

JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE  
TRADING (SHANGHAI) CO., LTD.)

For the year ended 31 December 2016  
Financial Statements and Auditors' Report

JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF JAGUAR LAND ROVER (CHINA) INVESTMENT  
CO., LTD.:

We have audited the accompanying financial statements of Jaguar Land Rover (China) Investment Co., Ltd. (previous name: Jaguar Land Rover Automotive Trading (Shanghai) Co., Ltd.) (the "Company"), which comprise the balance sheet as of 31 December 2016, and the related income statement and cash flow statement for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the Accounting System for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AUDITOR'S REPORT(CONTINUED)

2. Auditors' responsibility (continued)

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

3. Opinion

In our opinion, the financial statements of the Company have been prepared in accordance with the Accounting System for Business Enterprise, and present fairly, in all material respect, the financial position as of 31 December 2016, and the results of its operations and cash flows for the year then ended.

Deloitte Touche Tohmatsu CPA LLP  
Shanghai, China

Chinese Certified Public Accountant  
Wang Hao  
Liu Chong

XX May 2017

*The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These 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 other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

BALANCE SHEET  
FOR THE YEAR ENDED 31 DECEMBER 2016

<u>ASSET</u>	<u>NOTES</u>	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
<b>CURRENT ASSETS:</b>			
Bank balances and cash	4	2,607,209,228.34	3,401,847,429.84
Current investments	5	36,040,142.23	25,000,000.50
Interest receivable		14,507.44	1,910,684.93
Accounts receivable	6	128,360,631.02	106,117,331.53
Prepayments		2,588,248,890.60	301,780,982.16
Other receivables	7	834,740,708.10	3,036,291,185.48
Inventories	8	4,439,115,910.64	4,064,664,691.16
Deferred expenses		11,507,560.37	8,500,220.60
Total current assets		<u>10,645,237,578.74</u>	<u>10,946,112,526.20</u>
<b>LONG-TERM INVESTMENT:</b>			
Long-term equity investments	9	<u>1,436,020,070.88</u>	<u>1,445,045,081.54</u>
<b>NON-CURRENT ASSETS:</b>			
Fixed assets - cost	10	135,658,648.55	97,432,648.58
Less: Accumulated depreciation	10	<u>89,610,734.90</u>	<u>69,948,345.84</u>
Fixed assets - net book value	10	<u>46,047,913.65</u>	<u>27,484,302.74</u>
Fixed assets under construction	11	<u>2,045,562.92</u>	<u>4,168,947.60</u>
Total fixed assets		<u>48,093,476.57</u>	<u>31,653,250.34</u>
<b>INTANGIBLE ASSETS AND OTHER ASSETS:</b>			
Intangible assets	12	<u>65,398,343.91</u>	<u>71,202,203.08</u>
<b>TOTAL ASSETS</b>		<u><u>12,194,749,470.10</u></u>	<u><u>12,494,013,061.16</u></u>

(Continued)

JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

BALANCE SHEET  
FOR THE YEAR ENDED 31 DECEMBER 2016

<u>LIABILITIES AND OWNER'S EQUITY</u>	<u>NOTES</u>	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
<b>CURRENT LIABILITIES:</b>			
Accounts payable		2,539,613,459.46	2,705,356,242.77
Advances from customers		333,696,212.25	78,136,634.33
Salaries and wages payable		33,520,000.00	28,455,466.41
Taxes payable	13	1,111,846,567.00	(1,046,908,652.10)
Other payables		283,640,444.90	1,287,130,691.88
Accrued expenses		1,385,981,592.41	1,591,404,036.90
Total current liabilities		<u>5,688,298,276.02</u>	<u>4,643,574,420.19</u>
<b>TOTAL LIABILITIES</b>		<u>5,688,298,276.02</u>	<u>4,643,574,420.19</u>
<b>OWNER'S EQUITY:</b>			
Paid-in capital	14	67,008,160.00	67,008,160.00
Surplus reserves	15	33,504,080.00	33,504,080.00
Retained earnings	16	6,405,938,954.08	7,749,926,400.97
<b>TOTAL OWNERS' EQUITY</b>		<u>6,506,451,194.08</u>	<u>7,850,438,640.97</u>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<u><u>12,194,749,470.10</u></u>	<u><u>12,494,013,061.16</u></u>

The accompanying notes are part of the financial statements.

