METROPOLIS

METROPOLIS CAPITAL HOLDINGS LIMITED

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

2019
Annual Report

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.

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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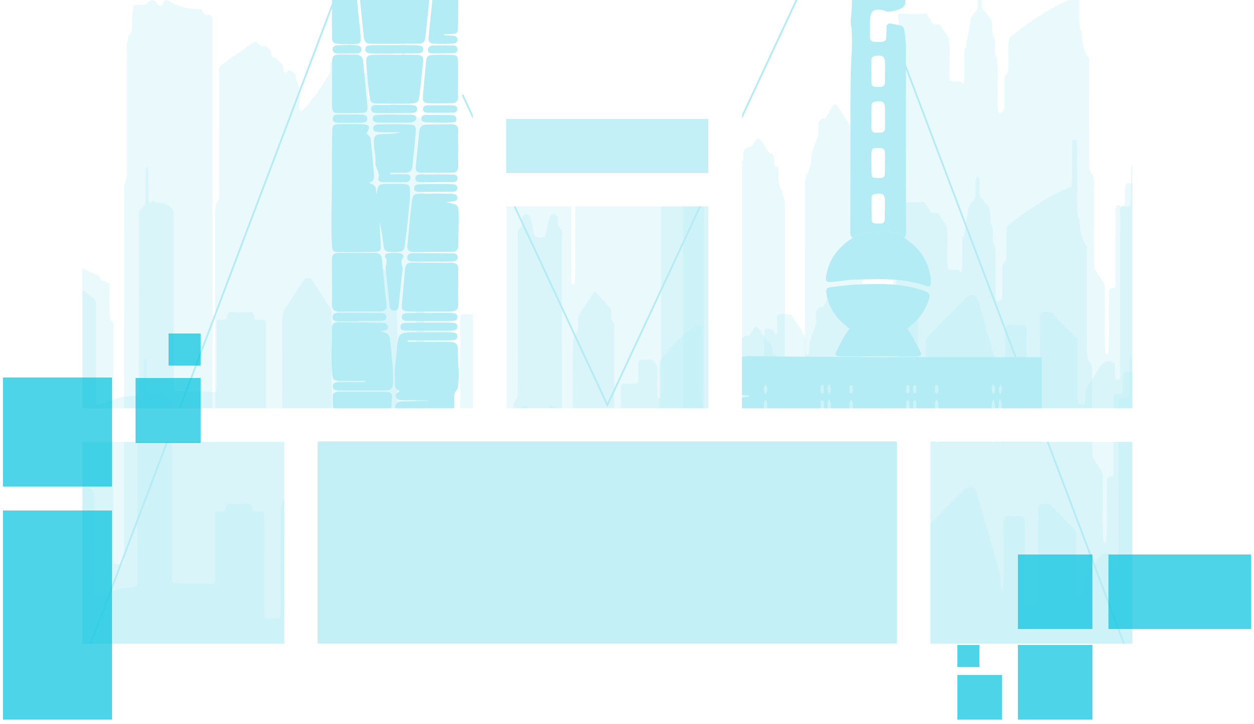

CORPORATE INFORMATION

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

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

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
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 2019 (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 for a decade.

PERFORMANCE REVIEW

The year of 2019 was a year full of challenges when the People's Republic of China (the "PRC") witnessed its slowest economy growth. The structural economy reform undertaken domestically together with the Sino-US trade war made the business environment much harsher than ever before. At the industry level, the auto-vehicle sector did not present a good picture either. According to the statistics published in January 2020 from the China Associations of Automobiles Manufacturers, the production and sales volume of auto-vehicles in the PRC for the twelve months ended 31 December 2019 decreased by 7.5% and 8.2% respectively compared with the same period last year. Furthermore, the market for passenger vehicles was worse than that of the commercial vehicles as its production and sales volumes decreased by 9.2% and 9.6% respectively. The two years' consecutive decline of volumes of production and sales of auto-vehicles has put a stop to the continuous and high-growth momentum of the PRC auto-vehicle industry that lasted for 28 years from 1990. Such change in trend will bring significant impact to all the businesses on the supply chain of auto-vehicles industry, forcing us to be more innovative and productive to cater for new challenges. Another factor that affected our business in 2019 was the earlier-than-planned implementation of the new national auto-vehicle emission standard (the "**CN6 Standard**"), which was initially scheduled to be effective from 1 July 2020. The CN6 Standard was implemented one year earlier than planned on 1 July 2019, and it disturbed the automobile market and created uncertainties to vehicles valuation for the inventories held by the auto dealers.

During the year of 2019, even though the external environment has constantly brought challenges to the Group, we have strived to safeguard the Shareholders' interests and create long-term values for the Group. We had carried out our own internal control review exercise after the listing of the Shares on GEM of the Stock Exchange (the "Listing") in December 2018, aiming at identifying possible aspects of deficiencies in our corporate governance system. We believe that a good corporate governance system is crucial to our Group's sustainable development, and we will continue to improve and optimise our corporate governance goals by planning to carry out the review exercise at least on an annual basis.

The Group's revenue for the Reporting Period was approximately RMB37.4 million, which represented a decrease of 22.1% from approximately RMB48.0 million for the year ended 31 December 2018 (the "Corresponding Period"). However, the financing cost which was directly related to our leasing business also decreased to approximately RMB10.7 million from approximately RMB19.9 million for the Corresponding Period, representing a decrease of approximately 46.3%. That means after netting off the direct financing cost, the company's business profitability for the Reporting Period remained stable as compared to the year of 2018.

CHAIRMAN STATEMENT

OUTLOOK

The Group must adapt to the changing external macro and micro-economic environment. We have reviewed and assessed our existing business models and clientele to conclude that it is the time for the Group to evolve and develop new business models to accommodate the changes.

In fact, during the year of 2019, we had taken actions to allow our Group to accommodate the changing external macro and micro-economic environment. For example, we have restructured our management team and recruited new but experienced staff to the Group. Entering 2020, the Group will allocate more resources to leasing advisory services. In addition, we will prudently explore other business opportunities which are expected to have higher profit margins with lower risks. For example, we are planning to open our first direct retail outlet which will provide a new venue to serve our customers in a more direct way and shorten the business chain in order to create values within our business. We will also consider to expand our finance leasing services to medical sector in 2020.

The management believes that the application of information technology to the financial sector is becoming more mature. The Group should therefore enhance its technological and digital competence by way of improving its internal operation and data management system. Going forward, we will increase the budget for information technology expenditure as we believe the newly upgraded information system will provide a strong advantage to our business innovation and risk management capability in the long run.

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, 15 May 2020

REVENUE

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 RMB10.6 million or approximately 22.1% to approximately RMB37.4 million from approximately RMB48.0 million for the Corresponding Period. The decrease in revenue for the Reporting Period was mainly attributable to the decrease of total lending amount. The overall sales and production reduction of auto vehicles in the PRC during the Reporting Period had led to fewer auto vehicle financing orders. The Sino-US trade war also led to the decreased leasing demand from the Group's customers who provide logistics services. In addition, the implementation of the CN6 Standard from 1 July 2019 disturbed consumers' purchase timing as many individuals chose to either purchase old-standard vehicles for a heavy discount just before the implementation of CN6 Standard, or to buy a new-standard vehicle after the implementation of CN6 Standard. The CN6 Standard implementation has also brought uncertainty to the value of inventories of the old-standard vehicles of the auto dealers. During the Corresponding Period, the aggregate net financing amount advanced by the Group to its customers was approximately RMB369.1 million, out of which RMB108.5 million was inventory leasing. Concerned about the uncertainty in value of the vehicles caused by the earlier-than-planned implementation of CN6 Standard, the management became very cautious and selective about inventory leasing and only approved approximately RMB6.1 million of inventory leasing during the Reporting Period. Other than inventory leasing, the Group has leased approximately RMB192.1 million to its other customers during the Reporting Period, which represented a decrease of approximately 26.3% from that of the Corresponding Period (i.e. approximately RMB260.6 million). The Group monitored the market closely and resumed its inventory finance leasing business in the second half of 2019, albeit to a very limited amount, when the market became more transparent and steady.

OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB1.6 million, representing an increase of approximately RMB0.7 million compared to that of the Corresponding Period (i.e. approximately RMB0.9 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 RMB0.3 million, whereas the Group recorded other loss of approximately RMB0.8 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 conversion and settlement of proceeds from the Listing from Hong Kong dollars to United States dollars before finally converting to Renminbi during the year ended 31 December 2019.

STAFF COSTS

During the Reporting Period, the Group's staff costs amounted to approximately RMB13.0 million, representing an increase of approximately 28.2% from approximately RMB10.1 million for the Corresponding Period. The increase was partly due to the remuneration paid to the new board members who joined the Group shortly prior to the Listing. In addition, the Group restructured its workforce, including the management team, and recruited some experienced staff who also contributed to the increase in total staff costs.

OTHER OPERATING EXPENSES

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB14.4 million, representing an increase of approximately 56.3% from approximately RMB9.2 million during the Corresponding Period. The increase was mainly due to (i) the increase in compliance costs after the Listing since December 2018; and (ii) extra advisory service expenses incurred for the preparation of the Group's financial statements in compliance with the amendments and new accounting standards of IFRS 9 and IFRS 16 which became effective in 2018 and 2019 respectively.

FINANCE COST

During the Reporting Period, the Group's finance cost amounted to approximately RMB10.7 million, representing a decrease of approximately 46.3% from approximately RMB19.9 million during the Corresponding Period. The decrease was mainly due to the decrease of interest-bearing loan balances. The Group raised funds of approximately RMB120 million for the Corresponding Period and raised approximately RMB28 million new funds for the Reporting Period. As at 31 December 2019, the bank and other borrowings of the Group amounted to approximately RMB26.4 million as compared to RMB40.6 million as at 31 December 2018. The borrowings of the Group are primarily denominated in RMB.

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

Upon the application of IFRS 16 on 1 January 2019, the part of the finance lease receivables arising from the sale and leaseback transactions newly entered into on or after 1 January 2019 is separately classified as receivables arising from sale and leaseback arrangements within the scope of IFRS 9. The measurement of sale and leaseback transactions entered into before 1 January 2019 remains the same as the measurement of finance lease receivables.

As at 31 December 2018, the balances of the finance lease receivables (before provision) were approximately RMB267.3 million and as at 31 December 2019, the balances of the finance lease receivables and receivables arising from sale and leaseback arrangements (before provision) were RMB216.6 million and RMB54.9 million respectively, which was approximately RMB271.5 million in total, representing an increase of RMB4.2 million from the balance as at 31 December 2018. The portion of overdue Lease Receivables of the Group increased during 2019 and was mainly because: (i) the management holds a more cautious market view amid the Sino-US trade war as the Group's customers at the logistics sector are facing decreasing transportation orders and prolonged settlement periods which duly affected their timely lease payments to the Group; (ii) large-scale default incidents are on the rise in the PRC and the default incidents reached its highest level in the PRC in 2019 which is potentially escalating the credit risks of the existing Lease Receivables portfolio of the Group; and (iii) the PRC government has introduced certain amendments to regulate 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 recruited an experienced department head. In addition, the Group has also developed a new business model which focused more on individual customers who demanded smaller leasing amount but would collectively help to diversify the Group's customer base hence reducing the concentration risk of the Group. The asset performance of this new business model provided a 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.

