

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

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION
AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

Jaguar Land Rover (China) Investment Co., Ltd.

Balance sheet as at 31 December 2019

(Expressed in Renminbi Yuan)

	Note	<u>2019</u>	<u>2018</u>
Assets			
Current assets			
Cash at bank and on hand	5	1,221,007,180.54	1,070,848,196.39
Short-term investments	6	11,336,576,206.74	3,754,961,221.06
Interest receivable		11,145,000.01	3,731,000.00
Accounts receivable	7	188,099,719.60	211,762,954.17
Other receivables	8	430,543,437.50	862,735,179.38
Payments in advance		168,208,371.60	624,181,112.65
Inventories	9	3,935,541,305.13	8,983,816,532.13
Deferred expenses		21,292,498.11	14,433,354.07
Other current assets	10	<u>150,543,290.89</u>	<u>1,013,815,789.17</u>
Total current assets		<u>17,462,957,010.12</u>	<u>16,540,285,339.02</u>
Long-term equity investments	11	<u>1,722,579,517.17</u>	<u>2,083,207,426.04</u>
Total long-term investments		<u>1,722,579,517.17</u>	<u>2,083,207,426.04</u>

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Balance sheet as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	<u>2019</u>	<u>2018</u>
Assets (continued)			
Fixed assets			
Original carrying amount of fixed assets		527,024,101.64	133,244,412.04
Less: Accumulated depreciation		(124,694,078.81)	(84,124,762.63)
Net carrying amount of fixed assets	12	402,330,022.83	49,119,649.41
Construction in progress	13	1,099,340.56	31,581,048.88
Total fixed assets		403,429,363.39	80,700,698.29
Intangible assets	14	36,215,747.83	23,187,714.59
Total assets		19,625,181,638.51	18,727,381,177.94

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Balance sheet as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

	Note	<u>2019</u>	<u>2018</u>
Liabilities and owner's equities			
Current liabilities			
Accounts payable		1,750,877,374.27	665,520,397.05
Receipts in advance		85,236,375.52	1,133,478,417.23
Payroll payable		30,773,852.00	18,823,101.15
Taxes payable	4(c)	855,528,970.84	913,057,822.97
Other payables		559,280,906.68	694,678,064.66
Accrued expenses		<u>3,449,143,404.23</u>	<u>2,919,791,322.74</u>
Total current liabilities		<u>6,730,840,883.54</u>	<u>6,345,349,125.80</u>
Total liabilities		<u>6,730,840,883.54</u>	<u>6,345,349,125.80</u>

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Balance sheet as at 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

Liabilities and owner's equities (Continued)	Note	<u>2019</u>	<u>2018</u>
Owner's equities			
Paid-in capital	15	67,008,160.00	67,008,160.00
Surplus reserve	16	33,504,080.00	33,504,080.00
Retained earnings		<u>12,793,828,514.97</u>	<u>12,281,519,812.14</u>
Total owner's equities		<u><u>12,894,340,754.97</u></u>	<u><u>12,382,032,052.14</u></u>
Total liabilities and owner's equities		<u><u>19,625,181,638.51</u></u>	<u><u>18,727,381,177.94</u></u>

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

<u>Pan Qing</u> Legal representative (Signature and stamp)	<u>Arthur Yu</u> The person in charge of the accounting affairs (Signature and stamp)	<u>Gui Minghua</u> The head of the accounting department (Signature and stamp)
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(Company stamp)

Date:

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.

