinery and equipment finance leasing	156,296	407,675
	<hr/>	<hr/>
	17,890,339	35,760,452
	<hr/>	<hr/>
<b>Interest income arising from sale and leaseback arrangements</b>	13,139,816	1,618,167
	<hr/>	<hr/>
<b>Finance leasing advisory service income (Note i)</b>	8,377,653	–
	<hr/>	<hr/>
<b>Interest income arising from factoring arrangements</b>	533,028	–
	<hr/>	<hr/>
<b>Total revenue</b>	<hr/> <b>39,940,836</b> <hr/>	<hr/> <b>37,378,619</b> <hr/>

Note i: It represents income arising from provision of bundle services, including (i) intermediary services between individual clients with financing needs (the "Finance Leasing Advisory Customers") and financial institutions (the "Finance Leasing Funders") who provide sale and leaseback arrangement services and (ii) guarantee services to the Finance Leasing Advisory Customers in support for their application for certain leasing arrangements provided by the Finance Leasing Funders (the "Group's Financial Guarantees") (Note 20). The timing of revenue recognition of the Group's revenue from provision of finance leasing advisory service was over time under IFRS 15.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 6. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	RMB	RMB
<b>(a) Other income</b>		
Bank interest income	87,700	55,663
Government subsidies (Note i)	1,576,141	985,162
Others (Note ii)	418,646	539,458
	<u>2,082,487</u>	<u>1,580,283</u>
<b>(b) Other gains and losses</b>		
Gain on disposal of intangible assets	663,231	–
Other investment gain (Note iii)	176,919	320,095
Exchange loss, net	(1,587,799)	(588,954)
	<u>(747,649)</u>	<u>(268,859)</u>
	<u>1,334,838</u>	<u>1,311,424</u>

Notes:

- (i) Government subsidies primarily consist of the fiscal support that local government offer to the Group's entities engaged in the finance leasing business in the PRC.
- (ii) Others included net income arising from installation of global positioning system into vehicles owned by the Group's certain customers from finance leasing and sale and leaseback arrangements.
- (iii) Other investment gain represented the realised gain arising from the Group's investment in the short-term unlisted financial products (recognised as financial assets at FVTPL) which were purchased and redeemed upon maturity from the banks in the PRC and are low risk in nature.

## 7. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	RMB	RMB
Interest on bank and other borrowings	2,335,131	1,941,084
Imputed interest expense arising from deposits received from finance leasing customers	2,785,717	8,515,843
Interest on lease liabilities	61,665	217,482
	<u>5,182,513</u>	<u>10,674,409</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 8. PROFIT (LOSS) BEFORE TAX

Profit (Loss) before tax for the year is arrived at after charging (crediting):

	Year ended 31 December	
	2020	2019
	RMB	RMB
<b>Staff costs</b>		
Directors' emoluments (Note 10)	1,162,648	1,438,699
Salaries, bonus and other benefits (excluding directors)	13,001,405	9,278,506
Retirement benefit scheme contributions (excluding directors) (Note i)	1,646,677	2,288,960
	15,810,730	13,006,165
<b>Impairment loss on lease receivables and other financial assets measured at amortised cost</b>		
Recognition of loss allowances on finance lease receivables and receivables arising from sale and leaseback arrangements, net	1,353,634	43,507,674
(Reversal) Recognition of loss allowances on other financial assets measured at amortised cost, net	(495)	249,729
	1,353,139	43,757,403
<b>Other operating expenses</b>		
Depreciation of property and equipment	416,694	126,850
Depreciation of right-of-use assets	1,187,027	1,214,898
	1,603,721	1,341,748
Auditors' remuneration	1,200,000	3,638,340
Finance leasing advisory service costs (Note ii)	1,640,967	–
Professional fees (Note iii)	1,878,471	3,538,270
Other professional fees	2,019,271	1,918,179
Loss on disposal of property and equipment	528	–
Loss on early termination of lease liabilities (Note 30)	26,255	–
Travelling and entertainment expenses	830,505	1,083,395
Office expenses	1,014,768	923,131
Promotion expenses	–	1,805,999
Expenses recognised under short-term leases	478,682	159,053
	9,089,447	13,066,367
	10,693,168	14,408,115

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 8. PROFIT (LOSS) BEFORE TAX (Continued)

Notes:

- i: To support the PRC entities under COVID-19, starting from February 2020, the relevant PRC government authorities has given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the society security insurance.
- ii: The amount represents the costs for requesting guarantees from other service providers (the "Auxiliary Service Providers") as a condition in providing counter guarantees to the customers under sale and leaseback arrangements for which the Group or the Finance Leasing Funders is acting as the funder (the "Counter Guarantees") (Note 20).
- iii: The amounts mainly represent the professional fees paid/payable for the Company's listing compliance.

## 9. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December	
	2020	2019
	RMB	RMB
PRC enterprise income tax ("EIT")		
Current year	2,519,478	1,046,863
Under provision for the prior years	20,490	–
	2,539,968	1,046,863
Deferred tax (credit) charge (Note 29)	(3,036,405)	2,385,949
Total income tax (credit) expense	(496,437)	3,432,812

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax or capital gain tax of its respective jurisdictions.

No provision for Hong Kong profit tax has been made as the Group's entity in Hong Kong does not have any assessable profit for the reporting periods.

Under the Law of the PRC on EIT (the "EIT Law") and implementation regulation of the EIT Law, the EIT rate applicable to the Group's entities established in the PRC was 25% for the reporting periods.

Reconciliation of income tax (credit) expense

	Year ended 31 December	
	2020	2019
	RMB	RMB
Profit (Loss) before tax	8,786,341	(46,550,144)
Tax charge at the PRC EIT rate of 25% (2019: 25%)	2,196,585	(11,637,536)
Tax effect of expenses not deductible for tax purpose	1,115,459	914,101
Tax effect of income exempted for tax purpose	(3,000)	–
Tax effect of deductible temporary differences not recognised	–	14,156,247
Utilisation of previously unrecognised temporary differences	(3,825,971)	–
Under provision for the prior years	20,490	–
Income tax (credit) expense for the year	(496,437)	3,432,812

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (A) Directors

The emoluments paid or payable to each of the directors, chairman and chief executive officer of the Company (including emoluments paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the Group for the years ended 31 December 2020 and 2019, disclosed pursuant to the applicable GEM Listing Rules, are as follows:

	Fees RMB	Salaries and other benefits RMB	Retirement benefit scheme contributions RMB	Total RMB
Year ended 31 December 2020				
Executive directors (Note b)				
Mr. Chau (Note a)	–	360,000	27,300	387,300
Ms. Zhou Hui	–	300,000	42,619	342,619
Non-executive director (Note c)				
Ms. Chau On	120,000	–	–	120,000
Independent non-executive directors (Note c)				
Mr. Lau Chung Wai	104,243	–	–	104,243
Mr. Mo Luojiang	104,243	–	–	104,243
Mr. Lo Kai Tung	104,243	–	–	104,243
	<b>432,729</b>	<b>660,000</b>	<b>69,919</b>	<b>1,162,648</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (A) Directors (Continued)

	Fees RMB	Salaries and other benefits RMB	Retirement benefit scheme contributions RMB	Total RMB
Year ended 31 December 2019				
Executive directors (Note b)				
Mr. Chau (Note a)	–	360,000	61,321	421,321
Ms. Zhou Hui	–	505,280	73,138	578,418
Non-executive director (Note c)				
Ms. Chau On	120,000	–	–	120,000
Independent non-executive directors (Note c)				
Mr. Lau Chung Wai	106,320	–	–	106,320
Mr. Mo Luojiang	106,320	–	–	106,320
Mr. Lo Kai Tung	106,320	–	–	106,320
	<u>438,960</u>	<u>865,280</u>	<u>134,459</u>	<u>1,438,699</u>

Notes:

- (a) Mr. Chau is an executive director, chairman and chief executive officer of the Company.
- (b) The emoluments shown above were for their services in connection with management of affairs of the Group.
- (c) The emoluments shown above were for their services as directors of the Company.