IMPAIRMENT LOSSES ON THE LEASE RECEIVABLES

During the Reporting Period, the Group recognised an impairment loss of approximately RMB43.5 million compared with an impairment loss of approximately RMB0.8 million for the Corresponding Period. The increase in loss allowance on the Lease Receivables was made after taking into account of: (i) the management holds a more cautious market view in the worsening macro-economic environment and financial conditions in China amid the Sino-US economic relationship; and (ii) the increased uncertainty over the future credit risk of the existing Lease Receivables portfolio upon considering the occurrence of large-scale default incidents in China during the year of 2019 had reached the highest level, both in terms of aggregate values and the number of default incidents. More details about impairment losses on the lease receivables can be found in Note 19 of the consolidated financial statements. The management would like to emphasise that the loss allowance 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. To safeguard the interests of the Group and the Shareholders, the management has taken actions to strengthen its risk control, the details of which can be found at the paragraph headed "Quality of finance lease receivables and receivables arising from sale and leaseback arrangements" above.

PROFIT BEFORE TAX

The Group recognised a loss before tax of approximately RMB46.6 million for the Reporting Period as compared to a profit before tax of approximately RMB0.8 million for the Corresponding Period. The significant loss was mainly due to the increase of the aforementioned impairment losses newly recognised during the Reporting Period. Although the Group recorded a decrease of approximately RMB10.6 million in revenue for the Reporting Period as compared with the Corresponding Period, the decrease of the financing cost offset the potential impact brought by the decrease of revenue. The Group's selling profit, being the difference between revenue and finance cost, as a lessor, for the Reporting Period remained relatively stable as compared to that of the Corresponding Period.

INCOME TAX EXPENSE

During the Reporting Period, the Group recorded an income tax expenses of approximately RMB3.4 million while an income tax expenses of approximately RMB0.3 million for the Corresponding Period. Income tax expense represents the sum of the tax currently payable and deferred tax. By the end of 2019, the Group has deductible temporary differences of RMB56,624,986 (2018: RMB9,543,797). However, the Group did not recognise any deferred tax assets that arises from those temporary differences as based on information available at the end of 2019, it was probable that the future taxable profits may not utilise the deferred tax assets that would arise from the deductible temporary differences. Therefore, the Group recognised an income tax expenses in spite of a loss before tax of approximately RMB46.6 million.

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.

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 Listing in December 2018 and the placing of new Shares completed in November 2019, which were both 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

	For the year ended 31 December	
	2019	2018
	RMB	RMB
Cash and cash equivalents (as at 31 December)	**43,336,137**	53,230,923
Net cash used in operating activities	**(9,225,248)**	(17,567,138)
Net cash used in investing activities	**(6,314,656)**	(401,275)
Net cash generated from financing activities	**5,960,114**	67,352,253

As at 31 December 2019, cash and cash equivalents of the Group was approximately RMB43.3 million, as compared with that of approximately RMB53.2 million as at 31 December 2018.

For the Reporting Period, net cash used in operating activities was approximately RMB9.2 million, which decreased by RMB8.4 million from approximately RMB17.6 million for the Corresponding Period. For the Reporting Period, net cash used in investing activities was approximately RMB6.3 million, which increased by approximately RMB5.9 million from approximately RMB0.4 million for the Corresponding Period. For the Reporting Period, net cash generated from financing activities was approximately RMB6.0 million, which decreased by approximately RMB61.4 million from approximately RMB67.4 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 fund sourcing capability and regards it as one of the key driving forces of business growth. During the Reporting Period, the Group successfully established steady relationship with several financial institutions, which provided the Group with a potential funding capacity of up to RMB170 million. Despite this strong support, the Group only utilised approximately RMB29 million because the management put risk control as its priority and decided to utilise the external funding prudently in view of the ever rising default incidents and market uncertainty caused by the implementation of CN6 Standard.

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:

	As at 31 December	
	2019	2018
	RMB	RMB
Total equity	**196,545,929**	223,618,851
Overall financing		
– Bank and other borrowings	**26,436,002**	40,572,548
Gearing ratio	**13.5%**	18.1%

At the end of the Reporting Period, the gearing ratio of the Company was 13.5% which represents a slight decrease compared to 18.1% at the end of the Corresponding Period. The Group principally relied on bank and other borrowings as the source of funding to operate its business and prudently maintained the gearing position at a reasonable level.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2019, the Group had 72 full-time employees as compared with 72 full-time employees as at 31 December 2018. Total staff cost (including Directors' remuneration) was approximately RMB13.0 million for the Reporting Period, as compared with approximately RMB10.1 million for the Corresponding Period. The increase was partly due to the remunerations offered to the Directors who joined the Group shortly prior to the Listing. In addition, to allow the Group's business to adapt to the changing external environment, the Group has restructured its workforce, including the management, and recruited more experienced staff who are more suitable for the Group's future business needs. 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.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: nil).

PLEDGE OF ASSETS

	At 31 December	
	2019	2018
	RMB	RMB
Finance lease receivables	**17,785,817**	55,786,806
Security deposits	**–**	14,887
	17,785,817	55,801,693

Restrictions on assets

In addition, lease liabilities of RMB1,295,776 were recognised with related right-of-use assets of RMB1,265,253 as at 31 December 2019. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 SHARE OFFER

On the date of Listing on 12 December 2018, the Company issued an aggregate of 200,000,000 Shares at the offer price of HK$0.39 each (the "**Share Offer**"). After deducting underwriting commissions and all other expenses related to the Share Offer, the net proceeds from the Share Offer amounted to approximately HK$44.4 million, which had been fully utilised during the Reporting Period in line with the plan as stated in the prospectus of the Company dated 30 November 2018.

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. As at the date of this annual report, the net proceeds had not been utilised and will be used as intended during the year ended 31 December 2020.

CAPITAL COMMITMENTS

As at 31 December 2019, the Company had no capital commitments.

EVENTS AFTER THE REPORTING PERIOD

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 since their business operations in providing freight and passenger transportation services might be seriously influenced or suspended due to the travel restrictions caused by the outbreak of COVID-19 as mentioned above. The Company expects that the possible increase 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.

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.

EXECUTIVE DIRECTORS

Mr. Chau David (alias DAVID CHAU) (周大為), aged 35, 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 nine 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 37, 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 13 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* (上海君御資產管理有限公司) which engages in asset management, Shanghai Aoya Information Technology Company Limited* (上海澳亞信息科技有限公司) which engages in information technology, since October 2016 and December 2016, respectively.

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.

NON-EXECUTIVE DIRECTOR

Ms. Chau On (周安), aged 64, 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 nine 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 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 audit committee of the Board and member of the nomination committee and remuneration committee of the Board.

Mr. Lau has over 16 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. Since August 2015, 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. From August 2017 to March 2019, Mr. Lau was the company secretary of IAG Holdings Limited (stock code: 8513), the shares of which are listed on GEM. Mr. Lau also served as an independent non-executive director of Fufeng Group Limited (stock code: 0546.HK), a company whose shares are listed on Main Board of the Stock Exchange of Hong Kong Limited, with effect from 12 June 2019. Since 1 March 2019, Mr. Lau has been chief financial officer and company secretary of Kuangshi Holding Co., Ltd. (stock code: 1925), the shares of which are listed on the Main Board of the Stock Exchange.

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 40, 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 16 years of experience in trading of petrochemical and agricultural products and financial services in the PRC. Mr. Mo joined at 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 37, was appointed as an independent non-executive Director on 23 November 2019. 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.

Mr. Lo has over 14 years of experience in auditing, corporate finance and investment banking. Mr. Lo worked in Ernst & Young from January 2005 to April 2008 when he left the firm as a senior accountant in global financial services department of Ernst & Young. Mr. Lo then commenced his career in corporate finance and investment banking when he served as an executive of Guotai Junan Capital Limited (a subsidiary of Guotai Junan International Holding Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 1788)) from January 2010 to July 2011. In July 2011, Mr. Lo joined the corporate finance department of Haitong International Capital Limited, a corporate finance firm (a subsidiary of Haitong International Securities Group Limited, a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 665)) until December 2013. In January 2014, Mr. Lo joined Freeman Corporate Finance Limited as vice president, a licensed corporation under the SFC and left the company in May 2015. In June 2015, Mr. Lo joined Chinese Industrial Securities International Capital Limited, a corporate finance firm (a subsidiary of China Industrial Securities International Financial Group Limited, a financial institution whose shares are listed on the Main Board (stock code: 6058)) until May 2017 when he left the company as a director. Currently, Mr. Lo is an executive director and a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity respectively in Fortune Financial Capital Limited, a subsidiary of a financial institution whose shares are listed on the Main Board of the Stock Exchange (stock code: 290), namely China Fortune Financial Group Limited.

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 43, 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 16 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 40, 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 14 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 financial 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 financial 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

Ms. Tang Winnie W (鄧穎庭) was appointed as the company secretary of the Company on 7 January 2019. Ms. Tang 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. Ms. Tang is a practising solicitor in the field of commercial and corporate finance and was admitted as a solicitor in Hong Kong in December 2015. She completed the Juris Doctor programme of The University of Hong Kong in November 2012.

* *for identification purpose only*

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL BUSINESSES

The principal business of the Company is investment holding and the Group is principally engaged in vehicle finance leasing in the PRC. There were no significant changes in the nature of the Group's principal businesses during the year ended 31 December 2019.

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 form 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 in the PRC 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 earlier-than-planned implementation of emission standard (CN6) was an example and had adversely affected our business, particularly during the first 6 months of 2019.

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 2019 are set out in the consolidated income statement on page 65 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

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 Tuesday, 30 June 2020, the register of members of the Company will be closed from 23 June 2020 to 30 June 2020, 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 4:30p.m.on Monday, 22 June 2020 (Hong Kong time).

SHARE CAPITAL

For the Reporting Period, the Company completed the Placing of 160,000,000 Placing Shares in November 2019. Since the completion of the Placing up to 31 December 2019, the total number of issued Shares had increased from 800,000,000 to 960,000,000. For details of the Placing, please refer to the paragraph headed "Use of proceeds from the Placing" in this annual report.

Save as disclosed above, there was no change in share capital of the Company for the Reporting Period. Details of the movements in share capital of the Group for the Reporting Period are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company are set out in Note 38 to the consolidated financial statements. As at 31 December 2019, the Company's reserves available for distribution to equity holders, comprising the share premium and loss and total comprehensive expense for the year, amounted to approximately RMB197.8 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 14 to the consolidated financial statements.

DONATION

No charitable and other donations were made by the Group during the year ended 31 December 2019 (2018: 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 30 June 2020 has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' REPORT

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 16 of this annual report.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 11 to the consolidated financial statements.

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

As at 31 December 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

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

Notes:

1. The letter "L" denotes long position of the Shares.

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

2. Interest in shares of associated corporations of the Company

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

Notes:

1. The letter "L" denotes long position of the Shares.

2. Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 62.5% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 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 December 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)	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 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.

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 2019, 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).

(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 10% of the total issued Shares as at the annual general meeting held on 8 May 2019. 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. As at the date of this annual report, the total number of Shares available for issue upon the exercise of the options granted under the Share Option Scheme was 80,000,000, representing 8.3% of the total issued Shares as at the date of this annual report.

(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 nine years.

CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Related party transactions" and note 37 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 directly, subsisted at the end of the year ended 31 December 2019; (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 2019; 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 2019.

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' INTERESTS IN COMPETING BUSINESS

As of 31 December 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 year ended 31 December 2019.

RELATIONSHIP WITH EMPLOYEES AND SUPPLIERS

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 for further details. For the year ended 31 December 2019, the Group had no major suppliers due to the nature of its business.

RELATIONSHIP WITH CUSTOMERS

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 2019, the Group's five largest customers accounted for approximately 33.03% of its total revenue, while the largest customer accounted for approximately 17.66% of its total revenue.

At no time during the year ended 31 December 2019 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.

