METROPOLIS

METROPOLIS CAPITAL HOLDINGS LIMITED

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

2018
Annual Report

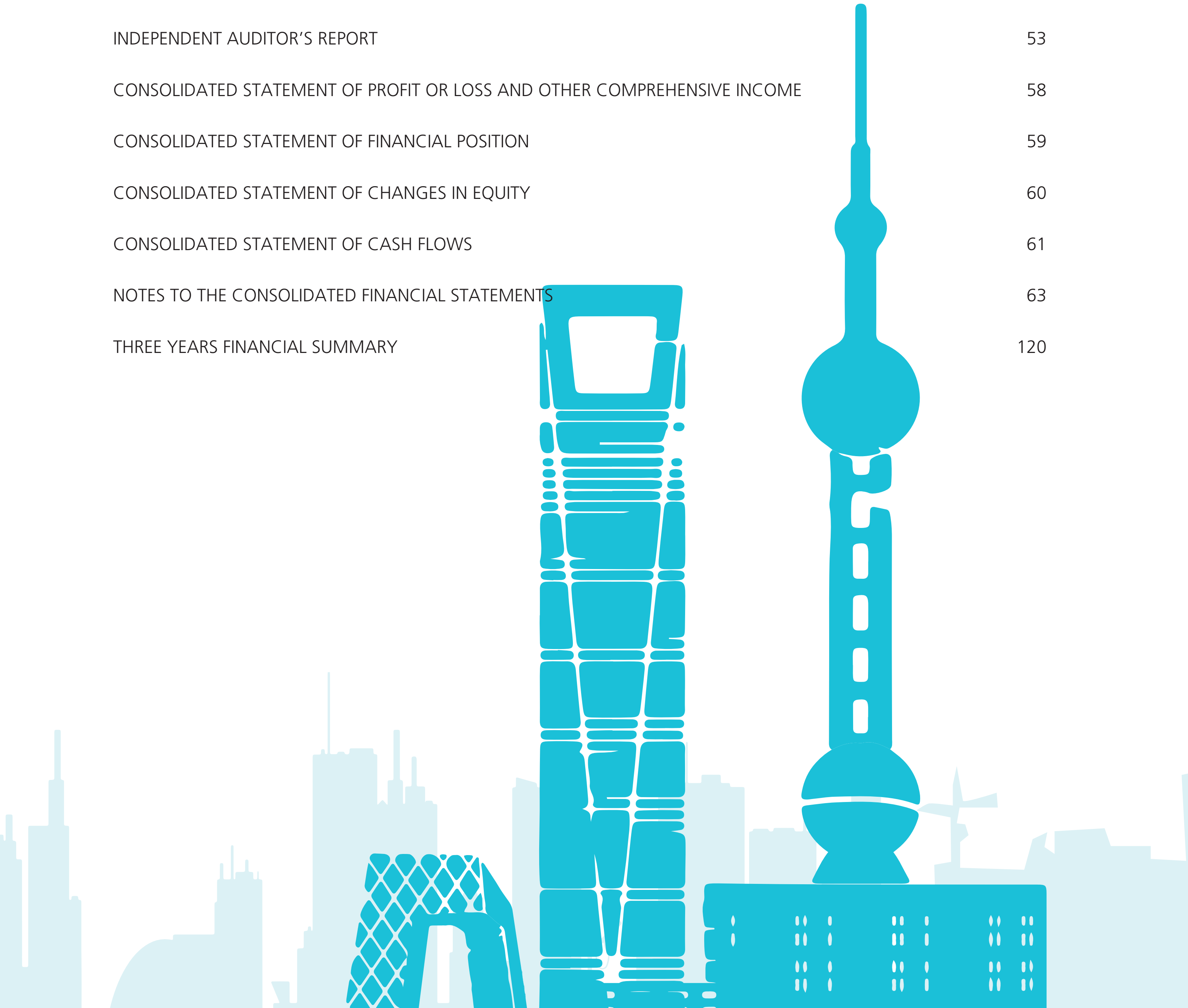
CHARACTERISTICS OF GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

CONTENT



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
Certified Public Accountants
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 22, 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

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 2018 (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 a well-established finance leasing group with a decade's business history. The Group is headquartered in Shanghai and has five branch offices in the People's Republic of China (the "PRC") and primarily provides customised vehicle finance leasing to its customers.

PERFORMANCE REVIEW

Back in 2018, the national economy slowed down and the financial leasing sector faced intensifying competition. For the Group, 2018 was a year of risks and opportunities. During the Reporting Period, the Group continued its tradition of researching the transportation and logistics markets as it perceives its ever-improving expertise in those areas as its key competitiveness. It took the initiative to expand the financial leasing business in those segment markets where growth certainty was expected to be more secure, such as the car dealer inventory and the online car hailing markets. By the year end, the Group has established and developed good business relationships with a few top-brand car dealers and leading car-hailing service providers in various local markets. The Group believes its expansion and penetration in those segment markets will help improve its asset portfolio structure, which leads to safer assets and lower risks.

China's financial market had gone through a lot during 2018. The indexes of Shanghai Stock Exchange and Shenzhen Stock Exchange both dropped significantly. The crack-down on irregular and illegal activities in the financial sector to forestall risks had led to severe tightening of credit liquidity of the economy. Despite the adverse market conditions, the Group managed to secure more funding sources to support its business growth. For the year ended 31 December 2018, the Group raised approximately RMB120 million from banks and other financial institutions, which represents an increase of approximately RMB80 million or approximately 200% compared with that for the year ended 31 December 2017 (the "Corresponding Period"). The Group regards external funding as one of the key drivers to its business growth and will continue to expand and diversify its funding resources.

Thanks to the strong funding support, the Group's aggregate net financing amount advanced to its customers for the Reporting Period reached approximately RMB369.1 million, which represents an increase of approximately RMB122.4 million or 49.7% as compared with that during the Corresponding Period.

The Group's revenue for the Reporting Period was approximately RMB48.0 million, which represented a decrease of 3.4% from approximately RMB49.7 million for the Corresponding Period. However, the revenue of the Group generated from vehicle finance leasing during the Reporting Period (i.e. approximately RMB47.4 million) remained stable when compared to that of the Corresponding Period (i.e. approximately RMB47.8 million). On the other hand, the Group has also managed its operation expenses more effectively during the Reporting Period. Excluding listing expenses, which was of non-recurring nature, the Group's total expenses for the Reporting Period was approximately RMB39.2 million, which was approximately RMB1.8 million or approximately 4.4% less than the total expenses incurred during the Corresponding Period.

OUTLOOK

The upcoming year of 2019 will face many macro-economic uncertainties, such as the domestic supply-side structural reform; the Sino-US trade frictions and so on. Furthermore, the PRC government will continue its efforts to curb widespread malfeasance and place its financial industry under greater scrutiny.

However, the Group has confidence in the prospect of the vehicle finance leasing market and will focus on improving its risk management skills while seeking customers with good credit background so as to improve the Group's asset quality and profitability. The Group will continuously encourage teamwork to enhance its business development capability. It intends to retain its existing customers with good credit background and establish relationships with more leading enterprises in the transportation and logistics industries. In doing that, the Group believes that it can improve its customer structure and optimise the structure of its finance leasing assets portfolio, thereby increasing the rate of return of the Group while reducing asset risks.

Entering 2019, the Group will also consider utilising its expertise to provide finance leasing advisory services to the customers which will open up a new revenue stream. The Group believes that its services will help to enhance its competitiveness, increasing its profits, and continue to propel its development steadily.

In the long run, the Group aims to collaborate with its customers and become their partners to drive value for their companies and organisations. Leveraging on the Group's financial service industry experience, the Group strives to provide a comprehensive range of fleet management solutions to its customers by investing in the technologies and people, thereby assisting its customers to operate their vehicles more efficiently.

David Chau
Chairman, chief exective officer and executive Director
Shanghai, the PRC, 20 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the Reporting Period, the Group maintained the earning power and recorded the revenue of approximately RMB48.0 million. That represented a decrease of 3.4% from approximately RMB49.7 million for the Corresponding Period. The decrease in revenue was mainly due to the significant decrease in the scale of the Group's machinery and equipment finance leasing business during the Reporting Period when compared to that of the Corresponding Period. As explained in the prospectus of the Company dated 30 November 2018 (the "Prospectus"), the Group has strategically allocated more of its resources in developing its vehicle finance leasing business in the past few years. The revenue of the Group generated from vehicle finance leasing during the Reporting Period (i.e. approximately RMB47.4 million) remained stable when compared to that of the Corresponding Period (i.e. approximately RMB47.8 million).

OTHER INCOME

During the Reporting Period, the Group's other income amounted to approximately RMB0.9 million, representing a decrease of approximately RMB6.2 million compared to that of the Corresponding Period. The decrease was primarily due to (a) decrease in government subsidies to the Group in respect of refund upon levy of value-added tax; and (b) decrease in imputed interest income from related parties due to the settlement of loans by the related parties of the Group.

OTHER GAINS AND LOSSES

During the Reporting Period, the Group recorded other losses of approximately RMB0.8 million, whereas the Group recorded other gain of approximately RMB1.8 million during the Corresponding Period. The other losses of the Group during the Reporting Period arose mainly from appreciation of Renminbi against Hong Kong dollar between Listing Date and 31 December 2018. The unforeseen strengthening of Renminbi against Hong Kong dollar has an impact on the Group's profit as the currency of the proceeds from the share offer of the Company as described in the Prospectus were denominated in Hong Kong dollar.

STAFF COSTS

During the Reporting Period, the Group's staff costs amounted to approximately RMB10.1 million, representing a decrease of approximately 17.1% from approximately RMB12.2 million for the Corresponding Period. The decrease was mainly due to the restructuring of the personnel which was in line with the development of the Group's business.

OTHER OPERATING EXPENSES

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB9.2 million, representing a decrease of approximately 11.6% from approximately RMB10.4 million during the Corresponding Period. The decrease was mainly due to the decrease in travelling expenses and rental expenses as a result of the relocation of the liaison offices.

FINANCE COST

During the Reporting Period, the Group's finance cost amounted to approximately RMB19.9 million, representing an increase of approximately 8.1% from approximately RMB18.4 million during the Corresponding Period. The increase was mainly due to the interest expenses arising from the new funds that the Group raised from banks and independent third parties during the Reporting Period which amounted to approximately RMB119.8 million. As at 31 December 2018, the bank and other borrowings of the Group amounted to approximately RMB40.6 million, representing an increase of approximately 35.8% from that of 31 December 2017, which was approximately RMB29.9 million. The borrowings of the Group are primarily denominated in Renminbi.

QUALITY OF FINANCE LEASE RECEIVABLES

During the Reporting Period, the aggregate net financing amount advanced by the Group to its customers was approximately RMB369.1 million, which represents an increase of approximately RMB122.4 million or 49.7% as compared with that during the Corresponding Period. As at 31 December 2018, the Group's finance lease receivables (before provision)amounted to approximately RMB267.3 million, representing an increase of approximately RMB10.6 million compared with that as at 31 December 2017. The quality of finance lease receivables of the Group remains stable during the Reporting Period, the Group has established prudent asset management procedures and will sustain its effort on debt collection and credit risk assessment to ensure the asset quality. Details of the quality of finance lease receivables are set out in Note 18 to the consolidated financial statements.

IMPAIRMENT LOSSES ON FINANCE LEASE RECEIVABLES

During the Reporting Period, the Group recognised an impairment loss of approximately RMB0.8 million, while there was a reversal of impairment loss of approximately RMB1.1 million during the Corresponding Period. The Group prudently recognised the impairment loss mainly because of the increase in the year-end balance of the finance lease receivables of the Group and the effect of application of IFRS 9 during the Reporting Period.

LISTING EXPENSES

During the Reporting Period, the Group incurred listing expenses of approximately RMB7.8 million, while approximately RMB11.4 million was incurred for the Corresponding Period. The listing expenses were directly attributable for the listing of the Company's shares on GEM of the Stock Exchange and were of non-recurring nature.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT BEFORE TAX

Profit before tax of the Group decreased by approximately 88.8% to approximately RMB0.8 million for the Reporting Period from approximately RMB6.8 million for the Corresponding Period. The significant decrease was mainly due to the fluctuations in other income and other gains or losses of the Group, which were explained above.