The financial statements on pages 3 to 25 were signed by the following:

Head of the Company:

Chief Financial Officer:

Head of Accounting Department:

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JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016

<u>Items</u>	<u>NOTES</u>	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Revenue	17	45,117,919,977.16	45,858,890,812.12
Less: Cost of sales	18	39,005,728,340.06	40,804,673,683.80
Sales tax	19	71,779,041.67	3,010,364.39
Gross profit		6,040,412,595.43	5,051,206,763.93
Add: Other operating profit		15,654,051.52	12,510,927.09
Less: Operating expenses		1,451,445,402.50	1,337,136,316.75
General and administrative expenses		(2,548,703,505.81)	3,114,799,903.11
Net finance income	20	(22,748,881.79)	(22,004,165.30)
Profit from operations		7,176,073,632.05	633,785,636.46
Add: Investment income	21	288,824,410.06	69,541,578.92
Subsidy income	22	58,442,373.12	599,397,046.81
Non-operating income		16,806.89	8,220,893.75
Less: Non-operating expenses		14,520,303.79	25,162,553.25
Profit before tax		7,508,836,918.33	1,285,782,602.69
Less: Income tax	23	1,102,897,964.25	321,247,975.92
Net profit for the year		<u>6,405,938,954.08</u>	<u>964,534,626.77</u>

The accompanying notes are part of the financial statements.

**JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.**  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Cash flow from operating activities:		
Cash received from sales of goods or rendering services	52,339,733,476.15	53,715,727,530.86
Refunds of taxes	293,377,331.07	-
Other cash received relating to operating activities	151,952,968.82	1,929,481,622.66
Sub-total of cash inflows	<u>52,785,063,776.04</u>	<u>55,645,209,153.52</u>
Cash paid for goods and services	33,707,005,356.26	42,291,020,667.38
Cash paid to and on behalf of employees	213,905,907.01	189,957,852.84
Taxes payments	10,660,778,282.40	10,922,023,962.51
Cash paid relating to other operating activities	3,826,446,445.33	4,543,492,416.80
Sub-total of cash outflows	<u>48,408,135,991.00</u>	<u>57,946,494,899.53</u>
Net cash flow from operating activities	<u>4,376,927,785.04</u>	<u>(2,301,285,746.01)</u>
Cash flow from investing activities:		
Net cash receipts from disposal of fixed assets	-	34,665.38
Cash receipts from investment income	299,745,598.21	86,009,887.56
Cash receipts from returns on investments	2,350,000,000.00	2,616,000,000.00
Sub-total of cash inflows	<u>2,649,745,598.21</u>	<u>2,702,044,552.94</u>
Cash paid to acquire fixed assets and intangible assets	60,345,042.05	43,236,647.57
Cash paid to acquire investments	-	25,000,000.50
Cash payments relating to other investing activities	11,040,141.73	-
Sub-total of cash outflows	<u>71,385,183.78</u>	<u>68,236,648.07</u>
Net cash flow from investing activities	<u>2,578,360,414.43</u>	<u>2,633,807,904.87</u>
Cash flow from financing activities:		
Dividends payment	7,749,926,400.97	-
Sub-total of cash outflows	<u>7,749,926,400.97</u>	<u>-</u>
Net cash flow from financing activities	<u>(7,749,926,400.97)</u>	<u>-</u>
Effect of foreign exchange rate changes on cash and cash equivalents	-	-
Net (decrease) increase in cash and cash equivalents	<u>(794,638,201.50)</u>	<u>332,522,158.86</u>

(Continued)

JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.  
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<u>Supplemental information</u>	<u>NOTES</u>	Year ended <u>31/12/2016</u> RMB	Year ended <u>31/12/2015</u> RMB
Reconciliation of net profit to cash flow from operating activities			
Net Profit		6,405,938,954.08	964,534,626.77
Add: (Reversal) provision of impairment loss on assets		(2,694,922,334.12)	2,774,299,975.79
Depreciation of fixed assets		22,039,215.78	17,000,359.79
Amortization of intangible assets		27,662,287.36	23,589,035.50
Increase in prepaid expenses		(3,007,339.77)	(6,765,609.68)
Gains on disposal of fixed assets		7,171.85	-
Decrease in accrued expenses		(205,422,444.49)	(1,849,043,810.90)
Investment loss (income)		3,675,589.94	(69,541,578.92)
(Increase) decrease in inventories		2,320,471,114.64	(1,310,541,243.50)
(Increase) decrease in receivables under operating activities		(2,749,660,730.55)	15,919,984.51
Increase (decrease) in payables under operating activities		1,250,146,300.32	(2,860,737,485.37)
Net cash flow from operating activities		<u>4,376,927,785.04</u>	<u>(2,301,285,746.01)</u>
Investing and financing activities that do not involve cash receipts and payments			
Fixed assets turned into inventories		-	168,685,723.19
Net (decrease) increase in cash and cash equivalents:			
Cash at the end of the year	4	2,607,209,228.34	3,401,847,429.84
Less: Cash at the beginning of the year		<u>3,401,847,429.84</u>	<u>3,069,325,270.98</u>
Net (decrease) increase in cash and cash equivalents		<u>(794,638,201.50)</u>	<u>332,522,158.86</u>

The accompanying notes are part of the financial statements.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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1. GENERAL

Jaguar Land Rover (China) Investment Co., Ltd. (Previous name: Jaguar Land Rover Automotive Trading (Shanghai) 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. Details of capital contribution of the investing party are disclosed in Note 14.

