METROPOLIS
信都国际租赁

METROPOLIS CAPITAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8621)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report of Metropolis Capital Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 dated 30 March 2022 (the "**2021 Annual Report**") and the annual results announcement of the Group for the year ended 31 December 2021 dated 23 March 2022 (the "**2021 Annual Results Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2021 Annual Report and the 2021 Annual Results Announcement.

Further to the information disclosed in the 2021 Annual Report and the 2021 Annual Results Announcement, the Company wishes to provide to the Shareholders and the potential investors with the following supplementary information:

LOSS ALLOWANCES ON THE LEASE RECEIVABLES AND FACTORING RECEIVABLES

As stated in the 2021 Annual Report, during the Reporting Period, the Group recognised loss allowances on Lease Receivables of approximately RMB4.9 million, which was significantly higher than the loss allowances of approximately RMB1.4 million for the Corresponding Period. During the Reporting Period, the Group recognised loss allowances on Factoring Receivables of approximately RMB1.1 million, as compared to the nil loss allowance made on Factoring Receivables for the Corresponding Period.

Save as disclosed in the 2021 Annual Report, further information regarding the loss allowances is set out below:

The Company did not engage any independent external valuers to perform the assessment on the loss allowances (the "**Loss Allowances**") on the Lease Receivables and Factoring Receivables (collectively, the "**Loan Receivables**") of the Group. The Company conducted internal assessment and evaluation to support the impairments made, and performs such impairment assessment under expected credit loss ("**ECL**") model on its financial assets (including but not limited to the Loan Receivables) and financial guarantee contracts which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Basis of determining the Loss Allowances

The basis of determining the Loss Allowances of the Company is based on the ECL model according to IFRS 9. The Company applied the general approach in IFRS 9 (the "**General Model**") to measure the ECL. As disclosed in Note 21 to the consolidated financial statements of the 2021 Annual Report, the Company's credit risk grading framework in respect of all the Company's financial assets (including but not limited to the Loan Receivables) is as follows:

Stage 1 includes financial assets that have low risk of default or that have not had a significant increase in credit risks since initial recognition and that are not credit impaired. For these assets, 12-month ECL is recognised.

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that are not credit impaired. For these assets, lifetime ECL is recognised.

Stage 3 includes financial assets that are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset had occurred. For these assets, lifetime ECL is recognised.

In addition to the above three-stage framework, if there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery, the relevant amount will be written off. The assessment of the Loss Allowances is conducted 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 management of the Group regularly reviews the change of the factors in the ECL formula (as set out below) (if any), and to determine whether the credit risk of financial assets have changed.

The Group generally measures the Loss Allowances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, where the Group would then consider recognising 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.

In assessing whether the credit risk on the Loan Receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring on the Loan Receivables at the reporting date with the risk of a default occurring on the Loan Receivables at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following factors are taken into account when assessing whether credit risk of the Loan Receivables has increased significantly since initial recognition, including:

(i) an actual or expected significant deterioration in the Loan Receivables' external (if available) or internal credit rating;

(ii) 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;

(iii) 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;

(iv) an actual or expected significant deterioration in the operating results of the relevant debtor;

(v) significant increase in credit risk on other financial instruments of the relevant debtor; and

(vi) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the relevant debtor that results in a significant decrease in the relevant debtor's ability to meet its debt obligations.

For further details on the basis of determining the ECL, please refer to Notes 2 and 33 to the consolidated financial statements of the 2021 Annual Report.

Calculation to determine the Loss Allowances

The Group has adopted the General Model to assess its Loan Receivables during the Reporting Period and at the reporting date (i.e. 31 December 2021). The ECL formula is presented as follows:

ECL = PD x LGD

where:

PD = Probability of Default
LGD = Loss Given Default

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.

According to the ECL formula, the measurement of ECL is based on the probability of default and loss given default (i.e. the magnitude of the loss if there is a default). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information (which includes macro-economic information), where any exposure at default will also be considered. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The weighted average ECL also incorporate forward looking information.

For the Loan Receivables, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the relevant contracts and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The cash flows used for determining the ECL is consistent with the cash flows used in measuring the Loan Receivables in accordance with IFRS 16.

The Group recognises an impairment gain or loss in profit or loss for the Loan Receivables with a corresponding adjustment to their respective carrying amount through a loss allowance account.

Circumstances leading to the Loss Allowances

The circumstances leading to the Loss Allowances primarily involve (i) ECL made to the gross carrying amount of the Loan Receivables concerned; and (ii) the deterioration of the financial conditions and/or credit ratings of the counterparty of the relevant financial leasing agreements and factoring agreements. These ECL made to the gross carrying amount of the Loan Receivables was based on external factors such as changes in macro-economic environment and the financial conditions of the counterparties, which were beyond the control of the Group and were not resulted from any default of the relevant loans concerned.

