



METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8621

2019

First Quarterly Report



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

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 RMB (Unaudited)	2018 RMB (Unaudited)
Revenue	4	10,750,140	10,186,846
Other income	4	59,976	67,521
Other gains and losses	4	(703,775)	20,996
Share of losses of an associate	5	(86,044)	–
Staff costs		(2,664,984)	(2,936,135)
Recognition of loss allowance on finance lease receivable, net		(769,758)	(99,824)
Other operating expenses		(2,731,888)	(2,022,317)
Listing expenses		–	(1,135,994)
Finance cost	6	(3,366,986)	(3,680,900)
Profit before tax	7	486,681	400,193
Income tax expense	8	(121,670)	(100,048)
Profit and total comprehensive income for the period		365,011	300,145
Earnings per share			
– Basic (RMB cents)	9	0.05	0.05

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. CORPORATE INFORMATION

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 since 12 December 2018.

Pursuant to a group reorganisation, the Company became the holding company of the entities now comprising the Group on 8 March 2018. The principal activities of the Group are provision of finance lease services, factoring and other services in the People's Republic of China ("PRC").

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

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

2. BASIS OF PREPARATION AND PRESENTATION

This unaudited condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the GEM Listing Rules. The preparation of unaudited condensed consolidated results in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, incomes and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated results for the three months ended 31 March 2019 (the "Reporting Period") have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Company (the "Audit Committee").

The accounting policies used in the preparation of the Group's unaudited condensed consolidated results are consistent with those adopted in the Group's audited financial statements for the year ended 31 December 2018.

3. APPLICATION OF NEW IFRSs

The Group has applied IFRS 16 “Leases”, for the first time in the current reporting period.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and has been applied from 1 January 2019. The new standard improves the accounting for identification, split-up and combination of leases and requires lessees to recognise leases on their balance sheets. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, right-of-use assets and lease liabilities shall be recognised. The only exceptions are short-term and low-value leases. In addition, the new standard also improves the subsequent measurement and the accounting for changes of leases in respect of lessees. The new standard does not result in any substantial change in the accounting for lessors.

The Group has applied the standard from 1 January 2019. The Group applied the modified retrospective approach as permitted by the standard and will not restate comparative amounts for the year prior to first-time adoption. On the first day of implementation, the Group measured the leasing liabilities on the basis of the present value of the remaining lease payment at the interest rate of the lessee’s incremental borrowing for the first day of implementation and the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position.

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES

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

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Finance leasing income		
<i>Vehicle finance leasing</i>		
Direct finance leasing	113,000	178,723
Sale-leaseback	–	9,852,178
	113,000	10,030,901
<i>Machinery and equipment finance leasing</i>		
Direct finance leasing	122,451	155,945
	235,451	10,186,846
Interest income	10,514,689	–
	10,750,140	10,186,846
Other income		
Bank interest income	14,071	9,758
Others	45,905	57,763
	59,976	67,521
Other gains and losses		
Other investment gain (note i)	9,738	20,996
Exchange loss, net (note ii)	(713,513)	–
	(703,775)	20,996

4. REVENUE, OTHER INCOME, OTHER GAINS AND LOSSES (Continued)

Notes:

- (i) Other investment gain represented the realised gain arising from the Group's investment in the short-term unlisted financial products which were purchased and redeemed upon maturity from the banks in the PRC and are low risk in nature.
- (ii) Exchange loss represented the loss arisen from appreciation of Renminbi against Hong Kong dollar between 31 December 2018 and the end of the Reporting Period as the currency of the proceeds from the share offer were denominated in Hong Kong dollar.

5. SHARE OF LOSSES OF AN ASSOCIATE

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Share of losses of an associate	(86,044)	–
Total share of losses of an associate	(86,044)	–

The share of losses of an associate represents the Group's share of losses incurred by the associates during the Reporting Period. On 23 January 2019, Metropolis Leasing entered into a capital contribution agreement to inject RMB3,000,000 (the "Capital Contribution") to a company established in the PRC which is principally engaged in the provision of consulting services to vehicle dealers. Upon completion of the Capital Contribution, the Group holds 20% equity interest in the entity and is entitled to appoint one out of three board members of the entity.