The main business of the Company is as follows: Acting as the authorized general distributor of Jaguar 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; 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; 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; 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).

From 1 November 2016, in order to better implement Jaguar Land Rover’s China growth strategy, the Company’s name was officially changed from Jaguar Land Rover Automotive Trading (Shanghai) Co., Ltd. to Jaguar Land Rover (China) Investment Co., Ltd.s

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Accounting system adopted

The Company has adopted the Accounting System for Business Enterprises and the supplementary regulations thereto.

Basis of accounting and principle of measurement

The Company has adopted the accrual basis of accounting and uses the historical cost convention as the principle of measurement. If there is any subsequent impairment loss, provision for decline in value should be made in accordance with appropriate standards.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Accounting year

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

Recording currency

The recording currency of the Company is Renminbi ("RMB").

Foreign currency translation

Transactions denominated in foreign currencies (currencies other than the recording currency) are translated into Renminbi at the applicable rates of exchange ("market exchange rate") prevailing at the beginning of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the market exchange rate prevailing at the balance sheet date. Exchange gains or losses are dealt with as finance costs.

Cash equivalents

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

Accounting for bad debts

1) Criteria for recognition of bad debts

The irrecoverable amount of a bankrupt debtor after pursuing the statutory procedures; The irrecoverable amount of a debtor who has deceased and has insufficient estate to repay; The amount owed by a debtor who is unable to repay the obligations after the debts fall due, and the amount is irrecoverable or unlikely to be recovered as demonstrated by sufficient evidence.

2) Accounting treatment for bad debt losses

Bad debt is accounted for using the allowance method and provided according to the recoverability of receivables. The provision for bad debts is reasonably determined case by case and based on relevant information such as past experience, actual financial position and cash flows of the debtors, as well as other relevant information.

Inventories

Inventories are initially recorded at cost. The cost of inventories comprises of purchase cost, costs of conversion, and other costs incurred to bring inventories to their present location and condition. Inventories mainly include merchandise.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Inventories - continued

Inventories are accounted for using actual costing method. In determining the cost of inventories transferred out or issued for use, the actual costs are determined by the specific identification method.

The Company has perpetual inventory records.

Provision for decline in value of inventories

Inventories are measured at the lower of cost and net realizable value at the end of a period. When the net realizable value is lower than the cost, the difference is recognized as a provision for decline in value. Provision for decline in value of inventories is made on an individual item basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated expenses and related taxes necessary to make the sale.

Short-term investments

A short-term investment is initially recorded at its cost of acquisition. The initial cost of an investment is the total price paid on acquisition, including incidental expenses such as tax payments and handling charges. However, cash dividends declared but unpaid or bond interest due but unpaid that are included in the acquisition cost are accounted for separately as receivables.

Cash dividends or interest on short-term investments, other than those recorded as receivables as noted in the preceding paragraph, are off-set against the carrying amount of investments upon receipt.

Short-term investments are carried at the lower of cost and market value at the end of each period. Where the market value is lower than cost, the difference is recognized as a provision for decline in value of short-term investments, which is calculated on the basis of individual investment.

Indirect loans to others via an authorized lending institution

Indirect loans to others via an authorized lending institution are accounted for at the actual amount lent out. The principal and interest receivable due within one year is recorded as "other receivables", while due over one year is recorded as "long-term receivables".

Interest income from such loans is accrued at the interest rate specified in the loan agreement and recognized in the income statement on a periodic basis. Accruing interest is stopped and any interest that has previously been accrued is reversed if that interest cannot be collected on its due date. Indirect loans are carried at the lower of cost and market value at the end of each period. Where the recoverable amount is lower than the principal amount of an indirect loan, the difference is recognized as a provision for impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Long-term investments

(1) Accounting treatment for long-term investments

A long-term investment is initially recorded at its acquisition cost.

The cost method is used when the Company cannot control, jointly control or has no significant influence over the investee enterprise.

The equity method is used when the Company can control, jointly control or has significant influence over the investee enterprise.

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income recognized shall be limited to the amount distributed to it out of accumulated net profits of the investee that arose after the investment was made. Any cash dividends or distributions received in excess of this amount shall be treated as return of initial investment cost to reduce the carrying amount of the investment.

When the equity method is adopted, the investment income for the current period is recognized according to the attributable share of the net profit or loss of the investee enterprises. The attributable share of net losses incurred by the investee enterprise is recognized to the extent that the carrying amount of the investment is reduced to zero. If the investee enterprise realizes net profits in subsequent periods, the carrying amount of the investment is resumed by the excess of the Company's attributable share of profits over the share of unrecognized losses.

