



METROPOLIS CAPITAL HOLDINGS LIMITED

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

2019

Third Quarterly Report



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB (Unaudited)	2018 RMB (Unaudited)	2019 RMB (Unaudited)	2018 RMB (Unaudited)
Revenue	4	9,033,722	12,300,783	29,402,234	37,536,503
Other income	4	21,376	94,666	673,297	630,298
Other gains and losses	4	288,298	37,527	(308,760)	143,238
Share of losses of an associate	5	(178,840)	-	(412,072)	-
Staff costs		(2,750,916)	(2,356,866)	(7,584,468)	(7,407,699)
Reversal of loss allowance on other financial assets measured at amortised cost		-	-	-	427,242
(Recognition) reversal of loss allowance on finance lease receivable, net		(3,527,652)	464,195	(5,524,462)	1,372,267
Other operating expenses		(3,057,590)	(2,203,079)	(9,925,621)	(7,342,141)
Listing expenses		-	(337,500)	-	(2,821,857)
Finance cost	6	(2,552,834)	(5,213,975)	(8,127,882)	(16,132,964)
(Loss) profit before tax	7	(2,724,436)	2,785,751	(1,807,734)	6,404,887
Income tax expense	8	515,571	(691,096)	(122,677)	(1,642,625)
(Loss) profit and total comprehensive (expense) income for the period		(2,208,865)	2,094,655	(1,930,411)	4,762,262
(Loss) earnings per share - Basic (RMB cents)	9	(0.003)	0.003	(0.002)	0.01

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 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 nine months ended 30 September 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 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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Finance leasing income				
<i>Vehicle finance leasing</i>				
Direct finance leasing	61,724	55,359	315,107	341,034
Sale-leaseback	5,936,046	12,114,966	23,130,912	36,768,716
	5,997,770	12,170,325	23,446,019	37,109,750
<i>Machinery and equipment finance leasing</i>				
Direct finance leasing	102,075	130,458	319,026	426,753
	102,075	130,458	319,026	426,753
Interest income arising from sales and leaseback arrangements	2,933,877	–	5,637,189	–
Total revenue	9,033,722	12,300,783	29,402,234	37,536,503
Other income				
Bank interest income	14,431	22,790	37,018	53,836
Government subsidies	–	–	544,100	309,165
Others	6,945	71,876	92,179	267,297
	21,376	94,666	673,297	630,298
Other gains and losses				
Other investment gain	153,565	7,484	227,129	143,238
Exchange loss, net	134,733	–	(535,889)	–
	288,298	37,527	(308,760)	143,238

5. SHARE OF LOSSES OF AN ASSOCIATE

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Share of losses of an associate	(178,840)	–	(412,072)	–
Total share of losses of an associate	(178,840)	–	(412,072)	–

The share of losses of an associate represents the Group's share of losses incurred by the associate 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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	355,736	1,672,080	1,201,693	5,907,098
Imputed interest expense arising from deposits from finance lease customers	2,145,468	3,541,895	6,748,779	10,225,866
Interest on lease liabilities	51,630	–	177,410	–
Total finance costs	2,552,834	5,213,075	8,127,882	16,132,964

7. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax is arrived at after charging (crediting):

	Three months ended		Nine months ended	
	30 September 2019	2018	30 September 2019	2018
	RMB	RMB	RMB	RMB
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property and equipment	31,612	106,825	97,643	319,150
Depreciation charge for the right-of-use assets	303,725	–	911,174	–
Amortisation of intangible assets	–	1,659	–	4,976
Total depreciation and amortisation	335,337	108,484	1,008,817	324,126
Directors' emoluments	275,097	165,000	882,915	492,480
Salaries, bonus and other benefits (excluding directors)	1,984,920	1,708,903	5,149,738	5,386,907
Retirement benefit scheme contributions (excluding directors)	490,899	482,963	1,551,815	1,528,312
Total staff cost	2,750,916	2,356,866	7,584,468	7,407,699

8. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB (Unaudited)	2018 RMB (Unaudited)	2019 RMB (Unaudited)	2018 RMB (Unaudited)
PRC enterprise income tax	387,955	575,047	1,343,501	849,137
Deferred tax credit	(903,526)	116,049	(1,220,824)	793,488
Total income tax expense	(515,571)	691,096	122,677	1,642,625

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. (LOSS) 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 30 September		Nine months ended 30 September	
	2019 RMB (Unaudited)	2018 RMB (Unaudited)	2019 RMB (Unaudited)	2018 RMB (Unaudited)
Earnings:				
(Loss) profit for the year attributable to owners of the Company for the purpose of basic (loss) earnings per share	(2,208,865)	2,094,655	(1,930,411)	4,762,262
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	800,000,000	600,000,000	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 (nine months ended 30 September 2018: nil). The Directors do not recommend the payment of a dividend in respect of the Reporting Period (nine months ended 30 September 2018: nil).

11. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	-	-	-	-	-	4,762,262	4,762,262
Effect of Group reorganisation	(341,291)	138,384,453	(138,043,162)	-	-	-	-
At 30 September 2018 (unaudited)	404	138,384,453	(138,043,162)	121,889,064	3,057,895	46,948,694	172,237,348
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
Loss and total comprehensive expense for the period	-	-	-	-	-	(1,930,411)	-
At 30 September 2019 (unaudited)	7,067,962	187,016,425	(138,043,162)	121,889,064	3,151,975	40,606,176	223,618,851

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the third quarter of 2019, the Group was very pleased to have successfully recruited a team of staff who has good reputation and rich experience in the leasing industry, particularly in the auto-vehicles sector. Their joining to Metropolis International Leasing Co., Ltd., the wholly-owned subsidiary of the Company, is expected to greatly improve the Company's business development and risk control capabilities, which in turn will improve the assets quality and benefit the shareholders ultimately. As stated previously, the Group regards employees as its largest and most valuable asset and its core competitiveness. The deployment of more quality human resources demonstrated the Group's commitment to healthy growth and continuous efforts to risk control. The management believes that with the contribution from the new team, the Group will soon achieve more rapid business growth in a sustainable and risk-controlled manner.

It is widely known that 2019 is a year full of challenges and the third quarter of the year has further proven so. The 6% quarterly GDP growth in the PRC, which is the slowest growth figure in decades, and the overall macro-economic environment and the financial market conditions tend to worsen against the backdrop of the intensified and prolonged Sino-US trade dispute which has brought great economic uncertainty and disturbance to the PRC. Although the central government of the PRC has taken a series of financial and monetary measures to stabilise and promote the economy, the vast majority of small and medium-sized companies in the PRC still face more-than-ever difficulty to have sufficient liquidity to sustain their businesses. Against the rising credit risk that is prevailing in the market, the Group has taken a more prudent and cautious approach towards new customer orders as well as dealing with existing leasing receivable portfolios, to best safeguard the shareholders' interests.

According to the statistics from China Associations of Auto-mobiles Manufacturers, by the end of September 2019, the production and sales volume of auto-mobiles in the PRC decreased by 11.4% and 10.3% respectively compared with the same period last year. The sales reduction, together with the earlier-than-expected implementation of the new national auto-vehicle emission standard (the CN6 Standard) from July 2019 brought uncertainties to vehicles valuation thereby leading to reduced financing demand for auto-mobiles.

In the long run, the auto-mobiles financing business still has a great growth potential. The Group holds an optimistic and active attitude towards its future and regards the current economic uncertainty as a temporary blip that will not last long. The management will continue its focus on the finance leasing industry and explore all the opportunities to bring best values for its shareholders.

FINANCIAL REVIEW

Overall performance

The Group's revenue was principally derived from finance leasing income for the provision of finance leasing services to its customers in the PRC. During the Reporting Period, the Group's revenue decreased by approximately RMB8.1 million or approximately 21.7% to approximately RMB29.4 million from approximately RMB37.5 million for the nine months ended 30 September 2018 (the "Corresponding Period"). The decrease in revenue for the Reporting Period was mainly attributable to (i) the Group has taken a more prudent and cautious approach towards new customer orders (ii) the intensifying price competition in the vehicle-related financing business and the decrease in total lending amount because of the implementation of the CN6 Standard; and (iii) the decrease of the production and sales volume of auto-mobiles in the PRC which has led to lower financing demand for auto-mobiles. However, after netting off finance cost, the Group's revenue for the nine months ended 30 September 2019 remained stable as compared to that for the nine months ended 30 September 2018.

