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ACCOUNTANTS' REPORT ON LYNWAY VISION HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF APT ELECTRONICS CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Lynway Vision Technology (Ningbo) Co., Ltd. (“**Lynway Vision**”) set out on pages IB-4 to IB-41, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Lynway Vision for the nine months ended 30 September 2021 (the “**Pre-acquisition Period**”), and the statement of financial position of Lynway Vision as at 30 September 2021, and material accounting policy information and other explanatory information (together, the “**Lynway Vision Historical Financial Information**”). The Lynway Vision Historical Financial Information set out on pages IB-4 to IB-41 forms an integral part of this report, which has been prepared for inclusion in the prospectus of APT Electronics Co., Ltd. (the “**Company**”) dated 31 October 2024 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Lynway Vision Historical Financial Information

The directors of Lynway Vision are responsible for the preparation of the Lynway Vision Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Lynway Vision Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Lynway Vision Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Lynway Vision Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Lynway Vision Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Lynway Vision Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Lynway Vision Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Lynway Vision Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Lynway Vision Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Lynway Vision as at 30 September 2021 and of the financial performance and cash flows of Lynway Vision for the Pre-acquisition Period in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Lynway Vision Historical Financial Information, no adjustments to the Lynway Vision Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

No dividends have been paid by Lynway Vision in respect of the Pre-acquisition Period.

Certified Public Accountants

Hong Kong

31 October 2024

I LYNWAY VISION HISTORICAL FINANCIAL INFORMATION

Preparation of Lynway Vision Historical Financial Information

Set out below is the Lynway Vision Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Lynway Vision for the Pre-acquisition Period, on which the Lynway Vision Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA (the “**Lynway Vision Underlying Financial Statements**”).

The Lynway Vision Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Nine months ended 30 September 2021
	<i>Notes</i>	<i>RMB'000</i>
REVENUE	4	52,160
Cost of sales		(65,957)
Gross loss		(13,797)
Other income and gains	4	2,153
Selling and marketing expenses		(2,894)
Administrative expenses		(12,873)
Research and development costs		(15,486)
Other expenses		(4,671)
Finance costs		(1)
LOSS BEFORE TAX	5	(47,569)
Income tax credit	6	61
LOSS FOR THE PERIOD		(47,508)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(47,508)

STATEMENT OF FINANCIAL POSITION

		As at 30 September
		2021
	<i>Notes</i>	<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	7	230,339
Right-of-use assets	8	38,283
Other intangible assets	9	5,165
Total non-current assets		273,787
CURRENT ASSETS		
Inventories	10	21,436
Trade receivables	11	17,071
Prepayments, other receivables and other assets	12	5,082
Financial assets at fair value through profit or loss	13	86,300
Pledged deposits	14	16,761
Cash and cash equivalents	14	2,781
Total current assets		149,431
CURRENT LIABILITIES		
Trade payables	15	66,362
Other payables and accruals	16	239,637
Contract liabilities	17	2,746
Total current liabilities		308,745
NET CURRENT LIABILITIES		(159,314)
TOTAL ASSETS LESS CURRENT LIABILITIES		114,473
Net assets		114,473
EQUITY		
Equity attributable to owners of the parent		
Share capital	18	104,100
Other reserves	19	10,373
Total equity		114,473

STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Capital reserve*</u>	<u>Accumulated losses*</u>	<u>Total equity</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(note 19)</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021	100,000	100,000	(54,419)	145,581
Loss for the year	—	—	(47,508)	(47,508)
Total comprehensive loss for the year .	—	—	(47,508)	(47,508)
Capital contribution by shareholders . .	4,100	12,300	—	16,400
As at 30 September 2021	<u>104,100</u>	<u>112,300</u>	<u>(101,927)</u>	<u>114,473</u>

* These reserve accounts comprise the other reserves of RMB10,373,000 in the statement of financial position as at 30 September 2021.