RELATED PARTY TRANSACTIONS

Details of the Group's material related party transactions are set out in Note 37 to the consolidated financial statements. Save as disclosed below, the transactions disclosed under Note 37 are continuing connected transactions which are exempt from annual reporting requirements in Chapter 20 of the GEM Listing Rules.

Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 20 of the GEM Listing Rules are disclosed below:

As set out in the Prospectus, 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 will end in August 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 2019, the total amount of finance lease rentals received by the Group under the 17 Individual Lease Agreements was approximately RMB2.71 million, out of which approximately RMB2.16 million being the finance lease principal and approximately RMB0.55 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.

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 Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter in respect of the continuing connected transactions disclosed by the Group regarding finance lease income 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 Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, except for the commission fees received under the Country Garden Agency Framework Agreement which has exceeded the annual cap for the year ended 31 December 2019, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

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 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Octal Capital Limited, as at 31 December 2019, 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

Since the Shares of the Company were listed on GEM of the Stock Exchange on 12 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to 31 December 2019.

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 30 to 42 of this annual 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

Deloitte Touche Tohmatsu acted as auditors of the Company for the Reporting Period. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu. There has not been any change in auditors of the Company in the preceding three years. A resolution will be proposed at the AGM to appoint for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Company.

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, save as disclosed in the paragraphs headed "Properties" and "Non-compliance" in the section headed "Business" in the Prospectus, 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

15 May 2020

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

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 16 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.

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.

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 sessions on topics related to corporate governance and regulations.

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
Executive Directors					
Mr. David Chau (周大為)	10/10	N/A	N/A	N/A	1/1
Ms. Zhou Hui (周卉)	9/10	N/A	N/A	N/A	1/1
Non-executive Directors					
Ms. Chau On (周安)	9/10	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Lau Chung Wai (劉仲緯)	9/10	3/4	1/1	1/1	1/1
Mr. Lo Kai Tung (盧啟東)	10/10	4/4	1/1	1/1	1/1
Mr. Mo Luojiang (莫羅江)	10/10	4/4	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 2019 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.

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 2018, the quarterly financial report for the three months ended 31 March 2019, the interim financial report of the Company for the six months ended 30 June 2019, and the quarterly financial report for the nine months ended 30 September 2019, 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 2019 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.

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.

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 2019 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 2019.

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 financial statements is set out in the Independent Auditor's Report on pages 60 to 64 of this annual 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 2019 is set out below:

	Number of members of senior management
Nil to RMB1,000,000	2
Total	2

Details of the remuneration of each Director for the year ended 31 December 2019 are set out in note 11 to the consolidated financial statements for the year ended 31 December 2019.

M. AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remuneration payable/paid to the Company's external auditors is set out below:

Type of Services	Amount of Fees Payable/Paid RMB
Audit services	3,638,340

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. The Group will streamline and modify the business operation procedures to adapt to the changes in market conditions and regulatory environment.

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.

During the Reporting Period, the external adverse market conditions affected the Group in a negative way. The management conducted an internal assessment and believed that most of the influencing factors imposed on the Group, were beyond the business's control, such as the Sino-US trade war; the earlier-than expected implementation of emission policy, and so on. Nevertheless, the management will monitor the business environment on an ongoing basis and to review our 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.

Q. COMPANY SECRETARY

Ms. Wong Wai Han, who is a partner at Stephenson Harwood, was appointed as the company secretary of the Company since 8 March 2018. Upon Ms. Wong Wai Han's resignation with effect from 7 January 2019, Ms. Tang Winnie W was appointed as the company secretary of the Company. Her primary contact person at the Company is Mr. Li Shun, the chief financial officer of the Group. Ms. Tang 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), 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.

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).

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

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

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 given 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") summarises Metropolis Capital Holdings Limited's (the Company", together with its subsidiaries, the "Group" or "we") environmental, social and governance ("ESG") initiatives, plans and performance, and demonstrates its 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 our 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 SCOPE

The ESG Report covers the Group's business activities in Shanghai headquarter, which contribute to the Group's major sources of revenue. The key performance indicator ("KPI") are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will extend the scope of disclosure when and where applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 20 to the GEM Listing Rules.

The corporate governance practices of the Group are published in the "Corporate Governance Report" on P.30 to P.42 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2019 (the "Reporting Period" or "2019").

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. To understand and address the concerns of our stakeholders, we have maintained close communication with our key stakeholders, including but not limited to investors and shareholders, employees, customers, government and regulatory bodies, communities, non-governmental organizations and the media.

In formulating operational strategies and ESG measures, we take into account the stakeholders' expectations and strive to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified key communication channels, shown as below.

Key Stakeholders	Communication Channels
Investors and shareholders	• Annual general meeting • Financial reports • Announcements and circulars • Investor conferences
Employees	• Employee opinion survey • Channels for employees' feedback (form, suggestion box, etc.) • Employee newsletter and broadcasting • Intranet
Customers	• Customer satisfaction survey and feedback form • Customer service center • Customer service manager
Government and regulatory bodies	• Regular work conferences • Regular performance reports • On-site inspection
Communities, non-governmental organizations and the media	• ESG reports • Public or community events and partnership projects on different topics

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

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. We have compiled a questionnaire with reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group.

The ESG Reporting Guide	Material ESG Aspects of the Group
A. Environmental	
A1. Emissions	Greenhouse Gas ("GHG") Emissions
	Waste Management
A2. Use of Resources	Energy Management
	Water Management
A3. The Environment and Natural Resources	Working Environment
B. Social	
B1. Employment	Recruitment, Promotion and Dismissal
	Remuneration and Benefits
	Diversity and Equal Opportunities
B2. Health and Safety	Internal Health and Safety Management System
	Disaster Management
B3. Development and Training	Training Management
	Training Programmes
B4. Labour Standards	Prevention of Child and Forced Labour
B5. Supply Chain Management	Business Partners Management
B6. Product Responsibility	Customer Service
	Privacy Protection
	Service Quality
B7. Anti-corruption	Anti-corruption
B8. Community Investment	Corporate Social Responsibility

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

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or our performance in sustainable development and email to ir@metropolis-leasing.com.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and Key Performance Indicators ("KPIs")

The Group recognises the importance of good environmental management and strives to protect the environment in order to fulfill the social responsibilities of the Group. 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 so to fulfil our commitment on social responsibility.

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

During the Reporting Period, the Group has not identified any material non-compliance of environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact to the Group. Such environmental laws and regulations include but are 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".

Exhaust Gas Emissions

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

GHG Emissions

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

The Group's GHG emissions intensity has decreased by approximately 26.5% from approximately 0.34 tCO_2e per employee in 2018 to approximately 0.25 tCO_2e per employee in 2019, and this demonstrates the effectiveness of the GHG reduction measures implemented. The Group's GHG emissions performances were as follows:

Indicator[1]	Unit	Emissions	
		2019	2018
Indirect GHG emissions (Scope 2)	tCO_2e	16.59	15.91
Total GHG emissions intensity[2]	tCO_2e/employee	0.25	0.34

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 2019, the Group had a total of 67 full-time employees in Shanghai headquarter; while as at 31 December 2018, the Group had a total of 47 full-time employees in Shanghai headquarter. These data are also used for calculating other intensity data.

Sewage Discharge

Since our business activities are mainly conducted in office, therefore we did not generate a significant amount of sewage. As the sewage discharged by the Group will be discharged 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 produced by our business activities. Our waste management practices have complied with relevant laws and regulations relating to environmental protection.

Hazardous Waste

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 in governing the management and disposal of hazardous wastes. In case if there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, and complied with relevant environmental rules and regulations.

Non-hazardous Wastes

The non-hazardous waste generated by the Group's business activity are mainly paper and general waste. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. With the aim of minimizing 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 an environmentally friendly mindset among our employees. Responsibilities are shared among employees for waste management in office to implement the following initiatives:

- 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; and
- Reuse used envelopes and recycled paper, cartons, envelopes and folders.

In addition, the Group also emphasises environmental protection to employees by posting "Environmental Information" reminders on office equipment so to enhance employees' environmental awareness.

Through the implementation of waste reduction initiatives, the Group's non-hazardous waste intensity has decreased by approximately 25% from approximately 0.08 tonnes per employee in 2018 to approximately 0.06 tonnes per employee in 2019. The Group's non-hazardous waste discharge performance were as follows:

Non-hazardous waste type	Unit	Discharge 2019	Discharge 2018
Paper	tonnes	**0.59** [3]	0.54
General waste	tonnes	**3.30**	3.40
Total non-hazardous waste	tonnes	**3.89**	3.94
Non-hazardous waste Intensity	tonnes/employee	**0.06**	0.08

Note:

3. Paper consumption was approximate to 148,500 sheets.

A2. Use of Resources

General Disclosure and KPIs

The Group strives to optimise resource usage in our business operations and take initiatives to introduce measures on promoting resource efficiency and adopting eco-friendly approaches in our operations. During the business operation, electricity is frequently consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources in reference to the objective of achieving higher energy efficiency and reducing the use of unnecessary materials.

Energy Management

The major source of the Group's energy consumption is electricity for operation, and 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 to use electricity effectively.

Besides, the Group promotes the awareness of energy conservation and environmental protection to employees by posting power-saving slogans. Through formulating and implementing the above energy conservation measures, the Group's energy consumption intensity has decreased by approximately 27% from approximately 0.52 MWh per employee in 2018 to approximately 0.38 MWh per employee in 2019. The Group's energy consumption performances were as follows:

Energy Type	Unit	Consumption	
		2019	2018
Electricity	MWh	**25.59**	24.53
Electricity consumption intensity	MWh/employee	**0.38**	0.52

Water Management

The Group's water use is mainly domestic water in office areas. We encourage all employees to develop the habit of water conservation. We have been strengthening our water-saving promotion and posting water saving reminders in pantry and washrooms to guide employees in consuming water reasonably. The following are some 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.

Since 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 Materials

The Group does not consume significant amounts of packaging materials for its products as it does not have any industrial production or factory facilities.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group focuses on the impact of our business on the environment and natural resources, and pursues the best practices for environmental protection. In addition to complying with environmental regulations and international standards to protect the natural environment, the Group also integrates the concept of environmental and natural resource protection into the internal management and operation activities so to achieve the goal of sustainable development.

Working Environment

To enhance working efficiency, the Group is committed to providing employees a comfortable and green working environment. The Group is dedicated to maintain office order and environmental sanitation, and keeps the office and public areas clean and tidy. Employee representatives will monitor the condition of the living quarters and workspace from time to time to 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 fundamental 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 employee. It regulates 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 to build a harmonious labour relationship.

The Group has formally documented relevant employment policies as the Employee Handbook, covering recruitment, promotion and dismissal, remuneration and benefits, diversity and equal opportunities, etc. We review these policies and our employment practices periodically 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.

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 to explore their potential capability, provide platforms for career development, and meet the Group's needs of sustainable development. Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. 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 that 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 paid annual leave, maternity leave, compassionate leave, marriage leave, and funeral leave, etc. In addition, the Group annually evaluates the 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 so to adjust employees' remuneration accordingly.

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.

Diversity and Equal Opportunities

The Group is committed to creating and maintaining an inclusive and collaborative workplace culture in which all can thrive. We are dedicated to providing equal opportunities in all aspects of employment and maintaining workplace 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 on sexual harassment or abuse in the workplace in any form. 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 seriously approaches to resolve these issues upon receiving the said complaints.

B2. Health and Safety

General Disclosure

The Group highly values employees' health and safety, and is always committed to providing employees 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 on the prevention and remediation of safety accidents during work, for which they are formally documented in the Employee Handbook.

