

JAGUAR LAND ROVER (CHINA) INVESTMENT
CO., LTD.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2017 TO 31 DECEMBER 2017
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION
AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

AUDITOR'S REPORT

毕马威华振沪审字第 1802848 号

The Board of Directors of Jaguar Land Rover (China) Investment Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Jaguar Land Rover (China) Investment Co., Ltd. ("the Company") set out on pages 1 to 24, which comprise the balance sheet as at 31 December 2017, the income and profit appropriation statement, and the cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and the financial performance and cash flows of the Company for the year then ended in accordance with the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

Basis for opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Regulations for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

AUDITOR'S REPORT (continued)

毕马威华振沪审字第 1802848 号

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 ABC Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

AUDITOR'S REPORT (continued)

毕马威华振沪审字第 1802848 号

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's 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 ABC Company'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 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 ABC Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG Huazhen LLP
Shanghai Branch

Certified Public Accountants
Registered in the People's Republic of China

Zhou Xuchun

Shanghai, China

Feng Yijia

Date: 4 June 2018

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the People's Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the People's Republic of China.

Jaguar Land Rover (China) Investment Co., Ltd.
Balance sheet as at 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017	2016
Assets			
Current assets			
Cash at bank and on hand	5	2,024,146,748.57	2,607,209,228.34
Short-term investments	6	4,979,896,815.96	36,040,142.23
Interest receivable		4,836,725.66	14,507.44
Accounts receivable	7	150,325,202.12	128,360,631.02
Other receivables	8	919,312,535.67	879,138,550.39
Payments in advance		441,287,187.44	3,219,780,581.13
Inventories	9	6,153,736,057.90	3,807,584,220.11
Deferred expenses		11,273,964.99	11,507,560.37
Total current assets		14,684,815,238.31	10,689,635,421.03
Long-term equity investments	10	2,469,357,373.57	1,436,020,070.88
Total long-term investments		2,469,357,373.57	1,436,020,070.88
Fixed assets			
Original carrying amount		147,584,356.98	135,658,648.55
Less: Accumulated depreciation		(107,276,313.37)	(89,610,734.90)
Net carrying amount of fixed assets	11	40,308,043.61	46,047,913.65
Construction in progress	12	80,399,414.55	2,045,562.92
Total fixed assets		120,707,458.16	48,093,476.57
Intangible assets	13	41,203,918.75	65,398,343.91
Total assets		17,316,083,988.79	12,239,147,312.39

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Balance sheet as at 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	2017	2016
Liabilities and owner's equity			
Current liabilities			
Accounts payable		924,976,656.14	620,131,690.56
Receipt in advance		279,040,178.38	333,696,212.25
Accrued payroll		38,167,000.00	33,520,000.00
Taxes payable	4(c)	2,011,825,380.71	1,518,515,197.96
Other payables		269,628,865.19	328,038,287.19
Accrued expenses		<u>2,908,669,424.46</u>	<u>2,898,794,730.35</u>
Total current liabilities		<u>6,432,307,504.88</u>	<u>5,732,696,118.31</u>
Total liabilities		<u>6,432,307,504.88</u>	<u>5,732,696,118.31</u>
Owner's equity			
Paid-in capital	14	67,008,160.00	67,008,160.00
Surplus reserve	15	33,504,080.00	33,504,080.00
Retained earnings		<u>10,783,264,243.91</u>	<u>6,405,938,954.08</u>
Total owner's equity		<u>10,883,776,483.91</u>	<u>6,506,451,194.08</u>
Total liabilities and owner's equity		<u>17,316,083,988.79</u>	<u>12,239,147,312.39</u>

These financial statements have been approved by the Board of Directors of the Company .