There was no performance related bonus made to the directors of the Company during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors, the chairman or chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors, chairman or chief executive officer of the Company waived any emoluments during the years ended 31 December 2020 and 2019.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

### (B) Employees

The five highest paid individuals for the year ended 31 December 2020 of the Group include one (2019: two) directors of the Company. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December	
	2020	2019
	RMB	RMB
Directors	387,300	999,739
Non-directors	1,541,770	1,690,555
	<b>1,929,070</b>	<b>2,690,294</b>

Details of the remuneration of the remaining non-director, highest paid individuals during the reporting periods are as follows:

	Year ended 31 December	
	2020	2019
	RMB	RMB
Salaries and other benefits	1,163,815	1,260,965
Performance related bonus (Note i)	208,893	166,400
Retirement benefit scheme contributions	169,062	263,190
	<b>1,541,770</b>	<b>1,690,555</b>

Note i: Performance related bonus was made to the highest paid employees of the Group on discretionary basis which was determined based on the Group's performance and their contributions.

The emoluments of these non-director individuals were within the following bands.

	Year ended 31 December	
	2020	2019
	No. of employees	No. of employees
Nil to Hong Kong Dollars ("HK\$") 1,000,000 (equivalent to approximately RMB841,600 (2019: RMB886,000))	4	3

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 11. DIVIDENDS

During the year ended 31 December 2020, the Group had not declared any dividends to their equity shareholders (2019: Nil). No dividend was declared or paid by the Company since its date of incorporation.

## 12. EARNINGS (LOSSES) PER SHARE

The calculation of basic and diluted earnings (losses) per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2020	2019
	RMB	RMB
Earnings (Losses):		
Profit (Loss) for the year attributable to owners of the Company	<b>8,161,297</b>	(49,982,956)
	<b>2020</b>	2019
	<b>Number of share</b>	Number of share
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/losses per share	<b>960,000,000</b>	817,972,603

The Group has no potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 13. PROPERTY AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB	Leasehold improvement RMB	Artistic decoration RMB	Total RMB
<b>COST</b>					
At 1 January 2019	1,102,300	2,069,891	581,926	–	3,754,117
Additions	3,098	–	–	–	3,098
Disposals	(513,097)	–	–	–	(513,097)
At 31 December 2019 and 1 January 2020	592,301	2,069,891	581,926	–	3,244,118
Additions (Note ii)	195,651	–	–	3,701,422	3,897,073
Disposals	(7,328)	–	–	–	(7,328)
At 31 December 2020	780,624	2,069,891	581,926	3,701,422	7,133,863
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2019	927,921	1,504,924	479,583	–	2,912,428
Provided for the year	77,725	–	49,125	–	126,850
Eliminated on disposals	(467,314)	–	–	–	(467,314)
At 31 December 2019 and 1 January 2020	538,332	1,504,924	528,708	–	2,571,964
Provided for the year	39,720	–	49,124	327,850	416,694
Eliminated on disposals	(6,490)	–	–	–	(6,490)
At 31 December 2020	571,562	1,504,924	577,832	327,850	2,982,168
<b>CARRYING VALUE</b>					
At 31 December 2020	209,062	564,967	4,094	3,373,572	4,151,695
At 31 December 2019	53,969	564,967	53,218	–	672,154

Note i: The above items of property and equipment are depreciated on a straight-line basis based on their estimated useful lives, after taking into account the estimated residual value, as follows:

Office equipment	3-5 years
Motor vehicles	4 years
Leasehold improvement	Shorter of 5 years or lease term
Artistic decoration	10 years

Note ii: During the year ended 31 December 2020, the Group has acquired seven (2019: Nil) pieces of artistic decorations, including art furnishings and other artworks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 14. RIGHT-OF-USE ASSETS

	Leased properties RMB
<b>Cost</b>	
At 1 January 2019, 31 December 2019 and 1 January 2020 (Note i)	2,480,151
Lease termination (Note 30)	<u>(2,480,151)</u>
At 31 December 2020	<u>–</u>
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2019	–
Provided for the year	<u>1,214,898</u>
At 31 December 2019 and 1 January 2020	1,214,898
Provided for the year	1,187,027
Lease termination (Note 30)	<u>(2,401,925)</u>
At 31 December 2020	<u>–</u>
<b>CARRYING VALUE</b>	
At 31 December 2020	<u>–</u>
At 31 December 2019	<u>1,265,253</u>

Notes:

- (i) The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.
- (ii) The Group leases various properties for its operations. Lease contracts are entered into for term of 12 months (2019: 12 to 27 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2020, total cash outflow for leases was RMB1,722,487 (2019: RMB1,518,524).

Expense relating to short-term leases and other leases with lease terms end within 12 months were RMB478,682 (2019: RMB159,053).

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in Note 30 and Note 7, respectively. For the years ended 31 December 2020 and 2019, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. As at 31 December 2020 and 2019, the Group did not enter into any lease that is not yet commenced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 15. INTANGIBLE ASSETS

	Software RMB	Trademark RMB	Website development RMB	Vehicle licenses RMB	Total RMB
<b>COST</b>					
At 1 January 2019	878,588	8,000	19,902	2,702,873	3,609,363
Additions	–	–	–	443,824	443,824
At 31 December 2019 and 1 January 2020	878,588	8,000	19,902	3,146,697	4,053,187
Additions	–	–	–	329,400	329,400
At 31 December 2020	878,588	8,000	19,902	3,476,097	4,382,587
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>					
At 1 January 2019	878,588	8,000	19,902	–	906,490
Impairment loss recognised	–	–	–	550,217	550,217
At 31 December 2019 and 1 January 2020	878,588	8,000	19,902	550,217	1,456,707
Reversal of impairment loss	–	–	–	(550,217)	(550,217)
At 31 December 2020	878,588	8,000	19,902	–	906,490
<b>CARRYING VALUE</b>					
At 31 December 2020	–	–	–	3,476,097	3,476,097
At 31 December 2019	–	–	–	2,596,480	2,596,480

The above intangible assets, except for vehicle licenses, are amortised on a straight-line basis based on their estimated useful lives as follows:

Software	3 years
Trademark	3 years
Website development	3 years

The directors of the Company are of the opinion that the vehicle licenses have indefinite useful lives as the vehicle licenses are transferable and able to renew with minimal cost, which is therefore carried at cost less accumulated impairment, if any.

The directors of the Company had assessed the fair value less cost of disposal with reference to the recent completed transaction prices in open market as the recoverable amount of these vehicle licenses and concluded that there was a reversal of RMB550,217 (2019: impairment loss of RMB550,217) on vehicle licenses as at 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 16. LOANS TO RELATED PARTIES

	<b>As at 31 December</b>		<b>Maximum balance outstanding during the year ended 31 December</b>	<b>Maximum balance outstanding during the year ended 31 December</b>
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RMB</b>	RMB	<b>RMB</b>	RMB
Mr. Chau	2,193,753	–	2,687,340	5,366,388
Ms. Chau On	2,440,640	–	2,687,340	–
	<b>4,634,393</b>	–	<b>5,374,680</b>	5,366,388

The balances represents the advances made by the Group to Mr. Chau and Ms. Chau On. The amounts due are non-trade in nature, interests free, unsecured and repayable on demand. In January 2021, the balance of RMB2,193,753 was fully settled by Mr. Chau.

At the end of the reporting period, the loans to related parties with the following amounts are denominated in currencies other than functional currency of the group entities.

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<b>RMB</b>	RMB
HK\$	<b>4,634,393</b>	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2020 RMB	2019 RMB
Other receivables		
Staff advance (Note i)	481,113	602,163
Others (Note ii)	5,944,639	1,765,829
	<u>6,425,752</u>	<u>2,367,992</u>
Less:		
Loss allowances	–	(249,729)
	<u>6,425,752</u>	<u>2,118,263</u>
Prepayments	1,576,736	1,212,262
Deposits (Note iii)	5,868,220	1,630,832
Value added tax (“VAT”) recoverable	77,135	577,599
	<u>13,947,843</u>	<u>5,538,956</u>

Notes:

- (i) The management of the Group expects the amounts will be received or settled within one year.
- (ii) The balance as at 31 December 2020 included payments of RMB4,889,020 (2019: RMB1,516,100) made on behalf of independent third parties. Such receivables were subsequently received in January 2021 (2019: January 2020).
- (iii) The balance as at 31 December 2020 mainly represents the deposits paid in relation to the Group’s finance leasing advisory services.

