



CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中國正通汽車服務控股有限公司

2014 Interim Results Announcement

Last updated on Sep 8, 2014

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Performance Highlights



ZhengTong Auto (HKEX:1728) 1H2014 Highlights

Strong Business Performance and Growth¹ in Challenging Market

- RMB **15,609** million in total revenues with **11.4%** growth
- **42,804** retail vehicles sold with **17.8%** volume growth
- **413,401** units serviced with **15.8%** volume growth on luxury & ultra luxury cars
- RMB **198** mm commission from extended service with **52.3%** growth
- RMB **499** mm net profits to common shareholders with **7.3%** growth

National footprints with Highly Diversified Luxury Brand Portfolio

- A portfolio of **22** brands with a strategic focus on **6** major luxury brands including **BMW, JLR², Volvo, Audi, Mercedes and Porsche**
- **97** outlets in **32** cities across **14** provinces
- 5 new stores opening: **2** BMW, **1** JLR, **1** Fujian Benz, and **1** Cadillac

Selected Establishments and Industrial Recognitions

- ZhengTong fully licensed auto financing company³
- ZhengTong fully licensed insurance brokerage companies
- A **Forbes Asia Fabulous 50**⁴ company 2013 and 2014

1. For the six months ended June 30, 2014 over the six months ended June 30, 2013

2. Jaguar and Land Rover

3. Currently in the 6-month preparation stage

4. Sources: <http://www.forbes.com/fab50/>



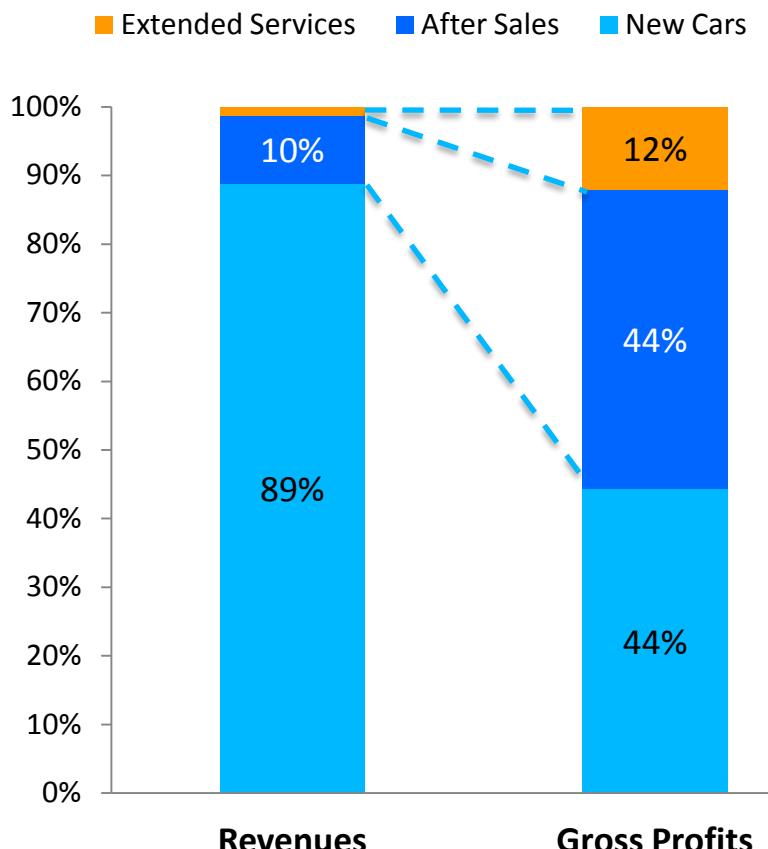
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Business Development