6. FINANCE COST

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	867,967	1,470,750
Imputed interest expense arising from deposits from finance lease customers	2,499,019	2,210,150
Total finance costs	3,366,986	3,680,900

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Depreciation of property and equipment	42,392	106,494
Amortisation of intangible assets	–	1,659
Total depreciation and amortisation	42,392	108,153
Recognition of loss allowance of finance lease receivables	769,758	99,824
Total impairment loss recognised	769,758	99,824
Directors' emoluments	298,005	163,592
Salaries, bonus and other benefits (excluding directors)	1,846,244	2,107,132
Retirement benefit scheme contributions (excluding directors)	520,735	665,411
Total staff cost	2,664,984	2,936,135
<i>Minimum lease payments in respect of rented premise</i>	–	514,710
<i>Depreciation charge for the right-of-use assets</i>	412,679	–
<i>Interest expense on lease liabilities</i>	70,994	–

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
PRC enterprise income tax	292,599	125,791
Deferred tax charge	(170,928)	(25,743)
Total income tax expense	121,670	100,048

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

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

9. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2019	2018
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	365,011	300,145
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000,000	600,000,000

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

10. DIVIDENDS

No dividends were paid, declared or proposed during the Reporting Period (three months ended 31 March 2018: nil). The Directors do not recommend the payment of a dividend in respect of the Reporting Period (three months ended 31 March 2018: nil).

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Share capital RMB	Share premium RMB	Merger reserve RMB	Other reserve RMB	Statutory surplus reserve RMB	Retained profits RMB	Total equity RMB
At 1 January 2018 (audited)	341,695	-	-	121,889,064	3,057,895	42,186,432	167,475,086
Profit and total comprehensive income for the period	-	-	-	-	-	300,145	300,145
Effect of Group reorganisation	(341,291)	138,384,453	(138,043,162)	-	-	-	-
At 31 March 2018 (unaudited)	404	138,384,453	(138,043,162)	121,889,064	3,057,895	42,486,577	167,775,231
At 1 January 2019 (audited)	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	42,536,587	223,618,851
Profit and total comprehensive income for the period	-	-	-	-	-	365,011	365,011
At 31 March 2019 (unaudited)	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	42,901,598	223,983,862

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the Reporting Period, the Group continuously encouraged teamwork to enhance its business development capability, strived to retain its existing customers with good credit background and established relationships with more leading enterprises in the transportation and logistics industries. As a result, the Group recorded an increase in revenue and net profit during the Reporting Period as compared with that for the three months ended 31 March 2018 (the “Corresponding Period”).

In addition to the growth of the existing business, the Group also considered to utilise its expertise to provide finance leasing advisory services to its customers. During the Reporting Period, the Group has initiated business development with several independent third parties to explore the possibility of business cooperation in advisory services. On 23 January 2019, the Group also entered into a capital contribution agreement and injected RMB3,000,000 into a company established in the PRC. The company is principally engaged in the provision of consulting services to vehicle dealers and the Group holds 20% of its equity interest. Metropolis Leasing is entitled to appoint one out of three board members of the company.

In the long run, leveraging on the Group’s financial service industry experience, the Group aims to provide a comprehensive range of fleet management solutions to its customers and assist its customers to operate their vehicles more efficiently.

FINANCIAL REVIEW

Overall performance

During the Reporting Period, the Group maintained a steady growth in its revenue and recorded a revenue of approximately RMB10.8 million, representing an increase of approximately 5.5% from approximately RMB10.2 million for the Corresponding Period. The revenue growth was mainly due to the expansion of the Group’s business. During the Reporting Period, the Group recorded a profit of approximately RMB0.4 million, representing an increase of approximately 21.6% from approximately RMB0.3 million for the same period of last year. The increase was mainly attributable to the increase in finance lease business.