### Movements of loss allowances on other receivables

	RMB
At 1 January 2019	–
Increase in allowances	249,729
At 31 December 2019 and 1 January 2020	249,729
Amounts recovered	(495)
Amounts written off	(249,234)
At 31 December 2020	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements as a lessor for vehicles and machinery and equipment which include purchase or termination options. The average terms of finance leases entered into usually range from 1 to 5 years (2019: 1 to 3 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	As at 31 December 2020	
	Minimum lease payments RMB	Present value of minimum lease payments RMB
Finance lease receivables comprise:		
Within one year	99,751,818	84,204,327
In the second year	35,590,182	29,662,041
In the third year	20,970,136	17,837,298
In the fourth year	13,918,006	12,256,829
In the fifth year	9,209,448	8,849,804
	<hr/>	<hr/>
Gross investment in the lease	179,439,590	N/A
Less: Unearned finance income	(26,629,291)	N/A
	<hr/>	<hr/>
Present value of minimum lease payment receivables	152,810,299	152,810,299
	<hr/>	<hr/>
Less: Loss allowances	(45,398,762)	(45,398,762)
	<hr/>	<hr/>
	<b>107,411,537</b>	<b>107,411,537</b>
	<hr/>	<hr/>
Analysed as:		
Current	60,291,830	60,291,830
Non-current	47,119,707	47,119,707
	<hr/>	<hr/>
	<b>107,411,537</b>	<b>107,411,537</b>
	<hr/>	<hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18. FINANCE LEASE RECEIVABLES (Continued)

	As at 31 December 2019	
	Minimum lease payments RMB	Present value of minimum lease payments RMB
Finance lease receivables comprise:		
Within one year	166,430,795	150,282,977
In the second year	61,759,679	53,288,384
In the third year	15,691,733	13,045,317
	<hr/>	<hr/>
Gross investment in the lease	243,882,207	N/A
Less: Unearned finance income	(27,265,529)	N/A
	<hr/>	<hr/>
Present value of minimum lease payment receivables	216,616,678	216,616,678
Less: Loss allowances	(47,977,514)	(47,977,514)
	<hr/>	<hr/>
	168,639,164	168,639,164
	<hr/>	<hr/>
Analysed as:		
Current	120,304,845	120,304,845
Non-current	48,334,319	48,334,319
	<hr/>	<hr/>
	168,639,164	168,639,164
	<hr/>	<hr/>

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entities. The effective interest rates of the above finance leases range from approximately 7.87% to 28.01% per annum during the year ended 31 December 2020 (2019: 7.87% to 30.26% per annum).

As at 31 December 2019, the carrying amount of finance lease receivables arising from the finance lease business with Xin You (Cang Chou) Real Estate Development Co. Ltd.\* (信友(滄州)房地產開發有限公司) ("Xin You"), a related party which equity interests were 100% owned and controlled by a close family member of Mr. Chau and Mr. Chau acts as the legal representative and chairman of Xin You, was RMB5,911,322. The term of such leases was 3 years, and the effective interest rate was 7.87% per annum. No deposits had been received from Xin You by the Group in respect of these finance lease agreements. There was no finance lease receivables arising from the finance lease business with Xin You as at 31 December 2020 as the amount due was fully settled.

The Group did not enter into any finance lease transaction with other related parties in accordance with the scope of related parties as defined in IAS 24 during the years ended 31 December 2020 and 2019.

\* For identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18. FINANCE LEASE RECEIVABLES (Continued)

### Movements of loss allowances on finance lease receivables

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit-impaired RMB	Stage 3 Lifetime ECL credit-impaired RMB	Total RMB
As at 1 January 2020	1,082,746	8,946,618	37,948,150	47,977,514
Changes in the loss allowances:				
– Transfer to Stage 2	(14,833)	14,833	–	–
– Transfer to Stage 3	(373,933)	(3,816,088)	4,190,021	–
– (Credited) Charged to profit or loss	(542,674)	(3,070,777)	4,995,696	1,382,245
Written-off	–	–	(3,960,997)	(3,960,997)
As at 31 December 2020	<b>151,306</b>	<b>2,074,586</b>	<b>43,172,870</b>	<b>45,398,762</b>
As at 1 January 2019	413,176	592,591	5,044,502	6,050,269
Changes in the loss allowances:				
– Transfer to Stage 1	187,579	(187,579)	–	–
– Transfer to Stage 2	(930,090)	1,602,275	(672,185)	–
– Transfer to Stage 3	–	(20,248,508)	20,248,508	–
– Charged to profit or loss	1,412,081	27,187,839	13,918,694	42,518,614
Written-off	–	–	(591,369)	(591,369)
As at 31 December 2019	<b>1,082,746</b>	<b>8,946,618</b>	<b>37,948,150</b>	<b>47,977,514</b>

The finance lease receivables are secured by the leased assets and deposits (if available) as set out in Note 26. The Group might require extra assurance, e.g. land use rights, houses, vehicles, as extra mortgages. There was no contingent lease arrangement that needed to be recognised during the years ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 18. FINANCE LEASE RECEIVABLES (Continued)

### Movements of loss allowances on finance lease receivables (Continued)

Notes:

- (i) Due to the prolonged administrative process time involved in and the expected for the registration of the securities of the leased assets (the "Securities"), some of the Securities for which the Group obtained from finance lease receivables and receivables arising from sale and leaseback arrangements (the "Lease Receivables") were not registered with the relevant government authorities.

The directors of the Company have, taking into account (i) the Group is the first pledgee who entered into the pledge agreement with the customers, (ii) the Group has obtained all original copies of the motor vehicle registration certificates from the customers, (iii) the necessary actions taken to ensure that no other party had registered the pledge of the Securities to the relevant government authority as at the end of the reporting periods and up to the date of issue of the consolidated financial statements, (iv) in accordance with the relevant laws and regulations governing the second hand market trading of motor vehicles in the PRC, the leased assets cannot be traded in the second hand market without the original motor vehicle registration certificates, and (v) advice sought from the Group's legal adviser, that, the pledge right of the Securities is established when the pledge agreement comes into effect. Although there is a potential risk that the subject matter of the Securities may be claimed by a bona fide third party, the Group has taken corresponding remedies to reduce the loss. And the Group has the right to claim ownership from the third parties to repossess the Securities if the customers attempt to transfer the Securities to third parties without the Group's consent.

If the Group cannot execute the enforcement right of the Securities when the customers had defaulted repayment to the Group, the estimated amount of the loss given default on and the resulting calculated amount of impairment currently recognised on the Lease Receivables may increase significantly. During the years ended 31 December 2020 and 2019, the Group has no enforcement issue on the Securities.

- (ii) Out of the Group finance lease receivables, two customers (the "Customers"), which are both owned by two same individuals and engage ride-hailing business in Shenzhen, have an aggregate outstanding balance of RMB57,405,377 as at 31 December 2019.

Due to shortage of working capital, the Customers made applications to the Group to restructure their outstanding finance lease receivables to 7 subsidiaries (the "Debt Restructured Customers") held by them (the "Debt Restructuring"). Such finance lease receivables, as assessed by the management of the Group, were classified as stage 3 in the Group's risk profile for the determination of the loss allowances for ECL and recognised loss allowances of RMB20,007,596 as at 31 December 2019.

During the year ended 31 December 2020, the management of Group evaluated and approved the above applications. Under the new finance lease agreements with these Debt Restructured Customers, the lease periods increased from originally 3 years to 5 years, while the effective interest rates decreased from originally 16.66% to 16.89% per annum to a new effective rate of 10.65% per annum as at 31 December 2020.

According to this Debt Restructuring, the Group made a number of payments, totalling RMB27,626,148 and RMB24,514,226, to and received customer deposits totalling RMB1,381,307 and RMB1,225,711 from the Debt Restructured Customers in January and March 2020, respectively; while the Customers repaid a total amount of RMB25,283,941 and RMB22,249,415 in cash and released customer deposits of RMB6,970,000 and RMB5,822,000 to the Group in January and March 2020, respectively. The original finance lease agreements with the Customers were terminated since then.