The following table sets forth the Company's profits without regards to those factors that were usually outside the normal control of the Company. This adjustment presentation is not required by the International Financial Reporting Standards ("IFRS") and is only displayed below for reference purpose:

	For the year ended 31 December	
	2018	2017
	RMB	RMB
Profit before tax	**768,765**	6,848,562
Add:		
Other losses	**775,767**	–
Listing expenses	**7,841,220**	11,408,386
Less:		
Other income	**(946,449)**	(7,116,719)
Other gains	**–**	(1,833,575)
Adjusted profit before tax	**8,439,303**	9,306,654

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense was approximately RMB0.3 million and was approximately RMB1.8 million for the Corresponding Period, which was generally in line with the decrease of profit of the Group during the Reporting Period.

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 share offer of the Company in December 2018 which were denominated in Hong Kong dollar. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December	
	2018	2017
	RMB	RMB
Cash at bank and in hand (as at 31 December)	**53,230,923**	4,229,539
Net cash (used in) generated from operating activities	**(17,567,138)**	7,772,490
Net cash (used in) generated from investing activities	**(401,275)**	19,438,354
Net cash generated from (used in) financing activities	**67,352,253**	(29,627,456)

As at 31 December 2018, cash at bank and in hand of the Group was approximately RMB53.2 million, as compared with approximately RMB4.2 million as at 31 December 2017.

For the Reporting Period, net cash used in operating activities was approximately RMB17.6 million, as compared with net cash from operating activities of approximately RMB7.8 million for the Corresponding Period. For the Reporting Period, net cash used in investing activities was approximately RMB0.4 million, as compared with net cash generated from investing activities of approximately RMB19.4 million for the Corresponding Period. For the Reporting Period, net cash generated from financing activities was approximately RMB67.4 million, as compared with net cash used in financing activities of approximately RMB29.6 million for the Corresponding Period.

CAPITAL MANAGEMENT

The Group regularly reviews and manages its capital structure to ensure that the Group will be able to continue as a going concern while maximizing the return to its shareholders (the "Shareholders") through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

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:

	31 December 2018	31 December 2017
	RMB	RMB
Total equity	**223,618,851**	168,067,269
Overall financing		
– Bank and other borrowings	**40,572,548**	29,867,109
– Amount due to related parties	**–**	4,961,998
Gearing ratio	**18.1%**	20.7%

At the end of the Reporting Period, the gearing ratio of the Company was 18.1%, which represents a slight decrease compared to the 20.7% at the end of the Corresponding Period. The Group principally relied on bank and other borrowings as source of funding to operate its business and prudently maintained the gearing position at a reasonable level.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2018, the Group had 72 full-time employees as compared with 84 full-time employees as at 31 December 2017. Total staff cost (including Directors' remuneration) was approximately RMB10.1 million for the Reporting Period, as compared with approximately RMB12.2 million for the Corresponding Period. The Group believes that employees are one of its most important assets and the Group strives to offer competitive remuneration to its employees. The Group has been recruiting and promoting individuals based on merit and their development potentials. 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 2018, the Group had no significant contingent liabilities (31 December 2017: nil).

PLEDGE OF ASSETS

As at 31 December 2018 and 31 December 2017 respectively, bank and other borrowings of approximately RMB40.6 million and RMB29.9 million were secured by finance lease receivables of the Group which amounted to approximately RMB55.8 million and RMB81.7 million, respectively.

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 Listing Date, 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. Due to the short period between the Listing Date and the year end of 2018, the Company did not utilise any part of the raised funds.

CAPITAL COMMITMENTS

As at 31 December 2018, the Company had no capital commitments.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the annual results of the Group for the Reporting Period and agreed to the accounting principle and practices adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

The following event took place subsequent to 31 December 2018:

(i) On 23 January 2019, Metropolis Leasing entered into a capital contribution agreement to inject RMB3,000,000 to an independent third party entity, which is engaged in provision of technology consulting services to customers including vehicle dealers. Upon completion of the capital contribution, the Group will held 20% equity interest of the entity. As Metropolis Leasing would be entitled to appoint one out of three board members of the entity, it would be accounted for as an associate of the Group. RMB500,000 and RMB1,000,000 were paid to the entity in January 2019 and March 2019, respectively. The remainder would be paid prior to 30 April 2019 pursuant to the agreement. The Group is still in the process of assessing the financial impact of this acquisition.

(ii) On February 2019, Metropolis Leasing entered into several finance leasing agreements with a customer in relation to finance leasing of inventory vehicles. Pursuant to the agreements, Metropolis Leasing would purchase the underlying vehicles at the consideration of RMB6,120,000 and lease these vehicles to the customer with a term of six months.

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

During the period from the Listing Date to 31 December 2018, 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 Chow Tai Lik) (周大為), aged 34, 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 eight 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 Leasing Co., Ltd.* (信都國際租賃有限公司) ("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 36, 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 12 years of experience in risks management of which she has seven years of experience in vehicle finance leasing sector. Prior to joining the Group, Ms. Zhou worked as a tax associate in Deloitte Touche Tohmatsu from August 2006 to March 2007 and deputy manager of risk management, responsible for risk control and assessment, in Bank of East Asia (China) Limited from March 2007 to September 2010. She has been the legal representative of Shanghai Junyu Asset Management Company Limited* (上海君禦資產管理有限公司) which engages in asset management, 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 63, 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 eight 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 36, 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 14 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. Since August 2017, Mr. Lau has been company secretary of IAG Holdings Limited (stock code: 8513), the shares of which are listed on GEM.

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 39, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the remuneration committee of the Board and member of the audit committee and nomination committee of the Board.

Mr. Mo has more than 15 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 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 36, was appointed as an independent non-executive Director on 23 November 2018. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the nomination committee of the Board and member of the audit committee and remuneration committee of the Board.

Mr. Lo has over 13 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 GEM (stock code: 8407)) until May 2017 when he left the company as a director. From June and July 2017 to present, Mr. Lo is a director and has been appointed as 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 42, 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 15 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 39, 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 13 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*

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

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 2018.

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 6 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.

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 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.

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 decisions with due care and attention.

ANNUAL RESULTS AND DISTRIBUTIONS

The annual results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 58 of this annual report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

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 Wednesday, 8 May 2019, the register of members of the Company will be closed from 2 May 2019 to 8 May 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30p.m. on Tuesday, 30 April 2019 (Hong Kong time).

SHARE CAPITAL

The Shares were listed on GEM on 12 December 2018. The Company issued an aggregate of 599,950,000 Shares pursuant to the capitalisation issue as described in the Prospectus. The Company issued an aggregate of 200,000,000 Shares pursuant to the Share Offer.

From the Listing Date up to 31 December 2018, there was no change in share capital of the Company. Details of the movements in share capital of the Group during the year ended 31 December 2018 are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company is set out in Note 34 to the consolidated financial statements. As at 31 December 2018, 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 RMB178.5 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2018 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 2018 (2017: nil).

DIRECTORS' REPORT

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were as follows:

Executive Directors:

Mr. Chau David *(Chairman and Chief Executive Officer)*
(appointed on 29 June 2017 and redesignated as executive Director on 8 March 2018)

Ms. Zhou Hui
(appointed on 29 August 2017 and redesignated as executive Director on 8 March 2018)

Non-executive Director:

Ms. Chau On
(appointed on 29 August 2017 and redesignated as non-executive Director on 8 March 2018)

Independent non-executive Directors:

Mr. Lau Chung Wai
(appointed on 23 November 2018)
Mr. Mo Luojiang
(appointed on 23 November 2018)
Mr. Lo Kai Tung
(appointed on 23 November 2018)

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 8 May 2019 has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' 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 2018, 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)	75%

Notes:

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

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

2. Interest in shares of associated corporations of the Company

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

Notes:

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

2. Mr. Chau David beneficially and wholly owns View Art Investment Limited, which in turn holds approximately 75% of the issued share capital of the Company.

Save as disclosed above, as at 31 December 2018, 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 2018, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange:

Name of shareholder	Nature of interest and capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
View Art Investment Limited (Note 2)	Beneficial owner	600,000,000 (L)	75%

Notes:

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

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

Save as disclosed above, as at 31 December 2018, 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 2018, 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 Listing Date. 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 10% 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 10 years.

CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Related party transactions" and note 33 to the consolidated financial statements, (i) no 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 2018; (ii) no 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 2018; and (iii) no 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 2018.

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 year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2018, 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 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The relationship between the Group and our customers has been stable. For the year ended 31 December 2018, the Group's five largest customers accounted for approximately 19.2% of its total revenue, while the largest customer accounted for approximately 5.7% of its total revenue.

At no time during the year ended 31 December 2018 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers.

For the year ended 31 December 2018, the Group had no major suppliers due to the nature of its business.

RELATED PARTY TRANSACTIONS

Details of the Group's material related party transactions are set out in Note 33 to the consolidated financial statements. Save as disclosed below, the transactions disclosed under Note 33 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, 2 of which were completed as at 31 December 2018. 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 2018, the total amount of finance lease rentals received by the Group under the 17 Individual Lease Agreements was approximately RMB1.5 million, out of which RMB1.2 million being the finance lease principal and RMB0.3 million being the finance lease interests.

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

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

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 2018:

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 2017 and 2018, the Group entered into finance leases with a corporate customer ("Customer B"), which is an independent third party and an auto dealer, for inventory finance leasing of luxury cars. The aggregate net financing amount under such finance leases was approximately RMB37.0 million for the year ended 31 December 2017 and approximately RMB79.8 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 5.0% (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 6 months and Customer B would make monthly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer B exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

3. In 2017 and 2018, the Group entered into finance leases with a corporate customer ("Customer C"), which is an independent third party and an auto dealer, for inventory finance leasing of luxury cars. The aggregate net financing amount under such finance leases was approximately RMB17.6 million for the year ended 31 December 2017 and approximately RMB12.3 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 5.1% (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 6.8 months and Customer C would make monthly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer C exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

4. In 2017 and 2018, the Group entered into finance leases with a corporate customer ("Customer D"), 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 RMB8.4 million for the year ended 31 December 2017 and approximately RMB16.4 million for the year ended 31 December 2018. The total contract yield of such finance leases was approximately 6.0% (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 12.0 months and Customer D would make monthly repayment to the Group. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer D exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

In addition, the Group entered into finance leases with the following customer from October 2018 to December 2018 which 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 after the latest practicable date for determining the information in the Prospectus (i.e. 21 November 2018) but before the Listing Date:

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 2018, 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 2018.

USE OF PROCEEDS FROM LISTING

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. During the period from the Listing Date and up to 31 December 2018, the Group did not change its plan on the use of proceeds as stated in the Prospectus. The status of the use of proceeds from the Share Offer can be found in the section headed "Management discussion and analysis" of this annual report.

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 period from Listing Date 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 28 to 37 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 reporting accountants of the Company for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018. The consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu, 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. During the year ended 31 December 2018 and up to the date of this annual report, 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 9 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

20 March 2019

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report as set out in the Company's annual report for the year ended 31 December 2018.

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 Shares were listed on GEM of the Stock Exchange on 12 December 2018. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date.

The Board is of the view that, since the Listing Date up to the date of this annual report, 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 since the Listing Date and up to 31 December 2018.

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. The Directors during 2018 and as at the date of this annual report are:

Executive Directors:

Mr. Chau David *(Chairman and Chief Executive Officer)*
(appointed on 29 June 2017 and redesignated as executive Director on 8 March 2018)

Ms. Zhou Hui
(appointed on 29 August 2017 and redesignated as executive Director on 8 March 2018)

Non-executive Director:

Ms. Chau On
(appointed on 29 August 2017 and redesignated as non-executive Director on 8 March 2018)

Independent non-executive Directors:

Mr. Lau Chung Wai
(appointed on 23 November 2018)
Mr. Mo Luojiang
(appointed on 23 November 2018)
Mr. Lo Kai Tung
(appointed on 23 November 2018)

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 18 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

Since the Listing Date and until 31 December 2018, 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. Prior to the Listing Date, 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 received training hosted by the Company's legal adviser which was about, inter alias, the GEM Listing Rules, the Companies Ordinance and Securities and Futures Ordinance.

I. DIRECTORS' ATTENDANCE RECORDS

Since the Listing Date and up to 31 December 2018, no Board meeting or Board committee meeting was held. The forthcoming annual general meeting which will be held on 8 May 2019 is the first general meeting of the Company since the Listing Date.