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, any changes in the owners' equity of the investee (other than net profits or losses) included in the owners' equity of the investing enterprise, shall be transferred to profit or loss for the current period on a pro-rata basis according to the proportion disposed of.

(2) Impairment of long-term investments

At the end of each period, the Company determines whether an impairment loss should be recognized for a long-term investment by considering the indications that such a loss may have occurred. Where the recoverable amount of any long-term investment is lower than its carrying amount, an impairment loss on the long-term investment is recognized for the difference.

Fixed assets and depreciation

Fixed assets are recorded at actual cost on acquisition. Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are put into use, using the straight-line method. The estimated residual value, useful life and annual depreciation rate of each category of fixed assets are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Fixed assets and depreciation - continued

<u>Category of fixed assets</u>	<u>Residual value</u>	<u>Useful lives</u>	<u>depreciation rate</u>
Electronic equipment, furniture and fixtures	0%	3 to 5 years	20%~33%
Leasehold improvement	0%	Shorter of lease period and remaining useful life	

Subsequent expenditure relating to a fixed asset should be added to the carrying amount of the asset when the expenditure will result in expected future economic benefits, in excess of those originally assessed, to flow to the enterprise. The subsequent expenditure is added to the carrying amount of the fixed asset to the extent that the resulting carrying amount does not exceed the recoverable amount of the fixed asset.

Impairment of fixed assets

At the end of each period, the Company determines whether an impairment loss should be recognized for a fixed asset by considering the indications that such a loss may have occurred. Where the recoverable amount of any fixed asset is lower than its carrying amount, an impairment loss on fixed asset is recognized for the difference.

Recoverable amount

Recoverable amount is the higher of an asset's net selling price and the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

Fixed assets under construction

Fixed assets under construction is measured at its actual costs. The actual costs include various construction expenditures during the construction period, and other relevant costs. Fixed assets under construction not depreciated. Fixed assets under construction is transferred to a fixed asset when it is ready for intended use.

The Company assesses at each balance sheet date whether there is any indication that fixed assets under construction may be impaired. If the recoverable amount of an asset is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Intangible assets

Intangible assets are recorded at the actual cost of acquisition. For a purchased intangible asset, the actual cost is the actual purchase price.

The cost of an intangible asset is amortized evenly over its expected useful life from the month in which it is obtained. If the expected useful life exceeds the beneficial period prescribed in the relevant contract or the effective period stipulated by law, the amortization period is limited to the shorter of the beneficial period and the effective period. If the relevant contract does not prescribe the beneficial period and the law does not stipulate the effective period, the amortization period is 10 years.

Revenue recognition

*Revenue from sales of goods:*

Revenue is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

*Interest income:*

Interest income is measured based on the length of time for which the enterprise's cash is used by others and the applicable interest rate.

*Subsidy income:*

Subsidy income is recognized when meet the requirement from government.

Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. All other leases are classified as operating leases.

*The Company as lessee under operating leases*

Lease payments under operating leases are recognized as an expense in the income statement on a straight line basis over the lease term.

Income tax

Income tax is provided under the tax effect accounting method. The income tax provision is calculated based on the accounting profit for the period as adjusted in accordance with the relevant tax laws.

3. TAXATION

Value added tax

Value added tax ("VAT") on sales is calculated at 6% or 17% on revenue from principal operations and paid after deducting input VAT on purchases.

Income tax

The income tax rate is 25%.

Other taxes

The consumption tax rate is levied at 12%~40% of price including custom.  
The city maintenance tax is levied at 1% of VAT, consumption tax and business tax.  
The education fund is levied at 5% of VAT, consumption tax and business tax.  
The river management fee is levied at 1% of VAT, consumption tax and business tax.

4. BANK BALANCES AND CASH

		<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Cash on hand and in bank	(1)	<u>2,607,209,228.34</u>	<u>3,401,847,429.84</u>

(1) At 31 December 2016, cash on hand and in bank includes the money market fund of RMB 900,279,478.74 (At 31 December 2015: RMB 903,380,810.46).

(2) At 31 December 2016 and 31 December 2015, there were no bank balances and cash under pledge.

5. CURRENT INVESTMENTS

		<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Cash on hand and in bank	(1)	<u>36,040,142.23</u>	<u>25,000,000.50</u>

(1) The entrust loan is loan to Shanghai Jaguar Land Rover Automotive Service Co., Ltd. Detail refers to Note 24(3)(c).

**JAGUAR LAND ROVER (CHINA) INVESTMENT CO., LTD.**  
(PREVIOUS NAME: JAGUAR LAND ROVER AUTOMOTIVE TRADING (SHANGHAI) CO., LTD.)

6. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	31/12/2016				31/12/2015			
	<u>Gross amount</u> RMB	<u>Ratio</u> %	<u>Bad debt</u> <u>Provision</u> RMB	<u>Net</u> <u>book value</u> RMB	<u>Gross amount</u> RMB	<u>Ratio</u> %	<u>Bad debt</u> <u>Provision</u> RMB	<u>Net</u> <u>book value</u> RMB
Within 1 year	128,360,631.02	100.00	-	128,360,631.02	105,791,824.28	99.70	-	105,791,824.28
1 to 2 years	-	-	-	-	325,507.25	0.30	-	325,507.25
Total	<u>128,360,631.02</u>	<u>100.00</u>	<u>-</u>	<u>128,360,631.02</u>	<u>106,117,331.53</u>	<u>100.00</u>	<u>-</u>	<u>106,117,331.53</u>

7. OTHER RECEIVABLES

The aging analysis of other receivables is as follows:

	31/12/2016				31/12/2015			
	<u>Gross amount</u> RMB	<u>Ratio</u> %	<u>Bad debt</u> <u>Provision</u> RMB	<u>Net</u> <u>book value</u> RMB	<u>Gross amount</u> RMB	<u>Ratio</u> %	<u>Bad debt</u> <u>Provision</u> RMB	<u>Net</u> <u>book value</u> RMB
Within 1 year	814,618,560.42	97.59	-	814,618,560.42	2,010,132,887.35	66.20	-	2,010,132,887.35
1 to 2 years	10,986,300.72	1.32	-	10,986,300.72	1,006,424,561.51	33.15	-	1,006,424,561.51
2 to 3 years	2,195,792.11	0.26	-	2,195,792.11	10,814,035.62	0.36	-	10,814,035.62
Over 3 years	6,940,054.85	0.83	-	6,940,054.85	8,919,701.00	0.29	-	8,919,701.00
Total	<u>834,740,708.10</u>	<u>100.00</u>	<u>-</u>	<u>834,740,708.10</u>	<u>3,036,291,185.48</u>	<u>100.00</u>	<u>-</u>	<u>3,036,291,185.48</u>

At 31 December 2016, the balance of other receivables includes the X border lending of RMB 0.00 to the related party of the Company (31 December 2015: RMB 2,350,000,000.00). Detail refers to Note 24(3) (c).

8. INVENTORIES & PROVISION FOR DECLINE IN VALUE

	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Merchandise	4,603,483,618.03	6,923,954,732.67
Less: provision for decline in value	<u>164,367,707.39</u>	<u>2,859,290,041.51</u>
Inventories - net	<u>4,439,115,910.64</u>	<u>4,064,664,691.16</u>

Movements of the provision for decline in value are as follows:

	<u>31/12/2015</u> RMB	<u>Reversal</u> RMB	<u>31/12/2016</u> RMB
Provision for decline in value:			
Merchandise	<u>2,859,290,041.51</u>	<u>(2,694,922,334.12)</u>	<u>164,367,707.39</u>

9. LONG-TERM EQUITY INVESTMENTS

		<u>31/12/2016</u>	<u>31/12/2015</u>
		RMB	RMB
Initial investments in associations	(1)	1,437,500,000.00	1,437,500,000.00
Initial investments in subsidiary	(1)	16,000,000.00	16,000,000.00
Less: investment adjustment	(2)	<u>(17,479,929.12)</u>	<u>(8,454,918.46)</u>
Long-term equity investments - net		<u>1,436,020,070.88</u>	<u>1,445,045,081.54</u>

- (1) Note 1: At 31 December 2016 and at 31 December 2015, the balance of the long-term equity investments refers to the initial investment to Chery Jaguar Land Rover Automobile Co., Ltd. (called "CJLR" for short), and Shanghai Jaguar Land Rover Automotive Service Co., Ltd. (called "LRE" for short).

CJLR is a Sino-foreign joint venture established in Changshu, Jiangsu Province by Chery Automobile Co., Ltd. (called "Chery" for short), Jaguar Land Rover Limited (called "JLRL" for short) and the Company. CJLR was established on 16 November 2012 and the registered capital was RMB 7,000,000,000.00, of which Chery should contribute RMB 3,500,000,000.00 (representing 50%), JLRL should contribute RMB 1,750,000,000.00 (representing 25%), and the Company should contribute RMB 1,750,000,000.00 (representing 25%). At 31 December 2016 and 31 December 2015, all investors have contributed RMB 5,750,000,000.00, of which the Company has contributed RMB 1,437,500,000.00. Since the Company owns 25% of CJLR's share, and cannot impose control or have significant impact on CJLR's business operations, the Company adopts cost method when measuring it.