Pan Qing Legal representative	Richard Shore The person in charge of the accounting affairs	Gui Minghua The head of the accounting department
----------------------------------	---	--

Date: 4 June 2018

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Income and profit appropriation statement
for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note	2017	2016
Sales from principal activities	16	48,737,877,808.94	45,117,919,977.16
Less: Cost of sales from principal activities		(42,534,158,382.01)	(39,005,728,340.06)
Business taxes and surcharges from principal activities	4(a)	<u>(112,023,084.93)</u>	<u>(71,779,041.67)</u>
Profit from principal activities		6,091,696,342.00	6,040,412,595.43
Add: Profit from other operations		28,742,259.42	15,654,051.52
Less: Operating expenses		(1,359,539,051.94)	(1,410,238,934.07)
General and administrative expenses		(400,125,778.73)	2,507,497,037.38
Net financial income	17	<u>25,275,222.40</u>	<u>17,042,423.76</u>
Operating profit		4,386,048,993.15	7,170,367,174.02
Add: Investment income	18	1,297,023,976.18	294,530,868.09
Subsidy income		214,485,083.69	58,442,373.12
Non-operating income		408,360.55	16,806.89
Less: Non-operating expenses		<u>(2,608,808.50)</u>	<u>(14,520,303.79)</u>
Profit before income tax		5,895,357,605.07	7,508,836,918.33
Less: Income tax	4(b)	<u>(1,518,032,315.24)</u>	<u>(1,102,897,964.25)</u>
Net profit for the year		<u>4,377,325,289.83</u>	<u>6,405,938,954.08</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Income and profit appropriation statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note	2017	2016
Net profit for the year		4,377,325,289.83	6,405,938,954.08
Add: Retained earnings at the beginning of the year		<u>6,405,938,954.08</u>	<u>7,749,926,400.97</u>
Profits available for distribution to owner		10,783,264,243.91	14,155,865,355.05
Less: Cash dividends appropriated to owner		<u>-</u>	<u>(7,749,926,400.97)</u>
Retained earnings at the end of the year		<u>10,783,264,243.91</u>	<u>6,405,938,954.08</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Cash flow statement
for the year ended 31 December 2017
(Expressed in Renminbi Yuan)

	Note to the cash flow statement	2017	2016
Cash flows from operating activities:			
Cash received from sale of goods		57,620,795,546.87	52,339,733,476.15
Refund of taxes		201,710,281.44	293,377,331.07
Cash received relating to other operating activities		<u>289,822,956.22</u>	<u>151,952,968.82</u>
Sub-total of cash inflows		<u>58,112,328,784.53</u>	<u>52,785,063,776.04</u>
Cash paid for goods and services		(37,839,985,006.51)	(33,707,005,356.26)
Cash paid to and for employees		(267,555,876.50)	(213,905,907.01)
Cash paid for all types of taxes		(13,682,792,039.54)	(10,660,778,282.40)
Cash paid relating to other operating activities		<u>(2,106,774,266.70)</u>	<u>(3,826,446,445.33)</u>
Sub-total of cash outflows		<u>(53,897,107,189.25)</u>	<u>(48,408,135,991.00)</u>
Net cash inflow from operating activities	i	<u>4,215,221,595.28</u>	<u>4,376,927,785.04</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	Note to the cash flow statement	2017	2016
Cash flows from investing activities:			
Cash received from disposal of investments		2,708,260,121.20	2,350,000,000.00
Cash received from return on investments		258,864,455.27	299,745,598.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<u>124,657.27</u>	<u>-</u>
Sub-total of cash inflows		<u>2,967,249,233.74</u>	<u>2,649,745,598.21</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(113,416,513.86)	(60,345,042.05)
Cash paid for acquisition of investments		<u>(7,652,116,794.93)</u>	<u>(11,040,141.73)</u>
Sub-total of cash outflows		<u>(7,765,533,308.79)</u>	<u>(71,385,183.78)</u>
Net cash (outflow) / inflow from investing activities		<u>(4,798,284,075.05)</u>	<u>2,578,360,414.43</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

	<i>Note to the cash flow statement</i>	<i>2017</i>	<i>2016</i>
Cash flows from financing activities:			
Cash paid for profits distribution		-	<u>(7,749,926,400.97)</u>
Sub-total of cash outflows		-	<u>(7,749,926,400.97)</u>
Net cash outflow from financing activities		-	<u>(7,749,926,400.97)</u>
Net decrease in cash and cash equivalents	<i>ii</i>	<u>(583,062,479.77)</u>	<u>(794,638,201.50)</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Cash flow statement
for the year ended 31 December 2017 (continued)
(Expressed in Renminbi Yuan)