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 2018 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.

No meeting had been held by the Audit Committee during the year ended 31 December 2018 as the shares of the Company were only listed on GEM on 12 December 2018. From the Listing Date and up to the date of this annual report, two Audit Committee meetings were held to review, among others, the annual results of the Company for the year ended 31 December 2018, re-appointment of external auditors and relevant scope of works, and connected transactions.

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 2018 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.

No meeting had been held by the Nomination Committee during the year ended 31 December 2018 as the shares of the Company were only listed on GEM on 12 December 2018. From the Listing Date and up to the date of this annual report, one Nomination Committee meeting was held on 20 March 2019 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.

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 2018 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.

No meeting had been held by the Remuneration Committee during the year ended 31 December 2018 as the shares of the Company were only listed on GEM on 12 December 2018. From the Listing Date and up to the date of this annual report, one Remuneration Committee meeting was held on 20 March 2019 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 2018.

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 53 to 57 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 2018 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 2018 are set out in note 11 to the consolidated financial statements for the year ended 31 December 2018.

M. AUDITOR'S REMUNERATION

During the year ended 31 December 2018, 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 (note)	648,402
Non-audit services (reporting accountant for Listing)	2,960,743
Total	3,609,145

Note: This included remuneration of RMB400,000 payable/paid to the Company's auditor, Deloitte Touche Tohmatsu, and RMB248,402 payable/paid to local auditors for statutory audit services in respect of the subsidiaries located in the PRC and Hong Kong.

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. Please refer to the section headed "Risk Management" in the prospectus of the Company dated 30 November 2018 for further details of the Group's risk management systems. 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 continues to monitor and review the operation and performance of the risk management system, and to improve the system from time to time 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 year ended 31 December 2018, the management conducted an internal assessment and consolidation of relevant risks faced by the Company. There is no material change in the nature and extent of the risks faced by the Company and the Company is confident of its capability to handle such risks, and the relevant measures have been implemented. 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.

Prior to the listing of the Company's shares on GEM, the Company engaged an external consulting firm to review the internal control of the Company. The consulting firm provided advice for improvement regarding issues identified in the review. The Company's management took follow-up measures regarding the implementation and arranged subsequent review work.

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 since the Listing Date and up to 31 December 2018. 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 year ended 31 December 2018.

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 22 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. Since the Listing Date and up to the date of this annual report, the Company has not made any changes to its memorandum and articles of association.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINE

This Environmental, Social and Governance Report (the "Report") summarises the Group's Environmental, Social and Governance ("ESG") initiatives, plans and performance, and demonstrates its commitment to sustainable development.

The Group primarily provides customised vehicle leasing to customers and also provides machinery and equipment leasing to certain corporate customers in the People's Republic of China ("PRC" or "Mainland China").

The Group adheres to the ESG management direction in accordance with the concept of sustainable development, and is committed to progress effectively and responsibly against the ESG affairs of the Group as a core part of its business strategy. The Group believes that this is the key to its continuing success.

ESG Management Structure

The Group established the ESG taskforce (the "Taskforce"). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant information on its ESG aspects for the preparation of the Report. The Taskforce reports to the Board on a regular basis, assists in identifying and assessing the Group's ESG risks, and assesses the effectiveness of the Group's ESG internal control mechanism. The Taskforce also examines and evaluates the performance in different aspects such as environment, safe production, labour standards, and product responsibility in the ESG perspectives. The Board has set the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

REPORTING SCOPE

The Report generally covers the Group's core business and its operational activities in Mainland China, unless otherwise stated. The Group obtained ESG Key Performance Indicators ("KPIs") information of the major operation site (i.e. the headquarters in Shanghai). The Group will continue to expand the scope of disclosure in the future after the Group's data collection system becomes more mature and its work on sustainable development is strengthened.

REPORTING FRAMEWORK

The Report is prepared pursuant to the ESG Reporting Guide under Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited (the "Reporting Guide").

For the Group's corporate governance practices, please refer to P.28 to P.37 for the section"Corporate Governance Report" contained in the Group's Annual Report 2018.

REPORTING PERIOD

The Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018.

STAKEHOLDER ENGAGEMENT

The Group recognises the stakeholders' views on the Group's business and ESG issues. To understand and respond to the concerns of its stakeholders, the Group communicates with its key stakeholders (including investors and shareholders, employees, customers, government and regulatory bodies, communities, non-governmental organisations and the media) through different channels. The Group's communication channels with the key stakeholders are as follows:

Key stakeholders	Communication channel
Investors and shareholders	Annual general meeting
	Annual report, interim report and quarterly report
	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 organisations and the media	Environmental, social and governance report
	Public or community events and partnership projects on different topics

The Group will take into account the expectations of its stakeholders while formulating its operational strategies and ESG measures, and work together to continuously improve its ESG performance to create greater value for the community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

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

The following table summarizes the Group's material ESG issues included in the Report:

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

For the year ended 31 December 2018, the Group confirmed that appropriate and effective management policies and an internal control mechanism for ESG issues were established and the information disclosed in the Report meets the requirements of Reporting Guide.

CONTACT US

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

A.ENVIRONMENT

A1.Emissions

General Disclosures and Key Performance Indicators ("KPIs")

The Group recognizes the importance of good environmental management and strives to protect the environment in order to fulfill the social responsibilities of the Group. The Group commits to sustainability in terms of resource sustainability, operational sustainability and social sustainability. The Group focuses on strengthening environmental protection measures to comply with relevant local laws and regulations and implement environmental policies. Through continuous enhanced measures, the Group promotes clean production to reduce the emission of pollutants.

The Group strictly complies with the "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Water Pollution","Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution","Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" and other environmental protection related laws and regulations, and has prepared and implemented various emission and waste reduction measures based thereon.

In relation to the Environmental aspect, this Report is mainly aimed at the environmental impact and related measures of the Group's offices in various places during daily operation. The Group has formulated relevant rules and regulations for the effective control and orderly management of the greenhouse gases and harmless waste generated during operation.

During the Reporting Period, the Group did not have any violations of relevant local environmental laws and regulations in relation to exhaust gas and GHG, emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that have a significant impact on the Group.

Exhaust Gas Emission

Due to our business nature of financial leasing, the Group does not generate significant amount of exhaust gas emissions directly during its operations. Although the Group's business does not involve a large amount of exhaust gas emissions, the Group is still very concerned about environmental protection and often advocates the concept of environmental protection and sustainable development to employees in different aspects. It wants employees to benefit therefrom and try their best in daily work to reduce energy consumption and reduce waste, thereby lowering exhaust gas emissions. Due to different environmental protection publicities, employees' awareness of reducing GHG emissions has increased.

GHG Emissions

The Group's major GHG emissions resulted from the indirect greenhouse gas emissions (Scope 2) resulting from purchased electricity. The Group has actively adopted the electricity-saving and energy-saving measures to reduce GHG emissions and relevant measures are described in the "Electricity Management" of section A2.

Summary of GHG emission performance:

Indicator[1]	Total emissions (Tonnes CO_2e)	Intensity[2] – total GHG emissions per employee (Tonnes CO_2e/ employee)
GHG emission (Scope 2)	15.91	0.34

Notes:

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 2018, the Group's headquarters in Shanghai had 47 full-time employees in total. The data is also used for calculating other intensity data.

Sewage Discharge

The Group's daily operations are mainly conducted in office. Therefore, only a small amount of domestic sewage is discharged during operations. The domestic sewage is discharged into the urban sewage pipe network after being purified by the underground sewage treatment system, and then sent to the regional water purification plant for treatment. The specific sewage reduction measures are described in the "Water Management" of section A2.

Waste Management

The Group identifies and classifies wastes, centralises them for storage and disposal. In the office area, the Group has set up waste sorting bins and designated the personnel to handle the waste in a timely manner and maintain the sanitation around the collection bins. For the following types of solid waste, the Group adopts specific treatment measures.

Non-hazardous Wastes

The Group adheres to the waste management principles and strives to properly manage and dispose all wastes produced by our business activities. The Group's waste management practice has compiled with laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's business activities mainly consist of papers and general waste. After being collected and sorted by the Group, such wastes will eventually be collected and processed by general waste service providers. Recyclable wastes (such as paper) will be recycled for reuse.

The Group's offices have also provided suitable facilities and encouraged our staffs to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. 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. Through such waste reduction measures, employees' awareness of waste reduction was enhanced.

In addition, the Group is committed to establishing an electronic office. The office makes full use of the online system, while general business notices and data transmissions are conducted through the internet system. Printing and copying are minimised to the largest extent to reduce paper usage. Office paper is used for both sides. The office management is responsible for supervising the amount of paper usage; waste paper is collected and disposed by the office. Scrap boxes or package boxes will be placed as recyclable waste for disposal.

Summary of major non-hazardous wastes discharge performances:

Type of non-hazardous wastes	Total discharge (calculated in tonnes)	Intensity – total non-hazardous wastes discharge per employee (tonne/employee)
Paper	0.54	0.01
General waste	3.40	0.07
Total non-hazardous wastes	3.94	0.08

Hazardous Wastes

Due to our business nature, the Group does not produce hazardous wastes during its operations.

A2.Use of Resources

General Disclosures and KPIs

The Group is actively promoting the effective use of resources for the purpose of real-time monitoring of the potential impact of business operations on the environment. By implementing the four basic principles of reducing, reusing, recycling and replacing, the green office and operating environment are set to minimise the environmental impact of the operation of the Group and its subsidiaries.

As described in section A1, the Group has formulated policies and procedures related to environmental management to manage the use of such resources like water, electricity and oil by monitoring monthly usage statistics, focusing on management of key energy-consuming equipment, and regulating the operation procedure of equipment in order to use the energy fully and efficiently.

Electricity Management
In the daily operation and production process, the main source of energy consumption of the Group is electricity for operation.

The Group has set rules and regulations to achieve the goal of saving electricity and using electricity effectively. The relevant measures are as follows:

- Using electricity-saving equipment, electrical appliances, and lamps for office, and domestic electricity use;
- Requiring employees to turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encouraging employees to turn off the power when not in use or before off duty;
- Requiring employees to turn off their computers (host or monitor) when they go out for a long time, and switch them to standby or sleep mode when they go out for lunch; and
- Enhancing the maintenance and overhaul of equipment, maintaining the best condition of all electronic equipment for effective use of electricity.

In addition, through posting power-saving slogans, the Group raises the employee's awareness of energy conservation and environmental protection in the work and life.

During the Reporting Period, the Group's consumption of electricity was:

Type of energy	Consumption (kWh)	Intensity – energy consumption per employee (kWh/employee)
Electricity	24,528	521.87

Water Management
The Group's water consumption is mainly from the domestic water consumption of office area. Water-saving appliances are used in all water facilities. The faucets should be closed in time after using water to prevent the wastage and leakage of water. If abnormal conditions are found, the relevant department will be notified to conduct repair or replacement in time to prevent any wastage of water resources. The Group has been enhancing its water-saving promotion, posting water-saving slogans in pantry and washrooms, enhancing its employees' awareness in water conservation and reminding employees to use water reasonably. The Group's water consumption expenses are included in the property management fee. Therefore, the Group did not have water consumption record during the Reporting Period.

Due to the geographical location of the Group's operation and nature of business, there is no problem in sourcing water.

Use of Packaging Material
Due to its business nature, the Group neither produces any final products nor does it have any industrial facilities. Thus, it does not use any significant amount of packaging materials during its daily operations.

A3.Environment and Natural Resources

General Disclosures and KPIs

The Group focuses on our business impact on the environment and natural resources and pursues the best practice with the environmental protection. In addition to complying with relevant environmental laws and regulations and international standards to properly preserve the natural environment, the Group has integrated the concept of environmental protection and natural resource conservation into its internal management and daily operations with the aim of achieving environmental sustainability.

Working Environment
The Group is committed to providing employees with a comfortable working environment to enhance work efficiency. We maintain office discipline and environmental hygiene and keep the personal office area and public areas clean and tidy. Our staff 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. We 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 indoor air quality in the workplace. The Group maintains indoor air quality and filters pollutants and dust by using air purification equipment in the workplace and cleaning air conditioning system regularly.