As a company with limited liability, LRE was established in Shanghai by the Company on 10 March 2014. The registered capital of LRE was RMB 16,000,000.00, all of which should be paid by the Company. As of 31 December 2016, the Company has contributed RMB 16,000,000.00. Since the Company is the holding company of LRE, and can control LRE, the Company adopts equity method when measuring it.

- (2) The net loss of LRE in 2016 is RMB 9,025,010.66 (in 2015, RMB 5,522,240.15). At 31 December 2016, the equity balance of the LRE is RMB 17,479,929.12 (debit balance) (at 31 December 2015, RMB 8,454,918.46 debit balance). Since the Company believe that the Company shall bare extra liabilities of the subsidiary, in 2016, the long-term equity investment adjustment recognized by the Company is RMB 9,025,010.66 (in 2015, RMB 5,522,240.15).
- (3) The management of the Company considers no consolidated financial statements to be prepared for management purpose.

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10. FIXED ASSETS AND ACCUMULATED DEPRECIATION

	<u>Electronic equipment, furniture and fixtures</u> RMB	<u>Leasehold improvements</u> RMB	<u>Total</u> RMB
Cost:			
At 1 January 2016	34,127,869.87	63,304,778.71	97,432,648.58
Transfer from fixed assets under construction	38,615,047.82	1,994,950.72	40,609,998.54
Disposals	<u>2,344,284.89</u>	<u>39,713.68</u>	<u>2,383,998.57</u>
At 31 December 2016	<u>70,398,632.80</u>	<u>65,260,015.75</u>	<u>135,658,648.55</u>
Accumulated depreciation:			
At 1 January 2016	19,962,070.78	49,986,275.06	69,948,345.84
Charge for the year	13,316,399.00	8,722,816.78	22,039,215.78
Eliminated on disposals	<u>2,344,284.89</u>	<u>32,541.83</u>	<u>2,376,826.72</u>
At 31 December 2016	<u>30,934,184.89</u>	<u>58,676,550.01</u>	<u>89,610,734.90</u>
Net book value:			
At 1 January 2016	<u>14,165,799.09</u>	<u>13,318,503.65</u>	<u>27,484,302.74</u>
At 31 December 2016	<u>39,464,447.91</u>	<u>6,583,465.74</u>	<u>46,047,913.65</u>

11. Fixed assets under construction

	<u>31/12/2015</u> RMB	<u>Additions</u> RMB	<u>Completed and transferred to fixed assets</u> RMB	<u>31/12/2016</u> RMB
Construction in progress	<u>4,168,947.60</u>	<u>38,486,613.86</u>	<u>40,609,998.54</u>	<u>2,045,562.92</u>

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12. INTANGIBLE ASSETS

	<u>Software</u> RMB
Cost:	
At 1 January 2016	127,738,248.64
Additions	<u>21,858,428.19</u>
At 31 December 2016	<u>149,596,676.83</u>
Accumulated amortization:	
At 1 January 2016	56,536,045.56
Charge for the year	<u>27,662,287.36</u>
At 31 December 2016	<u>84,198,332.92</u>
Carrying amount:	
At 1 January 2016	<u>71,202,203.08</u>
At 31 December 2016	<u>65,398,343.91</u>

13. TAXES PAYABLE

	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Income tax (refundable)	540,313,544.59	(293,377,331.07)
Value added tax (deductible)	491,582,009.01	(764,043,858.76)
Sales taxes (deductible)	53,251,396.30	(1,894,789.26)
Others	<u>26,699,617.10</u>	<u>12,407,326.99</u>
Total	<u>1,111,846,567.00</u>	<u>(1,046,908,652.10)</u>

14. PAID-IN CAPITAL

		<u>31/12/2016 and 31/12/2015</u>		
		USD	Ratio %	RMB equivalent
Jaguar Land Rover Holdings Ltd.	(1)	<u>10,000,000.00</u>	<u>100.00</u>	<u>67,008,160.00</u>

(1) The capital contribution has been verified by verification report Xinyanpuwai (2008) No. 0011, Xinyanpuwai (2008) No. 0012, Huhaiyuanwai (2009) No. 0002 and Hulingfangkuaijibao (2010) No. BY 0105 issued by Shanghai Xinzhong CPA Ltd., Shanghai Haiming CPA Ltd. and Shanghai Lingfang CPA Ltd. respectively.

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15. SURPLUS RESERVES

		31/12/2016 and 31/12/2015 RMB
Reserve fund	(1)	<u>33,504,080.00</u>

(1) The reserve fund can be used to offset accumulated losses. The reserve fund can be used to increase capital upon approval from the relevant authority. The reserve fund balance has reached 50% of paid-in capital at 31 December 2016.