STATEMENT OF CASH FLOWS

		Nine months ended 30 September
		2021
	<i>Notes</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(47,569)
Adjustments for:		
Finance costs		1
Interest income	4	(567)
Depreciation of property, plant and equipment	7	11,689
Amortisation of intangible assets	9	355
Depreciation of right-of-use assets	8	609
Net loss on disposal of items of property, plant and equipment . . .		5
Fair value loss on financial assets at FVTPL	5	407
Write-down of inventories to net realisable value	5	4,317
Investment income from financial assets at FVTPL	5	(1,925)
Impairment loss, net of reversal – financial assets under the ECL model	5	348
Increase in inventories		(17,815)
Increase in trade receivables		(17,420)
Decrease in prepayments, other receivables and other assets		122
Increase in trade payables		36,224
Decrease in other payables and accruals		(1,058)
Increase in contract liabilities		2,746
Cash generated from operations		
Interest received		567
Income taxes paid		—
Net cash flows used in operating activities		(28,964)

	Nine months ended 30 September <u>2021</u>
<i>Notes</i>	<i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of items of property, plant and equipment . .	8
Proceeds from disposal of financial assets at FVTPL	576,600
Purchases of financial assets at FVTPL	(518,400)
Purchases of items of property, plant and equipment	(46,476)
Purchases of intangible assets	(5,385)
Increase in pledged deposits	(4,805)
Investment income from financial assets at FVTPL	1,925
Net cash flows from investing activities	<u>3,467</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
New bank borrowings	469
Repayment of bank borrowings	(469)
Interest paid	(1)
Capital contribution from shareholders	16,400
Net cash flows from financing activities	<u>16,399</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,098)
Cash and cash equivalents at beginning of period	<u>11,879</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,781</u>

II NOTES TO THE LYNWAY VISION HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Lynway Vision was established with limited liability in the PRC on 26 October 2018. The registered office of Lynway Vision is located at Ninghai County, Ningbo, Zhejiang Province, China. Lynway Vision is primarily engaged in the design, R&D, production and sales of intelligent automotive vision products.

Pursuant to the capital increase agreement dated 27 January 2021, signed by the Company, Zhejiang Yaoning Technology Group Co., Ltd. (“**Yaoning Technology**”) and Lynway Vision, the Company subscribed for an additional RMB4.1 million registered capital of Lynway Vision at a consideration of RMB16.4 million. Upon completion of the capital subscription, the Company’s shareholding in the Lynway Vision increased from 49% to 51%. The Company paid the capital subscription amount of RMB16.4 million on 29 September 2021 and completed the corresponding industrial and commercial change procedures. The Company was able to exercise control over Lynway Vision on 30 September 2021.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Lynway Vision Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“**IASB**”). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by Lynway Vision in the preparation of the Lynway Vision Historical Financial Information throughout the Pre-acquisition Period.

The Lynway Vision Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Lynway Vision has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Lynway Vision Historical Financial Information. Lynway Vision intends to apply these revised and new IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to IAS 21	<i>Lack of Exchangeability</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ³
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ⁴
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ⁴

Notes:

- ¹ No mandatory effective date yet determined but available for adoption
² Effective for annual periods beginning on or after 1 January 2025
³ Effective for annual periods beginning on or after 1 January 2026
⁴ Effective for annual periods beginning on or after 1 January 2027

Lynway Vision is in the process of making a detailed assessment of the impact of these revised IFRSs upon initial application. So far, Lynway Vision considers that these revised IFRSs may result in changes in certain accounting policies and are unlikely to have a significant impact on the Lynway Vision's financial performance and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

Lynway Vision measures its financial instruments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Lynway Vision. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

Lynway Vision uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Lynway Vision Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Lynway Vision Historical Financial Information on a recurring basis, Lynway Vision determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to Lynway Vision if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over Lynway Vision;
 - (ii) has significant influence over Lynway Vision; or
 - (iii) is a member of the key management personnel of Lynway Vision or of a parent of Lynway Vision;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and Lynway Vision are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and Lynway Vision are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either Lynway Vision or an entity related to Lynway Vision;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Lynway Vision or to the parent of Lynway Vision.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Lynway Vision recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Machinery and others	9.50% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

<u>Categories</u>	<u>Estimated useful lives</u>
Software	10 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to Lynway Vision or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when Lynway Vision can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Lynway Vision assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lynway Vision as a lessee

Lynway Vision applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lynway Vision recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
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If ownership of the leased asset transfers to Lynway Vision by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Lynway Vision's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Lynway Vision has applied the practical expedient of not adjusting the effect of a significant financing component, Lynway Vision initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Lynway Vision has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Lynway Vision's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that Lynway Vision commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Lynway Vision's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- Lynway Vision has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Lynway Vision has transferred substantially all the risks and rewards of the asset, or (b) Lynway Vision has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Lynway Vision has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, Lynway Vision continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Lynway Vision also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Lynway Vision has retained.