B.SOCIAL

B1.Employment

General Disclosure

Employees are the largest and most valuable asset and the core competitive advantage of the Group. At the same time, they provides the Group with the driving force for continuous innovation. The Group adheres to the people-oriented principle, standardizes labour employment management, and respects and safeguards the legitimate interests of every employee based thereon, endeavouring to protect employees' occupational health and safety. The Group also protects the vital interests of employees, and fully respects and values their enthusiasm, initiative and creativity in order to build a harmonious labour relations.

The Group actively complied with laws and regulations, such as the "Labour Law of the People's Republic of China" ("Labour Law") and the "Labour Contract Law of the People's Republic of China" ("Labour Contract Law"). The Company has established relevant personnel management policies such as "Employee Handbook" to guide employees to actively integrate personal pursuits into the long-term development of the Group. During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in respect of human resources.

Compensation and Benefits
The Group has established a fair, equitable, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competitiveness, incentives, reasonableness, and legality. The remuneration of employees of the Group comprises of basic salary, overtime payment and other various bonuses. In addition, the Group will separately formulate performance incentives based on corporate development and operation each year. In accordance with the laws, the Group also pays "five social insurance and one housing fund" for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees covered by social insurance. The Group has signed and executed labour contracts with employees in accordance with the Labour Contract Law. The signing rate of the labour contracts is 100%.

The Group sincerely safeguards the legitimate interests of labour in accordance with the requirements of the national and local laws and regulations (e.g. the Labour Law), respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. The Group follows the "Regulation on Paid Annual Leave for Employees" and other relevant regulations to implement the paid leave system for employees. Meanwhile, overtime wage is paid for labour exceeding statutory working hours in accordance with national laws and regulations.

Employment, Promotion and Dismissal
The Group has established and continuously improved its recruitment system. In the recruitment process, it standardizes the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of fairness, openness and justice, so as to continuously attract, employ and develop talents with consistent and flexible personnel policy.

The Group specifies the basis and process for staff promotion, transfer and demotion management, regulates the departure process, and establishes clear guidance therefore to protect the interests of both employees and the Company and prevent unnecessary disputes between employees and the Company.

The Group has implemented a fair and open assessment system to provide employees with opportunities for promotion and training based on their work performance and internal assessment results so as to explore their potential at work, in order to optimize the allocation of human resources within the Group, to provide more opportunities and platforms for employees' career development and to meet the Group's needs of sustainable development.

Equal Opportunities
The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process and developing relevant rules to eliminate discrimination in the recruitment process to ensure no discrimination regardless of race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality and thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, to attract professionals with diverse backgrounds to join the Group.

B2.Health and Safety

General Disclosure

The Group recognizes the importance of the health and safety of its employees, and commits itself to providing employees with a healthy, safe and comfortable working environment and strives to ensure mental and physical health of its employees. The Group also sets out in the Employee instructions on how to establish and maintain a safe working environment. The Group enforces relevant laws and regulations such as the "Labour Law", "Work Safety Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases" and "Fire Protection Law of the People's Republic of China". The Group does not operate any vehicle manufacturing, warehousing, displaying and maintenance and repair facilities. Therefore, the Group is not subject to significant health, work safety, social or environmental risks.

During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury and no claims or compensation were paid to its employees due to such accident. No material non-compliance of laws and regulations relevant to health and safety of employees were found.

Internal Health and Safety Management System
The Group maintains an internal inspection system to ensure the health and safety of customers and employees during the operation. The review process is designed to ensure that the workplace is under constant monitoring and to identify and correct the deficiencies that do not meet the standard. The Group regularly inspects and reviews the safety issues of offices and actively encourages employees to report health and safety incidents and risks. The Employee Handbook also mentions the ways to establish and maintain a safe working environment. For example:

- Do not stand on a chair; use a suitable ladder to reach items stored at a high place; and
- Do not raise anything that is too heavy for you and ask for help or use the right tools.

On the other hand, the Group provides health and safety communications to employees to display relevant information and enhance their awareness of occupational health and safety. We also arrange body checks for employees. We particularly pay attention to employees who have abnormal examination results and give them treatment advice.

Disasters Management

The Group attaches great importance to the health and safety of its employees. Therefore, a series of protective measures have been developed for rare disasters such as fires, typhoons and rainstorms to protect the health and safety of employees. The specific measures are as follows:

Fire Treatment

The Group has formulated fire safety systems in accordance with the "Fire Protection Law of the People's Republic of China". Fire drills are conducted to raise the staff's awareness of fire prevention, instruct staff to use fire extinguishers properly and improve the fire evacuation plans. The Group also has first aid kits and fire extinguishers in different places of workplace and marks the place clearly in response to emergencies.

Typhoon and Rainstorm Treatment

The Group has developed a set of treatment procedures for typhoons and rainstorms, such as early accumulation of sandbags before the arrival of rainstorm, to guide employees in preparing for typhoons and rainstorms to prevent damages to the safety and health of employees during typhoons and rainstorms.

B3.Development and Training

General Disclosure

The Group focuses on the construction of an internal management system of training and development for the Group. Through diversified training programmes such as induction training, management training, technical skills training and pre-employment training, the Group satisfies the different needs of job duties at all levels. Hence, in improving employees' skills, the Group enhances its sustainable development, and enhances employees' personal growth and development at the same time.

Training Management

The training programmes of the Group are divided into internal training and outsourced training, and the training plan is formulated by the management team on an annual basis. Moreover, a corporate training file has been established. The management will regularly review the effectiveness of different internal training courses to help improve the efficiency of the Group's training system. The Group also provides education and training incentives and provides subsidies to employees of different service years and ranks to encourage employees to participate in external training on their own. At the same time, the Group also subsidises employees to obtain professional qualifications related to the Group's business. The Group will provide trainings to our employees to enhance their professional, industry knowledge, technical expertise and productivity. In addition, the Group provides trainings to all new staff including trainings on vehicle specification, financial leasing classification, customer services and credit assessment.

Training Programmes

The Group has established a training organisation for training employees to provide more systematic and effective trainings for employees. The training is mainly divided into new recruits' induction training, rotation training, internal training and external training to enhance the professionalism, industry knowledge, professional skills and productivity of the employees. Employees will accept training on different aspects depending on their different positions and ranks, so as to achieve different training purposes and effects, which will enable the Group to improve work efficiency and enhance employees' independent work ability.

New recruits will receive induction training to help employees adapt to the working environment as quickly as possible and ensure that employees have the knowledge and expertise needed to perform their duties, including vehicle specification, financial leasing classification, customer services and credit assessment. The Group has internal trainings organised by the Personnel Administration Department, trainings provided by consultation or training companies as invited by the Group, trainings organised by various departments, and cross-trainings between departments. In terms of external trainings, the Company will uniformly arrange employees to attend public courses, special lectures, presentations, investigations, further education, visits and training projects held by social training institutions (including institutions) to help the Group's sustainable development and employees' personal growth and development.

B4.Labour Standards

General Disclosure

Labour Standards
The Group has complied with the "Labour Law" related to the employment of teenagers under 16 and their legal rights, and the "Provisions on the Prohibition of Using Child Labour".

The Group strictly prohibits the employment of any child labor and forced labor in its business in Mainland China. The Group clearly stipulates that only employees over the age of 16 can be recruited, and that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and account information. The Group has established a complete recruitment process to examine candidates' background and official reporting procedures to handle any exceptions. It also conducts regular reviews and inspections to prevent any child labor or forced labour in its operation.

In addition, employees work overtime only in accordance with the principle of voluntariness to avoid violation of labour standards to effectively protect employees' rights and interests. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, and sexual harassment (including inappropriate language, posture, and physical contact) for any reason.

At the same time, the Group also avoids the appointment of such suppliers and contractors who are known to have engaged in child labor or forced labor in their operations to provide products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations.

B5.Supply Chain Management

General Disclosure

As a socially responsible enterprise, it is critical to maintain and manage a reliable supply chain which is consistent with the Group's policy on sustainability. The Group is committed to building and maintaining close business relationships with its business partners. The Group regards banks and other lenders as its suppliers and has established measures and procedures to reduce risks associated with economy, environment and society.

Business Partners Management
The Group maintains close contact with its 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 their practices for supply chain.

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 are interested in the 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 its products with its internal control process. The Group also maintains on-going communication with its customers to ensure understanding and satisfaction of their demand and expectations, as well as to constantly improving its services by knowing their satisfactory rates. The Group actively complies with laws and regulations in relation to consumers' rights such as the "Law of the People's Republic of China on Protection of Consumer Rights", the "Advertising Law of the People's Republic of China" and the "Patent Law of the People's Republic of China".

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to privacy issues and compensation regarding health and safety, advertisement, labelling, and products and service provided.

Customer Service
The Group reviews all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines. Appropriate follow-up measures will be taken. If applicable, the Group will conduct relevant investigations to resolve complaints and make improvements accordingly. The Group believes that complaints are good opportunities to get feedback from the community and customers, so as to assure the necessity of improving our services and policies.

Protection of Privacy
The Group recognizes the protection of customers' and partners' privacy is the key for its success. Therefore, protecting and maintaining customers' privacy always remain in the first priority of the Group. The Group has established security measures to provide adequate protection and encryption for data and information upon operation and protect the information and maintain it confidential during operation. At the same time, the Group has established strict policies for the collection and use of personal data.

Service Quality
The Group has established relevant procedures to ensure that the products and services the Group provides comply with relevant regulations and laws. The Group is committed to provide clear and balanced information to its clients. Product features, terms and conditions, and any associated risks are clearly communicated by the Group's licensed employees through emails and telephones (with recording function) to its clients, so they can make an informed decision. Clients that are interested in the Group's services are required to sign the client agreement, acknowledging the terms and conditions along with the associated risks.

Advertising and Labelling
Based on the business nature of the Group, the Group only conducts limited publicity activities. Therefore, the business operations of the Group do not involve material advertising and labelling related risks.

B7.Anti-corruption

General Disclosure

The Group believes that a corporate culture of high integrity is the key to its continued success. Therefore, the Group recognizes the importance of its anti-corruption work, policy and system, and are committed to building a fair, open and transparent corporate culture. The Group strictly complies with the related laws and regulations, including but not limited to, "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery".

During the Reporting Period, the Group did not notice any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering.

Anti-corruption

The Group will not tolerate corruption in any kinds of form. Employees are expected to discharge their duties with integrity, and to abstain from engaging in any activities that involve bribery, extortion, fraud and money laundering. Employees should also 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.

Anti-Corruption System

The Group has formulated the Management Measures on Anti-Corruption to strengthen corporate governance and to effectively prevent and control the risk of corruption of the Company. The system has established a whistleblowing system, which allows all employees to report anonymously to the internal control staff, including negligence, corruption, bribery and other misconduct. On the other hand, the Company has in place an audit and supervision department, which is mainly responsible for the daily work of anti-corruption within the Company, carrying out anti-corruption prevention publicity activities, receiving and accepting corruption reports, organizing corruption investigations and reporting directly to management and the Board.

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. The Group hopes 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. The Group has also been encouraging its employees to participate in environmental and charitable activities, make donations to assist underprivileged students and engage in social services. We believe that the participation in activities that repay society can increase our employees' civic awareness and establish correct values. The Group will seek opportunities to identify suitable projects and contribute to the community and environment to bring positive progress to society.

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

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 air and GHG emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Emissions	P. 41
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Exhaust Gas Emission and GHG Emissions	P. 41
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions	P. 41
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management (Not applicable – Explained)	P. 42
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management	P. 42
KPI A1.5 ("comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions	P. 42
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. 42
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. 43
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Electricity Management	P. 43
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Management (Not applicable – Explained)	P. 43
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Electricity Management	P. 43

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. 43
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 material (Not applicable – Explained)	P. 43
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources	P. 44
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. 44
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. 44
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. 45
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. 46
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 or forced labour.	Labour Standards	P. 47

Aspects, General Disclosures and KPIs	Description	Section/Declaration	Page
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 47
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. 48
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. 49
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. 49

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 58 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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	
We identified the loss allowance for ECL on finance lease 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 finance lease receivables. As disclosed in note 4, in determining the ECL for finance lease receivables, the management of the Group assesses whether the credit risk on finance lease receivables has increased significantly since initial recognition, 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. 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. The ECL of finance lease receivables is assessed individually for debtors with significant balances and on a collective basis for the rest balances, with the relevant data extracted from the Group's information system, utilising models, parameters and assumptions determined by management. As at 31 December 2018, the Group's carrying amount of finance lease receivables amounted to RMB261,285,193, net of loss allowance for finance lease receivables amounting to RMB6,050,269 as disclosed in note 18 to the consolidated financial statements, represented 79.16% of the total assets of the Group.	Our procedures in relation to the loss allowance for ECL on finance lease 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 finance lease receivables; and • Evaluating the design and implementation of key controls relating to estimate loss allowance of finance lease receivables.