Notes to the cash flow statement

	2017	2016
<i>i Reconciliation of net profit to cash flows from operating activities</i>		
Net profit	4,377,325,289.83	6,405,938,954.08
Add: Provision for / (reversal) of provision for inventories	45,674,234.42	(2,694,922,334.12)
Depreciation of fixed assets	19,410,780.20	22,039,215.78
Amortisation of intangible assets	28,707,505.32	27,662,287.36
Decrease / (increase) in deferred expenses	233,595.38	(3,007,339.77)
Increase / (decrease) in accrued expenses	9,874,694.11	(205,422,444.49)
Losses on scrapping of fixed assets and intangible assets	274,692.11	7,171.85
Financial expenses	-	6,655,386.61
Gains arising from investments	(1,297,023,976.18)	(294,530,868.09)
(Increase) / decrease in gross inventories	(2,391,826,072.21)	2,320,471,114.64
Decrease / (increase) in gross operating receivables	2,671,956,995.02	(2,458,109,659.13)
Increase in operating payables	<u>750,613,857.28</u>	<u>1,250,146,300.32</u>
Net cash inflow from operating activities	<u>4,215,221,595.28</u>	<u>4,376,927,785.04</u>
<i>ii Net decrease in cash and cash equivalents</i>		
Cash and cash equivalents at the end of the year	2,024,146,748.57	2,607,209,228.34
Less: Cash and cash equivalents at the beginning of the year	<u>(2,607,209,228.34)</u>	<u>(3,401,847,429.84)</u>
Net decrease in cash and cash equivalents	<u>(583,062,479.77)</u>	<u>(794,638,201.50)</u>

The notes on pages 9 to 24 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Notes to the financial statements
(Expressed in Renminbi Yuan)

1 Company status

Jaguar Land Rover (China) Investment Co., Ltd. was established in Shanghai Pudong New District by Jaguar Land Rover Holdings Ltd. as a wholly foreign-owned enterprise on 9 May 2008 with an operating period of 20 years. The registered capital of the Company was USD 10,000,000.00.

The main business of the Company is as follows: invests in the fields that allowed for foreign invested enterprise by the country; assists and delegates the investees for purchasing the machines, office equipment, materials and spare parts for production, as well as selling the merchandise goods produced by investees and providing the after sales services, both in and out of country; renders the technical support, staff training, internal human resource management services during the course of the investees' sales and production activities; assists the invested companies on loans and guarantees; establishes R&D center or department in China for research and develop high-tech products and supporting service; provides the consulting services for the investees, and providing consulting services concerning the marketing information, investing policy, to assist the investees for their investment activities; undertakes the outsourcing services from its holding company, related party company and other foreign company; acting as the authorized general distributor of Jaguar, Land Rover, Chery Jaguar and Chery Land Rover brand vehicle, the Company mainly engages in the import and sale of Jaguar Land Rover vehicles in domestic market (excluding retail), and in carrying trading, inter company trade within the tariff free zone and intra regional trade agency services; engages in wholesale, import and export, acting as a commission agent (excluding auction), online retail (excluding bulk goods retail) of vehicle parts, sporting and outing goods, craftwork, commodity goods, vehicle decoration, stationery, wardrobe, accessories, case and bag, toys, electronic product, small household appliances, chemical products (excluding dangerous, special and precursor chemicals), vehicle hardware tools, textiles, and lubricants; operates in the above business related marketing, technical support, training and backup; offers electrical and electronic technology, vehicle and parts, development of vehicle detection, consulting services in the area of enterprise management, economic information and investing activities (subject to license where a license is required).

2 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are in conformity with the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC (MOF).

In accordance with the relevant requirements set out in "Questions and answers (2) on implementing Accounting Regulations for Business Enterprises and related accounting standards" (Cai Kuai [2003] No.10) issued by the MOF, the Company decided not to present consolidated financial statements for the year.

3 Significant accounting policies

(a) Accounting year

The accounting year of the Company is from 1 January to 31 December.

(b) Basis of preparation and measurement basis

The financial statements of the Company have been prepared on an accrual basis. Unless otherwise stated, the measurement basis used is historical cost.