During the Reporting Period, the Group did not record any accidents that resulted to death or serious physical injury and no claims or compensation were paid to its employees due to such accident. The Group was also 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.

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 operation. We have designed a health and safety review process to ensure that the workplace is under constant monitoring and deficiencies are identified and corrected. Representatives from the Group will inspect and review safety issues in workplace regularly, and employees are encouraged to report health and safety incidents and risks 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 place;
- 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 on 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.

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 trainings 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.

B3. Development and Training

General Disclosure

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution of our talents to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through 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 management of employees' training. Our management team is responsible to formulate training plans, and training plans will be adjusted annually to ensure contents are relevant to stakeholders' changing needs. The management team will regularly evaluate the training plans so 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 will 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 trainings for employees. Training programmes provided by the Group are divided into internal trainings and outsourced trainings.

Internal trainings are usually organised by the Personnel Administration Department, and they include but not limited to induction trainings and rotation trainings. Outsourced trainings are usually held by consultants or external training companies in the form of lectures, presentations, and visits. Such trainings cover training topics that aims to enhance the professionalism, industrial knowledge, professional skills and productivity of employees.

Employees will receive trainings depending on their different positions and ranks, so to achieve different training purposes and effects, which will enable 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' personal 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 violation is involved, it will be dealt with in the light of circumstances.

Furthermore, employees of the Group working overtime are based on voluntary principle so 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 in 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 from appointing sellers and contractors who are aware of child labour or forced labour in their operations to provide 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 highly values the management of potential environmental and social risks in the supply chain. The Group is committed to building and maintaining close business relationships with our business partners. The Group regards banks and other lenders as our suppliers and has established measures and procedures to reduce risks associated with the economy, environment and society.

Business Partners Management

The Group maintains close contact with our business partners and meets regularly to share market information and 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 supply chain management.

In addition, the business cooperation process of the Group 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 with relevant business partners will not be allowed to participate in 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 understanding and satisfaction of their demands and expectations. We aim to apprehend customers' need and expectations, and strive to continuously improve the quality of our products and services.

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 of every stakeholder, and we provide 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 made accordingly.

Privacy Protection

The Group is determined to protecting customers' personal data by handling them with the highest degree of confidentiality. Therefore, we have also 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.

Service Quality

The Group is committed to provide clear and balanced information to our clients. Important information such as product features, terms and conditions, and any associated risks are clearly 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 in any advertising and labelling related matters.

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 build 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 kinds of form, and has zero toleration on any corruptions, frauds and all other behaviours violating work ethics. The Group has set up the Audit and Supervision Department, which is mainly responsible for, carrying out anti-corruption prevention publicity activities, receiving and accepting corruption reports, organizing corruption investigations and reporting directly to management and the Board. 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 declaration to the Compliance Department for any direct or indirect interest in businesses that competes with the Group or with which the Group has business dealings.

In addition, the Group has formulated a whistleblowing system 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 society. As a responsible corporate citizen, the Group actively performs its 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 greater contributions to the community. We believe that by participating in activities that contributes 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.

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect A1: Emissions			
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	P.45
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emissions and GHG Emissions	P.45
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions	P.45
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management (Not applicable – Explained)	P.46
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management	P.46
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions	P.45
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management	P.46
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources	P.48
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management	P.48
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management (Not applicable – Explained)	P.49
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources - Energy Management	P.48

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
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	P.49
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)	P.49
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources	P.50
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	P.50
Aspect B1: Employment			
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	P.50
Aspect B2: Health and Safety			
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	P.51

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	P.53
Aspect B4: Labour Standards			
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	P.53
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P.54
Aspect B6: Product Responsibility			
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	P.54
Aspect B7: Anti-corruption			
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	P.55
Aspect B8: Community Investment			
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	P.56

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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 (collectively referred to as "the Group") set out on pages 65 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' 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.

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
Loss allowance for expected credit loss ("ECL") on finance lease receivables and receivables arising from sale and leaseback arrangements	
We identified the loss allowance for ECL on finance lease receivables and receivables arising from sale and leaseback arrangements (the "Lease Transaction Receivables") as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the ECL of the Lease Transaction Receivables. As disclosed in note 4, in determining the ECL for the Lease Transaction Receivables, the management of the Group assesses whether the credit risk on the Lease Transaction Receivables has increased significantly since initial recognition and whether the Lease Transaction 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.	Our procedures in relation to the loss allowance for ECL on the Lease Transaction Receivables included: **Understanding of management's assessment process and tests of controls** • Enquiring the management to understand the Group's process for estimating the ECL of the Lease Transaction Receivables; and • Evaluating the design and implementation of key controls relating to estimate loss allowance of the Lease Transaction Receivables. **Substantive testing of the provision of ECL of the Lease Transaction Receivables** • Evaluating the judgement made by management in identifying Lease Transaction Receivables with significant increase in credit risk and credit-impaired Lease Transaction Receivables; • Reviewing lease agreements, on a sample basis, to understand relevant terms such as settlement schedules; checking the settlement records of the Lease Transaction Receivables to bank slips, on a sample basis; • With the support of our internal specialists, evaluating the reasonableness of the ECL model methodology and related parameters including the probability of default, loss given default and forward-looking information;

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, the Group held finance lease receivables of RMB216,616,678, less loss allowance of RMB47,977,514, and receivables arising from sale and leaseback arrangements of RMB54,933,656, less loss allowance of RMB989,060, as disclosed in note 19 and note 20 to the consolidated financial statements.	• For credit-impaired Lease Transaction Receivables, testing and challenging the reasonableness of the loss allowance 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 allowance, on a sample basis; and • Recalculating the ECL of the Lease Transaction Receivables made by management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, 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.

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 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 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 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 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 ISAs 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 ISAs, 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.

- 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, related safeguards.

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.

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Year ended 31 December 2019 RMB	2018 RMB
Revenue			
– Finance lease income	6	**35,760,452**	47,987,283
– Interest income arising from sale and leaseback arrangements	6	**1,618,167**	–
Total revenue		**37,378,619**	47,987,283
Other income	7a	**1,580,283**	946,449
Other gains and losses	7b	**(268,859)**	(775,767)
Staff costs		**(13,006,165)**	(10,142,556)
Share of loss of an associate	30	**(552,219)**	–
Recognition of loss allowance on finance lease receivables and receivables arising from sale and leaseback arrangements, net	19,20	**(43,507,674)**	(751,821)
(Recognition) reversal of loss allowance on other financial assets measured at amortised cost	18	**(249,729)**	427,242
Impairment loss of an associate	30	**(2,291,659)**	–
Impairment loss on intangible assets	16	**(550,217)**	–
Other operating expenses		**(14,408,115)**	(9,216,957)
Listing expenses		**–**	(7,841,220)
Finance cost	8	**(10,674,409)**	(19,863,888)
(Loss) profit before tax	9	**(46,550,144)**	768,765
Income tax expense	10	**(3,432,812)**	(324,530)
(Loss) profit and total comprehensive (expense) income for the year		**(49,982,956)**	444,235
Earnings per share			
– Basic (RMB cents)	13	**(6.11)**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	At 31 December 2019 RMB	2018 RMB
NON-CURRENT ASSETS			
Investment in an associate	30	**156,122**	–
Property and equipment	14	**672,154**	841,689
Right-of-use assets	15	**1,265,253**	–
Intangible assets	16	**2,596,480**	2,702,873
Finance lease receivables	19	**48,334,319**	93,416,617
Receivables arising from sale and leaseback arrangements	20	**32,256,833**	–
Deferred tax assets	28	**–**	2,385,949
		85,281,161	99,347,128
CURRENT ASSETS			
Loans to related parties	17	**–**	1,766,388
Prepayments, deposits and other receivables	18	**5,538,956**	2,828,520
Finance lease receivables	19	**120,304,845**	167,868,576
Receivables arising from sale and leaseback arrangements	20	**21,687,763**	–
Security deposits		**–**	14,887
Term deposits	21	**22,394,500**	–
Financial assets at fair value through profit or loss ("FVTPL")	22	**10,000,000**	5,000,000
Bank balances and cash	23	**20,941,637**	53,230,923
		200,867,701	230,709,294
CURRENT LIABILITIES			
Other payables and accrued expenses	24	**21,279,873**	14,361,329
Deposits received from leasing customers	25	**14,311,420**	21,004,524
Bank and other borrowings	26	**20,363,482**	38,093,609
Lease liabilities under operating leases	29	**1,286,821**	–
Taxation		**1,800,653**	615,728
		59,042,249	74,075,190
NET CURRENT ASSETS		**141,825,452**	156,634,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,106,613**	255,981,232

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	At 31 December 2019 RMB	2018 RMB
CAPITAL AND RESERVES			
Share capital	27	**8,503,450**	7,067,962
Reserves		**188,042,479**	216,550,889
TOTAL EQUITY		**196,545,929**	223,618,851
NON-CURRENT LIABILITIES			
Deposits received from leasing customers	25	**24,479,209**	29,883,442
Bank and other borrowings	26	**6,072,520**	2,478,939
Lease liabilities under operating leases	29	**8,955**	–
		30,560,684	32,362,381
		227,106,613	255,981,232

The consolidated financial statements on pages 65 to 143 were approved and authorised for issue by the board of director on 15 May 2020 and are signed on its behalf by:

Mr. Chau David
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital RMB	Share premium RMB	Merger reserve RMB	Other reserves RMB	Statutory surplus reserve RMB	Retained Profits (accumulated losses) RMB	Total equity RMB
At 1 January 2018	341,695	–	–	121,889,064	3,057,895	42,186,432	167,475,086
Profit and total comprehensive income for the year	–	–	–	–	–	444,235	444,235
Transferred to statutory surplus reserve	–	–	–	–	94,080	(94,080)	–
Effect of Group Reorganisation (note 27(b))	(341,291)	138,384,453	(138,043,162)	–	–	–	–
Capitalisation issue of new shares (note 27(c))	5,300,558	(5,300,558)	–	–	–	–	–
Issuance of new shares upon Listing (as defined in note 2) (note 27(d))	1,767,000	67,146,000	–	–	–	–	68,913,000
Expenses incurred in connection with the issuance of new shares	–	(13,213,470)	–	–	–	–	(13,213,470)
At 31 December 2018	**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 year	**–**	**–**	**–**	**–**	**–**	**(49,982,956)**	**(49,982,956)**
Insurance of new shares (note 27(e))	**1,435,488**	**21,474,546**	**–**	**–**	**–**	**–**	**22,910,034**
At 31 December 2019	**8,503,450**	**208,490,971**	**(138,043,162)**	**121,889,064**	**3,151,975**	**(7,446,369)**	**196,545,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31 December 2019 RMB	2018 RMB
OPERATING ACTIVITIES		
(Loss) profit before tax	**(46,550,144)**	768,765
Adjustments for:		
Share of loss of an associate	**552,219**	–
Impairment loss of an associate	**2,291,659**	–
Depreciation of property and equipment	**126,850**	425,974
Depreciation of right-of-use assets	**1,214,898**	–
Amortisation of intangible assets	**–**	6,634
Impairment loss on intangible assets	**550,217**	–
Bank interest income	**(55,663)**	(56,423)
Other investment gain	**(320,095)**	(155,470)
Interest on bank and other borrowings	**1,941,084**	7,557,274
Interest on lease liabilities	**217,482**	–
Imputed interest expense arising from deposits received from leasing customers	**8,515,843**	12,306,614
Recognition of loss allowance on finance lease receivables and receivables arising from sale and leaseback arrangements, net	**43,507,674**	751,821
Recognition (reversal) of loss allowance on other financial assets measured at amortised cost	**249,729**	(427,242)
Exchange loss, net	**314,996**	411,348
Operating cash flows before movements in working capital	**12,556,749**	21,589,295
Decrease (increase) in finance lease receivables	**50,127,415**	(10,586,844)
Increase in receivables arising from sale and leaseback arrangements	**(54,933,656)**	–
(Increase) decrease in prepayments, deposits and other receivables	**(3,002,551)**	1,880,625
Decrease in deposits received from leasing customers	**(20,613,180)**	(9,191,199)
Increase (decrease) in other payables and accrued expenses	**8,474,003**	(7,873,270)
Cash used in operations	**(7,391,220)**	(4,181,393)
Income tax returned (paid)	**138,062**	(5,884,804)
Bank interest received	**55,663**	56,423
Interest paid	**(2,027,753)**	(7,557,364)
NET CASH USED IN OPERATING ACTIVITIES	**(9,225,248)**	(17,567,138)
INVESTING ACTIVITIES		
Payments for property and equipment and intangible assets	**(446,922)**	(590,357)
Proceeds on disposal of property and equipment	**45,783**	–
Advance to related parties	**(13,159,196)**	(4,766,388)
Repayments from related parties	**14,925,584**	10,000,000
Advance to an independent third party	**–**	(200,000)
Purchase of unlisted short-term financial products (note 7(ii))	**(210,000,000)**	(118,800,000)
Proceeds on disposal of unlisted short-term financial products	**205,320,095**	113,955,470
Investment in an associate	**(3,000,000)**	–
NET CASH USED IN INVESTING	**(6,314,656)**	(401,275)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB	RMB
FINANCING ACTIVITIES		
New bank and other borrowings raised	**28,726,539**	119,810,661
Repayments of bank and other borrowings	**(42,863,085)**	(109,105,222)
Repayments of lease liabilities under operating leases	**(1,359,471)**	–
Advanced from related parties	**–**	7,558,107
Repayments for loan from related parties	**–**	(9,522,440)
Proceeds from issuance of new shares upon Listing	**–**	68,913,000
Proceeds from issuance of new shares upon a private placement	**23,004,806**	–
Issue costs paid	**(1,563,562)**	(10,286,966)
Payment of security deposits as to obtain a bank borrowing	**(2,524,671)**	(7,848,885)
Withdrawal of security deposits	**2,539,558**	7,833,998
NET CASH FROM FINANCING ACTIVITIES	**5,960,114**	67,352,253
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,579,790)**	49,383,840
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**53,230,923**	4,229,539
EFFECT OF EXCHANGE RATE CHANGE	**(314,996)**	(382,456)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY	**43,336,137**	53,230,923
Bank balance and cash	**20,941,637**	53,230,923
Term deposits with original maturity of less than 3 months	**22,394,500**	–
	43,336,137	53,230,923

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.

Pursuant to a group reorganisation (the "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 (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 on 28 September 2007 which is 100% held and controlled by Mr. Chau David ("Mr. Chau" or the "Controlling Shareholder").

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

2. GROUP REORGANISATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

In preparation for the listing of the Company's shares on the Stock Exchange ("Listing"), the Group underwent a group restructuring which involved the setting up of the Company on 29 June 2017 and interspersing the Company between View Art and Metropolis Asia Ltd. ("Metropolis Asia"). The Group Reorganisation was completed on 8 March 2018. The Group resulting from the Group Reorganisation is to be regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group and the group structure upon completion of the Group Reorganisation had been in existence throughout the year ended 31 December 2018. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 December 2018 include the results, changes in equity and cash flows of companies within the Group as if the Company had always been the holding company of the Group and the group structure upon completion of the Group Reorganisation had been in existence throughout the year ended 31 December 2018, or since the respective date of incorporation, where there is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, and elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 12%.

	At 1 January 2019 RMB
Operating lease commitments disclosed as at 31 December 2018	2,834,208
Lease liabilities discounted at relevant incremental borrowing rate	2,544,033
Less: Recognition exemption – short-term leases	(106,268)
Lease liabilities as at 1 January 2019	2,437,765
Analysed as	
Current	1,141,989
Non-current	1,295,776
	2,437,765

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	2,437,765
Adjustments on rental deposits at 1 January 2019	42,386
	2,480,151
By class:	
Office building	2,480,151

Note: Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB42,386 was adjusted to refundable rental deposits paid and right-of-use assets.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	RMB	RMB	RMB
Non-current Assets			
Right of use assets	–	2,480,151	2,480,151
Current Assets			
Prepayments, deposits and other receivables	2,828,520	(42,386)	2,786,134
Current Liabilities			
Lease liabilities	–	1,141,989	1,141,989
Non-current Liabilities			
Lease liabilities	–	1,295,776	1,295,776

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Sale and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. During the year, sale and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

The following tables summarise the impacts of applying IFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the year ended 31 December 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB	Adjustments RMB	Amounts without application of IFRS 16, as a lessor RMB
Non-current Assets			
Finance lease receivables	48,334,319	32,256,833	80,591,152
Receivables arising from sale and leaseback arrangements	32,256,833	(32,256,833)	–
	80,591,152	–	80,591,152
Current Assets			
Finance lease receivables	120,304,845	21,687,763	141,992,608
Receivables arising from sale and leaseback arrangements	21,687,763	(21,687,763)	–
	141,992,608	–	141,992,608

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

Impact on the consolidated statement of profit or loss and other comprehensive income

	As reported RMB	Adjustments RMB	Amounts without application of IFRS 16, as a lessor RMB
Revenue			
– Finance lease income	35,760,452	1,618,167	37,378,619
– Interest income arising from sale and leaseback arrangements	1,618,167	(1,618,167)	–
	37,378,619	–	37,378,619

Impact on the consolidated statement of cash flows

	As reported RMB	Adjustments RMB	Amounts without application of IFRS 16, as a lessor RMB
OPERATING ACTIVITIES			
Decrease (increase) in finance lease receivables	50,127,415	(54,933,656)	(4,806,241)
Increase (decrease) in receivables arising from sale and leaseback arrangements	(54,933,656)	54,933,656	–
	(4,806,241)	–	(4,806,241)

Note: The adjustments relate to sale and leaseback transactions which did not satisfy the requirements of IFRS 15 as a sale. If IAS 17 were applied, there will be reclassification of receivables arising from sale and leaseback arrangements to finance lease receivables of RMB54,933,656, as well as the reclassification of interest income from receivables arising from sale and leaseback arrangements to finance lease income of RMB1,618,167.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 3	Definition of Business[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IAS 8	Definition of Material[3]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[3]

[1] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2020.
[4] Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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 in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

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 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

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.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Company:

- 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.

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.

4. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Foreign currencies

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term and other long-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.

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 year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 *Income Taxes* 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (upon application of IFRS 16 in accordance with transitions in note 3)

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.

For contracts entered into or modified on or after the date of initial application, 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.

Refundable rental deposits

Refundable rental deposits received 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 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 and recognises a receivable arising from sale and leaseback transactions equal to the transfer proceeds within the scope IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (upon application of IFRS 16 in accordance with transitions in note 3) (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 from the commencement date and 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 cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date.

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.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (upon application of IFRS 16 in accordance with transitions in note 3) (Continued)

The Group as a lessee (Continued)

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 include fixed payments.

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.

The Group presents lease liabilities as a separate line item on the consolidate 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (upon application of IFRS 16 in accordance with transitions in note 3) (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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.

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 fair value through profit or loss ("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 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.

4. 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.

4. 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 loan to related parties, deposits and other receivables, receivables arising from sale and leaseback arrangements, loan to an independent third party, security deposits, 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.

4. 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.

4. 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 aforegoing, 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.

4. 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 issuer or 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 (since 1 January 2019) or IAS 17 (prior to 1 January 2019).

4. 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 instruments (i.e. the Group's deposit, other receivables, receivables arising from sale and leaseback arrangements and finance lease receivables) 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.

4. 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 or lease receivable 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 date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and finance lease receivables 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.

4. 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 borrowings, other payables, deposits received from finance lease customers and lease liabilities under operating leases 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 19 and 20). 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 management.

5. 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.

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 19 and 20.

Management estimates the amount of loss allowance for ECL on financial lease receivables and receivables arising from sale and leaseback arrangements that are measured at amortized 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:

Significant increase of credit risk

As explained in note 4, 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.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the finance leasing and sale and leaseback of equipment and vehicles, net of related taxes.

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the finance leasing and sale and leaseback of equipment and vehicles.

The directors of the Company consider that the Group has one operating and reporting segment. 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 all its non-current assets are situated in the PRC.

Major customers

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December	
	2019	2018
	RMB	RMB
Customer A	**6,499,655**	(note)

Note: The Group carried out transactions with this customer but the amount of the revenue recognised was less than 10% of the revenue for the year ended 31 December 2018.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide disclosures (Continued)

Revenue by nature

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

	Year ended 31 December 2019 RMB	2018 RMB
Finance lease income		
Vehicle finance leasing	**35,352,777**	47,433,655
Machinery and equipment finance leasing	**407,675**	553,628
	35,760,452	47,987,283
Interest income arising from sale and leaseback arrangements	**1,618,167**	–
Total revenue	**37,378,619**	47,987,283

7. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December 2019 RMB	2018 RMB
(a) Other income		
Bank interest income	**55,663**	56,423
Government subsidies (note i)	**985,162**	524,181
Others	**539,458**	365,845
	1,580,283	946,449
(b) Other gains and losses		
Other investment gain (note ii)	**320,095**	155,470
Exchange loss, net	**(588,954)**	(931,237)
	(268,859)	(775,767)
	1,311,424	170,682

Notes:

(i) Government subsidies primarily consist of the fiscal support that local governments offer to the group entities engaged in the finance leasing business in the PRC.

(ii) 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.

8. FINANCE COST

	Year ended 31 December	
	2019	2018
	RMB	RMB
Interest on bank and other borrowings	**1,941,084**	7,557,274
Imputed interest expense arising from deposits received from leasing customers	**8,515,843**	12,306,614
Interest on lease liabilities	**217,482**	–
Total finance costs	**10,674,409**	19,863,888

9. LOSS (PROFIT) FOR THE YEAR

Loss (profit) for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2019	2018
	RMB	RMB
Depreciation of property and equipment	**126,850**	425,974
Depreciation of right-of-use assets	**1,214,898**	–
Amortisation of intangible assets	**–**	6,634
Total depreciation and amortisation	**1,341,748**	432,608
Recognition of loss allowance of finance lease receivables and receivables arising from sale and leaseback arrangements	**43,507,674**	751,821
Recognition (reversal) of loss allowance of other receivables	**249,729**	(427,242)
Total impairment loss recognised	**43,757,403**	324,579
Auditors' remuneration	**3,638,340**	648,402
Directors' emoluments (note 11)	**1,438,699**	685,450
Salaries, bonus and other benefits (excluding directors)	**9,278,506**	7,178,164
Retirement benefit scheme contributions (excluding directors)	**2,288,960**	2,278,942
Total staff cost	**13,006,165**	10,142,556
Professional fee	**3,538,270**	–
Promotion expenses	**1,805,999**	1,264,315

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB	RMB
PRC enterprise income tax ("EIT")	**(1,046,863)**	(798,884)
Deferred tax (charge) credit (note 28)	**(2,385,949)**	474,354
Total income tax expense	**(3,432,812)**	(324,530)

The Company is not subject to income tax or capital gain tax under the law of Cayman Islands.

Metropolis Asia is not subject to income tax or capital gain tax under the law of British Virgin Islands (the "BVI").

No provision of Hong Kong profit tax, as the entity in Hong Kong does not have any assessable profit for both years. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate applicable to Metropolis Leasing was 25% for both years.