As at 31 December 2020, the Debt Restructuring procedures were completed. The management of the Group keeps monitoring the repayment from the Debt Restructured Customers and considers the sufficiency of the loss allowances provided on their balances of finance lease receivables.

Please refer to Note 36 for details of ECL of finance lease receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 19. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group entered into sale and leaseback arrangements as a lessor for vehicles. The average terms of sale and leaseback arrangements entered into usually range from 1 to 3 years (2019: 1 to 3 years). All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	As at 31 December 2020	
	Gross amount RMB	Present value RMB
Within one year	51,281,317	36,753,964
In the second year	43,360,206	35,705,608
In the third year	17,782,405	16,164,656
	<hr/>	
	112,423,928	N/A
Less: Unearned finance income	(23,799,700)	N/A
	<hr/>	
Present value of receivables arising from sale and leaseback arrangements	88,624,228	88,624,228
	<hr/>	
Less: Loss allowances	(960,449)	(960,449)
	<hr/>	
	87,663,779	87,663,779
	<hr/>	
Analysed as:		
Current	36,348,730	36,348,730
Non-current	51,315,049	51,315,049
	<hr/>	
	87,663,779	87,663,779
	<hr/>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 19. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

	As at 31 December 2019	
	Gross amount RMB	Present value RMB
Within one year	26,847,782	22,079,726
In the second year	23,365,227	18,875,320
In the third year	17,533,374	13,978,610
	<hr/>	
	67,746,383	N/A
Less: Unearned finance income	(12,812,727)	N/A
	<hr/>	
Present value of receivables arising from sale and leaseback arrangements	54,933,656	54,933,656
	<hr/>	
Less: Loss allowances	(989,060)	(989,060)
	<hr/>	
	53,944,596	53,944,596
	<hr/>	
Analysed as:		
Current	21,687,763	21,687,763
Non-current	32,256,833	32,256,833
	<hr/>	
	53,944,596	53,944,596
	<hr/>	

The Group's receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 19. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

### Movements of loss allowances on receivables arising from sale and leaseback arrangements

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit- impaired RMB	Stage 3 Lifetime ECL credit- impaired RMB	Total RMB
As at 1 January 2020	989,060	–	–	989,060
Changes in the loss allowances: – (Credited) Charged to profit or loss	(269,953)	113,339	128,003	(28,611)
As at 31 December 2020	719,107	113,339	128,003	960,449
As at 1 January 2019	–	–	–	–
Changes in the loss allowances: – Charged to profit or loss	989,060	–	–	989,060
As at 31 December 2019	989,060	–	–	989,060

The receivables arising from sale and leaseback arrangements are secured by the leased assets. The Group might require extra assurance as extra mortgages.

Please refer to Note 36 for details of ECL of receivables arising from sale and leaseback arrangements.

## 20. ACCOUNT RECEIVABLES/PAYABLES & DEFERRED EXPENSES/INCOME

During the year ended 31 December 2020, the Group commenced its finance leasing advisory business. The finance leasing advisory service income was payable by the Finance Leasing Funders to the Group on equal monthly installments over the agreed period of services.

On the other hand, the Group was required to pay to the Auxiliary Service Providers in connection with their Counter Guarantees services by equal monthly installments over the agreed period of services.

Account receivables/payables at the end of the reporting period represented total outstanding monthly installments to be received from/paid to the Finance Leasing Funders/Auxiliary Service Providers, after considering the effects for the time value of money, if significant. The account receivables and payable were not over-due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 20. ACCOUNT RECEIVABLES/PAYABLES & DEFERRED EXPENSES/INCOME (Continued)

Deferred expenses/income at the end of the reporting period represented unamortised value for the services of the Auxiliary Service Providers/the Group.

At the end of each reporting period, the Group would measure the exposure on the Group's Financial Guarantees at the higher of (1) the carrying value of the deferred income; and (2) the amount of loss allowance on the guaranteed amount determined in accordance with IFRS 9. Should there is any loss to be recognised on the Group's Financial Guarantees, the Group would only recognise a receivable under the Counter Guarantees to the extent that it is recoverable.

At 31 December 2020, the underlying guaranteed value of the Group's Financial Guarantees and the Counter Guarantees which included in finance leasing advisory services and certain sale and leaseback arrangements, were RMB100,963,180 (2019: Nil) and RMB117,192,736 (2019: Nil), respectively. In addition, there is no material loss exposure on the Group's Financial Guarantees and thus, no material receivables to be recognised for the Counter Guarantees.

## 21. FACTORING RECEIVABLES

As of the end of the reporting period, the ageing analysis of factoring receivables, based on the maturity date of the contracts, is as follows:

	<b>At 31 December 2020</b> RMB
91 – 365 days	<u>5,759,206</u>

The factoring receivables are measured at amortised cost and generally with maturity ranging from 3 to 11 months. The effective interest rates of factoring receivables as at 31 December 2020 range from approximately 11.49% to 12.93% per annum. The Group has recourse right on the debts in the events of default. The Group had no factoring receivables as at 31 December 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 22. TERM DEPOSITS

Term deposits represent short-term bank deposits denominated in HK\$ and carrying interest at an effective interest rate of 0.20% per annum as at 31 December 2019. As at 31 December 2019, the term deposits had original maturity of less than 3 months. No term deposits were placed by the Group as at 31 December 2020.

## 23. FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2020	2019
	RMB	RMB
Unlisted short-term financial products	—	10,000,000

## 24. BANK BALANCES AND CASH

As at 31 December 2020, bank balances carried interest at prevailing market rates ranging from 0.001% to 0.35% (2019: 0.001% to 0.35%) per annum.

Bank balances and cash with the following amounts are denominated in currencies other than the functional currencies of the group entities.

	As at 31 December	
	2020	2019
	RMB	RMB
HK\$	12,820,938	4,371,180
United States Dollars ("US\$")	33,182	35,449
	<u>12,854,120</u>	<u>4,406,629</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 25. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December 2020 RMB	2019 RMB
Other payables (Note i)	17,348,436	16,758,806
Payroll payables	4,000,379	3,226,485
Other tax payables	693,107	1,294,582
	<b>22,041,922</b>	<b>21,279,873</b>

The other payables with the following amounts are denominated in currencies other than functional currencies of the group entities.

	As at 31 December 2020 RMB	2019 RMB
HK\$	<b>240,540</b>	1,594,782

Note i: Other payables mainly include advanced payments received from finance lease and sale and leaseback arrangements customers in respect of certain finance lease and sale and leaseback arrangements conducted by the Group.

## 26. DEPOSITS RECEIVED FROM FINANCE LEASING CUSTOMERS

The deposit is required and calculated as a certain percentage of the contract value and paid back throughout or by the end of the contract as stipulated in certain leasing contracts. The deposit could be either paid back once the lessee fully carried out all obligations under the contract, or be used to settle the outstanding debts. As at 31 December 2020, the outstanding deposits from finance leasing customers were RMB17,571,260 (2019: RMB38,790,629).

Analysis for the amount of deposits received from finance leasing customers for reporting purpose as:

	At 31 December 2020 RMB	2019 RMB
Non-current	6,751,101	24,479,209
Current	10,820,159	14,311,420
	<b>17,571,260</b>	<b>38,790,629</b>

The deposits received are interest-free and measured at amortised cost using the effective interest method. The weighted average effective interest rate adopted is 17.07% per annum for the year ended 31 December 2020 (2019: 17.58% per annum).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 27. BANK AND OTHER BORROWINGS

	Notes	As at 31 December 2020 RMB	2019 RMB
Fixed-rate borrowings			
Bank borrowings			
– Secured and guaranteed	27(a)	4,700,000	2,478,939
Other borrowings from independent third parties			
– Secured	27(b)	45,189,301	23,957,063
		<b>49,889,301</b>	26,436,002
Analysed as:			
– Within one year			
Bank borrowings		4,700,000	2,478,939
Other borrowings		25,507,455	17,884,543
		<b>30,207,455</b>	20,363,482
– More than one year but not exceeding two years			
Other borrowings		19,681,846	6,072,520
		<b>49,889,301</b>	26,436,002
Effective interest rate per annum for fixed rate borrowings		<b>5.78%-11.88%</b>	9.14%-12.23%

(a) Bank borrowings

The Group's bank borrowing is repayable in one year since its inception. At 31 December 2020, the bank borrowing carried weighted average effective interest rate of approximately 6.91% (2019: 9.14%) per annum.