(c) Functional currency

The Company's functional currency is the Renminbi.

(d) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the balance sheet date. Exchange gains and losses on foreign currency translation, except for the exchange gains and losses directly relating to the construction of fixed assets (see Note 3(i)), are dealt with in the income statement.

(e) Cash equivalents

Cash equivalents represent short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(f) Provision for bad and doubtful debts

The provision for bad and doubtful debts is estimated by management based on individual accounts receivable which show signs of uncollectibility. Provision for other receivables is determined based on their specific nature and management's estimate of their collectibility.

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase and other costs. Inventories are measured at their actual cost upon acquisition. The cost of inventories is calculated using the specific identification method.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes.

(h) Investments

(i) Short-term investments

Short-term investments are carried at the lower of cost and market value. The cost of a short-term investment is the total price paid on acquisition of the investment. However, it does not include cash dividends which have been declared but which are unpaid or unpaid interest on debentures which was due at the time of acquisition.

Provision for diminution in value is made on an item-by-item basis for any shortfall of the market value over the cost of individual short-term investments.

With the exception of cash dividends which have been declared but which are unpaid at the time of acquisition and interest on debentures which is due but not yet paid at the time of acquisition, cash dividends and interest are set off against the carrying amount of the short-term investments when received by the Company. Upon the disposal of short-term investments, the difference between the carrying amount of the short-term investments and the proceeds received is recognised as profit or loss for the current period.

(ii) Long-term equity investments

Where the Company has the power to control, jointly control or exercise significant influence over an investee enterprise, the investment is accounted for under the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for any post acquisition change in the Company's share of the investee's equity.

Where the Company does not control, jointly control or exercise significant influence over an investee enterprise, the investment is accounted for under the cost method, stating it at the initial investment cost. Investment income is recognised once the investee enterprise declares a cash dividend or distributes profits.

Upon the disposal or transfer of long-term equity investments, the difference between the proceeds received and the carrying amount of the investments is recognised as profit or loss.

(iii) Designated loans receivable

Designated loans receivable refer to the funds lent by the Company through financial institutions to designated borrowers with uses, amounts, terms, interest rates, etc., designated by the Company. The financial institution assists the Company to release the funds and collect the repayments on behalf of the Company.

Designated loans receivable are initially recorded at cost, which is the total amount paid, including relevant expenses such as bank charges.

Interest income arising from designated loans receivable is calculated at the applicable rate on a time proportion basis and recognised in the income statement. Accrual of interest on designated loans receivable ceases when the interest is in default at the due date, and the interest previously accrued is reversed immediately in the income statement.

The Company makes provision for impairment losses on designated loans receivable (see Note 3(I)). Designated loans receivable are stated in the balance sheet net of impairment losses. Among the designated loans receivable, loans with a period equal to or less than one year are classified under short-term investments; while loans with a period and remaining terms longer than one year are classified under long term investments, balances with remaining terms equal to or less than one year are reclassified to "Long-term debt investments maturing within one year".

(i) Fixed assets and construction in progress

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(I)). Construction in progress is stated in the balance sheet at cost less impairment losses (see Note 3(I)).

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the estimated rate of residual values on cost for the Company's fixed assets are as follows:

	<i>Estimated useful life</i>	<i>Estimated rate of residual value</i>	<i>Rate of depreciation</i>
Electronic equipment and other equipment	3 - 7 years	0%	14% - 33%
Leasehold improvement	3 - 5 years	0%	20% - 33%
Tooling	3 - 8 years	0%	12.5% - 33%

(j) Operating lease charges

Lease payments under operating leases are charged as expenses on a straight-line basis over the lease term.

(k) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 3(l)). The cost of the intangible assets is amortised on a straight-line basis over their estimated useful lives. The amortisation period for the intangible assets is as follows:

Software	3 - 8 years
----------	-------------

(l) Provision for impairment

The carrying amounts of assets (including designated loans receivable, long-term investments, fixed assets, construction in progress, intangible assets and other assets) are assessed regularly to determine whether their recoverable amounts have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in conditions indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment is calculated on an item-by-item basis and recognised as an expense in the income statement.

