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METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8621)

1. PROFIT WARNING AND 2. BUSINESS UPDATE ON THE IMPACT OF THE NOVEL CORONAVIRUS EPIDEMIC ON FINANCE LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

This announcement is made by Metropolis Capital Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 17.10 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**”).

1. PROFIT WARNING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary assessment of the Group’s unaudited consolidated management accounts for the year ended 31 December 2019 and the latest information currently available to the Board, the Group is expected to record a loss after tax of approximately RMB17.0 million for the year ended 31 December 2019 as compared to a profit after tax of approximately RMB0.4 million for the year ended 31 December 2018. Furthermore, the Group is expected to record a decrease of approximately 20% in revenue for the year ended 31 December 2019 as compared to the year ended 31 December 2018. As the overall macro-economic environment and the financial market conditions was getting worse against the backdrop of the strained Sino-US economic relationship, and there has been a decline in the production and sales volumes of automobiles in the People’s Republic of China (the “**PRC**”), these factors have partly contributed to the decrease in the new customer orders of the Group for the year of 2019. In addition, the earlier-than-expected implementation of the new national automobile emissions standards from 1 July 2019 brought uncertainty to vehicles valuation. The Group therefore adopted a more prudent approach in providing finance leasing to its inventory leasing customers which further contributed to the decrease in revenue for the year of 2019. The decrease in revenue for the year ended 31 December 2019 is expected to be largely offset by the decrease in finance cost of the Group for the year ended 31 December 2019. It is expected that the Group’s revenue after netting off finance cost for the year ended 31 December 2019 shall remain stable as compared to that for the year ended 31 December 2018.

Apart from revenue factor, the expected decrease in profit after tax was also due to the estimated increase in loss allowance on finance lease receivables and receivables arising from sale and leaseback arrangements (the “**Lease Receivables**”) from a loss allowance of approximately RMB0.8 million for the year ended 31 December 2018 to a loss allowance of approximately RMB20.7 million for the year ended 31 December 2019. The increase in loss allowance on the Lease Receivables was mainly due to: (i) the management holds a more cautious market view amid the Sino-US trade war as the Group’s customers in the logistics sector are facing decreasing transportation orders and prolonged settlement periods which duly affected their timely lease payments to the Group; (ii) large-scaled default incidents are on the rise in the PRC and the default incidents reached its highest level in the PRC in 2019, which is escalating the credit risks of the existing Lease Receivables portfolio of the Group; and (iii) the PRC government has introduced certain amendments to regulated debt collection practices which may affect the Group’s debt collection process and may lengthen the Group’s debt collection period. In view of these circumstances, the management has reviewed its credit risk control system and has taken remedial actions accordingly. For instance, the Group has escalated debt collection measures and legal proceedings against long overdue clients. The Group has also restructured the asset management department by increasing its headcount as well as newly recruited an experienced department head in charge. In addition, the Group has also developed a new business model which focused more on individual customers who demanded smaller leasing amount but they collectively helped to diversify the Group’s customer base and hence reducing the concentration risk of the Group. The asset performance of this new business model provided a very satisfying picture with a very low overdue rate. The management believes that the quality of the Lease Receivables of the Group remains controllable as a whole and would not disrupt the business in the long run.

The Company is still in the process of finalising the unaudited consolidated results of the Group for the year ended 31 December 2019. The information contained in this announcement is based on the Board’s preliminary assessment of the Company’s latest unaudited consolidated management accounts for the year ended 31 December 2019 and the latest information currently available to the Board, which are subject to adjustments and finalisation and have not been audited or reviewed by the Company’s auditors. Shareholders and potential investors should refer to the annual results announcement of the Company for the year ended 31 December 2019, which is expected to be published in late March 2020, for details of the performance of the Group.

2. BUSINESS UPDATE ON THE IMPACT OF THE NOVEL CORONAVIRUS EPIDEMIC ON LEASE RECEIVABLES

The Company would like to remind the Shareholders that in response to the severity of the novel coronavirus (“COVID-19”), a coronavirus identified as the cause of an outbreak of respiratory illness that was first reported in Wuhan, the PRC in December 2019, local governments in the PRC have imposed travel restrictions in many cities in the PRC to prohibit entry and exit of individuals into and out of such cities fully or partially. The management of the Group is of the opinion that these measures would have an adverse impact on the quality of the Group’s vehicle leasing assets in the first six months of 2020 as it is expected that some existing customers might have temporary difficulty in settling their payment as they might be seriously influenced by the suspension of their business operations due to the outbreak of COVID-19. The Company expects that the possible rise of overdue payment may have an adverse effect on the financial results of the Group for the year of 2020 but it should not bring a long-term adverse financial impact on the Group. The management of the Group has been closely monitoring the situation and the Group will take appropriate measures as necessary and make further announcement(s) as and when appropriate.

The Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Metropolis Capital Holdings Limited
Chau David

Chairman, chief executive officer and executive Director

Shanghai, 17 March 2020

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 (www.hkgem.com) for at least 7 days from its date of publication. This announcement will also be published on the website of the Company at www.metropolis-leasing.com.