Income statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	<u>2019</u>	<u>2018</u>
Revenues from principal activities	17	30,805,075,794.65	33,031,233,745.69
Less: Cost of sales from principal activities		(28,334,873,129.09)	(30,056,200,608.09)
Business taxes and surcharges from principal activities	4(a)	(29,035,695.37)	(28,818,337.40)
Profit from principal activities		2,441,166,970.19	2,946,214,800.20
Add: Profit from other operations		41,248,662.36	31,651,365.72
Less: Operating expenses		(1,201,366,628.42)	(1,309,298,360.67)
General and administrative expenses		(368,686,477.21)	(680,932,913.81)
Add: Net financial income	18	15,852,913.89	16,928,362.09
Operating profit		928,215,440.81	1,004,563,253.53
Add: Investment (losses)/income	19	(239,387,074.27)	440,180,674.33
Subsidy income		120,713,497.09	525,246,649.96
Non-operating income		1,674,208.04	2,093,727.34
Less: Non-operating expenses		(7,287,042.67)	(14,014,460.20)
Profit before income tax		803,929,029.00	1,958,069,844.96
Less: Income tax	4(b)	(291,620,326.17)	(459,814,276.73)
Net profit for the year		512,308,702.83	1,498,255,568.23
Add: Retained earnings at the beginning of the year		12,281,519,812.14	10,783,264,243.91
Retained earnings at the end of the year		12,793,828,514.97	12,281,519,812.14

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.

Cash flow statement

for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note to the cash flow statement	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:			
Cash received from sale of goods		33,890,341,434.06	39,907,575,023.07
Cash received relating to other operating activities		853,888,273.56	916,551,875.34
Sub-total of cash inflows		<u>34,744,229,707.62</u>	<u>40,824,126,898.41</u>
Cash paid for purchasing goods and receiving services		(19,163,907,981.03)	(32,258,628,639.91)
Cash paid to and for employees		(265,393,372.11)	(299,453,285.99)
Cash paid for all types of taxes		(6,314,181,721.05)	(9,492,142,082.96)
Cash paid relating to other operating activities		(1,282,071,326.25)	(1,727,256,138.99)
Sub-total of cash outflows		<u>(27,025,554,400.44)</u>	<u>(43,777,480,147.85)</u>
Net cash inflow/(outflow) from operating activities	i	<u>7,718,675,307.18</u>	<u>(2,953,353,249.44)</u>

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.

Cash flow statement (continued)

(Expressed in Renminbi Yuan)

	Note to the cash flow statement	<u>2019</u>	<u>2018</u>
Cash flows from investing activities:			
Cash received from investment withdrawal		4,452,611,539.33	6,340,867,689.60
Cash received from return on investments		113,826,834.59	827,436,347.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	19,997,912.29
Cash received relating to other investing activities		33,604,498.60	-
Sub-total of cash inflows		<u>4,600,042,872.52</u>	<u>7,188,301,949.41</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(134,332,670.54)	(70,938,246.03)
Cash paid for acquisition of investments		(12,034,226,525.01)	(5,115,932,094.70)
Cash paid relating to other investing activities		-	(1,376,911.42)
Sub-total of cash outflows		<u>(12,168,559,195.55)</u>	<u>(5,188,247,252.15)</u>
Net cash (outflow)/inflow from investing activities		<u>(7,568,516,323.03)</u>	<u>2,000,054,697.26</u>
Net increase/(decrease) in cash and cash equivalents	ii	<u>150,158,984.15</u>	<u>(953,298,552.18)</u>

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.

Cash flow statement (continued)

(Expressed in Renminbi Yuan)

Notes to the cash flow statement

	<u>2019</u>	<u>2018</u>
i Reconciliation of net profit to cash flows from operating activities:		
Net profit	512,308,702.83	1,498,255,568.23
Add: Provision for diminution in value of inventories	30,173,833.59	306,492,746.86
Depreciation of fixed assets	40,569,316.18	17,571,462.28
Amortisation of intangible assets	10,289,842.28	24,550,476.18
Increase in deferred expenses	(6,859,144.04)	(3,159,389.08)
Increase in accrued expenses	253,900,209.32	11,121,898.28
Losses/(gains) on disposal of fixed assets	6,085,102.11	(5,230,584.20)
Losses/(gains) from investing activities	239,387,074.27	(440,180,674.33)
Decrease/(increase) in gross inventories	5,018,101,393.41	(3,136,573,221.09)
(Increase)/decrease in gross operating receivables	1,711,435,946.51	(1,137,905,840.87)
Decrease in gross operating payables	<u>(96,716,969.28)</u>	<u>(88,295,691.70)</u>
Net cash inflow/(outflow) from operating activities	<u>7,718,675,307.18</u>	<u>(2,953,353,249.44)</u>

The notes on pages 11 to 27 form part of these financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.