If there is an indication that there has been a change in the factors used to determine the provision for impairment and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior years is reversed. Reversals of impairment losses are recognised in the income statement. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(m) Income tax

Income tax is recognised using the tax payable method. Income tax for the year is provided at the applicable tax rate on taxable income.

(n) Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made.

Where it is not probable that the settlement of this obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the obligation is disclosed as a contingent liability.

(o) Revenue recognition

When it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue is recognised in the income statement according to the following methods:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of the ownership of goods have been transferred to the buyers and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised in the income statement by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that are expected to be recoverable.

(iii) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable rate.

(iv) Subsidy income

Subsidy income is recognised in the income statement upon receipt of the subsidy.

(o) Borrowing costs

Borrowing costs incurred on specific borrowings for the construction of fixed assets are capitalised into the cost of the fixed assets during the construction period until the fixed assets are ready for their intended uses.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

(p) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Company has joined a defined contribution retirement plan for the employees arranged by a governmental organisation. The Company makes contributions to the retirement scheme at the applicable rate(s) based on the employees' salaries. The contributions are capitalised into cost of assets or charged to the income statement on an accrual basis. After the payment of the contributions under the retirement plan, the Company does not have any other obligations in this respect.

(r) Profits appropriated to owner

Profits appropriated to the owner are recognised in the income and profit appropriation statement upon approval.

(s) Related parties

If the Company has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

4 Taxation and surcharges

- (a) The types of tax and surcharges applicable to the Company's sale of goods and rendering of services include value added tax (VAT), consumption tax, urban maintenance and construction tax, education fee surcharge etc.

<i>Tax name</i>	<i>Tax basis and applicable rate</i>
VAT	Output VAT is 17% of product sales and 6% of taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable
Consumption tax	5% - 40% of composite assessable price for imported taxable consumer goods
Urban maintenance and construction tax	1% of VAT payable
Education fee surcharge	5% of VAT payable

Business taxes and surcharges from principal activities include urban maintenance and construction tax, education fee surcharge etc.

(b) Income tax

Income tax in the income statement represents:

	<i>2017</i>	<i>2016</i>
Provision for income tax for the year	1,517,360,044.52	1,102,897,964.25
Under provision for income tax in respect of previous year	<u>672,270.72</u>	<u>-</u>
Total	<u>1,518,032,315.24</u>	<u>1,102,897,964.25</u>

The statutory income tax rate of the Company is 25%. For the current year, the Company is liable to income tax at the statutory rate (2016: 25%).

(c) Taxes payable

	2017	2016
VAT payable	424,596,977.89	641,932,519.70
Income tax payable	916,922,109.11	540,313,544.59
Taxes and surcharges payable	60,959,666.91	60,565,803.53
Customs duty payable	417,927,616.62	169,554,180.75
Consumption tax payable	193,778,837.88	106,720,161.84
Others	<u>(2,359,827.70)</u>	<u>(571,012.45)</u>
Total	<u>2,011,825,380.71</u>	<u>1,518,515,197.96</u>

5 Cash at bank and on hand

	2017	2016
Demand deposits	1,723,860,166.98	1,706,929,749.60
Monetary market funds	<u>300,286,581.59</u>	<u>900,279,478.74</u>
Total	<u>2,024,146,748.57</u>	<u>2,607,209,228.34</u>

6 Short-term investments

	Balance at the beginning of the year	Additions during the year	Disposals during the year	Balance at the end of the year
Debt investments				
- Designated loans	<u>36,040,142.23</u>	<u>7,652,116,794.93</u>	<u>(2,708,260,121.20)</u>	<u>4,979,896,815.96</u>

Designated loans include the loans to the Company's subsidiary Shanghai Jaguar Land Rover Automotive Service Co., Ltd. of RMB 29,896,815.96 (2016: RMB 36,040,142.23), with an annual interest rate of 1.4% and no fixed repayment period and loans to overseas related party Jaguar Land Rover Limited of RMB 4,950,000,000.00 (2016: Nil) with an annual interest rate of 1.4%, and will be matured at 31 December 2018.