Income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	RMB	RMB
(Loss) profit before tax	**(46,550,144)**	768,765
Tax charge at PRC EIT rate of 25% (2018: 25%)	**(11,637,536)**	192,191
Tax effect of expense not deductible for tax purpose	**914,101**	132,339
Tax effect of deductible temporary differences not recognised	**14,156,247**	–
Income tax expense for the year	**3,432,812**	324,530

11. 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 entities comprising the Group for the year, disclosed pursuant to the applicable GEM Listing Rules, are as follows:

	Fees	Salaries and other benefits	Retirement benefits schemes contribution	Total
	RMB	RMB	RMB	RMB
Year ended 31 December 2019				
Executive directors (note b)				
Mr. Chau	–	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 d)				
Mr. Lau Chung Wai (note a)	106,320	–	–	106,320
Mr. Mo Luojiang (note a)	106,320	–	–	106,320
Mr. Lo Kai Tung (note a)	106,320	–	–	106,320
	318,960	985,280	134,459	1,438,699

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(A) Directors (Continued)

	Fees RMB	Salaries and other benefits RMB	Retirement benefits schemes contribution RMB	Total RMB
Year ended 31 December 2018				
Executive directors (note b)				
Mr. Chau	–	363,300	14,880	378,180
Ms. Zhou Hui	–	215,300	69,137	284,437
Non-executive director (note c)				
Ms. Chau On	–	6,303	–	6,303
Independent non-executive directors (note d)				
Mr. Lau Chung Wai (note a)	5,510	–	–	5,510
Mr. Mo Luojiang (note a)	5,510	–	–	5,510
Mr. Lo Kai Tung (note a)	5,510	–	–	5,510
	16,530	584,903	84,017	685,450

Notes:

(a) Mr. Lau Chung Wai, Mr. Mo Luojiang and Mr. Lo Kai Tung were appointed as independent non-executive directors of the Company on 23 November 2018.

(b) The executive directors' emoluments shown above were for their services in connection with management affairs of the Group.

(c) The non-executive directors' emoluments shown above were for their services as directors of the Company.

(d) The independent non-executive directors' 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 both years.

During the year, no emoluments were paid by the Group to any of the directors or the 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 or Chief Executive Officer of the Company waived any emoluments during the year.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(B) Employees

The five highest paid individuals for the year ended 31 December 2019 of the Group include two directors (2018: two) of the Company. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December	
	2019	2018
	RMB	RMB
Directors	**999,739**	662,617
Non-directors	**1,690,555**	955,847
	2,690,294	1,618,464

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

	Year ended 31 December	
	2019	2018
	RMB	RMB
Salaries and other benefits	**1,260,965**	694,700
Performance related bonus (note)	**166,400**	68,500
Retirement benefits schemes contribution	**263,190**	192,647
	1,690,555	955,847

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

Their emoluments were within the following bands.

	Year ended 31 December	
	2019	2018
	No. of employees	No. of employees
Less than Hong Kong Dollars ("HK$") 1,000,000 (equivalent to RMB886,000 (2018: RMB856,100))	**3**	3

During the year 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.

12. DIVIDENDS

During the both years, the entities comprising the Group had not declared any dividends to their equity holder. No dividend was declared or paid by the Company since its date of incorporation.

13. EARNINGS PER SHARE

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

	Year ended 31 December	
	2019	2018
	RMB	RMB
Earnings:		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**(49,982,956)**	444,235
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**817,972,603**	610,958,904

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the capitalisation issue of the shares of the Company as set out in note 27(c) had been effective on 1 January 2018.

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

14. PROPERTY AND EQUIPMENT

	Office Equipment RMB	Motor vehicles RMB	Leasehold improvement RMB	Total RMB
COST				
At 1 January 2018	1,094,820	2,069,891	580,252	3,744,963
Additions	7,480	–	1,674	9,154
At 31 December 2018	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	592,301	2,069,891	581,926	3,244,118
ACCUMULATED DEPRECIATION				
At 1 January 2018	836,633	1,215,993	433,828	2,486,454
Provided for the year	91,288	288,931	45,755	425,974
At 31 December 2018	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	538,332	1,504,924	528,708	2,571,964
CARRYING VALUE				
At 31 December 2019	53,969	564,967	53,218	672,154
At 31 December 2018	174,379	564,967	102,343	841,689

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

15. RIGHT-OF-USE ASSETS

	Leased properties RMB
COST	
At 1 January 2019 and 31 December 2019	2,480,151
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Provided for the year	1,214,898
At 31 December 2019	1,214,898
CARRYING VALUE	
At 1 January 2019	2,480,151
At 31 December 2019	1,265,253

The Group leases various buildings for its operations. Lease contracts are entered into for term of 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 2019, total cash outflow for leases amounts to RMB1,518,524.

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounts to RMB159,053.

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in note 29 and note 8, respectively. For the year ended 31 December 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 2019, the Group did not enter into any lease that is not yet commenced.

16. INTANGIBLE ASSETS

	Software RMB	Trademark RMB	Website Development RMB	Vehicle Licenses RMB	Total RMB
COST					
At 1 January 2018	878,588	8,000	19,902	2,121,670	3,028,160
Additions	–	–	–	581,203	581,203
At 31 December 2018	878,588	8,000	19,902	2,702,873	3,609,363
Additions	–	–	–	443,824	443,824
At 31 December 2019	878,588	8,000	19,902	3,146,697	4,053,187
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2018	878,588	8,000	13,268	–	899,856
Provided for the year	–	–	6,634	–	6,634
At 31 December 2018	878,588	8,000	19,902	–	906,490
Provided for the year	–	–	–	–	–
Impairment loss recognised in the year	–	–	–	550,217	550,217
At 31 December 2019	878,588	8,000	19,902	550,217	1,456,707
CARRYING VALUE					
At 31 December 2019	–	–	–	2,596,480	2,596,480
At 31 December 2018	–	–	–	2,702,873	2,702,873

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 RMB550,217 (31 December 2018: nil) impairment on vehicle licenses as at 31 December 2019.

17. LOANS TO RELATED PARTIES

	As at 31 December		Maximum balance outstanding during the year ended 31 December	Maximum balance outstanding during the year ended 31 December
	2019	2018	**2019**	2018
	RMB	RMB	**RMB**	RMB
Mr. Chau	**–**	1,766,388	**5,366,388**	4,766,388
Xin You (CangChau) Real Estate Development Co., Ltd.# (信友(滄州)房地產開發有限公司) ("Xin You")	**–**	–	**–**	10,000,000
	–	1,766,388	**5,366,388**	14,766,388

English name is for identification purpose only.

The balances shown above were all non-trade in nature and represented the advances made by the Group to Mr. Chau and Xin You. Xin You was a related party because it was 100% owned and controlled by a close family member of Mr. Chau and Mr. Chau acts as legal representative and chairman of Xin You.

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

	At 31 December	
	2019	2018
	RMB	RMB
HK$	**–**	1,766,388

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2019 RMB	2018 RMB
Other receivables		
Staff advance (note i)	**602,163**	540,951
Others (note ii)	**1,765,829**	300,000
	2,367,992	840,951
Less:		
Allowance of doubtful accounts	**(249,729)**	–
	2,118,263	840,951
Loan to an independent third party	**–**	200,000
Other prepayments	**1,212,262**	674,574
Deposits (note iii)	**1,630,832**	547,225
Value added tax ("VAT") recoverable	**577,599**	565,770
	5,538,956	2,828,520

Movements of loss allowance on other receivables during the year

	RMB
At 1 January 2018	427,242
Reversal during the year	(427,242)
At 31 December 2018	–
Provision during the year	249,729
At 31 December 2019	249,729

Notes:

(i) The staff advance is expected by the management of the Group to be received or settled within one year.

(ii) The balance as at 31 December 2019 included payments of RMB1,516,100 made on behalf of a third party. Such receivables were subsequently received in January 2020.

(iii) The balance as at 31 December 2019 included rental deposits of RMB193,339 (31 December 2018: RMB247,225).Rental deposits paid were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in note 3.

19. FINANCE LEASE RECEIVABLES

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

	Minimum lease payments 31/12/2019 RMB	Present value of minimum lease payments 31/12/2019 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**
Gross investment in the lease	**243,882,207**	**N/A**
Less: unearned finance income	**27,265,529**	**N/A**
Present value of minimum lease payment receivables	**216,616,678**	**216,616,678**
Less: Loss allowance on finance lease receivables	**47,977,514**	**47,977,514**
	168,639,164	**168,639,164**
Analysed as:		
Current	**120,304,845**	**120,304,845**
Non-current	**48,334,319**	**48,334,319**
	168,639,164	**168,639,164**

	Minimum lease payments 31/12/2018 RMB	Present value of minimum lease payments 31/12/2018 RMB
Finance lease receivables comprise:		
Within one year	193,742,041	171,634,410
One year to three years	117,528,033	95,701,052
Gross investment in the lease	311,270,074	N/A
Less: unearned finance income	43,934,612	N/A
Present value of minimum lease payment receivables	267,335,462	267,335,462
Less: Loss allowance on finance lease receivables	6,050,269	6,050,269
	261,285,193	261,285,193

19. FINANCE LEASE RECEIVABLES (Continued)

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range from 7.87% to 30.26% during the year ended 31 December 2019 (2018: 7.87% to 42.21%).

As at 31 December 2019, the carrying amount of finance lease receivables arising from the finance lease business with Xin You (as a related party defined in note 17) was RMB5,911,322 (31 December 2018: RMB8,164,215). The term of such leases is 3 years, and the effective interest rate is 7.87%. No deposits had been received from Xin You by the Group in respect of these finance lease agreements. The Group did not entered into any finance lease transaction with other related parties in accordance with the scope of related parties as defined in IAS 24 *Related Party Disclosure* ("IAS 24") during the both years.

Movements of loss allowance on finance lease receivables during the year

	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 2019	**413,176**	**592,591**	**5,044,502**	**6,050,269**
Changes in the loss allowance:				
– 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	**1,082,746**	**8,946,618**	**37,948,150**	**47,977,514**
As at 1 January 2018	904,686	759,232	3,634,530	5,298,448
Changes in the loss allowance:				
– Transfer to Stage 1	446,113	(446,113)	–	–
– Transfer to Stage 2	(69,360)	201,884	(132,524)	–
– Transfer to Stage 3	–	(251,958)	251,958	–
– Charged to profit or loss	(868,263)	329,546	1,290,538	751,821
As at 31 December 2018	413,176	592,591	5,044,502	6,050,269

The finance lease receivables are secured by the leased assets and deposits (if available) as set out in note 25. 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 both years.

19. FINANCE LEASE RECEIVABLES (Continued)

Movements of loss allowance on finance lease receivables during the year (Continued)

Due to the prolonged administrative process time involved in and the expected cost for the registration of the securities of the leased assets, some of the securities of the leased assets the Group obtained from finance lease receivables and receivables arising from sale and leaseback arrangements 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 these leased assets to the relevant government authority as at 31 December 2019 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 these leased assets is established when the pledge agreement comes into effect. Although there is a potential risk that the subject matter of the leased assets 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 leased assets if the customers attempt to transfer the leased assets to third parties without the Group's consent.

If the Group cannot execute the enforcement right of the securities of these leased assets 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 finance lease receivables and receivables arising from sale and leaseback arrangements may increase significantly.

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, these 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 allowance for ECL and recognised loss allowance of RMB20,007,596 as at 31 December 2019.

In 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 13.06% per annum.

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 corresponding finance lease agreements with the Customers were terminated since then.

Up to the date of the consolidated financial statements, the management of the Group is still in the process of assessing the financial impact of this Debt Restructuring for the year 2020, mainly on the corresponding loss allowance for ECL relating to these new finance lease receivables.