Impairment of financial assets

Lynway Vision recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss (“FVTPL”). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Lynway Vision expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, Lynway Vision assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, Lynway Vision compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Lynway Vision considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Lynway Vision may also consider a financial asset to be in default when internal or external information indicates that Lynway Vision is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Lynway Vision.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when Lynway Vision applies the practical expedient of not adjusting the effect of a significant financing component, Lynway Vision applies the simplified approach in calculating ECLs. Under the simplified approach, Lynway Vision does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Lynway Vision has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Lynway Vision's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as other expenses in the period the write-down or loss occurs.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above and form an integral part of Lynway Vision's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Lynway Vision provides for warranties in relation to the sale of intelligent vision products and systems. Provisions for these assurance-type warranties granted by Lynway Vision are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current tax and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which Lynway Vision operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which Lynway Vision expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which Lynway Vision will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of intelligent vision products and systems

Revenue from the sale of intelligent vision products and systems is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products and systems.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before Lynway Vision transfers the related services. Contract liabilities are recognised as revenue when Lynway Vision performs under the contract (i.e., transfers control of the related services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits

Pension scheme

The employees of Lynway Vision's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund — Chinese Mainland

Lynway Vision contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by Lynway Vision are expensed as incurred.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Lynway Vision Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

Lynway Vision uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on Lynway Vision’s historical observed default rates. Lynway Vision will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Lynway Vision’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on Lynway Vision’s trade receivables is disclosed in note 11 to the Lynway Vision Historical Financial Information.

Write-down of inventories to net realisable value

Lynway Vision reviews the carrying amounts of the inventories at the end of the Pre-acquisition Period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect Lynway Vision’s financial position.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Nine months ended 30 September
	2021
	<i>RMB'000</i>
Revenue from contracts with customers.	<u>52,160</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Nine months ended 30 September 2021
	<i>RMB'000</i>
Type of goods	
Automotive intelligent vision	52,160
Geographical market	
Chinese Mainland	52,160
Timing of revenue recognition	
Products transferred at a point in time	52,160

(b) Performance obligations

Information about Lynway Vision's performance obligations is summarised below:

Sale of intelligent vision products and systems

The performance obligation is satisfied upon delivery of the intelligent vision products and systems, and payment is generally due within 60 to 120 days from delivery, except for new customers and intelligent automotive vision development services, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the Pre-acquisition Period are as follows:

	As at 30 September 2021
	<i>RMB'000</i>
Amounts expected to be recognised as revenue:	
Within one year	46
After one year	2,700
Total	<u>2,746</u>

An analysis of other income and gains is as follows:

	Nine months ended 30 September 2021
	<i>RMB'000</i>
Other income	
Interest income	567
Government grants and others	68
Total other income	<u>635</u>
Gains	
Investment income and fair value change from financial assets at FVTPL	<u>1,518</u>
Total other income and gains	<u>2,153</u>

5. LOSS BEFORE TAX

		Nine months ended 30 September
		2021
	<i>Notes</i>	<i>RMB'000</i>
Cost of inventories sold		65,957
Depreciation of property, plant and equipment	7	11,689
Depreciation of right-of-use assets	8	609
Amortisation of intangible assets	9	355
Research and development costs		15,486
Employee benefit expenses:		
Wages, salaries and other allowances		31,764
Pension scheme contributions and social welfare		3,493
Total		35,257
Impairment losses on financial assets, net		348
Write-down of inventories to net realisable value		4,317
Investment income from financial assets at FVTPL		(1,925)
Fair value loss on financial assets at FVTPL		407

6. INCOME TAX

The income tax expense of Lynway Vision for the nine months ended 30 September 2021 is analysed as follows:

	Nine months ended 30 September
	2021
	<i>RMB'000</i>
Deferred income tax	(61)

The taxation on the Lynway Vision's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Chinese Mainland as follows:

	Nine months ended 30 September
	2021
	<i>RMB'000</i>
Loss before tax	(47,569)
Tax at the statutory tax rate	(11,892)
Effect of different tax rate.	41
Expenses not deductible for tax.	34
Additional deductible allowance for qualified research and development costs . .	(1,879)
Deductible temporary differences in unrecognised deferred tax assets	1,207
Tax losses on unrecognised deferred tax assets	12,428
Tax credit at the Lynway Vision's effective tax rate	<u>(61)</u>