The bank borrowing is secured and guaranteed by:

- i) guarantees provided by Mr. Chau (2019: Nil); and
- ii) guarantees provided by financial institutions, independent third parties, of RMB4,500,000 (2019: Nil) and the related finance costs of late payment from the Group, if any.

All the banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the subsidiary was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2020, none (2019: None) of the covenants relating to drawn down facilities had been breached.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 27. BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

The Group's other borrowings were granted by other financial institutions, independent third parties, in the PRC. The other borrowings are repayable ranging from within one year to three years since their inception. At 31 December 2020, the other borrowings carried weighted average effective interest rate of approximately 10.87% (2019: 10.56%) per annum.

The other borrowings are secured by:

- i) security deposits of RMB52,000,000 (2019: Nil) to secure facilities of RMB540,000,000;
- ii) charges over certain lease receivables of the Group with gross amount of RMB48,309,514 (2019: RMB24,678,677) and net carrying amount of RMB39,613,289 (2019: RMB17,420,359) as set out in Note 37; and
- iii) vehicles owned by the Group's certain lessees.

The Group's bank and other borrowings are denominated in RMB which is the functional currency of the relevant group entities.

## 28. SHARE CAPITAL

	Number of shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
On 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	4,000,000,000	40,000,000
<b>Issued and fully paid:</b>		
On 1 January 2019	800,000,000	8,000,000
Issued of ordinary shares-upon a private placement (Note i)	160,000,000	1,600,000
On 31 December 2019, 1 January 2020 and 31 December 2020	960,000,000	9,600,000
		RMB
Shown in the consolidated statement of financial position		8,503,450

Note i: On 21 November 2019, the Company issued a total of 160,000,000 ordinary shares of a par value of HK\$0.01 each under a share placement to not less than six places at the price of HK\$0.162 per share. The net proceeds from the share placement, after deduction of the commission and expenses paid by the Company, were HK\$25,813,218 (equivalent to RMB22,910,034).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 29. DEFERRED TAX ASSETS

	As at 31 December 2020 RMB	2019 RMB
Deferred tax assets	<b>3,036,405</b>	–

The movement in deferred tax assets during the current and prior years is as follows:

	Loss allowances on finance lease receivables, receivables arising from sale and leaseback arrangements and other financial assets measured at amortised cost RMB	Depreciation of property and equipment RMB	Amortisation of intangible assets RMB	Unpaid accrued expenses RMB	Total RMB
At 1 January 2019	1,512,567	22,469	135,089	715,824	2,385,949
Charge to profit or loss	(1,512,567)	(22,469)	(135,089)	(715,824)	(2,385,949)
At 31 December 2019 and 1 January 2020	–	–	–	–	–
Credit to profit or loss	2,945,840	737	89,828	–	3,036,405
At 31 December 2020	2,945,840	737	89,828	–	3,036,405

Notes:

(i) At the end of the reporting period, the Group has deductible temporary differences of RMB46,721,474 (2019: RMB56,624,986). As at 31 December 2019, no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

As at 31 December 2020, deferred tax assets of RMB3,036,405 has been recognised in respect of deductible temporary differences of RMB12,145,621 as it is forecasted that taxable profit will be available against which the deductible temporary differences can be utilised. The remaining deductible temporary differences of RMB34,575,853 has not been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(ii) Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to retained profits of an operating subsidiary of the Group amounting to RMB2,803,703 (31 December 2019: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Except for the above, the Group's operating subsidiaries in the PRC suffered accumulated losses amounting to RMB7,583,183 (31 December 2019: RMB17,726,031) as at 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 30. LEASE LIABILITIES

	As at 31 December 2019 RMB
<b>Lease liabilities payable:</b>	
Within one year	1,286,821
Within a period of more than one year but not more than two years	<u>8,955</u>
	1,295,776
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(1,286,821)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>8,955</u>

All lease obligations are denominated in RMB which is the functional currency of the relevant group entities.

As at 31 December 2019, the amount of lease liabilities arising from the lease contract with Mr. Chow Chuen Chung (who is a close family member of Mr. Chau and therefore a related party of the Group) is RMB1,236,675. The lease with Mr. Chow Chuen Chung is for office building, with a lease term of 27 months starting from 1 October 2018 and monthly rental payment of RMB110,366. No extension or termination options were granted to the Group or Mr. Chow Chuen Chung in the lease agreement.

During the year ended 31 December 2020, the Group has terminated the lease contract with a loss on early termination of lease liabilities of RMB26,255 (2019: Nil) (Note 8).

### Commitments under leases

At 31 December 2020, the Group was committed to short-term leases of RMB325,896 (2019: Nil).

## 31. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2019 RMB
Cost of investment in an associate	3,000,000
Share of loss	(552,219)
Impairment loss	<u>(2,291,659)</u>
	<u>156,122</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 31. INVESTMENT IN AN ASSOCIATE (Continued)

Details of the associate as at 31 December 2019 are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Aiding Automobile Technology (Shanghai) Limited Company ("Aiding")	The PRC	The PRC	20%	20%	Automobile technology and related consultation

On 19 December 2018, Aiding was established in the PRC by an independent third party (the "Other Shareholder"), which had committed to contribute RMB1,000,000 as the share capital of Aiding. On 23 January 2019, Metropolis International Finance Leasing Co., Ltd.\* (信都國際融資租賃有限公司) ("Metropolis Leasing"), a wholly owned subsidiary of the Company, entered into a capital contribution agreement, pursuant to which Metropolis Leasing agreed to inject RMB3,000,000 into Aiding to acquire 20% of the equity interest of Aiding. Metropolis Leasing had injected RMB500,000, RMB1,000,000 and RMB1,500,000 into Aiding in January, March and April 2019, respectively, and had become a shareholder of Aiding thereafter. As a result, the equity interest of Aiding held by the Other Shareholder decreased to 80%.

Aiding suffered losses during the year ended 31 December 2019. As a result of the shrinkage of vehicle production and sales in the PRC caused by the earlier-than-planned implementation of the new national vehicle emission standard, the vehicle finance lease business was not developed as originally planned. In the meantime, Aiding did not maintain sufficient working capital, while it could not obtain additional external financing, to continue as a going concern. The business operation was ceased since late of the financial year ended 31 December 2019. All shareholders of Aiding determined to liquidate Aiding.

As at 31 December 2019, the net asset of Aiding was RMB238,906 and the management of the Group considered the recoverable amount of its investment in Aiding based on the foregoing circumstances, and recognised an impairment loss of RMB2,291,659. The Other Shareholder had not yet contributed the committed capital of RMB1,000,000. On 22 April 2020, the Other Shareholder signed a commitment letter pursuant to which the Other Shareholder waives its total equity interest in its investment in Aiding. On 11 May 2020, the Group received payment of residual value of Aiding amounting to RMB156,122.

In August 2020, Aiding has completed the cancelation of registration with Administration for Industry and Commerce.

\* For identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 32. NON-CONTROLLING INTERESTS

The following table shows the information relating to Metropolis Xincheng Information Technology (Shanghai) Co., Ltd.\* (“Xincheng”) 信都信承信息科技(上海)有限公司, incorporated on 25 February 2020, that has material non-controlling interests (“NCI”) during the year ended 31 December 2020. The summarised financial information represents amounts before inter-company eliminations.

At the end of the reporting period, 40% of equity interests of Xincheng were owned by the non-controlling shareholders.

	<b>At 31 December 2020</b> RMB
Non-current assets	15,634
Current assets	3,813,224
Current liabilities	<u>(1,025,155)</u>
Net assets	<u>2,803,703</u>
Carrying amounts of NCI	<u>1,121,481</u>
	<b>2020</b> RMB
Revenue and other income	6,192,766
Expenses	<u>(3,389,063)</u>
Profit and total comprehensive income for the year	<u>2,803,703</u>
Profit and total comprehensive income for the year attributable to NCI	<u>1,121,481</u>
Net cash flows from (used in):	
Operating activities	<u>511,208</u>
Investing activities	<u>(10,188)</u>

\* For identification purpose only

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 33. RETIREMENT BENEFIT SCHEME

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at 20% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total costs recognised in profit or loss in respect of contributions paid or payable to the scheme by the Group for the year ended 31 December 2020 were RMB1,716,596 (31 December 2019: RMB2,423,419).