Cash flow statement (continued)
(Expressed in Renminbi Yuan)

Notes to the cash flow statement (continued)

	<u>2019</u>	<u>2018</u>
ii Net increase/(decrease) in cash and cash equivalents:		
Cash and cash equivalents at the end of the year	1,221,007,180.54	1,070,848,196.39
Less: Cash and cash equivalents at the beginning of the year	(1,070,848,196.39)	(2,024,146,748.57)
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Net increase/(decrease) in cash and cash equivalents	150,158,984.15	(953,298,552.18)
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The notes on pages 11 to 27 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. ("the Company") 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: (1) invests in the fields that allowed for foreign invested enterprise by the country; (2) provides the following services to the invested companies by the written entrustment (unanimously approved by the Board of Directors of the Company): i, assists and delegates the investees for purchasing the machinery and equipment, office equipment, materials, components and spare parts for production, as well as selling the merchandise goods produced by the investees and providing the after-sales services, both in and out of the country; ii, under the approval and supervision of the foreign exchange administration, balance foreign exchange among the invested companies; iii, renders the technical support, staff training, internal human resource management services during the course of the investees' production, sales and marketing development activities; iv, assists the invested companies on loans and guarantees; (3) establishes the R&D center or department in China for research and development of new products, chemical products and high-tech products and supporting service, transfers the results of research and development and provides the services for technological development, technological consulting and product quality control; (4) provides consulting services for the investors, and provides consulting services concerning the marketing information, investing policy, etc. to the related party company, relating to their investment activities; (5) undertakes the outsourcing services from its holding company, related party company and other foreign company; (6) 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 & export, sale in domestic market, entrepot trade, intercompany trade within the tariff free zone and intraregional trade agency services of Jaguar, Land Rover, Chery Jaguar and Chery Land Rover brand vehicles; (7) engages in wholesale, import and export, acting as a commission agent (excluding auction), retail (extra regional branches only), online retail (excluding commodities) of vehicle parts, sporting and outing goods, crafts (excluding ivory and its products), commodity goods, vehicle decoration, stationery, clothing, accessories, cases and bags, toys, electronic products, small household appliances, chemical products (excluding dangerous, special and precursor chemicals), textiles, lubricants, computers, software and auxiliary equipment, metallic materials and their products, vehicle hardware tools, automated equipment, intelligent equipment, machinery, electromechanical equipment, instruments and their parts, as well as related after-sales services and sales of vehicles; (8) operates in the above business related marketing, technical support, training and supporting services, and engages in the technological development, transfer and consulting as well as related services in the fields of automobiles, machinery and computer science; (9) provides warehousing services (excluding dangerous goods), advertisement designing, production, agency and issue in and out of the country, regional simple business reprocessing, automobile development activities (excluding transportation), electrical and electronic technology, vehicle and parts, development of vehicle detection, consulting services in the area of enterprise management, economic information and investing activities.

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 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 of short-term investments and interest on debentures which is due but not yet paid at the time of acquisition of short-term investments, 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.

The Company makes provision for impairment losses on long-term equity investments (see Note 3(l)).

(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:

	<u>Estimated useful life</u>	<u>Estimated rate of residual value</u>	<u>Rate of depreciation</u>
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) Lease

(i) Assets leased out under finance leases

At the inception of a finance lease, the aggregate of the minimum lease receipts for the leased assets is recorded under finance lease receivables. The difference between the minimum lease receipts and the present value of the minimum lease receipts is recognised as unrealised finance income under finance leases. Finance lease receivables that will fall due after one year are included in other long-term assets in the balance sheet at the end of the year. Finance lease receivables that will fall due within one year are included in accounts receivable in the balance sheet.