Applying the ECL model, the Group will make loss allowance on the Loan Receivables when there has been a change in credit risk since initial recognition, and assess whether the Loan Receivables are credit-impaired and consider 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 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. As such, the Directors typically become aware of the change in credit risk (if any) on a monthly basis.

The Board's assessment on the Loss Allowances

As at 31 December 2021, the gross carrying amount of the Loan Receivables recorded an aggregate amount of approximately RMB280,531,997, represented an increase of approximately 13.5%, as compared with that of approximately RMB247,193,733 as at 31 December 2020. Details are as follows:

Gross carrying amount	**As at 31 December 2021** ***RMB***	As at 31 December 2020 *RMB*	Change *(in approximate)* *RMB*	*(%)*
Finance lease receivables	**113,998,859**	152,810,299	38,811,440	(25.4)%
Receivables arising from sale and leaseback arrangements	**134,122,721**	88,624,228	45,498,493	51.3%
Factoring receivables	**32,410,417**	5,759,206	26,651,211	462.8%
Total	**280,531,997**	247,193,733	33,338,264	13.5%

Despite there is an increase in the gross carrying amount of the Loan Receivables as at 31 December 2021 as set out above, the Loss Allowances of the Loan Receivables has only, in fact, increased by approximately 6.4%, as compared with that of approximately RMB46,359,211 as at 31 December 2020. Details are as follows:

Loss allowances for ECL	**At 31 December 2021** ***RMB***	At 31 December 2020 *RMB*	Change *(in approximate)* *RMB*	*(%)*
Finance lease receivables	**44,923,944**	45,398,762	(474,818)	(1.1)%
Receivables arising from sale and leaseback arrangements	**3,257,612**	960,449	2,297,163	239.2%
Factoring receivables	**1,135,119**	0	1,135,119	N/A
Total	**49,316,675**	46,359,211	2,957,464	6.4%

The increase in Loss Allowances on the Loan Receivables was primarily due to the increase in the weighted average ECL resulting from the multiple waves of COVID-19 outbreak leading to the Company adopting stricter risk control measures and estimation and adjusting the forward-looking factors included the ECL model, in particular, the finance lease receivables under stage 3 of ECL. Details are as follows:

Weighted average ECL	**As at 31 December 2021** ***(in approximate)***	As at 31 December 2020 *(in approximate)*
Finance lease receivables	**39.4%**	29.7%
Receivables arising from sale and leaseback arrangements	**2.4%**	1.1%
Factoring receivables	**3.5%**	0.0%

Apart from the reason above, the increase in Loss Allowances on the Loan Receivables was also due to (i) the increase in the gross carrying amount of the receivables arising from sale and leaseback arrangements and factoring receivables as at 31 December 2021; and (ii) the increase in ECL made under stage 3 of ECL for the finance lease receivables as at 31 December 2021 despite its decrease in the gross carrying amount as at 31 December 2021 as vast majority of the finance leasing customers are corporations which tend to repay later than individual customers generally.

The grouping of the ECL measurement is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics. The management of the Group is required to make robust estimates on ECL and the point at which there is a significant increase in credit risk based on available information that the management deems reasonable and applicable, all of which involve prudent judgement.

The Board is of the view that the Loss Allowances is made appropriately as ECL was properly determined in accordance with IFRS 9 with reference to the gross carrying amount of the Loan Receivables concerned, and/or changes in the financial conditions and credit ratings of the counterparty of the relevant finance leasing agreements and factoring agreements.

In performing its audit duty, the auditor of the Company has, among others, (i) enquired the management to understand the Group's process for estimating the loss allowances for ECL of the Loan Receivables; (ii) evaluated the judgement made by the management in identifying the Loan Receivables with significant increase in credit risk and credit-impaired Loan Receivables; and (iii) evaluated the reasonableness of the ECL model methodology and related parameters including the probability of default, value of the collaterals, loss given default and forward-looking information. For further details, please refer to the paragraph headed "Key audit matters" in the independent's auditor's report of the 2021 Annual Report.

This supplemental announcement is supplemental to and should be read in conjunction with the 2021 Annual Report and the 2021 Annual Results Announcement.

By order of the Board
Metropolis Capital Holdings Limited
Chau David
Chairman, chief executive officer and executive Director

Hong Kong, 21 April 2022

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

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be published on the website of the Company at www.metropolis-leasing.com.