7 Accounts receivable

The ageing analysis of the Company's accounts receivable is as follows:

	2017			2016		
	RMB	Percentage of total accounts receivable	Provision for bad and doubtful debts	RMB	Percentage of total accounts receivable	Provision for bad and doubtful debts
Within 1 year	<u>150,325,202.12</u>	<u>100.00%</u>	<u>-</u>	<u>128,360,631.02</u>	<u>100.00%</u>	<u>-</u>

The ageing is counted starting from the date when accounts receivable are recognised.

8 Other receivables

The ageing analysis of the Company's other receivables is as follows:

	2017			2016		
	RMB	Percentage of total other receivables	Bad debt provision	RMB	Percentage of total other receivables	Bad debt provision
Within 1 year	691,471,984.43	75.22%	-	793,068,673.29	90.21%	-
After 1 year but within 2 years	153,559,472.21	16.70%	-	43,218,072.94	4.92%	-
After 2 years but within 3 years	38,809,294.76	4.22%	-	21,418,449.14	2.43%	-
After 3 years	35,471,784.27	3.86%	-	21,433,355.02	2.44%	-
Total	<u>919,312,535.67</u>	<u>100.00%</u>	<u>-</u>	<u>879,138,550.39</u>	<u>100.00%</u>	<u>-</u>

The ageing is counted starting from the date when other receivables are recognised.

9 Inventories

	2017	2016
Merchandise on hand	6,329,051,711.21	3,971,951,927.50
Less: Provision for diminution in value of inventories	<u>(175,315,653.31)</u>	<u>(164,367,707.39)</u>
	<u>6,153,736,057.90</u>	<u>3,807,584,220.11</u>
Provision for diminution in value of inventories		
	2017	2016
	Merchandise on hand	Merchandise on hand
Opening balance as at 1 January	(164,367,707.39)	(2,859,290,041.51)
Provision made during the year	(45,674,234.42)	-
Written back during the year		
- reversal due to recovery of value	-	2,694,922,334.12
- transfer out due to write off	<u>34,726,288.50</u>	<u>-</u>
Closing balance as at 31 December	<u>(175,315,653.31)</u>	<u>(164,367,707.39)</u>

10 Long-term equity investments

	<i>Balance at the beginning of the year</i>	<i>Additions during the year</i>	<i>Balance at the end of the year</i>
Long-term equity investments			
- Investments in subsidiaries	(1,479,929.12)	-	(1,479,929.12)
- Investments in associates	<u>1,437,500,000.00</u>	<u>1,033,337,302.69</u>	<u>2,470,837,302.69</u>
Total	<u>1,436,020,070.88</u>	<u>1,033,337,302.69</u>	<u>2,469,357,373.57</u>

(a) Major long-term equity investments

<i>Name of investee enterprise</i>	<i>Percentage of equity interests held by the Company</i>	<i>Initial investment cost</i>	<i>Accounting method</i>
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	100%	16,000,000.00	Equity method
Chery Jaguar Land Rover Automotive Co., Ltd.	25%	1,437,500,000.00	Equity method

Chery Jaguar Land Rover Automotive Co., Ltd. ("Chery Jaguar Land Rover") is a Sino foreign joint venture established by Chery Automobile Co., Ltd, Jaguar Land Rover Limited and the Company on 16 November 2012 in Changshu, Jiangsu, with a registered capital of RMB 7,000,000,000. As at 31 December 2017 and 31 December 2016, the paid-in capital of Chery Jaguar Land Rover was RMB 5,750,000,000, of which, Chery Automobile Co., Ltd contributed RMB 2,875,000,000, accounting for 50% of the paid-in capital, Jaguar Land Rover Limited contributed RMB 1,437,500,000 accounting for 25% of the paid-in capital and the Company contributed RMB 1,437,500,000, accounting for 25% of the paid-in capital. As at 31 December 2016, the Company has neither controlled Chery Jaguar Land Rover, nor could have a significant impact on the operation of Chery Jaguar Land Rover, hence, the Company used the cost method to calculate. According to the resolution of board of directors of Chery Jaguar Land Rover in 2017, the chairman and general manager of the Company became a member of board of directors of the Chery Jaguar Land Rover. The Company believed that the Company could have a significant impact on the operation of Chery Jaguar Land Rover, thus, as at 31 December 2017, the Company adopted the equity method for the above equity investment.