Finance income under finance leases is recognised in each accounting period over the lease term using the effective interest rate method.

(ii) 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
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(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.

- (p) **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.
- (q) **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 rates 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 the 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 and local education fee surcharge etc.

Tax name	Tax basis and applicable rate
VAT	Output VAT is 16% (13% since 1 April 2019) 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	3% of VAT payable
Local education fee surcharge	2% (1% before 1 July 2019) 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:

	<u>2019</u>	<u>2018</u>
Provision for income tax for the year	288,558,248.47	459,814,276.73
Income tax for previous year	3,062,077.70	-
Total	<u>291,620,326.17</u>	<u>459,814,276.73</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 (2018: 25%).

(c) Taxes payable

	<u>2019</u>	<u>2018</u>
Income tax payable	277,620,026.25	182,603,965.57
Taxes and surcharges payable	7,347,070.78	1,981,721.94
Customs duty payable	561,208,039.04	713,553,879.11
Consumption tax payable	9,353,834.77	23,037,139.61
Others	-	(8,118,883.26)
Total	<u>855,528,970.84</u>	<u>913,057,822.97</u>

5 Cash at bank and on hand

	<u>2019</u>	<u>2018</u>
Demand deposits	<u>1,221,007,180.54</u>	<u>1,070,848,196.39</u>

6 Short-term investments

	<u>Balance at the beginning of the year</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Balance at the end of the year</u>
Debt investments				
- Designated loans	<u>3,754,961,221.06</u>	<u>12,034,226,525.01</u>	<u>(4,452,611,539.33)</u>	<u>11,336,576,206.74</u>

Designated loans include the loans to the Company's subsidiary Shanghai Jaguar Land Rover Automotive Service Co., Ltd. of RMB 36,576,206.74 (2018: RMB 54,961,221.06), with an annual interest rate of 1.5% (2018: 1.4%) and no fixed repayment period and loans to overseas related party Jaguar Land Rover Limited of RMB 11,300,000,000.00 under the Global Cash Management Service Agreement with the Bank of China (2018: RMB 3,700,000,000.00) with an annual interest rate of 1.5% (2018: 1.4%), and no fixed repayment period.

7 Accounts receivable

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

	2019			2018		
	<u>RMB</u>	<u>Percentage of total accounts receivable</u>	<u>Provision for bad and doubtful debts</u>	<u>RMB</u>	<u>Percentage of total accounts receivable</u>	<u>Provision for bad and doubtful debts</u>
Within 1 year	188,425,227.21	100.00%	(325,507.61)-	211,762,954.17	100.00%	-

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

Provision for bad and doubtful debts

	<u>2019</u>	<u>2018</u>
Opening balance as at 1 January	-	-
Provision made during the year	(325,507.61)	
Closing balance as at 31 December	(325,507.61)	

8 Other receivables

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

	2019			2018		
	<u>RMB</u>	<u>Percentage of total other receivables</u>	<u>Bad debt provision</u>	<u>RMB</u>	<u>Percentage of total other receivables</u>	<u>Bad debt provision</u>
Within 1 year	422,471,964.90	98.13%	-	794,696,458.60	92.11%	-
After 1 year but within 2 years	8,071,472.60	1.87%	-	22,587,638.01	2.62%	-
After 2 years but within 3 years	-	-	-	20,889,941.62	2.42%	-
After 3 years	-	-	-	24,561,141.15	2.85%	-
Total	430,543,437.50	100.00%	-	862,735,179.38	100.00%	-

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

9 Inventories

	<u>2019</u>	<u>2018</u>
Merchandise on hand	4,131,640,323.74	9,459,473,638.78
Less: Provision for diminution in value of inventories	(196,099,018.61)	(475,657,106.65)
	<u>3,935,541,305.13</u>	<u>8,983,816,532.13</u>