Key audit matter	How our audit addressed the key audit matter
Loss allowance for expected credit loss ("ECL") on finance lease receivables	
	Substantive testing of the provision of ECL of finance lease receivables • Reviewing agreements of finance lease receivables, on a sample basis, to understand relevant terms such as settlement schedules for management to develop the provision matrix; • Checking the settlement records and subsequent settlement of financial lease receivables to bank slips, on a sample basis; • Evaluating the judgement made by management in identifying impaired finance lease receivables, grouping into the different provision matrix and estimated loss rates applied; and • Recalculating the ECL of finance lease receivables made by management.
Recognition of deferred tax assets	
As at 31 December 2018, the Group had recognised significant deferred tax assets in respect of the future benefit of deductible temporary differences which management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the relevant group entity or by set-off against deferred tax liabilities. The recognition of deferred tax assets depends on whether sufficient future profits or taxable temporary differences will be available in the future. We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and because of the significant management judgement and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.	Our procedures in relation to the recognition of deferred tax assets included: • Assessing the reasonableness of key input data and underlying assumptions adopted in the profit forecasts for the relevant subsidiary by comparing them with management's approved budget, historical actual information and relevant market expectations such as industry information; • Evaluating the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year and assessing whether there were any indicators of management bias in the selection of key assumptions; and • Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgement in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the Group's deferred tax position with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

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 Tse Ming Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB	2017 RMB
Revenue	6	**47,987,283**	49,661,039
Other income	7a	**946,449**	7,116,719
Other gains and losses	7b	**(775,767)**	1,833,575
Staff costs		**(10,142,556)**	(12,235,533)
(Recognition) reversal of loss allowance on finance lease receivables, net	18	**(751,821)**	1,108,409
Reversal (recognition) of loss allowance on other financial assets measured at amortised cost	17	**427,242**	(427,242)
Other operating expenses		**(9,216,957)**	(10,429,404)
Listing expenses		**(7,841,220)**	(11,408,386)
Finance cost	8	**(19,863,888)**	(18,370,615)
Profit before tax	9	**768,765**	6,848,562
Income tax expense	10	**(324,530)**	(1,766,173)
Profit and total comprehensive income for the year		**444,235**	5,082,389
Earnings per share			
– Basic (RMB cents)	13	**0.07**	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	At 31 December 2018 RMB	2017 RMB
NON-CURRENT ASSETS			
Property and equipment	14	**841,689**	1,258,509
Intangible assets	15	**2,702,873**	2,128,304
Finance lease receivables	18	**93,416,617**	68,734,096
Deferred tax assets	26	**2,385,949**	1,714,201
		99,347,128	73,835,110
CURRENT ASSETS			
Loans to related parties	16	**1,766,388**	10,000,000
Prepayments, deposits and other receivables	17	**2,828,520**	7,723,441
Finance lease receivables	18	**167,868,576**	183,505,651
Security deposits	20	**14,887**	–
Financial assets at fair value through profit or loss ("FVTPL")	21	**5,000,000**	–
Bank balances and cash	22	**53,230,923**	4,229,539
		230,709,294	205,458,631
CURRENT LIABILITIES			
Amounts due to related parties	16	**–**	4,961,998
Other payables and accrued expenses	23	**14,361,329**	22,923,166
Deposits from finance lease customers	18	**21,004,524**	21,989,595
Bank and other borrowings	24	**38,093,609**	29,867,109
Taxation		**615,728**	5,701,648
		74,075,190	85,443,516
NET CURRENT ASSETS		**156,634,104**	120,015,115
TOTAL ASSETS LESS CURRENT LIABILITIES		**255,981,232**	193,850,225
CAPITAL AND RESERVES			
Share capital	25	**7,067,962**	341,695
Reserves		**216,550,889**	167,725,574
TOTAL EQUITY		**223,618,851**	168,067,269
NON-CURRENT LIABILITIES			
Deposits from finance lease customers	18	**29,883,442**	25,782,956
Bank and other borrowings	24	**2,478,939**	–
		32,362,381	25,782,956
		255,981,232	193,850,225

The consolidated financial statements on pages 58 to 119 were approved and authorised for issue by the board of directors on 20 March 2019 and are signed on its behalf by:

Mr. Chau David
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB	Share premium RMB	Merger reserve RMB	Other reserves RMB (note (i))	Statutory surplus reserve RMB (note (ii))	Retained Profits RMB	Total equity RMB
At 1 January 2017	341,695	–	–	121,889,064	2,537,687	38,216,434	162,984,880
Profit and total comprehensive income for the year	–	–	–	–	–	5,082,389	5,082,389
Transferred to statutory surplus reserve	–	–	–	–	520,208	(520,208)	–
At 31 December 2017	341,695	–	–	121,889,064	3,057,895	42,778,615	168,067,269
At 31 December 2017	341,695	–	–	121,889,064	3,057,895	42,778,615	168,067,269
Effect arising on adoption of IFRS 9 (note iii)	–	–	–	–	–	(592,183)	(592,183)
Adjusted balance 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 iv)	**(341,291)**	**138,384,453**	**(138,043,162)**	**–**	**–**	**–**	**–**
Capitalisation issue of new shares (note 25(b))	**5,300,558**	**(5,300,558)**	**–**	**–**	**–**	**–**	**–**
Issuance of new shares upon Listing (as defined in note 2) (note 25(c))	**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**

Notes:

(i) The other reserves represented the net effect of the following:

(a) the deemed capital contribution of shareholder's loans advanced from View Art Investment Limited ("View Art") to the Group totalling RMB131,831,735, which were not required to repay to View Art pursuant to the agreements entered into on 31 December 2014; and

(b) net of the fair value adjustments on non-current interest-free loans previously advanced to Mr. Chau and related parties as deemed distribution in the total amount of RMB9,942,671.

(ii) Pursuant to the articles of association of the subsidiary established in the People's Republic of China ("PRC"), it is required to appropriate at least 10% of their profit after tax in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owner each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.

(iii) Upon the adoption of IFRS 9 "Financial Instruments" on 1 January 2018, the cumulative impact of RMB592,183 was recorded as an adjustment to the retained profits as at 1 January 2018, which are all due to additional impairment loss on lease receivables made under the expected credit loss model under IFRS 9 and its corresponding deferred tax impact as at 1 January 2018. More details were set out in note 3.

(iv) Upon the completion of the Group Reorganisation (as defined in note 1) on 8 March 2018, the Company acquired 100% equity interests in Metropolis Asia Ltd. ("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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB	RMB
OPERATING ACTIVITIES		
Profit before tax	**768,765**	6,848,562
Adjustments for:		
Depreciation of property and equipment	**425,974**	526,711
Amortisation of intangible assets	**6,634**	297,630
Bank interest income	**(56,423)**	(54,091)
Other investment gain	**(155,470)**	(355,888)
Interest on bank and other borrowings	**7,557,274**	5,262,676
Imputed interest expense arising from deposits from finance lease customers	**12,306,614**	13,107,939
Recognition (reversal) of loss allowance on finance lease receivables, net	**751,821**	(1,108,409)
(Reversal) recognition of loss allowance on other financial assets measured at amortised cost	**(427,242)**	427,242
Imputed interest income	**–**	(827,539)
Exchange loss (gain), net	**411,348**	(1,477,687)
Operating cash flows before movements in working capital	**21,589,295**	22,647,146
(Increase) decrease in finance lease receivables	**(10,586,844)**	23,081,541
Decrease in prepayments, deposits and other receivables	**1,880,625**	5,828,302
Decrease in deposits from finance lease customers	**(9,191,199)**	(20,028,781)
Decrease in other payables and accrued expenses	**(7,873,270)**	(17,194,930)
Cash (used in) generated from operations	**(4,181,393)**	14,333,278
Income tax paid	**(5,884,804)**	(1,436,140)
Bank interest received	**56,423**	54,091
Interest paid	**(7,557,364)**	(5,178,739)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(17,567,138)**	7,772,490
INVESTING ACTIVITIES		
Payments for property and equipment and intangible assets	**(590,357)**	(2,272,324)
Advance to related parties	**(4,766,388)**	(14,745,210)
Repayments from related parties	**10,000,000**	15,000,000
Advance to an independent third party	**(200,000)**	–
Purchase of unlisted short-term financial products (note 7(ii))	**(118,800,000)**	(86,500,000)
Proceeds on disposal of unlisted short-term financial products	**113,955,470**	86,855,888
Withdrawal of security deposits	**–**	21,100,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(401,275)**	19,438,354

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Year ended 31 December	
	2018	2017
	RMB	RMB
FINANCING ACTIVITIES		
New bank and other borrowings raised	**119,810,661**	38,326,265
Repayments of bank and other borrowings	**(109,105,222)**	(74,508,156)
Advanced from related parties	**7,558,107**	8,012,149
Repayments for loan from related parties	**(9,522,440)**	–
Proceeds from issuance of new shares upon Listing	**68,913,000**	–
Issue costs paid	**(10,286,966)**	(1,457,714)
Payment of security deposits as to obtain a bank borrowing	**(7,848,885)**	–
Withdrawal of security deposits	**7,833,998**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**67,352,253**	(29,627,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**49,383,840**	(2,416,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,229,539**	6,645,219
EFFECT OF EXCHANGE RATE CHANGE	**(382,456)**	932
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**53,230,923**	4,229,539

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 PRC.

The immediate and ultimate holding company of the Company is 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.

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 IFRS.

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. 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 two years 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 two years 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 two years ended 31 December 2018, or since the respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 has been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities, as if the group structure upon completion of the Group Reorganisation had been in existence at that date taking into account the respective date of incorporation, where applicable.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of new and revised IFRSs

The Group has applied IFRS 9 "*Financial Instruments*" for the first time in the current year. The accounting policies for financial instruments under IFRS 9 are set out in note 4 below.

IFRS 9 Financial Instruments

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 "*Financial Instruments*", and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets, lease receivables and other items subject to ECL assessment, and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 is recognised in the opening retained profits as at 1 January 2018, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "*Financial Instruments: Recognition and Measurement*".

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Application of new and revised IFRSs (Continued)

IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application on 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9 and the respective deferred tax impact (note)	New carrying amount under IFRS 9
			RMB	RMB	RMB
1. Finance lease receivables	N/A	N/A	252,239,747	(789,577)	251,450,170
2. Bank balances and cash	Loans and receivables	Financial assets at amortised cost	4,229,539	–	4,229,539
3. Loans to related parties	Loans and receivables	Financial assets at amortised cost	10,000,000	–	10,000,000
4. Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	1,525,090	–	1,525,090
5. Deposits from finance lease customers	Financial liabilities at amortised cost	Financial liabilities at amortised cost	47,772,551	–	47,772,551
6. Bank and other borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	29,867,109	–	29,867,109
7. Amounts due to related parties	Financial liabilities at amortised cost	Financial liabilities at amortised cost	4,961,998	–	4,961,998
8. Listing costs payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	7,893,960	–	7,893,960
9. Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	10,536,743	–	10,536,743
				(789,577)	
Recognition of deferred tax assets				197,394	
Total				(592,183)	

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Application of new and revised IFRSs (Continued)

IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

Note: The Group applies the IFRS 9 general approach to measure ECL on finance lease receivables. 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 12-month ECL, since there has not been a significant increase in credit risk since initial recognition for deposits and other receivables and loans to related parties. The expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation. As at 1 January 2018, the additional credit loss allowance of RMB789,577, together with the recognition of the corresponding deferred tax assets of RMB197,394, totalling RMB592,183 has been recognised against retained profits as at 1 January 2018. The additional loss allowance is charged against the respective asset.

The additional impairment loss allowance upon the initial allocation of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset and lease receivables.