Please refer to note 35 for details of ECL of finance lease receivables.

20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	Gross amount 31/12/2019 RMB	Present value 31/12/2019 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
	67,746,383	N/A
Less: interest adjustment	12,812,727	N/A
Present value of receivables arising from sale and leaseback arrangements	54,933,656	54,933,656
Less: loss allowance	989,060	989,060
	53,944,596	53,944,596
Analysed as:		
Current	21,687,763	21,687,763
Non-current	32,256,833	32,256,833
	53,944,596	53,944,596

Upon the application of IFRS 16 on January 1, 2019, the receivables from sale and leaseback transactions newly entered into on or after January 1, 2019 is classified as receivables arising from sale and leaseback arrangements within the scope of IFRS 9. The measurement of sale and leaseback transactions entered into before January 1, 2019 remains unchanged.

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

20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

Movements of loss allowance on receivables arising from sale and leaseback arrangements during the year

	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 2019	–	–	–	–
Changes in the loss allowance:				
– 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 and deposits (if available) as set out in note 25. The Group might require extra assurance as extra mortgages.

Please refer to note 35 for details of ECL of receivables arising from sale and leaseback arrangements.

21. TERM DEPOSITS

Term deposits represent short-term bank deposits carrying interest at an effective interest rate of 0.20% per annum as at 31 December 2019. As at 31 December 2019, included in the balance were term deposits of RMB22,394,500 with original maturity of less than 3 months. No term deposits were placed by the Group as at 31 December 2018.

As at 31 December 2019, term deposits were all denominated in HK$.

22. FINANCIAL ASSETS AT FVTPL

	As at 31 December 2019 RMB	 2018 RMB
Unlisted financial products	**10,000,000**	5,000,000

23. BANK BALANCES AND CASH

As at 31 December 2019, bank balances carried interest at prevailing market rates ranging from 0.001% to 0.35% per annum (31 December 2018: 0.001% to 0.35%).

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	
	2019	2018
	RMB	RMB
HK$	**4,371,180**	6,853,683
United States Dollars ("US$")	**35,449**	43,883,732
	4,406,629	50,737,415

24. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December	
	2019	2018
	RMB	RMB
Other payables (note)	**16,758,806**	7,428,907
Listing costs payables	**–**	1,931,160
Payroll payables	**3,226,485**	2,627,139
Other tax payables	**1,294,582**	2,374,123
	21,279,873	14,361,329

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

	As at 31 December	
	2019	2018
	RMB	RMB
HK$	**1,594,782**	1,060,352

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

25. DEPOSITS RECEIVED FROM LEASING CUSTOMERS

A 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 2019, the outstanding deposits received from leasing customers were RMB38,790,629 (31 December 2018: RMB50,887,966).

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

	At 31 December	
	2019	2018
	RMB	RMB
Non-current liabilities	**24,479,209**	29,883,442
Current liabilities	**14,311,420**	21,004,524
	38,790,629	50,887,966

The deposits received are interest-free and measured at amortised cost using the effective interest method. The weighted average effective interest rate adopted is 17.58% for the year ended 31 December 2019 (2018:18.87%).

26. BANK AND OTHER BORROWINGS

	As at 31 December	
	2019	2018
	RMB	RMB
Fixed-rate borrowings		
Bank borrowings		
– Secured and guaranteed (note (a))	**2,478,939**	14,694,100
Other borrowings from independent third parties		
– Secured and unguaranteed (note (a))	**23,957,063**	25,878,448
	26,436,002	40,572,548
Analysed as:		
– Within one year		
Bank borrowings	**2,478,939**	12,215,161
Other borrowings	**17,884,543**	25,878,448
	20,363,482	38,093,609
– More than one year but not exceeding two years		
Bank borrowings	**–**	2,478,939
Other borrowings	**6,072,520**	–
	6,072,520	2,478,939
	26,436,002	40,572,548
Effective interest rate for fixed rate borrowings (per annum)	**9.14%~12.23%**	5.73%~19.29%

Note:

(a) As at 31 December 2019, the Group's bank and other borrowings of RMB26,436,002 (31 December 2018: RMB40,572,548) were granted by a bank and several independent third parties in the PRC and secured by charges over certain finance lease receivables of the Group as detailed in note 36. As at 31 December 2019, the Group's secured bank borrowing of RMB2,478,939 (31 December 2018: RMB14,694,100) was guaranteed by an independent third party.

As at 31 December 2019, RMB14,499,144 of other borrowings, which were secured and unguaranteed, represented the Group's financing arrangement with an independent third party during the current year. Under the financing arrangement, the Group entered into agreements to transfer its finance lease receivables with gross amount of RMB18,667,716 to the independent third party at a consideration of RMB18,425,926 in October 2019, but without transferring the significant risks and rewards to the independent third party. The Group accounted the proceeds received as "other borrowing", which was subsequently measured at amortised cost using the effective interest method with an effective interest rate of 12.23%, and continued to recognise the full carrying amount of the transferred finance lease receivables.

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

27. SHARE CAPITAL

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
On 1 January 2018	38,000,000	380,000
Increase on 23 November 2018 (note a)	3,962,000,000	39,620,000
On 31 December 2018 and 2019	4,000,000,000	40,000,000
Issued and fully paid:		
On 1 January 2018	1	–
Issued in consideration for the acquisition of Metropolis Asia on 8 March 2018 (note b)	49,999	500
Capitalisation issue of new shares (note c)	599,950,000	5,999,500
Issuance of new shares upon Listing (note d)	200,000,000	2,000,000
On 31 December 2018	800,000,000	8,000,000
Issuance of ordinary shares-upon a private placement (note e)	160,000,000	1,600,000
On 31 December 2019	960,000,000	9,600,000
		RMB
Shown in the statement of financial position		8,503,450

Notes:

(a) Pursuant to the written resolutions of the sole shareholder of the Company passed on 23 November 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$40,000,000 by the creation of an additional of 3,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(b) Upon the completion of the Group Reorganisation, the Company acquired 100% equity interests in Metropolis Asia from View Art in consideration of issuance of 49,999 of its shares at HK$0.01 each to View Art, totalling HK$500 (equivalent to RMB404) credited as fully paid. The difference of the amount of the issued shares and share premium of the Company and the amount of the share capital of Metropolis Asia prior to the completion of the Group Reorganisation in the amount of RMB138,043,162, had been debited to merger reserve.

(c) On 12 December 2018, the Company capitalised a sum of HK$5,999,500 (equivalent to RMB5,300,558) standing to the credit of the share premium account of the Company and appropriated such amount as to capital to pay up in full at par 599,950,000 new shares of HK$0.01 each for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 23 November 2018.

(d) On 12 December 2018, the Company issued a total of 200,000,000 ordinary shares of a par value of HK$0.01 each pursuant to the global offering at the price of HK$0.39 per share and the Company's shares were listed on GEM of the Stock Exchange on 12 December 2018. Total proceeds from the offering were HK$78,000,000 (equivalent to RMB68,913,000).

(e) 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).

28. DEFERRED TAX ASSETS

	As at 31 December	
	2019	2018
	RMB	RMB
Deferred tax assets	–	2,385,949

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

	Loss allowance on finance lease receivables and other financial assets measured at amortised cost	Depreciation of property and equipment	Amortisation of intangible asset	Tax losses	Unpaid accrued expenses	Total
	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2018	1,324,612	24,866	156,093	406,024	–	1,911,595
Credit (charge) to profit or loss	187,955	(2,397)	(21,004)	(406,024)	715,824	474,354
At 31 December 2018	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	–	–	–	–	–	–

At the end of the reporting period, the Group has deductible temporary differences of RMB56,624,986 (2018: RMB9,543,797). As at 31 December 2019, no deferred tax asset has been recognised in relation to such deductible temporary difference (2018: nil) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2019, the PRC subsidiary suffered an accumulated loss amounting to RMB17,726,031. As at 31 December 2018, deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiary amounting to RMB30,139,599 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.

29. LEASE LIABILITIES

	31/12/2019 RMB
Lease liabilities payable:	
Within one year	1,286,821
Within a period of more than one year but not more than two years	8,955
	1,295,776
Less: Amount due for settlement with 12 months shown under current liabilities	1,286,821
Amount due for settlement after 12 months shown under non-current liabilities	8,955

All lease obligations are denominated in the functional currencies 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 from 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.

30. 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	(2,291,659)
	156,122

Details of the associate at the end of the reporting period is 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
			2019	2018	2019	2018	
Aiding Automobile Technology (Shanghai) Limited Company ("Aiding")	The PRC	The PRC	20%	N/A	20%	N/A	Automobile technology and related consultation

30. INVESTMENT IN AN ASSOCIATE (Continued)

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 Leasing 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 2019. All shareholders of Aiding determined to liquidate Aiding. As of 31 December 2019, the net asset value of Aiding was RMB238,906.

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 during the year ended 31 December 2019.

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.

As of the date of the issuance of the consolidated financial statements, the liquidation of Aiding is in process of completing the cancelation of registration with Administration for Industry and Commerce.

31. 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 2019 were RMB2,423,419 (31 December 2018: RMB2,362,959).

32. OPERATING LEASES

The Group as lessee

	31/12/2018
	RMB
Minimum lease payments paid under operating leases during the year	1,625,341

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2018
	RMB
Within one year	1,441,268
In the second year	1,392,940
	2,834,208

33. 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	Amount due to related parties	Accrued issue costs (note)	Lease Liabilities	Total
At 1 January 2018	–	29,867,109	4,961,998	2,183,824	–	37,012,931
Financing cash flows	(14,887)	10,705,439	(1,964,333)	(10,286,966)	–	(1,560,747)
Non-cash changes						
Offsetting arrangement with a related party	–	–	(3,000,000)	–	–	(3,000,000)
Exchange loss	–	–	2,335	–	–	2,335
Issue costs accrued	–	–	–	9,571,932	–	9,571,932
At 31 December 2018	(14,887)	40,572,548	–	1,468,790	–	42,026,451
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**
Financing cash flows	**14,887**	**(14,136,546)**	**–**	**(1,563,562)**	**(1,359,471)**	**(17,044,692)**
Non-cash changes						
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**

Note: The balances of accrued issue costs were included in "Listing costs payables" as set out in note 24.

34. 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 26 and equity attributable to owner 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.

35. FINANCIAL RISK MANAGEMENT

Categories of financial instruments and finance lease receivables

	At 31 December	
	2019	2018
	RMB	RMB
Financial assets and financial lease receivables		
Finance lease receivables	**168,639,164**	261,285,193
Financial assets at amortised costs (including cash and cash equivalent)	**101,029,828**	56,600,374
Financial assets at FVTPL	**10,000,000**	5,000,000
	279,668,992	322,885,567
Financial liabilities		
Deposits received from leasing customers	**38,790,629**	50,887,966
Other financial liabilities at amortised cost	**44,490,584**	49,932,615
	83,281,213	100,820,581

35. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies

The major financial instruments include receivables arising from sale and leaseback arrangements, loans to related parties, deposits and other receivables, security deposits, term deposits, bank balances and cash, financial assets at FVTPL, loan to an independent third party, deposits received from leasing customers, other payables, listing costs 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 manage and monitor 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$, term deposits denominated in HK$, certain loans to related parties and certain listing costs payables denominated in HK$ as set out in notes 23, 21, 17 and 24, the Group's operations were principally carried out in the PRC during the both years 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, certain loans to related parties and listing costs 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, loan to related parties and listing costs 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	
	2019	2018
	RMB	RMB
Assets		
HK$	**26,765,680**	8,620,071
US$	**35,449**	43,883,732
Liabilities		
HK$	**1,594,782**	1,060,352

35. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 10% (2018: 10%) appreciation and depreciation in RMB against the relevant foreign currencies. 10%(2018:10%) 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 post-tax profit where RMB appreciates against the relevant currency, while there would be an equal and opposite impact on the post-tax profit where RMB depreciates against the relevant currency.