Provision for diminution in value of inventories

	<u>2019</u> <u>Merchandise on</u> <u>hand</u>	<u>2018</u> <u>Merchandise on</u> <u>hand</u>
Opening balance as at 1 January	(475,657,106.65)	(175,315,653.31)
Provision made during the year	(30,173,833.59)	(306,492,746.86)
Disposals during the year		
- transfer out due to sales	309,731,921.63	6,151,293.52
Closing balance as at 31 December	<u>(196,099,018.61)</u>	<u>(475,657,106.65)</u>

10 Other current assets

	<u>2019</u>	<u>2018</u>
Deductible VAT input tax	<u>150,543,290.89</u>	<u>1,013,815,789.17</u>

11 Long-term equity investments

	<u>Balance at the beginning of the year</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Balance at the end of the year</u>
Long-term equity investments				
- Investments in subsidiaries	(1,479,929.12)	-	-	(1,479,929.12)
- Investments in associates	2,084,687,355.16	300,000,000.00	(660,627,908.87)	1,724,059,446.29
Total	2,083,207,426.04	300,000,000.00	(660,627,908.87)	1,722,579,517.17

(a) Major long-term equity investments

<u>Name of investee enterprise</u>	<u>Percentage of equity interests held by the Company</u>	<u>Initial investment cost</u>	<u>Accounting method</u>
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	100%	16,000,000.00	Equity method
Chery Jaguar Land Rover Automotive Co., Ltd.	25%	1,737,500,000.00	Equity method

Chery Jaguar Land Rover Automotive Co., Ltd. ("Chery Jaguar Land Rover") is a Sino foreign joint venture established by Jaguar Land Rover Limited and the Company on 16 November 2012 in Changshu, Jiangsu, with a registered capital of RMB 7,000,000,000.00. As at 31 December 2019 and 31 December 2018, the paid-in capital of Chery Jaguar Land Rover was RMB 6,950,000,000.00 and RMB 5,750,000,000.00, of which, Chery Automobile Co., Ltd contributed RMB 3,475,000,000.00 and RMB 2,875,000,000.00 respectively, accounting for 50% of the paid-in capital, Jaguar Land Rover Limited contributed RMB 1,737,500,000.00 and RMB 1,437,500,000.00 respectively accounting for 25% of the paid-in capital and the Company contributed RMB 1,737,500,000.00 and RMB 1,437,500,000.00 respectively, accounting for 25% of the paid-in capital.

In accordance with the resolution, the Company's associate Chery Jaguar Land Rover Auto Co.,Ltd. made profit appropriation of dividends of RMB 300,000,000.00 (2018: RMB 767,500,000.00) to the Company in 2019. The Company directly transferred the distributed dividends to increase the paid-up capital of the associate Chery Jaguar Land Road.

12 Fixed assets

	Electronic equipment and other equipment	<u>Leasehold improvement</u>	<u>Tooling</u>	<u>Total</u>
Cost				
As at 1 January 2019	75,753,111.44	43,951,016.90	13,540,283.70	133,244,412.04
Additions during the year	-	287,160.60	368,765,203.14	369,052,363.74
Transfer from construction in progress	3,598,559.70	5,372,997.36	15,755,768.80	24,727,325.86
As at 31 December 2019	79,351,671.14	49,611,174.86	398,061,255.64	527,024,101.64
Accumulated depreciation				
As at 1 January 2019	(40,927,936.58)	(39,909,255.13)	(3,287,570.92)	(84,124,762.63)
Accrued depreciation for the year	(7,472,981.39)	(1,973,301.23)	(31,123,033.56)	(40,569,316.18)
As at 31 December 2019	(48,400,917.97)	(41,882,556.36)	(34,410,604.48)	(124,694,078.81)
Carrying amount				
As at 31 December 2019	30,950,753.17	7,728,618.50	363,650,651.16	402,330,022.83
As at 1 January 2019	34,825,174.86	4,041,761.77	10,252,712.78	49,119,649.41