7. PROPERTY, PLANT AND EQUIPMENT

30 September 2021	Buildings	Machinery and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021:				
Cost	15,950	61,057	135,615	212,622
Accumulated depreciation	(94)	(1,952)	—	(2,046)
Net carrying amount	<u>15,856</u>	<u>59,105</u>	<u>135,615</u>	<u>210,576</u>
At 1 January 2021, net of				
accumulated depreciation	15,856	59,105	135,615	210,576
Additions	2,687	1,940	26,838	31,465
Disposals	—	(13)	—	(13)
Transfers	114,759	33,343	(148,102)	—
Depreciation provided during				
the period (<i>note 5</i>)	(4,762)	(6,927)	—	(11,689)
At 30 September 2021, net of				
accumulated depreciation	<u>128,540</u>	<u>87,448</u>	<u>14,351</u>	<u>230,339</u>
At 30 September 2021:				
Cost	133,396	96,324	14,351	244,071
Accumulated depreciation	(4,856)	(8,876)	—	(13,732)
Net carrying amount	<u>128,540</u>	<u>87,448</u>	<u>14,351</u>	<u>230,339</u>

8. LEASES

Lynway Vision as a lessee

Lynway Vision has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms of 50 years. Generally, Lynway Vision is restricted from assigning and subleasing the leased assets outside Lynway Vision.

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Pre-acquisition Period are as follows:

<u>Nine months ended 30 September 2021</u>	<u>Leasehold land</u>
	<i>RMB'000</i>
At the beginning of period	38,892
Depreciation charge (<i>note 5</i>)	(609)
At the end of period	<u>38,283</u>

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	<u>Nine months ended 30 September 2021</u>
	<i>RMB'000</i>
Depreciation charge of right-of-use assets (<i>note 5</i>)	<u>609</u>

9. OTHER INTANGIBLE ASSETS

<u>30 September 2021</u>	<u>Software</u>
	<i>RMB'000</i>
At 1 January 2021:	
Cost	151
Accumulated amortisation	(17)
Net carrying amount	<u>134</u>
At 1 January 2021, net of accumulated amortisation	134
Additions	5,386
Amortisation provided during the period (<i>note 5</i>)	(355)
At 30 September 2021, net of accumulated amortisation	<u>5,165</u>
At 30 September 2021:	
Cost	5,536
Accumulated amortisation	(371)
Net carrying amount	<u>5,165</u>

10. INVENTORIES

	As at 30 September
	2021
	<i>RMB'000</i>
Raw materials and consumables	5,196
Contract costs	5,396
Finished goods	10,844
Total	<u>21,436</u>

11. TRADE RECEIVABLES

	As at 30 September
	2021
	<i>RMB'000</i>
Trade receivables	17,419
Impairment	(348)
Net carrying amount	<u>17,071</u>

Lynway Vision has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment is as follows:

	As at 30 September
	2021
	<i>RMB'000</i>
Within 1 year	<u>17,071</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 30 September
	2021
	<i>RMB'000</i>
At the beginning of the period	—
Impairment losses, net.	348
At the end of the period	<u>348</u>

For trade receivables, Lynway Vision has applied the simplified approach in IFRS 9 to measure the loss allowance at an amount equal to lifetime ECLs. Lynway Vision determines the ECLs on these items by using a provision matrix, estimated based on the financial quality of the debtors and historical credit loss experience based on the days past due of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	<i>RMB'000</i>		<i>RMB'000</i>
Within 1 year	<u>17,419</u>	<u>2%</u>	<u>348</u>

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 September
	2021
	<i>RMB'000</i>
Value-added tax recoverable	4,961
Prepayments and other receivables	121
Total	<u>5,082</u>

An impairment analysis was performed at the end of the Pre-acquisition Period. Lynway Vision has applied the general approach to provide for expected credit losses for other receivables under IFRS 9. Lynway Vision considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. At the end of the Pre-acquisition Period, the loss allowance was assessed to be not material.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September
	2021
	<i>RMB'000</i>
Current	
Financial products, at fair value	86,300

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 September
	2021
	<i>RMB'000</i>
Cash at banks and on hand	19,542
Less: Pledged deposits	16,761
Cash and bank balances	2,781

15. TRADE PAYABLES

The ageing analysis of trade payables of Lynway Vision is as follows:

	As at 30 September
	2021
	<i>RMB'000</i>
Within 1 year	64,301
1 to 2 years	2,061
Total	66,362

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September
	2021
	<i>RMB'000</i>
Deposits received	2,168
Payroll and welfare payable	6,118
Other payables	30,129
Government subsidy payable*	200,000
Other tax payables	1,222
Total	239,637

* Government subsidy payable represents the non-recurring subsidy stipulated in investment contracts, the attaching conditions of which are to be fulfilled in the following periods.