No loss allowances were recognised for bank balances and cash and loans to related parties as at 31 December 2017 and 1 January 2018, respectively. All loss allowances for finance lease receivables and deposits and other receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Finance lease receivables RMB	Deposits and other receivables RMB
At 31 December 2017 – IAS 39	4,508,871	427,242
Amounts remeasured through opening retained profits	789,577	–
At 1 January 2018	5,298,448	427,242

There were no financial liabilities which the Group had previously designated as at fair value through profit or loss or measured at amortised cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("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:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[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 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycles[1]

1 Effective for annual periods beginning on or after 1 January 2019
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 2021
4 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
5 Effective for annual periods beginning on or after 1 January 2020

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "*Leases*" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating the subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, cash flows in relation to operating lease payments are currently presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 Leases (Continued)

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB2,834,208 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases, and such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant change to the consolidated net asset value and financial performance of the Group.

In addition, the Group currently considers refundable rental deposits paid of RMB247,225 as disclosed in note 17 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial assets within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. In addition, the Group has accounted for those leases which the lease terms ends within 12 months of the date of initial application in the same way as short-term leases.

Furthermore, the Group has elected the modified retrospective approach for the application of IFRS 16 as lessee and recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

Except as described above, the directors of the Company anticipate that the application of other 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 within the scope of IAS 17 "*Leases*", 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*".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

Where 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 (including direct finance leasing and sales and leaseback transactions) is recognised over the period of lease. In a direct finance lease arrangement, 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. In a sales-and-leaseback arrangement, the transaction is in substance a collateral financing and revenue is recognised over the lease period using the effective interest rate method (see accounting policy in respect of leasing below).

Factoring income is recognised as revenue in each period according to the effective interest rate method during the terms of the contract.

Arrangement fee income regarding the commission earned in respect of the Group's arrangement of machinery and equipment finance leasing services is recognised over time (i.e., over the period of finance lease), because the customer simultaneously receives and consumes benefit provided by the Group's performance as the Group performs.

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 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 tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 tangible 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, 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. 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. 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. 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) 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) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 before tax' as reported in the consolidated statement of profit or loss and other comprehensive income 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 each 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 investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables 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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial instruments

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

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

The 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 (upon application of IFRS 9 in accordance with transitions in note 3)

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.

By default, all other financial assets are subsequently measured at FVTPL.

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.

Interest income is recognised in profit or loss and is included in the "other income" line item.

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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the year ended 31 December 2018, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

Impairment of financial assets and lease receivables (upon application IFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on lease receivables and financial assets which are subject to impairment under IFRS 9, including loans to related parties, deposits and other receivables, loan to an independent third party, security deposits and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument and lease receivables.

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.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely provision of finance leasing of equipment and vehicles, factoring and other services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant increase in credit risk (Continued)

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 receivables have increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- 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.

Credit-impaired financial assets and lease receivables

A financial asset and lease receivables are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset and lease receivables 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 and lease receivables 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as described above. 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 IAS 17 "*Leases*".

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 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
- External credit ratings where available.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loans to related parties, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets and lease receivables (before application of IFRS 9 on 1 January 2018)

Financial assets and lease receivables of the Group are assessed for indicators of impairment at the end of the reporting period. Financial assets and lease receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset and lease receivables, the estimated future cash flows of the financial assets and lease receivables have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets and lease receivables (before application of IFRS 9 on 1 January 2018) (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset and financial lease receivables' original effective interest rate.

For financial assets and lease receivables carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset and lease receivables. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease and other receivables, where the carrying amount is reduced through the use of an allowance account. When a finance lease or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets and lease receivables measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 collateralized 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.

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 are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, 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 judgement in applying accounting policies

The following is the critical judgement in applying accounting policies that the directors of the Company have made in the process of applying IFRS 15 "Revenue from Contracts with Customers" and that has the most significant effect on the amounts recognised in the consolidated financial statements.

Judgements in determining the timing of satisfaction of performance obligations

Note 6 describes the arrangement fee income relating to the machinery and equipment finance leasing. The recognition of this income requires judgements by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details of the terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

The directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performance as the Group performs. The Group is required to provide the necessary services to the customers over the lease period of the finance lease. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the arrangement fee income is satisfied over time and have recognised such income over the period of finance lease.

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

The Group reviews its finance lease receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivable are set out in note 18.

Before the adoption of IFRS 9, management estimates the amount of loss allowance under incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment individually and collectively except that there are known situations demonstrating impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortized cost based on the credit risk of the finance lease receivables. 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. The assessment of the credit risk of the finance lease receivables involves high degree of 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 assets 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 reasonable and supportable forward looking information. Refer to note 4 for more details.

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

Impairment of finance lease receivables (Continued)

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. See note 4 for more details on ECL.

Impairment of financial assets

Before the adoption of IFRS 9, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Since the adoption of IFRS 9 on 1 January 2018, management estimates the amount of loss allowance for ECL on financial assets that are measured at amortised cost based on the credit risk of the respective financial instruments. 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 management estimates that there has not been a significant increase in credit risk since initial recognition for deposits and other receivables and loans to related parties. Management estimates the expected credit loss for bank balances and security deposits is insignificant because such assets are placed in banks with good reputation.

Recognition of deferred tax assets

The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the periods in which such a reversal takes place. In cases where the actual future profits generated are higher than expected, the deferred tax assets will be adjusted and recognised in the consolidated statement of profit or loss and other comprehensive income in the periods in which such a situation takes place.

As at 31 December 2018, the carrying amount of deferred tax assets was RMB2,385,949 (31 December 2017: RMB1,714,201).

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the finance leasing of equipment and vehicles, factoring and other services net of sales 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 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.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Entity-wide disclosures

Geographical information

The Group's operation is in the PRC and all its non-current assets other than financial instruments and deferred tax assets are situated in the PRC.

Major customers

No customer individually contributed over 10% of total revenue of the Group during the corresponding years.

Revenue by nature

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

	Year ended 31 December	
	2018	2017
	RMB	RMB
Finance lease income		
Vehicle finance leasing		
Direct finance leasing	**652,673**	913,031
Sale – leaseback	**46,780,982**	46,926,537
	47,433,655	47,839,568
Machinery and equipment finance leasing		
Direct finance leasing	**553,628**	394,992
Sale – leaseback	**–**	333,983
Arrangement fee income (recognised over time) (note)	**–**	773,874
	553,628	1,502,849
	47,987,283	49,342,417
Factoring income	**–**	318,622
Total revenue	**47,987,283**	49,661,039

Note: The Group receives arrangement fee income for a fixed amount prior to the commencement of the lease period. There was no transaction price allocated to performance obligations in relation to the arrangement fee income that were unsatisfied or partially unsatisfied as at 31 December 2017 and 2018.

7. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB	RMB
(a) Other income		
Bank interest income	**56,423**	54,091
Imputed interest income from related parties	**–**	827,539
Government subsidies (note i)	**524,181**	5,877,932
Others	**365,845**	357,157
	946,449	7,116,719
(b) Other gains and losses		
Other investment gain (note ii)	**155,470**	355,888
Exchange (loss) gain, net	**(931,237)**	1,477,687
	(775,767)	1,833,575
	170,682	8,950,294

Notes:

(i) Government grants 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	
	2018	2017
	RMB	RMB
Interest on bank and other borrowings	**7,557,274**	5,262,676
Imputed interest expense arising from deposits from finance lease customers	**12,306,614**	13,107,939
Total finance costs	**19,863,888**	18,370,615

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December 2018 RMB	2017 RMB
Depreciation of property and equipment	**425,974**	526,711
Amortisation of intangible assets	**6,634**	297,630
Total depreciation and amortisation	**432,608**	824,341
Recognition (reversal) of loss allowance of finance lease receivables	**751,821**	(1,108,409)
(Reversal) recognition of loss allowance of other receivables	**(427,242)**	427,242
Total impairment loss recognised (reversed)	**324,579**	(681,167)
Auditors' remuneration	**648,402**	287,371
Directors' emoluments (note 11)	**685,450**	654,744
Salaries, bonus and other benefits (excluding directors)	**7,178,164**	9,023,322
Retirement benefit scheme contributions (excluding directors)	**2,278,942**	2,557,467
Total staff cost	**10,142,556**	12,235,533
Minimum lease payments in respect of rented premises	**1,625,341**	2,398,274

10. INCOME TAX EXPENSE

	Year ended 31 December 2018 RMB	2017 RMB
PRC enterprise income tax ("EIT")	**(798,884)**	–
Deferred tax credit (charge) (note 26)	**474,354**	(1,766,173)
Total income tax expense	**(324,530)**	(1,766,173)

10. INCOME TAX EXPENSE (Continued)

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. No provision of PRC EIT for the year ended 31 December 2017, as Metropolis International Leasing Company Ltd. (信都國際租賃有限公司) ("Metropolis Leasing"), the Group's 100% owned PRC subsidiary, has no assessable profit, since the impairment losses on financial lease receivables previously made had become tax deductible upon transfer of which to an independent financial institution and written off (as detailed in notes 18 and 19) during the year.

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

	Year ended 31 December	
	2018	2017
	RMB	RMB
Profit before tax	**768,765**	6,848,562
Tax charge at PRC EIT rate of 25% (2017: 25%)	**(192,191)**	(1,712,141)
Tax effect of expense not deductible for tax purpose	**(132,339)**	(54,032)
Income tax expense for the year	**(324,530)**	(1,766,173)

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:

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 e)				
Mr. Chau (note a)	–	363,300	14,880	378,180
Ms. Zhou Hui (note b)	–	215,300	69,137	284,437
Non-executive director (note f)				
Ms. Chau On (note c)	–	6,303	–	6,303
Independent non-executive directors (note g)				
Mr. Lau Chung Wai (note d)	5,510	–	–	5,510
Mr. Mo Luojiang (note d)	5,510	–	–	5,510
Mr. Lo Kai Tung (note d)	5,510	–	–	5,510
	16,530	584,903	84,017	685,450

	Fees RMB	Salaries and other benefits RMB	Retirement benefits schemes contribution RMB	Total RMB
Year ended 31 December 2017				
Executive directors (note e)				
Mr. Chau (note a)	–	363,600	13,678	377,278
Ms. Zhou Hui (note b)	–	207,600	69,866	277,466
Non-executive director (note f)				
Ms. Chau On (note c)	–	–	–	–
	–	571,200	83,544	654,744

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(A) Directors (Continued)

Notes:

(a) Mr. Chau was appointed as Chairman, Chief Executive Officer and executive director of the Company on 29 June 2017.

(b) Ms. Zhou Hui was appointed as executive director of the Company on 29 August 2017.

(c) Ms. Chau On was appointed as non-executive director of the Company on 29 August 2017.

(d) 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.

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

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

(g) 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.

(B) Employees

The five highest paid individuals for the year ended 31 December 2018 of the Group include two directors (2017: two) of the Company. The emoluments of the five highest paid individuals are as follows:

	Year ended 31 December	
	2018	2017
	RMB	RMB
Directors	**662,617**	654,744
Non-directors	**955,847**	1,119,434
	1,618,464	1,774,178

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(B) Employees (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB	RMB
Salaries and other benefits	**694,700**	601,937
Performance related bonus (note)	**68,500**	325,132
Retirement benefits schemes contribution	**192,647**	192,365
	955,847	1,119,434

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	
	2018	2017
	No. of employees	No. of employees
Less than Hong Kong Dollars ("HK$") 1,000,000 (equivalent to RMB856,100 (2017: RMB865,200))	**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	
	2018	2017
	RMB	RMB
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**444,235**	5,082,389
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**610,958,904**	600,000,000

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 25(b) had been effective on 1 January 2017.

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 2017	1,090,590	2,069,891	433,828	3,594,309
Additions	4,230	–	146,424	150,654
At 31 December 2017	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
ACCUMULATED				
At 1 January 2017	678,388	927,062	354,293	1,959,743
Provided for the year	158,245	288,931	79,535	526,711
At 31 December 2017	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
CARRYING VALUE				
At 31 December 2018	174,379	564,967	102,343	841,689
At 31 December 2017	258,187	853,898	146,424	1,258,509

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. INTANGIBLE ASSETS

	Software RMB	Trademark RMB	Website Development RMB	Vehicle Licenses RMB	Total RMB
COST					
At 1 January 2017	878,588	8,000	19,902	–	906,490
Additions	–	–	–	2,121,670	2,121,670
At 31 December 2017	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
ACCUMULATED DEPRECIATION					
At 1 January 2017	587,592	8,000	6,634	–	602,226
Provided for the year	290,996	–	6,634	–	297,630
At 31 December 2017	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
CARRYING VALUE					
At 31 December 2018	–	–	–	2,702,873	2,702,873
At 31 December 2017	–	–	6,634	2,121,670	2,128,304

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 nil (31 December 2017: nil) impairment on vehicle licenses as at 31 December 2018.