## 34. RECONCILIATION OF LIABILITIES AND ASSETS ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and assets arising from financing activities, including both cash and non-cash changes. Liabilities and assets arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Security deposits	Bank and other borrowings	Accrued issue costs	Lease Liabilities	Total
<b>At 1 January 2020</b>	–	26,436,002	–	1,295,776	27,731,778
<b>Financing cash flows</b>	(52,000,000)	23,453,299	–	(1,243,805)	(29,790,506)
<b>Non-cash changes</b>					
Lease termination	–	–	–	(51,971)	(51,971)
<b>At 31 December 2020</b>	<b>(52,000,000)</b>	<b>49,889,301</b>	<b>–</b>	<b>–</b>	<b>(2,110,699)</b>
Adjustment upon application of IFRS 16	–	–	–	2,437,765	2,437,765
At 1 January 2019	(14,887)	40,572,548	1,468,790	2,437,765	44,464,216
<b>Financing cash flows</b>	14,887	(14,136,546)	(1,563,562)	(1,359,471)	(17,044,692)
<b>Non-cash changes</b>					
Interest on lease liabilities	–	–	–	217,482	217,482
Issue costs accrued	–	–	94,772	–	94,772
At 31 December 2019	–	26,436,002	–	1,295,776	27,731,778



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank and other borrowings as set out in Note 27 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and bank and other borrowings. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

## 36. FINANCIAL RISK MANAGEMENT

### Categories of financial instruments and finance lease receivables

	At 31 December 2020 RMB	2019 RMB
<b>Financial assets and financial lease receivables</b>		
Finance lease receivables	107,411,537	168,639,164
Financial assets at amortised costs (including cash and cash equivalent)	215,722,801	101,029,828
Financial assets at FVTPL	–	10,000,000
	<b>323,134,338</b>	279,668,992
<b>Financial liabilities</b>		
Deposits received from finance leasing customers	17,571,260	38,790,629
Other financial liabilities at amortised cost	103,893,577	44,490,584
	<b>121,464,837</b>	83,281,213

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies

The major financial instruments include receivables arising from sale and leaseback arrangements, factoring receivables, account receivables and payables, loans to related parties, deposits and other receivables, security deposits for other borrowings, term deposits, bank balances and cash, financial assets at FVTPL, deposits received from finance leasing customers, other payables, and bank and other borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Although the Group has certain bank balances and cash denominated in US\$ and HK\$, term deposits, loans to related parties and certain other payables denominated in HK\$ as set out in Notes 24, 22, 16 and 25, the Group's operations were principally carried out in the PRC and it mainly earned revenue and incurred costs and expenses in RMB. Therefore the management of the Group assessed that the Group's currency risk is solely attributable to the foreign currency denominated bank balances and cash, term deposits, loans to related parties and other payables. In addition, the Group is also exposed to other financial risks, including principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

### Currency risk

The Group's exposure to foreign currency risk arises solely from bank balances and cash, term deposits, loans to related parties and other payables. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	At 31 December	
	2020	2019
	RMB	RMB
Assets		
HK\$	17,455,331	26,765,680
US\$	33,182	35,449
Liabilities		
HK\$	240,540	1,594,782

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### Currency risk (Continued)

##### Sensitivity analysis

This sensitivity analysis details the Group's sensitivity at the end of each reporting period to a 10% (2019: 10%) appreciation and depreciation in RMB against the relevant foreign currencies. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in pre-tax profit where RMB appreciates against the relevant currency, while there would be an equal and opposite impact on the pre-tax profit where RMB depreciates against the relevant currency.

	At 31 December	
	2020	2019
	RMB	RMB
HK\$	(1,721,479)	(2,556,959)
US\$	(3,318)	(3,545)

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the currency risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates primarily to the Group's bank balances and financial assets at FVTPL.

Management closely monitor the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the People's Bank of China are the major sources of the Group's cash flow interest rate risk. No sensitivity analysis on interest rate risk is presented as the management of the Group considered that there would not be a significant change of prevailing interest rate and the exposure of cash flow interest rate risk of the Group is insignificant.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk*

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets and lease receivables is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, account receivables, loans to related parties, security deposits for other borrowings, term deposits, deposits and other receivables and bank balances.

The credit risk on liquid funds (i.e. term deposits and bank balances) is minimal as such amounts are placed in banks with good reputation.

In order to minimise the credit risk of loans to related parties and other receivables, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In relation to finance lease receivables and receivables arising from sale and leaseback arrangements, the Group implemented standardised management procedures over the processes of potential customers selection, the potential customer's due diligence and application, potential customer's credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and receivables arising from sale and leaseback arrangements, and other aspects. The Group will consider taking legal actions against those customers for defaults of more than 90 days. As at 31 December 2020, gross amount of finance lease receivables amounting to RMB18,756,377 (2019: RMB18,365,302) and RMB487,665 (2019: RMB1,869,615) was under the Group's legal action and mandatory repossession of the leased assets. In connection with these legal actions, cumulative balances of RMB10,549,806 (2019: RMB2,135,523) had been received. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the management of the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk (Continued)*

Changes in the economic environment will have an impact on the Group's leasing, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in the PRC, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The business operation department, credit assessment department, legal department, operation management committee, risk management director, finance department and assets management department in charge of different industries and regions are responsible for the management of the credit risks, and periodically report on the quality of assets to the management of the Group. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

#### (1) *Risk limit management and mitigation measures*

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs due diligence and credit assessment of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

#### (2) *Other specific management and mitigation measures include:*

##### (a) Guarantee and collateral

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the financial lease, the Group has the ownership of the asset under the financial lease during the lease term. The Property Law of the People's Republic of China (the "Property Law") stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the financial lease. The management of the Group evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### ***Credit risk (Continued)***

(2) *Other specific management and mitigation measures include: (Continued)*

(b) Insurance on the asset of the financial lease

For financial lease, the ownership of the financial lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents/damage occur to the asset, the lessee should immediately report to the insurance company and notify the Group, provide accident report with relevant documents and settle claims to the insurance company.

The Group's concentration of credit risk on finance lease receivables as at 31 December 2020 included five major customers accounting for 21.8% (31 December 2019: 35.2%) of the total balance of finance lease receivables and receivables arising from sale and leaseback arrangement. In addition, the management of the Group also analysed that, on the basis that if the Group's customers which were ultimately owned by the same individual or the same group of individuals were considered as a single customer, the Group's top five customers will be accounted for 42.9% (31 December 2019: 50.1%) of the total balance of finance lease receivables and receivables arising from sale and leaseback arrangement.

The Group has closely monitored the recoverability of the advances to these customers, and taken effective measures to ensure timely collection of outstanding balances. The Group's business operation department will contact the customer from time to time and send payment reminders three days before each payment due date to ensure the lease payment could be made timely and to obtain up-to-date information relating to the customer. In the event that payment is overdue by more than two days, the Group's business operation department will immediately contact the customer to enquire the customer's operational and financial conditions as well as the reason for late payment. The Group's business operation staff may also conduct on-site due diligence to check whether the leased vehicle is in good condition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### ***Credit risk (Continued)***

##### *(2) Other specific management and mitigation measures include: (Continued)*

When the Group encounters certain “negative signals” (such as overdue for more than 60 days, accidents involving leased vehicles, litigation relating to the customers), certain risk control procedures will be initiated to mitigate potential losses. The Group will make telephone enquiry with the customer and/or conduct onsite due diligence if the customer defaults on its lease payment for 1 to 45 days. The Group will make enquiries as to the reasons for the default in payment and remind the customer to pay in accordance to the payment schedule as stated in the finance leasing agreement. The Group will issue demand letters when the customer defaults on its lease payment for more than 45 days. When the customer defaults on its lease payment for more than 60 days, the Group will consider to repossess the leased vehicle. For customer who defaults on its lease payment for more than 90 days, the Group may commence litigation against the customer. In deciding whether to exercise any particular remedy, the Group may take into account considerations such as: (i) the current status and the prospects of the customer’s financial condition; (ii) the difficulty of repossessing the leased vehicle and realising its value; (iii) any additional collateral and guarantee offered and provided by the customer; (iv) the credit record of the customer; and (v) the customer’s willingness to pay.