13 Construction in progress	
As at 1 January 2019	31,581,048.88
Additions during the year	9,865,417.72
Transfers to fixed assets during the year	(24,727,325.86)
Transfer to intangible assets during the year	(15,522,450.18)
Decreases due to other reasons during the year	(97,350.00)
As at 31 December 2019	1,099,340.56

14 Intangible assets

Software

Cost

As at 1 January 2019	151,807,908.53
Increase during the year	13,783,177.45
Transfer from construction in progress during the year	15,522,450.18
Disposals during the year	(105,505,192.13)

As at 31 December 2019	75,608,344.03
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Accumulated amortisation

As at 1 January 2019	(128,620,193.94)
Charge for the year	(10,289,842.28)
Disposal for the year	99,517,440.02

As at 31 December 2019	(39,392,596.20)
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Carrying amount

As at 31 December 2019	36,215,747.83
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As at 1 January 2019	23,187,714.59
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15 Paid-in capital

2019 and 2018

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

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.

16 Surplus reserve

General reserve
fund

As at 1 January and 31 December 2019

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 2019.

17 Revenues from principal activities

2019

2018

Sale of goods

30,805,075,794.65

33,031,233,745.69

18 Net financial income

2019

2018

Interest expenses incurred

(4,782,283.33)

-

Less: Interest income

17,312,824.73

18,724,406.23

Net exchange gains/(losses)

3,140,148.61

(1,572,986.98)

Other financial expenses

182,223.88

(223,057.16)

Total

15,852,913.89

16,928,362.09

19 Investment (losses)/gains

	<u>2019</u>	<u>2018</u>
Cash dividends from investees	300,000,000.00	767,500,000.00
Interest income from designated loans	118,296,597.26	58,145,435.20
Interest income from monetary market funds	2,944,237.33	685,186.66
Losses recognised under equity method for long-term equity investments	(660,627,908.86)	(386,149,947.53)
	<hr/>	<hr/>
Total	<u>(239,387,074.27)</u>	<u>440,180,674.33</u>

20 Related party relationships and transactions

(a) Related parties with controlling relationships

	<u>Registered address</u>	<u>Principal activities</u>	<u>Relationship with the Company</u>	<u>Type of legal entity</u>
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 trade services	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

	<u>Relationship with the Company</u>
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:

	<u>2019</u>	<u>2018</u>
Sale of goods	226,755,886.51	53,381,144.91
Purchase of goods	13,922,181,425.36	21,763,352,958.90
Salary income of appointed employees	53,358,455.59	72,655,955.79
Salary expenses of appointed employees	39,697,391.84	44,724,456.61
Regional support service income	26,508,246.48	27,920,140.91
Online marketing service expenses	70,892,866.74	76,414,374.25
Brand promotion service expenses	8,253,519.07	10,348,382.70
Tooling access fee income	11,918,356.72	126,572,474.66
Connected car income	8,034,182.84	4,904,422.04
Test drive experience service expenses	450,557.33	1,609,420.76
Designated loans provided	12,034,226,525.08	5,115,932,094.70
Designated loans received	4,452,611,539.33	6,340,867,689.60
Interest income	118,296,597.48	58,145,435.20

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

	<u>2019</u>	<u>2018</u>
Short-term investments	11,336,576,206.74	3,754,961,221.06
Accounts receivable	59,552,954.43	81,003,641.86
Other receivables	295,142,895.60	738,731,817.47
Interest receivable	11,145,000.01	3,731,000.00
Payments in advance	-	497,594,464.28
Accounts payable	(1,580,642,694.7)	(312,607,137.45)
Other payables	(33,027,487.95)	(58,503,099.47)

The Company and Jaguar Land Rover Limited agreed in 2019 on the transfer pricing adjustments for the sales of Jaguar Land Rover Limited's components and parts. The transfer pricing adjustments of RMB 15,302,743.56 was paid by Jaguar Land Rover Limited in one lump sum to compensate for business losses of the Company's TDC in 2019.