11 Fixed assets

	<i>Electronic equipment and other equipment</i>	<i>Leasehold improvement</i>	<i>Tooling</i>	<i>Total</i>
Cost				
As at 1 January 2017	51,167,098.99	66,662,465.56	17,829,084.00	135,658,648.55
Additions	1,519,406.36	1,090,693.98	9,852,283.70	12,462,384.04
Transfer from construction in progress	1,333,183.39	-	-	1,333,183.39
Disposals	-	(1,869,859.00)	-	(1,869,859.00)
As at 31 December 2017	<u>54,019,688.74</u>	<u>65,883,300.54</u>	<u>27,681,367.70</u>	<u>147,584,356.98</u>
Accumulated depreciation				
As at 1 January 2017	(27,437,340.27)	(58,830,436.18)	(3,342,958.45)	(89,610,734.90)
Charge for the year	(10,731,153.11)	(4,201,261.08)	(4,478,366.01)	(19,410,780.20)
Written back on disposal	-	1,745,201.73	-	1,745,201.73
As at 31 December 2017	<u>(38,168,493.38)</u>	<u>(61,286,495.53)</u>	<u>(7,821,324.46)</u>	<u>(107,276,313.37)</u>
Carrying amount				
As at 31 December 2017	<u>15,851,195.36</u>	<u>4,596,805.01</u>	<u>19,860,043.24</u>	<u>40,308,043.61</u>
As at 31 December 2016	<u>23,729,758.72</u>	<u>7,832,029.38</u>	<u>14,486,125.55</u>	<u>46,047,913.65</u>

12 Construction in progress

As at 1 January 2017	2,045,562.92
Additions during the year	81,369,711.29
Transfers to fixed assets during the year	(1,333,183.39)
Transfer to intangible assets during the year	<u>(1,682,676.27)</u>
As at 31 December 2017	<u>80,399,414.55</u>

13 Intangible assets

Software

Cost

As at 1 January 2017	149,596,676.83
Additions during the year	3,105,096.00
Transfer from construction in progress during the year	1,682,676.27
Disposals during the year	<u>(561,334.89)</u>

As at 31 December 2017	<u>153,823,114.21</u>
------------------------	-----------------------

Accumulated amortisation

As at 1 January 2017	(84,198,332.92)
Charge for the year	(28,707,505.32)
Written back on disposal during the year	<u>286,642.78</u>

As at 31 December 2017	<u>(112,619,195.46)</u>
------------------------	-------------------------

Carrying amount

As at 31 December 2017	<u>41,203,918.75</u>
------------------------	----------------------

As at 31 December 2016	<u>65,398,343.91</u>
------------------------	----------------------

14 Paid-in capital

Registered capital and paid-in capital

	2017 and 2016		
	Amount in original currency USD	Amount in RMB equivalent	%
Jaguar Land Rover Holdings Ltd.	<u>10,000,000.00</u>	<u>67,008,160.00</u>	<u>100%</u>

Capital contributions in foreign currency were translated into Renminbi at the exchange rates prevailing at the dates of each contribution received as quoted by the People's Bank of China.

Shanghai Xingzhong Certified Public Accountants, Shanghai Haiming Certified Public Accountants and Shanghai Linfang Certified Public Accountants have verified the above issued and fully paid paid-in capital, and issued related capital verification reports.

15 Surplus reserve

*General
reserve fund*

As at 1 January and 31 December 2017 33,504,080.00

As the surplus reserve balance has reached 50% of the registered capital, no profit appropriation was made to surplus reserve during 2017.