The Group has closely monitored the business performance of these customers and other than the above, the Group does not have significant concentration of credit risk.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowances based on lifetime rather than 12m ECL.

In order to minimise credit risk, the Group monitors the credit risk exposure individually for certain financial assets and finance lease receivables with significant balances; for other financial assets and finance lease receivables, the Group has tasked its operation management committee to develop and maintain the Group’s credit risk gradings to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

(2) *Other specific management and mitigation measures include: (Continued)*

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The following table shows the Group's credit risk grading framework in respect of all the Group's financial assets and lease receivables:

Category	Description	Basis for recognising ECL
Performing	For financial assets and lease receivables where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets and lease receivables where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets and lease receivables are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. The following table details the risk profile of finance lease receivables as at 31 December 2020 and 2019.

#### As at 31 December 2020

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	25,577,460	11,549,906	115,682,933	152,810,299
Weighted average ECL rate (approximately)	0.59%	17.96%	37.32%	29.71%
Total ECL (RMB)	151,306	2,074,586	43,172,870	45,398,762
Including:				
12m ECL (RMB)	151,306	–	–	151,306
Lifetime ECL (RMB)	–	2,074,586	43,172,870	45,247,456
	151,306	2,074,586	43,172,870	45,398,762

#### As at 31 December 2019

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	63,721,268	45,076,440	107,818,970	216,616,678
Weighted average ECL rate (approximately)	1.70%	19.85%	35.20%	22.15%
Total ECL (RMB)	1,082,746	8,946,618	37,948,150	47,977,514
Including:				
12m ECL (RMB)	1,082,746	–	–	1,082,746
Lifetime ECL (RMB)	–	8,946,618	37,948,150	46,894,768
	1,082,746	8,946,618	37,948,150	47,977,514

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk (Continued)

##### Receivables arising from sale and leaseback arrangements

For receivables arising from sale and leaseback arrangements, the Group has applied the general approach in IFRS 9 to measure ECL. The following table details the risk profile of receivables arising from sale and leaseback arrangements as at 31 December 2020 and 2019.

#### As at 31 December 2020

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	87,556,251	724,990	342,987	88,624,228
Weighted average ECL rate (approximately)	0.82%	15.63%	37.32%	1.08%
Total ECL (RMB)	719,107	113,339	128,003	960,449
Including:				
12m ECL (RMB)	719,107	–	–	719,107
Lifetime ECL (RMB)	–	113,339	128,003	241,342
	<b>719,107</b>	<b>113,339</b>	<b>128,003</b>	<b>960,449</b>

#### As at 31 December 2019

	Stage 1 12m ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total gross carrying amount (RMB)	54,933,656	–	–	54,933,656
Weighted average ECL rate (approximately)	1.80%	–	–	1.80%
Total ECL (RMB)	989,060	–	–	989,060
Including:				
12m ECL (RMB)	989,060	–	–	989,060

##### Other financial assets

For other financial assets (including factoring receivables, account receivables, loans to related parties, security deposits for other borrowings and deposits and other receivables), the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL, since there has not been a significant increase in credit risk since initial recognition.

##### Bank balances and term deposits

The ECL for bank balances and term deposits is insignificant because such assets are placed in banks with good reputation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Liquidity risk

The Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's remaining contractual maturity for its non-derivative financial assets, finance lease receivables and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets, finance lease receivables and financial liabilities by remaining contractual maturities and based on the earliest date on which the Group can be required to pay or can demand settlement at the end of the reporting year. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Overdue RMB	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 5 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2020 RMB
<b>As at 31 December 2020</b>										
<b>Assets</b>										
Finance lease receivables	14.46%	26,655,394	-	3,935,461	8,294,128	35,801,688	27,489,347	31,864,810	134,040,828	107,411,537
Receivables arising from sale and leaseback arrangements	20.64%	1,732,141	-	4,181,112	8,362,591	36,554,428	42,991,576	17,641,631	111,463,479	87,663,779
Factoring receivables	11.59%	-	-	-	-	6,631,422	-	-	6,631,422	5,759,206
Account receivables	-	-	-	675,333	1,350,085	6,074,012	7,889,085	5,089,267	21,077,782	21,077,782
Deferred expenses	-	-	-	511,526	1,022,783	4,600,779	5,934,227	3,508,743	15,578,058	15,578,058
Bank balances and cash	-	-	16,715,611	-	-	-	-	-	16,715,611	16,715,611
Loans to related parties	-	-	4,634,393	-	-	-	-	-	4,634,393	4,634,393
Security deposits for other borrowings	-	-	-	-	-	-	-	52,000,000	52,000,000	52,000,000
Deposits and other receivables	-	-	12,293,972	-	-	-	-	-	12,293,972	12,293,972
<b>Total non-derivative financial assets</b>		<b>28,387,535</b>	<b>33,643,976</b>	<b>9,303,432</b>	<b>19,029,587</b>	<b>89,662,329</b>	<b>84,304,235</b>	<b>110,104,451</b>	<b>374,435,545</b>	<b>323,134,338</b>
<b>Financial guarantee contracts (Note i)</b>		<b>-</b>	<b>-</b>	<b>4,604,821</b>	<b>7,720,608</b>	<b>34,456,595</b>	<b>44,216,088</b>	<b>26,194,624</b>	<b>117,192,736</b>	<b>N/A</b>
<b>Liabilities</b>										
Deposits received from finance leasing customers	17.07%	-	-	3,684,933	76,030	8,253,718	4,810,315	4,444,585	21,269,581	17,571,260
Account payables	-	-	-	511,526	1,022,783	4,600,779	5,934,227	3,508,743	15,578,058	15,578,058
Deferred income	-	-	-	675,333	1,350,085	6,074,012	7,889,085	5,089,267	21,077,782	21,077,782
Bank and other borrowings	10.54%	-	-	4,078,326	4,885,531	24,959,761	18,313,866	2,380,137	54,617,621	49,889,301
Other payables	-	-	17,348,436	-	-	-	-	-	17,348,436	17,348,436
<b>Total non-derivative financial liabilities</b>		<b>-</b>	<b>17,348,436</b>	<b>8,950,118</b>	<b>7,334,429</b>	<b>43,888,270</b>	<b>36,947,493</b>	<b>15,422,732</b>	<b>129,891,478</b>	<b>121,464,837</b>
<b>Financial guarantee contracts (Note i)</b>		<b>-</b>	<b>-</b>	<b>3,292,949</b>	<b>6,577,780</b>	<b>29,586,605</b>	<b>38,187,786</b>	<b>23,318,060</b>	<b>100,963,180</b>	<b>N/A</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Liquidity risk (Continued)

	Weighted average effective interest rate	Overdue RMB	On demand RMB	Within 1 month RMB	1 to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	2 to 5 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2019 RMB
<b>As at 31 December 2019</b>										
<b>Assets</b>										
Finance lease receivables	16.67%	52,009,149	-	12,496,860	24,694,237	77,230,549	61,759,679	15,691,733	243,882,207	168,639,164
Receivables arising from sale and leaseback arrangements	16.20%	-	-	2,288,481	4,576,962	19,982,339	23,365,227	17,533,374	67,746,383	53,944,596
Financial assets at FVTPL	-	-	10,000,000	-	-	-	-	-	10,000,000	10,000,000
Deposits and other receivables	-	-	3,749,095	-	-	-	-	-	3,749,095	3,749,095
Term deposits	0.20%	-	-	22,395,359	-	-	-	-	22,395,359	22,394,500
Bank balances and cash	-	-	20,941,637	-	-	-	-	-	20,941,637	20,941,637
<b>Total non-derivative financial assets</b>		<b>52,009,149</b>	<b>34,690,732</b>	<b>37,180,700</b>	<b>29,271,199</b>	<b>97,212,888</b>	<b>85,124,906</b>	<b>33,225,107</b>	<b>368,714,681</b>	<b>279,668,992</b>
<b>Liabilities</b>										
Deposits received from finance leasing customers	17.58%	-	-	2,735,141	1,341,434	11,045,372	23,595,159	8,352,035	47,069,141	38,790,629
Bank and other borrowings	11.01%	-	-	1,529,302	6,632,896	13,819,927	4,153,080	2,423,054	28,558,259	26,436,002
Other payables	-	-	16,758,806	-	-	-	-	-	16,758,806	16,758,806
Lease liabilities	12.00%	-	-	113,289	226,578	1,019,602	9,000	-	1,368,469	1,295,776
<b>Total non-derivative financial liabilities</b>		<b>-</b>	<b>16,758,806</b>	<b>4,377,732</b>	<b>8,200,908</b>	<b>25,884,901</b>	<b>27,757,239</b>	<b>10,775,089</b>	<b>93,754,675</b>	<b>83,281,213</b>