21 Commitments

(a) Capital commitments

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

	<u>2019</u>	<u>2018</u>
Contracted for - external investment	12,500,000.00	312,500,000.00
Approved but not contracted	<u>193,948,529.91</u>	<u>-</u>
	<u>206,448,529.91</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:

	<u>2019</u>	<u>2018</u>
Within 1 year	125,762,959.04	118,196,348.81
After 1 year but within 2 years	102,268,826.21	117,266,030.37
After 2 years but within 3 years	95,028,415.17	110,880,654.06
After 3 years	<u>853,578,753.30</u>	<u>1,161,857,837.05</u>
Total	<u>1,176,638,953.72</u>	<u>1,508,200,870.29</u>

Jaguar Land Rover (China) Investment Co., Ltd.
Taxable income adjustment statement
for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	<u>RMB</u>	<u>Adjusted amount</u>	<u>Amount in RMB after adjustment</u>	<u>Note</u>
Revenues from principal activities	30,805,075,794.65	252,803,367.83	31,057,879,162.48	1
Less: Cost of sales from principal activities	(28,334,873,129.09)	5,790,727.61	(28,329,082,401.48)	2
Business taxes and surcharges from principal activities	(29,035,695.37)	-	(29,035,695.37)	
Profit from principal activities	2,441,166,970.19	258,594,095.44	2,699,761,065.63	
Add: Profits from other operations	41,248,662.36	-	41,248,662.36	
Less: Operating expenses	(1,201,366,628.42)	28,795,899.82	(1,172,570,728.60)	3
General and administrative expenses	(368,686,477.21)	(284,514,993.08)	(653,201,470.29)	4
Add: Net financial proceeds	15,852,913.89	-	15,852,913.89	
Operating profit	928,215,440.81	2,875,002.18	931,090,442.99	
Less: Investment losses	(239,387,074.27)	357,683,671.53	118,296,597.26	5
Subsidy income	120,713,497.09	(10,754,708.76)	109,958,788.33	6
Non-operating income	1,674,208.04	-	1,674,208.04	
Less: Non-operating expenses	(7,287,042.67)	500,000.00	(6,787,042.67)	7
Total profits before income tax	803,929,029.00	350,303,964.95	1,154,232,993.95	

Note: At the request of the local taxation department, the Company has prepared this "Taxable Income adjustments statement", which is for reference and use by the taxation department only and does not constitute one part of the audited financial statements.

Jaguar Land Rover (China) Investment Co., Ltd.
Taxable income adjustment statement
for the year ended 31 December 2019 (continued)
(Expressed in Renminbi Yuan)

Note 1	Non-deductible sales rebates before tax and others	252,803,367.83
		<u>252,803,367.83</u>
Note 2	Tax adjustments of difference in depreciation for fixed assets	5,790,727.61
		<u>5,790,727.61</u>
Note 3	Non-deductible wages and salaries before tax	11,950,750.85
	Non-deductible accrued expenses before tax	16,845,148.97
		<u>28,795,899.82</u>
Note 4	Non-deductible business entertainment expenses before tax	169,894.65
	Non-deductible business insurance before tax	2,679,072.30
	Non-deductible labour union expenditure before tax	215,500.00
	Non-deductible welfare before tax	5,552,800.63
	Non-deductible impairment losses of assets before tax	(279,558,088.05)
	Tax adjustments of difference in amortisation of assets	(13,574,172.61)
		<u>(284,514,993.08)</u>
Note 5	Losses of non-taxable long-term equity investment	360,627,908.86
	Non-taxable interest income	(2,944,237.33)
		<u>357,683,671.53</u>
Note 6	Non-taxable subsidy income	(10,754,708.76)
		<u>(10,754,708.76)</u>
Note 7	Non-deductible penalty before tax	500,000.00
		<u>500,000.00</u>

Note: At the request of the local taxation department, the Company has prepared this "Taxable Income adjustments statement", which is for reference and use by the taxation department only and does not constitute one part of the audited financial statements.