16 Sales from principal activities

	2017	2016
Sale of goods	<u>48,737,877,808.94</u>	<u>45,117,919,977.16</u>

17 Net financial income

	2017	2016
Interest income	26,839,910.74	28,273,010.75
Interest expense	-	(6,655,386.61)
Net exchange gains / (losses)	1,584,294.75	(1,889,094.47)
Other financial expenses	<u>(3,148,983.09)</u>	<u>(2,686,105.91)</u>
Total	<u>25,275,222.40</u>	<u>17,042,423.76</u>

18 Investment income

	2017	2016
Cash dividend from the investee enterprise	233,000,000.00	292,500,000.00
Interest income from designated loans	22,707,050.61	6,169,110.87
Interest income from monetary market funds	7,979,622.88	4,886,767.88
Gains / (loss) recognised under equity method for long-term equity investments	<u>1,033,337,302.69</u>	<u>(9,025,010.66)</u>
Total	<u>1,297,023,976.18</u>	<u>294,530,868.09</u>

In accordance with the resolution, the Company's associate Chery Jaguar Land Rover Auto Co.,Ltd. made profit appropriation of dividends of RMB 233,000,000.00 (2016: RMB 292,500,000.00) to the Company in 2017.

19 Related party relationships and transactions

(a) Related party with controlling relationship

	Registered address	Principal activities	Relationship with the Company	Type of legal entity
Jaguar Land Rover Holdings Ltd.	UK	Production and sales of vehicles	Parent company	Body corporate
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	China	Automobile service	Subsidiary	Body corporate

The ultimate holding company of the Company is Tata Motors Limited.

(b) Relationship between the Company and related parties without controlling relationships

	Relationship with the Company
Jaguar Land Rover Limited	Fellow subsidiary
JLR North America	Fellow subsidiary
Chery Jaguar Land Rover Automotive Co., Ltd.	Associate
Chery Jaguar Land Rover Automotive Sales Co., Ltd.	Subsidiary of the associate
Spark44 Enterprise Management Consulting (Shanghai) Co., Ltd.	Associate of the parent company

- (c) The amounts of the Company's related party transactions during the year and its balances with related parties at the year end are summarised as follows:

- (i) The material related-party transactions of the Company are summarised as follows:

	2017	2016
Sale of goods	47,507,219.57	50,835,517.44
Purchase of goods	28,123,846,759.93	24,106,576,326.76
Salary income of appointed employees	16,511,708.27	19,086,543.59
Salary expenses of appointed employees	60,081,335.22	41,565,394.91
Regional support service income	181,446,746.76	143,420,995.24
Sales and marketing service income	45,629,049.95	45,432,763.21
Online marketing service expenses	91,950,228.29	71,641,520.62
Brand promotion service expense	15,920,166.97	11,743,012.02
Tooling access fee income	5,882,861.37	-
Connected car income	30,754,186.83	-
Experience ticket expenses	7,166.04	1,274,400.00
Designated loans provided	4,950,000,000.00	11,040,141.73
Designated loans received	6,143,326.27	2,350,000,000.00
Designated loans borrowed	-	807,655.11
Interest income	22,707,050.61	6,169,110.87
Interest expense	-	6,655,386.61

- (ii) The balances of related party receivables, payables and borrowings are summarised as follows:

	2017	2016
Short-term investments	4,979,896,815.96	36,040,142.23
Account receivable	4,865,626.08	8,528,067.78
Other receivable	808,733,851.10	377,562,326.22
Interest receivable	4,836,725.66	14,507.44
Payments in advance	300,102,787.45	2,038,603,968.90
Accounts payable	(293,317,026.45)	(257,443,756.95)
Other payables	(87,805,858.08)	(102,827,186.62)
Interest payable	-	(287,546.54)

20 Commitments

(a) Capital commitments

As at 31 December, capital commitments of the Company are summarised as follows:

	2017	2016
Contracted for - external investment	<u>312,500,000.00</u>	<u>312,500,000.00</u>

(b) Operating lease commitments

As at 31 December, the future minimum lease payments under non-cancellable operating leases in respect of the leasing of properties and fixed assets were payable as follows:

	2017	2016
Within 1 year	81,838,494.50	51,505,460.17
After 1 year but within 2 years	103,588,167.07	49,960,569.19
After 2 years but within 3 years	103,126,619.25	73,895,588.46
After 3 years	<u>1,098,061,334.20</u>	<u>1,109,989,119.72</u>
Total	<u>1,386,614,615.02</u>	<u>1,285,350,737.54</u>

21 Comparative figures

Certain items in these comparative figures have been reclassified to conform with the current year's presentation to facilitate comparison.