Note i: The amounts represent the Counter Guarantees services provided by the Auxiliary Service Providers in respect of the Group's certain sale and leaseback arrangements and finance leasing advisory services/the Group's Financial Guarantees services under finance leasing advisory services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 36. FINANCIAL RISK MANAGEMENT (Continued)

### Fair value

The fair value of the Group's financial assets and financial liabilities is determined based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2020	2019		
	RMB	RMB		
Financial asset				
Unlisted financial products	–	10,000,000	Level 2	Discounted cash flows, future cash flows are estimated based on expected return of the financial products

### Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

## 37. PLEDGE OF OR RESTRICTIONS ON ASSETS

### Pledge of assets

	Note	At 31 December	
		2020	2019
		RMB	RMB
Finance lease receivables	27	–	17,420,359
Receivables arising from sale and leaseback arrangements	27	<b>39,613,289</b>	–

These lease receivables were pledged to financial institutions, which were independent third parties, as at 31 December 2020 and 2019 to secure the Group's certain other borrowings which was subsequently measured at amortised cost using the effective interest method with an effective interest rate of approximately 11.51% (2019: 12.23%) per annum. The Group has reserved significant risks and rewards of these lease receivables and continued to recognise the full carrying amount of these pledged lease receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 38. RELATED PARTY DISCLOSURES

### (a) Related party transactions

Apart from details of the balances with related parties disclosed elsewhere in the consolidated financial statements, the Group had also entered into the following significant related party transactions during the year.

Name of related parties	Relationship	Nature of transactions	Year ended 31 December	
			2020 RMB	2019 RMB
Xin You	Related party	Finance lease income	<b>156,296</b>	407,675
Mr. Chow Chuen Chung	Related party	Interest expense on lease liabilities	<b>61,665</b>	207,984
Mr. Chau (Note i)	Controlling shareholder	New loans made	<b>5,365,723</b>	13,159,196
		Repayments of loan	<b>3,171,970</b>	14,925,584
Ms. Chau On (Note i)	Non-executive director	New loans made	<b>2,687,340</b>	–
		Repayments of loan	<b>246,700</b>	–

Note i: These were all non-trade in nature. All of these loans were unsecured, interest-free and repayable on demand.

### (b) Compensation of key management personnel

	At 31 December	
	2020 RMB	2019 RMB
Salaries, bonus and other benefits	<b>1,678,365</b>	1,865,969
Retirement benefit scheme contributions	<b>162,714</b>	328,606
	<b>1,841,079</b>	2,194,575

The remuneration of directors and key executive with reference to the performance of individuals and market trends.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2020	2019
	RMB	RMB
<b>NON-CURRENT ASSETS</b>		
Investment in a subsidiary, at cost	138,384,857	138,384,857
Deemed investment in a subsidiary (Note i)	43,810,000	43,810,000
Property and equipment	3,373,572	–
	185,568,429	182,194,857
<b>CURRENT ASSETS</b>		
Loans to related parties	4,634,393	–
Prepayment, deposits and other receivables	194,827	–
Term deposits	–	22,394,500
Bank balances and cash	12,747,667	4,290,647
	17,576,887	26,685,147
<b>CURRENT LIABILITIES</b>		
Other payables and accrued expenses	111,932	1,747,512
Amount due to a subsidiary	1,996,134	2,401,462
	2,108,066	4,148,974
<b>NET CURRENT ASSETS</b>	15,468,821	22,536,173
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	201,037,250	204,731,030
<b>CAPITAL AND RESERVES</b>		
Share capital	8,503,450	8,503,450
Reserves	192,533,800	196,227,580
<b>TOTAL EQUITY</b>	201,037,250	204,731,030

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

### Movements of the Company's reserves

	Share premium RMB	Accumulated losses RMB	Total RMB
As at 1 January 2019	187,016,425	(8,515,227)	178,501,198
Loss and total comprehensive loss for the year	–	(3,748,164)	(3,748,164)
Issuance of new shares upon a private placement (Note 28)	21,474,546	–	21,474,546
As at 31 December 2019 and 1 January 2020	208,490,971	(12,263,391)	196,227,580
Loss and total comprehensive loss for the year	–	(3,693,780)	(3,693,780)
At 31 December 2020	208,490,971	(15,957,171)	192,533,800

Note i: This represented the Company's advance to its subsidiary for the capital injection in Metropolis Leasing. Such advance forms a net investment in the subsidiary, and thus was classified as a deemed investment.

## 40. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting periods are set out below.

Name of subsidiary	Place of establishment and operation/date of incorporation	Registered/ Paid up capital	Shareholding/equity interest attributable to the Company as at		Principal activities
			31/12/2020	31/12/2019	
Directly held: Metropolis Asia	BVI, 25 May 2009	US\$50,000	100%	100%	Investment holding
Indirectly held: Metropolis International Investment Holding (Hong Kong) Company Limited (信都國際投資控股集團(香港)有限公司)	Hong Kong, 18 June 2009	HK\$10,000	100%	100%	Investment holding
Metropolis Leasing (Note i)	The PRC, 20 October 2009	US\$32,388,773	100%	100%	Provision of finance lease, finance leasing advisory and factoring services
Xincheng (Note i)	The PRC, 25 February 2020	RMB1,000,000	60%	N/A	Provision of finance leasing advisory services

None of the subsidiaries had issued any debt securities at the end of the reporting periods.

Note i: Metropolis Leasing and Xincheng are foreign owned enterprises with limited liability established in the PRC.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 41. EVENT AFTER THE REPORTING PERIOD

At the date of this report, the management of the Group cannot rule out that some travel restrictions or lockdown measures as consequential actions to curb the spread of the COVID-19 pandemic, would not have an adverse impact on the quality of the Group's financial performance in future. The Group does not expect those events or measures have any significant adverse impacts to the financial position at 31 December 2020 and the application of going concern basis for the preparation of the consolidated financial statements.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the latest five financial years, as extracted from the Group's annual reports and the accountants' report as contained in the prospectus, is set out below.

	<b>2020</b> <b>RMB</b>	2019 RMB	2018 RMB	2017 RMB	2016 RMB
<b>Revenue</b>	<b>39,940,836</b>	37,378,619	47,987,283	49,661,039	44,098,209
Profit (Loss) before tax	<b>8,786,341</b>	(46,550,144)	768,765	6,848,562	8,781,602
Income tax credit (expense)	<b>496,437</b>	(3,432,812)	(324,530)	(1,766,173)	(2,271,445)
<b>Profit (Loss) and comprehensive income (loss) for the year</b>	<b>9,282,778</b>	(49,982,956)	444,235	5,082,389	6,510,157
	<b>2020</b> <b>RMB</b>	2019 RMB	2018 RMB	2017 RMB	2016 RMB
Non-current assets	<b>109,098,953</b>	85,281,161	99,347,128	73,835,110	84,225,661
Current assets	<b>226,353,453</b>	200,867,701	230,709,294	205,458,631	271,601,326
Total assets	<b>335,452,406</b>	286,148,862	330,056,422	279,293,741	355,826,987
Non-current liabilities	<b>26,432,947</b>	30,560,684	32,362,381	25,782,956	55,267,258
Current liabilities	<b>103,190,752</b>	59,042,249	74,075,190	85,443,516	137,574,849
Total liabilities	<b>129,623,699</b>	89,062,933	106,437,571	111,226,472	192,842,107
<b>Total equity</b>	<b>205,828,707</b>	196,545,929	223,618,851	168,067,269	162,984,880