16. RETAINED EARNINGS

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
At 1 January	7,749,926,400.97	6,785,391,774.20
Add: Net profit for the year	<u>6,405,938,954.08</u>	<u>964,534,626.77</u>
Profit available for distribution	14,155,865,355.05	7,749,926,400.97
Less: Profit distributions during the year (1)	<u>7,749,926,400.97</u>	<u>-</u>
At 31 December	<u>6,405,938,954.08</u>	<u>7,749,926,400.97</u>

(1) In 2016, upon resolution from board meeting on 22 February 2016 and on 22 October 2016, the Company distributed profit of RMB 7,749,926,400.97 to the shareholder. (In 2015: nil).

17. REVENUE

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Revenue from sale of goods	<u>45,117,919,977.16</u>	<u>45,858,890,812.12</u>

18. COST OF SALES

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Cost of goods sold	<u>39,005,728,340.06</u>	<u>40,804,673,683.80</u>

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19. SALES TAXES

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
City maintenance tax and extra education fund	56,796,017.32	193,727.13
Stamp duty	14,689,669.66	-
Business tax	293,354.69	2,784,349.40
River management fee	-	32,287.86
Total	<u>71,779,041.67</u>	<u>3,010,364.39</u>

20. NET FINANCE INCOME

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Interest income	(27,324,082.17)	(35,970,866.20)
Exchange difference	1,889,094.47	5,668,086.70
Others	2,686,105.91	8,298,614.20
Total	<u>(22,748,881.79)</u>	<u>(22,004,165.30)</u>

21. INVESTMENT INCOME

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Profits declared by investee under cost method (1)	292,500,000.00	-
X border lending interest income	-	55,697,715.03
Entrust loan interest income	462,652.84	355,437.70
Interests from financing products	4,886,767.88	19,010,666.34
Loss recognized under equity method	(9,025,010.66)	(5,522,240.15)
Total	<u>288,824,410.06</u>	<u>69,541,578.92</u>

(1) In 2016, the Company has received the cash dividends distributed by CJLR, the association company of the Company, of RMB 292,500,000.00 (in 2015: nil).

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22. SUBSIDY INCOME

		Year ended <u>31/12/2016</u> RMB	Year ended <u>31/12/2015</u> RMB
Grant-in-aid for operation center	(1)	47,122,682.63	588,070,000.00
Others		<u>11,319,690.49</u>	<u>11,327,046.81</u>
Total		<u><u>58,442,373.12</u></u>	<u><u>599,397,046.81</u></u>

(1) The grant-in-aid for operation center is granted by the management committee of Shanghai Free Trade Zone and the Finance Bureau of Pudong New Area.

23. INCOME TAX

		Year ended <u>31/12/2016</u> RMB	Year ended <u>31/12/2015</u> RMB
Income tax for the year		<u>1,102,897,964.25</u>	<u>321,247,975.92</u>

(1) The income tax provision is 25% of the taxable income which is calculated by adjusting the accounting profits before tax for the year in accordance with the relevant tax laws.

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24. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) The following entities are related parties where a control relationship exist:

<u>Name</u>	<u>Registration</u>	<u>Place of Principal business</u>	<u>Relationship with the Company</u>	<u>Nature or Type of business</u>
Tata Motors Limited	India	Production and sales of motorcars	Ultimate holding company	Foreign enterprise
Jaguar Land Rover Holdings Limited	UK	Production and sales of motorcars	Holding company	Foreign enterprise
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	Shanghai	Automobile service	Subsidiary	Foreign invested enterprise

(2) Nature of relationship with related parties where a control relationship does not exist

<u>Name</u>	<u>Relationship with the Company</u>
Jaguar Land Rover Limited	Controlled by the same ultimate holding company
Chery Jaguar Land Rover Automotive Co., Ltd.	Associate
Chery Jaguar Land Rover Automotive Sales Co., Ltd.	Associate
Jaguar Land Rover North America	Controlled by the same ultimate holding company
Spark 44 Shanghai Limited	Associate of the holding company

(3) Significant transactions between the Company and the above related parties are as follows:

(a) Purchases

	<u>Year ended 31/12/2016</u> RMB	<u>Year ended 31/12/2015</u> RMB
Jaguar Land Rover Limited	<u>24,106,576,326.76</u>	<u>25,863,214,849.78</u>

The above transactions are conducted based on the contract price.

(b) Sales of goods

	<u>Year ended 31/12/2016</u> RMB	<u>Year ended 31/12/2015</u> RMB
Chery Jaguar Land Rover Automotive Sales Co., Ltd.	44,681,333.64	59,613.14
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	<u>6,154,183.80</u>	<u>10,378,695.31</u>

The above transactions are conducted based on the contract price.

24. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Significant transactions between the Company and the above related parties are as follows: - continued

(c) Borrowings/loans

Details of borrowings and loans between the Company and its related parties were as follows:

	Amount Incurred in 2016 RMB	Closing balance at 31/12/2016 RMB	Amount Incurred in 2015 RMB	Closing balance at 31/12/2015 RMB	Annual interest rate %
Lend to (return)					
Jaguar Land Rover Limited	(2,350,000,000.00)	-	(2,616,000,000.00)	2,350,000,000.00	1.1-1.4%
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	11,040,141.73	36,040,142.23	25,000,000.50	25,000,000.50	1.4%
<b>Total</b>	<b>(2,338,959,858.27)</b>	<b>36,040,142.23</b>	<b>(2,590,999,999.50)</b>	<b>2,375,000,000.50</b>	
Borrow from					
Jaguar Land Rover Limited	807,655.11	807,655.11	-	-	2.2%

(d) Interests arising from X border lending and entrust loan

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Interest income		
Jaguar Land Rover Limited	5,706,458.03	55,697,715.03
Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	462,652.84	355,437.50
Interest expense		
Jaguar Land Rover Limited	6,655,386.61	-

(e) Other income and expenses

	Year ended 31/12/2016 RMB	Year ended 31/12/2015 RMB
Service employee charge revenue		
- Chery Jaguar Land Rover Automotive Co., Ltd.	10,476,130.10	5,250,890.11
- Jaguar Land Rover Limited	8,610,413.49	-

24. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Significant transactions between the Company and the above related parties are as follows: - continued

(e) Other income and expenses

	<u>Year ended</u> <u>31/12/2016</u> RMB	<u>Year ended</u> <u>31/12/2015</u> RMB
Service employee charge expense		
- Jaguar Land Rover Limited	40,437,751.48	8,382,913.54
- Jaguar Land Rover North America	1,127,643.43	3,875,813.04
	<u>41,565,394.91</u>	<u>12,258,726.58</u>
Revenue on regional support service		
- Jaguar Land Rover Limited	143,420,995.24	93,043,205.64
	<u>143,420,995.24</u>	<u>93,043,205.64</u>
Expenses on ATL marketing services		
- Spark 44 Shanghai Limited	71,641,520.62	53,977,491.42
	<u>71,641,520.62</u>	<u>53,977,491.42</u>
Revenue on sales and marketing services		
- Chery Jaguar Land Rover Automotive Co., Ltd.	45,432,763.21	100,111,588.68
	<u>45,432,763.21</u>	<u>100,111,588.68</u>
Expenses on brand promotion services		
- Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	11,743,012.02	8,489,734.88
	<u>11,743,012.02</u>	<u>8,489,734.88</u>
Purchasing on the experience coupon		
- Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	1,274,400.00	140,000.00
	<u>1,274,400.00</u>	<u>140,000.00</u>

(f) Accounts due to/from related companies

<u>Accounts</u>	<u>Name of the related parties</u>	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Current investments	Shanghai Jaguar Land Rover Automotive Service Co., Ltd.	36,040,142.23	25,000,000.50
Interest receivable	Shanghai Jaguar Land Rover Automotive Service Co., Ltd. Jaguar Land Rover Limited	14,507.44 -	- 1,910,684.93
Prepayments	Jaguar Land Rover Limited	1,407,072,278.37	-
Other receivables	Jaguar Land Rover Limited Chery Jaguar Land Rover Automotive Co., Ltd.	334,757,566.49 51,332,827.51	2,856,746,029.59 105,375,719.58

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24. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Significant transactions between the Company and the above related parties are as follows: - continued

(f) Accounts due to/from related companies - continued

<u>Accounts</u>	<u>Name of the related parties</u>	<u>31/12/2016</u> RMB	<u>31/12/2015</u> RMB
Accounts payable	Jaguar Land Rover Limited	<u>257,443,756.95</u>	<u>651,681,615.70</u>
Interest payable	Jaguar Land Rover Limited	<u>287,546.54</u>	<u>-</u>
Other payables	Jaguar Land Rover Limited	77,360,657.58	90,476,574.93
	Jaguar Land Rover North America	20,204,491.86	17,911,323.41
	Shanghai Jaguar Land Rover Automotive Co., Ltd.	<u>5,262,037.18</u>	<u>9,175,322.80</u>

25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company has outstanding commitments in respect of non-cancelable operating leases, which fall due as follows:

	<u>31/12/2016</u> RMB'000	<u>31/12/2015</u> RMB'000
The minimum lease payments under non-cancelable operating leases:		
Within one year	51,505	38,028
In the second year	46,921	35,415
In and after the third year	1,795,878	13,653
Total	<u>1,894,304</u>	<u>87,096</u>

26. CAPITAL COMMITMENTS

	<u>31/12/2016</u> RMB'000	<u>31/12/2015</u> RMB'000
Capital commitments that have been entered into but have not been recognized in the financial statements:		
External investment commitment	<u>312,500</u>	<u>312,500</u>

\* \* END OF FINANCIAL STATEMENTS \* \*