During the Reporting Period, the Group recorded a loss before tax of approximately RMB1.8 million, representing a decrease of approximately RMB8.2 million from a profit before tax of approximately RMB6.4 million for the Corresponding Period, the fluctuation is mainly due to the decrease in revenue as mentioned above as well as the increase in impairment losses on finance lease receivables, which is mentioned below.

Other gains and losses

During the Reporting Period, the Group recorded other losses of approximately RMB308,760, whereas the Group recorded other gains of approximately RMB143,238 during the Corresponding Period. The other losses of the Group during the Reporting Period arose mainly from the appreciation of Renminbi against Hong Kong dollar between the date of listing of the shares (the "Shares") of the Company on the Stock Exchange (i.e. 12 December 2018) (the "Listing Date") and 30 September 2019. The unforeseen strengthening of Renminbi against Hong Kong dollar has an impact on the Group's profit as the currency of the proceeds from the share offer of the Company as described in the prospectus of the Company dated 30 November 2018 ("Prospectus") were denominated in Hong Kong dollar.

Staff costs

During the Reporting Period, the Group's staff costs amounted to approximately RMB7.6 million, representing an increase of approximately 2% from approximately RMB7.4 million for the Corresponding Period. The increase was mainly due to the recruitment of new staff to the Group.

Other operating expenses

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB9.9 million, representing an increase of approximately 35% from approximately RMB7.3 million during the Corresponding Period. The increase was mainly due to (i) the increase in compliance costs after the listing of the Shares on the Stock Exchange since December 2018; and (ii) extra advisory service expenses incurred for the preparation of the Group's financial statements in compliance with the new accounting standards of IFRS9 and IFRS16 which became effective in 2018 and 2019 respectively.

Impairment losses on finance lease receivables and receivables arising from sales and leaseback arrangements

The application of the new IFRS 9 requires the management to assess the finance lease receivables and receivables arising from sales and leaseback arrangements on the basis of future expected credit losses. In compliance with this new accounting standard and against the backdrop of the current macroeconomic and financing environment together with the increasingly frequent default incidents, the management became more cautious and decided to raise the allowance on finance lease receivables in case of future credit risk. During the Reporting Period, the Group provided for an impairment loss of approximately RMB5.5 million, representing an increase of approximately RMB6.9 million from a reversal for impairment loss of approximately RMB1.4 million for the Corresponding Period. In the meantime, the management has also taken actions, including but not limited to escalated debt collection measures and legal proceedings, in order to best protect the Group's assets. The management would like to emphasise that the loss allowance on lease receivables mentioned above was of non-cash nature and did not have any material impact on the cash flows of the Group.

Finance cost

During the Reporting Period, the Group's finance cost amounted to approximately RMB8.1 million, representing a decrease of approximately 49.6% from approximately RMB16.1 million during the Corresponding Period. The decrease was mainly due to the decrease of the interest-bearing loan balances. The Group raised RMB120 million funds for the Corresponding Period and has only raised approximately RMB10.9 million for the Reporting Period. A new loan of RMB18.5 million was lent to the Group in October 2019 and a few other funding arrangements are also under discussion. The borrowings of the Group are primarily denominated in Renminbi.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB122,677, representing an decrease of approximately 92.5% from RMB1,642,625 for the Corresponding Period, which was mainly due to the utilisation of tax loss in the prior period as well as the decrease in profit before tax of the Group during the Reporting Period.

DIVIDEND

The Board did not recommend any dividend for the Reporting Period (nine months ended 30 September 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 30 September 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 30 September 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:

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.

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 75% of the issued share capital of the Company.

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

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 30 September 2019:

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Directors' interests and/or short positions under the section "Directors' and chief executives' interests and short positions in 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 30 September 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 its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. As advised by Octal Capital, as at 30 September 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 close 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

8 November 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.