16. LOANS TO RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES

(A) Loans to related parties

	As at 31 December 2018 RMB	2017 RMB	Maximum balance outstanding during the year ended 31 December 2018 RMB	Maximum balance outstanding during the year ended 31 December 2017 RMB
Mr. Chau	**1,766,388**	–	**4,766,388**	25,157,649
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	**10,000,000**	14,259,224
	1,766,388	10,000,000	**14,766,388**	39,416,873

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. The outstanding balances of loan to Mr. Chau of RMB1,766,388 as at 31 December 2018 has been settled subsequently in January 2019.

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 2018 RMB	2017 RMB
HK$	**1,766,388**	–

(B) Amounts due to related parties

	At 31 December 2018 RMB	2017 RMB
Mr. Chow Chuen Chung (note)	**–**	58,107
Mr. Chau	**–**	4,903,891
	–	4,961,998

Note: Mr. Chow Chuen Chung and Ms. Chau On are related parties because they are close family members of Mr. Chau.

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

	At 31 December 2018 RMB	2017 RMB
HK$	**–**	58,107

16. LOANS TO RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES (Continued)

(C) Offsetting arrangement

In order to facilitate the settlement of the Group's outstanding receivable and payable balances with Mr. Chau, the Group entered into a current account offsetting agreements between Mr. Chau and the Group during the year ended 31 December 2018, pursuant to which the related loan receivable from Mr. Chau of RMB3,000,000 and the amount due to Mr. Chau of RMB3,000,000, had been offset during the year ended 31 December 2018.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	RMB	RMB
Other receivables		
Staff advance (note i)	**840,951**	1,276,040
Others	**–**	427,242
	840,951	1,703,282
Less:		
Allowance of doubtful accounts	**–**	(427,242)
	840,951	1,276,040
Loan to an independent third party	**200,000**	–
Other prepayments	**674,574**	932,109
Deferred issue costs	**–**	3,641,538
Deposits (note ii)	**547,225**	249,050
Value added tax ("VAT") recoverable	**565,770**	1,624,704
	2,828,520	7,723,441

Movements of loss allowance on other receivables during the year

	RMB
At 1 January 2017	115,114
Provision during the year (note iii)	427,242
Written-off	(115,114)
At 31 December 2017	427,242
Reversal during the year (note iii)	(427,242)
At 31 December 2018	–

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 2018 included rental deposits of RMB247,225 (31 December 2017: RMB249,050).

(iii) During the year ended 31 December 2017, included in allowance for doubtful accounts was individually impaired receivables totalling RMB427,242 provided in full since the counterparties were in financial difficulties. The loss allowance was reversed during the current year upon the full recovery of RMB427,242 in cash.

18. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	At 31 December	
	2018	2017
	RMB	RMB
Finance lease receivables:		
Within one year	**193,742,041**	206,326,461
One year to three years	**117,528,033**	85,312,926
	311,270,074	291,639,387
Less: Unrealised finance income		
Within one year	**(22,107,631)**	(19,630,914)
One year to three years	**(21,826,981)**	(15,259,855)
	(43,934,612)	(34,890,769)
Present value of minimum lease payment		
Within one year	**171,634,410**	186,695,547
One year to three years	**95,701,052**	70,053,071
	267,335,462	256,748,618
Less: Loss allowance on finance lease receivables	**(6,050,269)**	(4,508,871)
	261,285,193	252,239,747
For reporting purposes as:		
Current assets	**167,868,576**	183,505,651
Non-current assets	**93,416,617**	68,734,096
	261,285,193	252,239,747

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 42.21% during the year ended 31 December 2018 (2017: 6% to 33.16%).

As at 31 December 2018, the carrying amount of finance lease receivables arising from the finance lease business with Xin You (as a related party defined in note 16) was RMB8,164,215 (31 December 2017: RMB9,064,844). No deposits had been received from Xin You by the Group in respect of these finance lease agreements.

The following is a credit quality analysis of finance lease receivables as at 31 December 2017 under the requirement of IAS 39. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

18. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (Continued)

	At 31 December 2017 RMB
Receivables not overdue	232,864,509
Overdue receivables without individual allowance of doubtful accounts	20,172,902
Overdue receivables with individual allowance of doubtful accounts	3,711,207
	256,748,618
Less:	
Allowance of doubtful accounts (individually)	(1,034,488)
Allowance of doubtful accounts (collectively)	(3,474,383)
Total	252,239,747

The following is an aging analysis based on past due dates of finance lease receivables which are past due but not individually impaired as at 31 December 2017 under the requirement of IAS 39:

	At 31 December 2017 RMB
Within one month	5,546,237
One to three months	4,647,867
Three months to one year	9,913,950
More than one year	64,848
	20,172,902

18. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (Continued)

Movements of loss allowance on finance lease receivables during the year

(A) Movement of allowance for the year ended 31 December 2018 under IFRS 9

	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 2018				4,508,871
Effect arising from adoption of IFRS 9				789,577
As at 1 January 2018				5,298,448
Changes in the loss allowance:				
– Transfer to Stage 1	446,113	(313,589)	(132,524)	–
– Transfer to Stage 2	(48,238)	48,238	–	–
– Transfer to Stage 3	(21,122)	(230,836)	251,958	–
– Charged to profit or loss	(868,263)	329,546	1,290,538	751,821
As at 31 December 2018				6,050,269

(B) Movement of allowance for the year ended 31 December 2017 under IAS 39

	Individual impairment RMB	Collective impairment RMB	Total RMB
At 1 January 2017	(6,335,386)	(7,068,821)	(13,404,207)
(Provision) reversal during the year	(2,486,029)	3,594,438	1,108,409
Eliminated upon transfer of related finance lease receivables (note 19)	4,913,346	–	4,913,346
Written-off	2,873,581	–	2,873,581
At 31 December 2017	(1,034,488)	(3,474,383)	(4,508,871)

The finance lease receivables are secured by the leased assets and deposits (if available). The deposit is required and calculated as a certain percentage of the contract value and paid back throughout or by the end of the contract as stipulated in the finance 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 2018, the outstanding deposits from finance lease customers were RMB50,887,966 (31 December 2017: RMB47,772,551). 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.

18. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (Continued)

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

	At 31 December	
	2018	2017
	RMB	RMB
Non-current liabilities	**29,883,442**	25,782,956
Current liabilities	**21,004,524**	21,989,595
	50,887,966	47,772,551

The deposits received are interest-free and measured at amortised cost using the effective interest method. The weighted average effective interest rate adopted is 18.87% for the year ended 31 December 2018 (2017: 21.56%).

19. TRANSFER OF FINANCIAL ASSETS

The Group entered into several agreements during the year ended 31 December 2017 with an independent financial institution, pursuant to which the Group has agreed to transfer the finance lease receivables at discount, together with the deposits received from these finance lease customers, and with no recourse by an independent financial institution.

During the year ended 31 December 2017, finance lease receivables of a total carrying amount of RMB29,663,721 (net of individual provision for impairment loss of RMB4,913,346) was derecognised by the Group and transferred to the independent financial institution for a total cash consideration of RMB28,050,000, resulting in a loss on individually impaired finance lease receivables of RMB1,613,721 charged to profit or loss. Total cash consideration of RMB28,050,000 had been received by the Group during the year ended 31 December 2017.

In addition, as part of the arrangement, relevant deposits received from the finance lease customers amounting to RMB5,291,271 have also been transferred to the independent financial institution, without profit or loss impact to the Group.

The Group did not enter into similar transaction during the year ended 31 December 2018.

20. SECURITY DEPOSITS

As at 31 December 2018, the security deposits of RMB14,887 (31 December 2017: nil) were placed by the Group with a bank to secure a short-term bank borrowing. The interest rate of this security deposits is 0.35% per annum.

21. FINANCIAL ASSETS AT FVTPL

	As at 31 December 2018 RMB	2017 RMB
Unlisted financial products	**5,000,000**	–

22. BANK BALANCES AND CASH

As at 31 December 2018, bank balances carried interest at prevailing market rates at 0.35% per annum (31 December 2017: 0.35%).

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

	At 31 December 2018 RMB	2017 RMB
HK$	**6,853,683**	46,154
United States Dollars ("US$")	**43,883,732**	35,268
	50,737,415	81,422

23. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2018 RMB	2017 RMB
Other payables (note)	**7,062,154**	10,536,743
Listing costs payables	**1,931,160**	7,893,960
Payroll payables	**2,627,139**	2,689,872
Other tax payables	**2,374,123**	1,435,748
Interest payables	**366,753**	366,843
	14,361,329	22,923,166

23. OTHER PAYABLES AND ACCRUED EXPENSES (Continued)

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

	At 31 December	
	2018	2017
	RMB	RMB
HK$	**1,060,352**	6,265,435

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

24. BANK AND OTHER BORROWINGS

	At 31 December	
	2018	2017
	RMB	RMB
Fixed-rate borrowings		
Bank borrowings		
– Secured and guaranteed (note (a))	**14,694,100**	15,048,429
Other borrowings from independent third parties		
– Secured and unguaranteed (note (a))	**25,878,448**	14,818,680
	40,572,548	29,867,109

24. BANK AND OTHER BORROWINGS (Continued)

	At 31 December 2018 RMB	2017 RMB
Analysed as:		
– Within one year		
Bank borrowings	**12,215,161**	15,048,429
Other borrowings	**25,878,448**	14,818,680
	38,093,609	29,867,109
– More than one year but not exceeding two years		
Bank borrowings	**2,478,939**	–
	40,572,548	29,867,109

	At 31 December 2018	2017
Effective interest rate for fixed rate borrowings (per annum)	**5.73%~19.29%**	4.35%~19.29%

Note:

(a) As at 31 December 2018, the Group's bank and other borrowings of RMB40,572,548 (31 December 2017: RMB29,867,109) were granted by several banks and independent third parties in the PRC and secured by charges over certain finance lease receivables of the Group as detailed in note 32. As at 31 December 2018, the Group's secured bank borrowings of RMB14,694,100 (31 December 2017: RMB15,048,429) were guaranteed by an independent third party, of which nil (31 December 2017: RMB15,048,429) was also under joint and several liability guaranteed by Mr. Chau.

Other borrowings, which were secured and unguaranteed, as at 31 December 2018 amounting to RMB24,576,441 (31 December 2017: nil) represented the Group's financing arrangement with a fund (the "Fund"), including an initial principal of RMB75,405,000 net of the repayment totaling RMB50,828,559 during the current year. Under this financing arrangement, the Group entered into 2 financing agreements with a fund manager on behalf of the Fund, pursuant to which the Fund advanced the sum of RMB31,760,000 and RMB43,645,000 to the Group in consideration of the transfer of the Group's finance lease receivables, with grossing amount of RMB35,700,000 and RMB54,016,000, but without transferring the significant risks and rewards to the Fund in February 2018 and April 2018, respectively. The Group accounted the advance of RMB75,405,000 received as "other borrowings", which was subsequently measured at amortised cost using the effective interest method under effective interest rates of 13.9% and 13.1% per annum, respectively, and continued to recognise the full carrying amount of finance lease receivables.

Included in other borrowings as at 31 December 2018 also included a short-term borrowing of RMB1,302,007 (31 December 2017: nil) granted by a financial institute in January 2018, with one year period and 9% interest rate per annum.

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

25. SHARE CAPITAL

The share capital as at 31 December 2017 represented the issued share capital of the Company and Metropolis Asia. While share capital as at 31 December 2018 represented the share capital of the Company following the completion of Group Reorganisation on 8 March 2018 and issuance of new shares upon Listing.

Details of the share capital of Metropolis Asia and the Company were as follow:

Metropolis Asia

	Number of shares	Amount USD	Amount RMB equivalent
Issued and fully paid (no par value)			
On 1 January 2017 and 31 December 2017	50,000	50,000	341,695

Note:

On 22 August 2017, the maximum number of shares which Metropolis Asia was authorized to issue was increased by 50,000 ordinary shares with no par value. After the foregoing took effect, the total maximum authorised number of shares which Metropolis Asia was authorised to issue was 100,000 shares with no par value.