Other gains and losses

During the Reporting Period, the Group’s other gains and losses amounted to approximately RMB703,775 in deficit as compared to the gain of RMB20,996 for the Corresponding Period. The deficit was primarily attributable to foreign exchange losses of RMB713,513, which was arisen mainly from appreciation of Renminbi against Hong Kong dollar between 31 December 2018 and the end of the Reporting Period as the currency of the proceeds from the share offer were denominated in Hong Kong dollar.

Staff costs

During the Reporting Period, the Group's staff costs amounted to approximately RMB2.7 million, representing a decrease of approximately 9.2% from approximately RMB2.9 million for the Corresponding Period. The decrease was mainly due to the restructuring of the Group's personnel which was in line with the development of the Group's business.

Other operating expenses

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB2.7 million, representing an increase of approximately 35.1% from approximately RMB2.0 million during the Corresponding Period. The increase was mainly due to (i) the increase in professional fees arising from the compliance affairs in relation to the GEM Listing Rules; and (ii) the expenses arising from the upgrade and maintenance on the information technology systems of the Group.

Impairment losses on finance lease receivables

During the Reporting Period, the Group recognised an impairment loss of approximately RMB0.8 million, representing an increase of RMB0.7 million from approximately RMB0.1 million during the Corresponding Period. The Group prudently recognised the impairment loss mainly because of the increase in the ending balance of the finance lease receivables due from the customers in the vehicle finance leasing business. Such increase in balance did not include the balance in relation to the inventory finance leasing to auto dealers. The impairment losses recognised will not affect the operating cashflow of the Group.

Finance cost

During the Reporting Period, the Group's finance cost amounted to approximately RMB3.4 million, representing a decrease of approximately 8.5% from approximately RMB3.7 million during the Corresponding Period. The decrease was mainly due to the settlement of a fund amounted to RMB25 million raised from independent third parties during the Reporting Period. The borrowings of the Group are primarily denominated in RMB.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB121,670, representing an increase of approximately 21.6% from RMB100,048 for the Corresponding Period, which was mainly due to the increase in revenue and the increase in profit before income tax.

DIVIDEND

The Board did not recommend any dividend for the Reporting Period (three months ended 31 March 2018: nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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.

During the Reporting Period, the Group had complied with all the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1. Mr. Chau David is the Chairman and also the chief executive officer of the Company and he has been managing the Group's business and supervising the overall operations of the Group since its establishment. Having considered the nature and extent of the Group's operations, and Mr. Chau David's in-depth knowledge and experience in the leasing services, in particular vehicle finance leasing market and familiarity with the operations of the Group which is beneficial to the management and business development of the Group, and all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Chau David taking up both roles. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") was conditionally adopted by resolutions in writing passed by the sole shareholder of the Company on 23 November 2018. As at 31 March 2019, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

COMPLIANCE WITH THE MODEL CODE AND SECURITIES DEALING CODE

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

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

As at 31 March 2019, 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 ("Shares")

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)	75%

Notes:

- The letter "L" denotes long position of the Shares.
- Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 75% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.

2. Interest in shares of associated corporations of the Company

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

Notes:

- The letter "L" denotes long position of the shares.
- Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 75% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2019, none of the Directors or the chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have taken under such provision of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 March 2019, 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)	75%

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 75% of the issued share capital of the Company. Therefore, Mr. Chau David is deemed, or taken to be, interested in all the Shares held by View Art Investment Limited for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING INTEREST

As of 31 March 2019, 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 Reporting Period.

INTEREST OF THE COMPLIANCE ADVISER

The Company has appointed Octal Capital Limited ("Octal Capital") as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules. As advised by Octal Capital, as at 31 March 2019, save for the compliance adviser agreement entered into between the Company and Octal Capital dated 14 March 2018, neither Octal Capital, its directors, employees and associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

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

AUDIT COMMITTEE

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

On behalf of the Board

Metropolis Capital Holdings Limited

Chau David

Chairman, chief executive officer and executive Director

Hong Kong

9 May 2019

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