	At 31 December	
	2019	2018
	RMB	RMB
HK$	**(2,556,959)**	(782,481)
US$	**(3,545)**	(3,292,151)

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, security deposits and financial assets at FVTPL, while that of fair value interest rate risk relates primarily to the Group's term deposits, finance lease receivables, receivables arising from sale and leaseback arrangements, loans to related parties, bank and other borrowings, deposits received from leasing customers, lease liabilities and other financial liabilities.

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.

35. 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, loans to related parties, loan to an independent third party, security deposit, term deposits, deposits and other receivables and bank balances.

The credit risk on liquid funds (i.e., security deposits, 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 2019, gross amount of finance lease receivables amounting to RMB18,365,302 (2018: RMB8,151,332) and RMB1,869,615 (2018: RMB2,342,249) was under the Group's legal action and mandatory repossession of the leased assets. In connection with these legal actions, cumulative balances of RMB2,135,523 (2018: RMB682,746) 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.

35. 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.

(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.

35. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

(2) Other specific management and mitigation measures include: (Continued)

The Group's concentration of credit risk on finance lease receivables as at 31 December 2019 included five major customers accounting for 35.2% (31 December 2018: 36.1%) 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 50.1% (31 December 2018: 46.8%) 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.

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.

35. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

(2) Other specific management and mitigation measures include: (Continued)

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 allowance 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.

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.

35. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

(2) Other specific management and mitigation measures include: (Continued)

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

35. 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 2019.

As at 31 December 2019

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit-impaired RMB	Stage 3 Lifetime ECL credit-impaired RMB	Total RMB
Total gross carrying amount (RMB)	**63,721,268**	**45,076,440**	**107,818,970**	**216,616,678**
Weighted average expected credit loss rate	**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**

As at 31 December 2018

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit-impaired RMB	Stage 3 Lifetime ECL credit-impaired RMB	Total RMB
Total gross carrying amount (RMB)	240,519,945	10,099,026	16,716,491	267,335,462
Weighted average expected credit loss rate	0.17%	5.87%	30.18%	2.26%
Total ECL (RMB)	413,176	592,591	5,044,502	6,050,269
Including:				
12m ECL (RMB)	413,176	–	–	413,176
Lifetime ECL (RMB)	–	592,591	5,044,502	5,637,093
	413,176	592,591	5,044,502	6,050,269

35. 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 2019.

As at 31 December 2019

	Stage 1 12m ECL RMB	Stage 2 Lifetime ECL not credit- impaired RMB	Stage 3 Lifetime ECL credit- impaired RMB	Total RMB
Total gross carrying amount (RMB)	54,933,656	–	–	54,933,656
Weighted average expected credit loss rate	1.80%	–	–	1.80%
Total ECL (RMB)	989,060	–	–	989,060
Including:				
12m ECL (RMB)	989,060	–	–	989,060

Deposits and other receivables and loans to related parties

For deposits and other receivables and loans to related parties, 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 for the deposits and other receivables and loans to related parties.

Bank balances and cash and security deposits and term deposits

The expected credit loss for bank balances and security deposits and term deposits is insignificant because such assets are placed in banks with good reputation.

35. 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 RMB	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 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2019 RMB
As at 31 December 2019										
Assets										
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
Bank balances and cash	–	–	20,941,637	–	–	–	–	–	20,941,637	20,941,637
Term deposits	0.20%	–	–	22,395,359	–	–	–	–	22,395,359	22,394,500
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
Total non-derivative financial assets		52,009,149	34,690,732	37,180,700	29,271,199	97,212,888	85,124,906	33,225,107	368,714,681	279,668,992
Liabilities										
Deposits received from 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
Total non-derivative financial liabilities liabilities		–	16,758,806	4,377,732	8,200,908	25,884,901	27,757,239	10,775,089	93,754,675	83,281,213

35. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate RMB	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 3 years RMB	Total undiscounted cash flows RMB	Carrying amount at 31 December 2018 RMB
As at 31 December 2018										
Assets										
Finance lease receivables	18.06%	11,919,744	–	21,811,800	42,937,487	117,073,010	80,336,065	37,191,968	311,270,074	261,285,193
Bank balances and cash	–	–	53,230,923	–	–	–	–	–	53,230,923	53,230,923
Security deposits	0.35%	–	–	–	14,900	–	–	–	14,900	14,887
Financial assets at FVTPL	–	–	5,000,000	–	–	–	–	–	5,000,000	5,000,000
Loans to related parties	–	–	1,766,388	–	–	–	–	–	1,766,388	1,766,388
Loan to an independent third party	12.00%	–	–	–	–	224,000	–	–	224,000	200,000
Deposits and other receivables	–	–	1,388,176	–	–	–	–	–	1,388,176	1,388,176
Total non-derivative financial assets		11,919,744	61,385,487	21,811,800	42,952,387	117,297,010	80,336,065	37,191,968	372,894,461	322,885,567
Liabilities										
Deposits received from leasing customers	18.87%	–	–	6,839,439	4,758,496	15,019,887	16,051,441	13,832,001	56,501,264	50,887,966
Bank and other borrowings	11.50%	–	–	5,158,926	11,606,416	23,500,325	2,536,021	–	42,801,688	40,572,548
Listing costs payables	–	–	1,931,160	–	–	–	–	–	1,931,160	1,931,160
Other payables	–	–	7,428,907	–	–	–	–	–	7,428,907	7,428,907
Total non-derivative financial liabilities liabilities		–	9,360,067	11,998,365	16,364,912	38,520,212	18,587,462	13,832,001	108,663,019	100,820,581

35. 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.

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.

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
	2019	2018		
	RMB	RMB		
Financial asset				
Unlisted financial products	**10,000,000**	5,000,000	Level 2	Discounted cash flows, Future cash flows are estimated based on expected return of the financial products

36. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

	At 31 December	
	2019	2018
	RMB	RMB
Finance lease receivables (note 26(a))	**17,420,359**	55,786,806
Security deposits	**–**	14,887
	17,420,359	55,801,693

37. 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 2019 RMB	2018 RMB
Xin You	Related party	Finance lease revenue earned	**407,675**	553,628
		Repayments of loan	**–**	10,000,000
Mr. Chow Chuen Chung	Related party	Operating lease expense	**–**	1,301,720
		Interest expense on lease liabilities	**207,984**	N/A
Mr. Chau (note)	Controlling shareholder	New loans made	**13,159,196**	4,766,388
		Repayments of loan	**14,925,584**	–

Note: These were all non-trade in nature and represented the loans made by the Group to Mr. Chau and Mr. Chau's repayment to the Group. All of these loans were unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel

	At 31 December 2019 RMB	2018 RMB
Salaries, bonus and other benefits	**1,865,969**	1,104,800
Retirement benefits scheme contributions	**328,606**	243,891
	2,194,575	1,348,691

The remuneration of directors and key executive with reference to the performance of individuals and market trends.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB	2018 RMB
NON-CURRENT ASSETS		
Investment in a subsidiary at cost	**138,384,857**	138,384,857
Deemed investment in a subsidiary (note)	**43,810,000**	43,810,000
	182,194,857	182,194,857
CURRENT ASSETS		
Loan to a related party	**–**	1,707,782
Bank balances and cash	**4,290,647**	6,772,711
Term deposit	**22,394,500**	–
	26,685,147	8,480,493
CURRENT LIABILITIES		
Other payables and accrued expenses	**1,747,512**	–
Amount due to a subsidiary	**2,401,462**	5,106,190
	4,148,974	5,106,190
NET CURRENT ASSETS	**22,536,173**	3,374,303
TOTAL ASSETS LESS CURRENT LIABILITIES	**204,731,030**	185,569,160
CAPITAL AND RESERVES		
Share capital	**8,503,450**	7,067,962
Reserves	**196,227,580**	178,501,198
TOTAL EQUITY	**204,731,030**	185,569,160

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements of the Company's reserves

	Share premium RMB	Accumulated losses RMB	Total RMB
At 1 January 2018	–	–	–
Loss and total comprehensive expense for the year	–	(8,515,227)	(8,515,227)
Issue of shares to View Art as to acquire Metropolis Asia for the completion of Group Reorganisation on 8 March 2018 (Note 27(b))	138,384,453	–	138,384,453
Capitalisation issue of new shares (Note 27(c))	(5,300,558)	–	(5,300,558)
Issuance of new shares upon Listing (Note 27(d))	67,146,000	–	67,146,000
Expenses incurred in connection with the issuance of new shares	(13,213,470)	–	(13,213,470)
As at 31 December 2018	187,016,425	(8,515,227)	178,501,198
Loss and total comprehensive expense for the year	–	(3,748,164)	(3,748,164)
Issuance of new shares upon a private placement (Note 27(e))	21,474,546	–	21,474,546
At 31 December 2019	208,490,971	(12,263,391)	196,227,580

Note: 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.

39. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place/date of incorporation/ establishment and operation	Paid-in capital	Shareholding/equity interest attributable to the Company as at		Principal activities
			31/12/2019	31/12/2018	
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)	The PRC 20 October 2009	US$26,000,000	100%	100%	Provision of finance lease services, factoring and other services

None of the subsidiaries had issued any debt securities at the end of both years.

Note: Metropolis Leasing is a wholly foreign owned enterprise with limited liability established in the PRC.

40. EVENT AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in China and the subsequent quarantine measures imposed by the government as well as the travel restrictions imposed by other countries in early 2020 have had a severe negative impact on the operations of the Group, as most of the Group's operations are located in China. The Group had to substantially stop its new leasing services since February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic. Even though the Group had resumed its business operation since March 2020, they are still not operating at normal capacity due to mandatory government quarantine measures.

In addition, as the operations of all of the Group's customers are located in China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of Group's financial assets and other assets due from these parties e.g. finance lease receivables and receivables arising from sale and leaseback arrangements which are subject to ECL assessments. The outbreak of the COVID-19 is expected to affect the debtors' ability to pay negatively which may in turn increase the ECL provision.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to materially affect the consolidated results of the Group for the first half and full year of 2020.

FOUR YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the latest four financial years, as extracted from this annual report and the accountants' report as contained in the Prospectus, is set out below.

	Year ended 31 December			
	2019	2018	2017	2016
	RMB	RMB	RMB	RMB
Revenue	**37,378,619**	47,987,283	49,661,039	44,098,209
(Loss) Profit before income tax	**(46,550,144)**	768,765	6,848,562	8,781,602
Income tax expense	**(3,432,812)**	(324,530)	(1,766,173)	(2,271,445)
(Loss) Profit and total comprehensive (expense) income for the year	**(49,982,956)**	444,235	5,082,389	6,510,157

	As at 31 December			
	2019	2018	2017	2016
	RMB	RMB	RMB	RMB
Non-current assets	**85,281,161**	99,347,128	73,835,110	84,225,661
Current assets	**200,867,701**	230,709,294	205,458,631	271,601,326
Total assets	**286,148,862**	330,056,422	279,293,741	355,826,987
Non-current liabilities	**30,560,684**	32,362,381	25,782,956	55,267,258
Current liabilities	**59,042,249**	74,075,190	85,443,516	137,574,849
Total liabilities	**89,602,933**	106,437,571	111,226,472	192,842,107
Total equity	**196,545,929**	223,618,851	168,067,269	162,984,880