The Company

	Number of shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
On 29 June 2017 (date of incorporation) and 31 December 2017	38,000,000	380,000
Increase on 23 November 2018 (note a)	3,962,000,000	39,620,000
On 31 December 2018	4,000,000,000	40,000,000
Issued and fully paid:		
On 29 June 2017 (date of incorporation) and 31 December 2017	1	–
Issued in consideration for the acquisition of Metropolis Asia on 8 March 2018	49,999	500
Capitalisation issue of new shares (note b)	599,950,000	5,999,500
Issuance of new shares upon Listing (note c)	200,000,000	2,000,000
On 31 December 2018	800,000,000	8,000,000

	RMB
Shown in the statement of financial position	7,067,962

25. SHARE CAPITAL (Continued)

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) On 12 December 2018, the Company capitalised a sum of HK$5,999,500 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.

(c) 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.

26. DEFERRED TAX ASSETS

	At 31 December 2018 RMB	2017 RMB
Deferred tax assets	**2,385,949**	1,714,201

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 RMB	Depreciation of property and equipment RMB	Amortisation of intangible asset RMB	Tax losses RMB	Unpaid accrued expenses RMB	Total RMB
At 1 January 2017	3,351,052	24,975	104,347	–	–	3,480,374
(Charge) credit to profit or loss	(2,223,834)	(109)	51,746	406,024	–	(1,766,173)
At 31 December 2017	1,127,218	24,866	156,093	406,024	–	1,714,201
Effect arising on adoption of IFRS 9	197,394	–	–	–	–	197,394
Adjusted balance 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

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 2018, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB30,139,599 (31 December 2017: RMB29,198,799) 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.

There were no other significant unrecognised temporary differences at the end of both years.

27. 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 2018 are RMB2,362,959 (31 December 2017: RMB2,641,011).

28. 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)	Total
	RMB	RMB	RMB	RMB	RMB
At 1 January 2017	–	66,049,000	26,134,179	–	92,183,179
Financing cash flows	–	(36,181,891)	8,012,149	(1,457,714)	(29,627,456)
Non-cash changes					
Offsetting arrangement with related parties	–	–	(27,707,575)	–	(27,707,575)
Exchange gain	–	–	(1,476,755)	–	(1,476,755)
Issue costs accrued	–	–	–	3,641,538	3,641,538
At 31 December 2017	–	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					
Exchange loss	**–**	**–**	**2,335**	**–**	**2,335**
Offsetting arrangement with a related party (as detailed in note 16(c))	**–**	**–**	**(3,000,000)**	**–**	**(3,000,000)**
Issue costs accrued	**–**	**–**	**–**	**9,571,932**	**9,571,932**
At 31 December 2018	**(14,887)**	**40,572,548**	**–**	**1,468,790**	**42,026,451**

Note: The balances of accrued issue costs were included in "Listing costs payables" as set out in note 23.

29. 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 owner of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

29. CAPITAL RISK MANAGEMENT (Continued)

The capital structure of the Group consists of bank and other borrowings as set out in note 24 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.

30. FINANCIAL RISK MANAGEMENT

Categories of financial instruments and finance lease receivables

	At 31 December 2018 RMB	2017 RMB
Financial assets and financial lease receivables		
Finance lease receivables	**261,285,193**	252,239,747
Financial assets at amortised costs (including cash and cash equivalent)	**56,600,374**	–
Loans and receivables (including cash and cash equivalent)	**–**	15,754,629
Financial assets at FVTPL	**5,000,000**	–
	322,885,567	267,994,376
Financial liabilities		
Deposit from finance lease customers	**50,887,966**	47,772,551
Other financial liabilities at amortised cost	**49,565,862**	53,259,810
	100,453,828	101,032,361

Financial risk management objectives and policies

The major financial instruments include loans to related parties, deposits and other receivables, security deposits, bank balances and cash, financial assets at FVTPL, loan to an independent third party, deposits from finance lease 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$, certain loans to related parties and certain listing costs payables denominated in HK$ as set out in notes 22, 16 and 23, 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.

30. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Currency risk

The Group's exposure to foreign currency risk arises solely from bank balances and cash, 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	
	2018	2017
	RMB	RMB
Assets		
HK$	**8,620,071**	46,154
US$	**43,883,732**	35,268
Liabilities		
HK$	**1,060,352**	6,323,542

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 10% (2017: 10%) appreciation and depreciation in RMB against the relevant foreign currencies. 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.

	Year ended At 31 December	
	2018	2017
	RMB	RMB
HK$	**(782,481)**	472,257
US$	**(3,292,151)**	(2,645)

30. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

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, while that of fair value interest rate risk relates primarily to the Group's finance lease receivables, loans to related parties, bank and other borrowings, amounts due to related parties, deposits from finance lease customers 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 interest rate risk of the Group is insignificant.

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

The credit risk on liquid funds (i.e., security 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.

30. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In relation to finance lease receivables, 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 other aspects. 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.

Changes in the economic environment will have an impact on the Group's finance lease, 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.

30. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

(a) Guarantee and collateral (Continued)

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.

The Group's concentration of credit risk on finance lease receivables as at 31 December 2018 included five major customers accounting for 36.1% (31 December 2017: 24.08%) of the total balance of finance lease receivables, respectively. 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 has closely monitored the business performance of these customers and other than the above, the Group does not have significant concentration of credit risk.

After the adoption of the IFRS 9, 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.

30. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

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

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The following table shows the Group's credit risk grading framework in respect of all the Group's financial assets and lease receivables:

Category	Description	Basis for recognising ECL
Performing	For financial assets and lease receivables where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets and lease receivables where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets and lease receivables are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

30. FINANCIAL RISK MANAGEMENT (Continued)

Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of finance lease receivables is at Stage 1 of which the loss allowance is measured at 12m ECL.

The following table details the risk profile of finance lease receivables as at 31 December 2018.

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

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

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

30. 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	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	2 to 3 years	Total undiscounted cash flows	Carrying amount at 31 December 2018
	%	RMB	RMB	RMB	RMB	RMB	RMB	RMB	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		73,305,231	21,811,800	42,952,387	117,297,010	80,336,065	37,191,968	372,894,461	322,885,567
Liabilities									
Deposits from finance lease 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	–	7,062,154	–	–	–	–	–	7,062,154	7,062,154
Total non-derivative financial liabilities		8,993,314	11,998,365	16,364,912	38,520,212	18,587,462	13,832,001	108,296,266	100,453,828

30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	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 2017 RMB
As at 31 December 2017									
Assets									
Finance lease receivables	19.47%	10,491,899	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	291,639,387	252,239,747
Bank balances and cash	–	4,229,539	–	–	–	–	–	4,229,539	4,229,539
Loans to related parties	–	10,000,000	–	–	–	–	–	10,000,000	10,000,000
Deposits and other receivables	–	1,525,090	–	–	–	–	–	1,525,090	1,525,090
Total non-derivative financial assets		26,246,528	15,426,617	35,974,870	144,433,074	62,385,864	22,927,063	307,394,016	267,994,376
Liabilities									
Deposits from finance lease customers	21.56%	–	1,264,585	1,100,987	16,256,199	28,038,351	6,684,031	53,344,153	47,772,551
Bank and other borrowings	12.43%	–	17,833,363	4,946,174	8,111,120	–	–	30,890,657	29,867,109
Amounts due to related parties	–	4,961,998	–	–	–	–	–	4,961,998	4,961,998
Listing costs payables	–	7,893,960	–	–	–	–	–	7,893,960	7,893,960
Other payables	–	10,536,743	–	–	–	–	–	10,536,743	10,536,743
Total non-derivative financial liabilities		23,392,701	19,097,948	6,047,161	24,367,319	28,038,351	6,684,031	107,627,511	101,032,361

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.

30. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

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
	2018	2017		
	RMB	RMB		
Financial asset				
Unlisted financial products	**5,000,000**	–	Level 2	Discounted cash flows, Future cash flows are estimated based on expected return of the financial products

31. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group has commitments for minimum lease payments under non-cancellable operating leases were payable as follows:

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	At 31 December	
	2018	2017
	RMB	RMB
Within one year	**1,441,268**	1,433,311
In the second year	**1,392,940**	41,950
	2,834,208	1,475,261

32. PLEDGE OF ASSETS

	At 31 December 2018 RMB	2017 RMB
Finance lease receivables	**55,786,806**	81,650,294
Security deposits	**14,887**	–
	55,801,693	81,650,294

33. RELATED PARTY DISCLOSURES

(a) Related party transactions

Apart from details of the balances with related parties disclosed on page 59 and notes 16 and 18 and other details 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 2018 RMB	2017 RMB
Xin You	Related party	Finance lease revenue earned	**553,628**	394,992
Mr. Chow Chuen Chung	Related party	Rental expense	**1,301,720**	1,232,430

(b) Compensation of key management personnel

	Year ended 31 December 2018 RMB	2017 RMB
Salaries, bonus and other benefits	**1,104,800**	1,227,063
Retirement benefits scheme contributions	**243,891**	210,636
	1,348,691	1,437,699

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

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2018	2017
	RMB	RMB
NON-CURRENT ASSETS		
Investment in a subsidiary at cost	**138,384,857**	–
Deemed investment in a subsidiary (note)	**43,810,000**	–
	182,194,857	–
CURRENT ASSETS		
Loan to a related party	**1,707,782**	–
Bank balances and cash	**6,772,711**	–
	8,480,493	–
CURRENT LIABILITY		
Amount due to a subsidiary	**5,106,190**	–
NET CURRENT ASSETS	**3,374,303**	–
TOTAL ASSETS LESS CURRENT LIABILITIES	**185,569,160**	–
CAPITAL AND RESERVES		
Share capital	**7,067,962**	–
Reserves	**178,501,198**	–
TOTAL EQUITY	**185,569,160**	–

Movements of the Company's reserves

	Share premium RMB	Accumulated losses RMB	Total RMB
On 29 June 2017 (date of incorporation) and 31 December 2017	–	–	–
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	138,384,453	–	138,384,453
Capitalisation issue of new shares (Note 25(b))	(5,300,558)	–	(5,300,558)
Issuance of new shares upon Listing	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

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.

35. 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 31/12/2018	31/12/2017	Principal activities
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: The company is a limited liability company.

36. EVENT AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2018:

(i) On 23 January 2019, Metropolis Leasing entered into a capital contribution agreement to inject RMB3,000,000 to an independent third party entity, which is engaged in provision of technology consulting services to customers including vehicle dealers. Upon completion of the capital contribution, the Group will held 20% equity interest of the entity. As Metropolis Leasing would be entitled to appoint one out of three board members of the entity, it would be accounted for as an associate of the Group. RMB500,000 and RMB1,000,000 were paid to the entity in January 2019 and March 2019, respectively. The remainder would be paid prior to 30 April 2019 pursuant to the agreement. The Group is still in the process of assessing the financial impact of this acquisition.

(ii) On 18 February 2019, Metropolis Leasing entered into several finance leasing agreements with a customer in relation to finance leasing of inventory vehicles. Pursuant to the agreements, Metropolis Leasing would purchase the underlying vehicles at the consideration of RMB6,120,000 and lease these vehicles to the customer with a term of six months.

THREE YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the latest three 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		
	2018	2017	2016
	RMB	RMB	RMB
Revenue	**47,987,283**	49,661,039	44,098,209
Profit before income tax	**768,765**	6,848,562	8,781,602
Income tax expense	**(324,530)**	(1,766,173)	(2,271,445)
Profit for the year	**444,235**	5,082,389	6,510,157

	As at 31 December		
	2018	2017	2016
	RMB	RMB	RMB
Non-current assets	**99,347,128**	73,835,110	84,225,661
Current assets	**230,709,294**	205,458,631	271,601,326
Total assets	**330,056,422**	279,293,741	355,826,987
Non-current liabilities	**32,362,381**	25,782,956	55,267,258
Current liabilities	**74,075,190**	85,443,516	137,574,849
Total liabilities	**106,437,571**	111,226,472	192,842,107
Total equity	**223,618,851**	168,067,269	162,984,880