17. CONTRACT LIABILITIES

	As at 1 January	As at 30 September
	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	—	2,746

18. SHARE CAPITAL

	As at 30 September
	2021
	<i>RMB'000</i>
Issued and fully paid:	
Ordinary shares of RMB1.00 each.	104,100

19. OTHER RESERVES

The amounts of Lynway Vision's reserves and the movements therein for the Pre-acquisition Period are presented in the statement of changes in equity.

(a) Capital reserve

The capital reserve of Lynway Vision includes the share premium contributed by the shareholders of Lynway Vision.

20. COMMITMENTS

Lynway Vision had the following contractual commitments at the end of the Pre-acquisition Period:

	As at
	30 September
	2021
	<i>RMB'000</i>
Construction in progress	22,204

21. RELATED PARTY TRANSACTIONS**(a) Names and relationships**

<u>Name of related parties</u>	<u>Relationship with the Lynway Vision</u>
Linlux Electronics Ltd.....	Controlled by the Company
Geely Related Group	Shareholder of Lynway Vision with more than 5% of indirect shareholding

(b) Lynway Vision had the following transactions with related parties during the Pre-acquisition Period:

	As at 30 September 2021 <i>RMB'000</i>
Revenue from goods (<i>note i</i>)	
Geely Related Group	50,450
Purchase of goods and services (<i>note ii</i>)	
Geely Related Group	731
Linlux Electronics Ltd.	153
Total	884

Notes:

- (i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of Lynway Vision.
- (ii) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers. The credit terms granted by the related parties were generally in line with the credit terms granted to their major customers.

(c) Outstanding balances with related parties as at 30 September 2021:

	As at 30 September 2021 <i>RMB'000</i>
Trade receivables	
Geely Related Group	17,419
Impairment	(348)
Total	<u>17,071</u>
Trade payables	
Geely Related Group	1,789
Linlux Electronics Ltd.	94
Total	<u>1,883</u>
Other payables and accruals	
Geely Related Group	<u>1,860</u>
Contract liabilities	
Geely Related Group	<u>2,700</u>

At the end of the Pre-acquisition Period, all the remaining balances with related parties are trade in nature.

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the Pre-acquisition Period were as follows:

As at 30 September 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	86,300	—	86,300
Trade receivables	—	17,071	17,071
Financial assets included in prepayments, other receivables and other assets	—	42	42
Pledged deposits	—	16,761	16,761
Cash and cash equivalents	—	2,781	2,781
Total	<u>86,300</u>	<u>36,655</u>	<u>122,955</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	66,362
Financial liabilities included in other payables and accruals	232,123
Total	<u>298,485</u>

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in other receivables, pledged deposits and other assets, trade payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

Lynway Vision's finance team headed by the chief finance controller/his or her designator is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the finance head. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance head.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of Lynway Vision's financial instruments are as follows:

As at 30 September 2021

	<u>Carrying amounts</u>	<u>Fair values</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Financial assets at FVTPL.	86,300	86,300

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of Lynway Vision's financial instruments.

Assets measured at fair value

As at 30 September 2021

	<u>Fair value measurement using</u>			
	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	—	86,300	—	86,300

During the Pre-acquisition Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Lynway Vision's principal financial instruments comprise finance assets at FVTPL and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Lynway Vision's operations. Lynway Vision has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from Lynway Vision's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

An impairment analysis was performed at end of the Pre-acquisition Period using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on Lynway Vision's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Pre-acquisition Period. The amounts presented are gross carrying amounts for financial assets.

As at 30 September 2021

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	—	—	—	17,071	17,071
Financial assets included in prepayments, other receivables and other assets	42	—	—	—	42
Pledged deposits	16,761	—	—	—	16,761
Cash and cash equivalents .	2,781	—	—	—	2,781
Total	19,584	—	—	17,071	36,655

Liquidity risk

Lynway Vision monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of Lynway Vision's financial liabilities as at end of the Pre-acquisition Period, based on the contractual undiscounted payments, is as follows:

As at 30 September 2021

	Less than			Total
	1 year	1 to 3 years	Over 3 years	
	RMB'000	RMB'000	RMB'000	
Trade payables	66,362	—	—	66,362
Other payables and accruals	232,123	—	—	232,123
Total	298,485	—	—	298,485

Capital management

The primary objective of Lynway Vision's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

Lynway Vision manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Lynway Vision may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

25. EVENTS AFTER THE PRE-ACQUISITION PERIOD

There were no significant events after the end of the Pre-acquisition Period that require additional disclosure or adjustments.