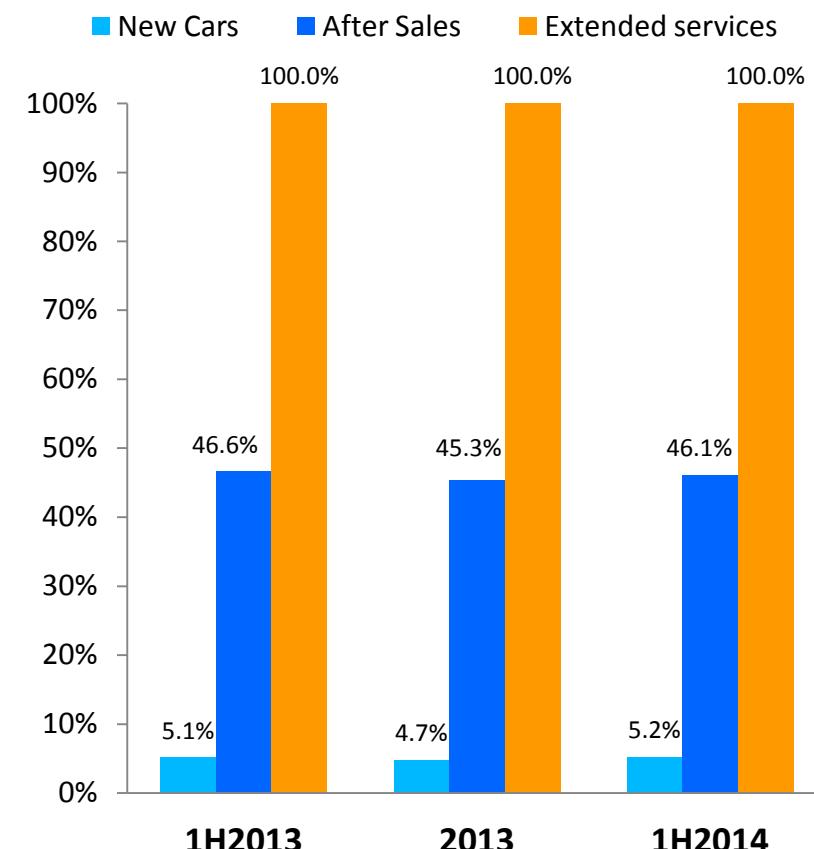


Car business Revenues and Gross Profits Contribution

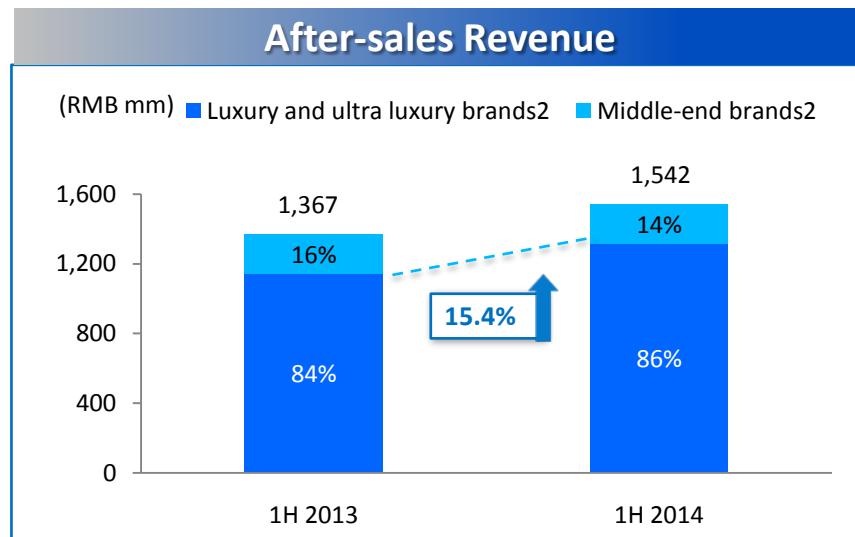
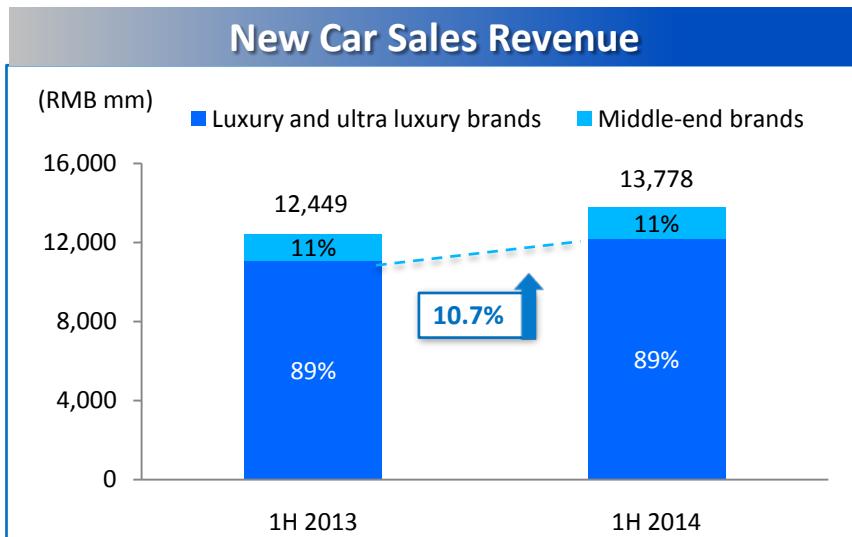
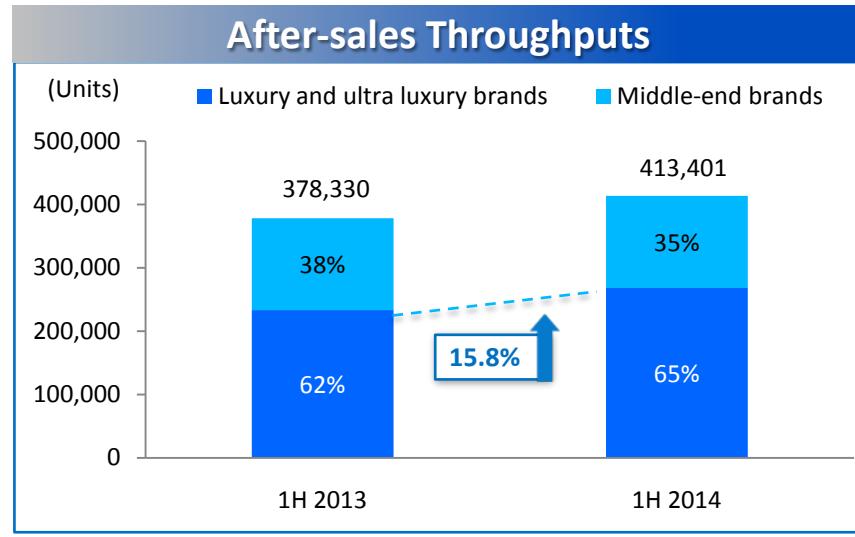
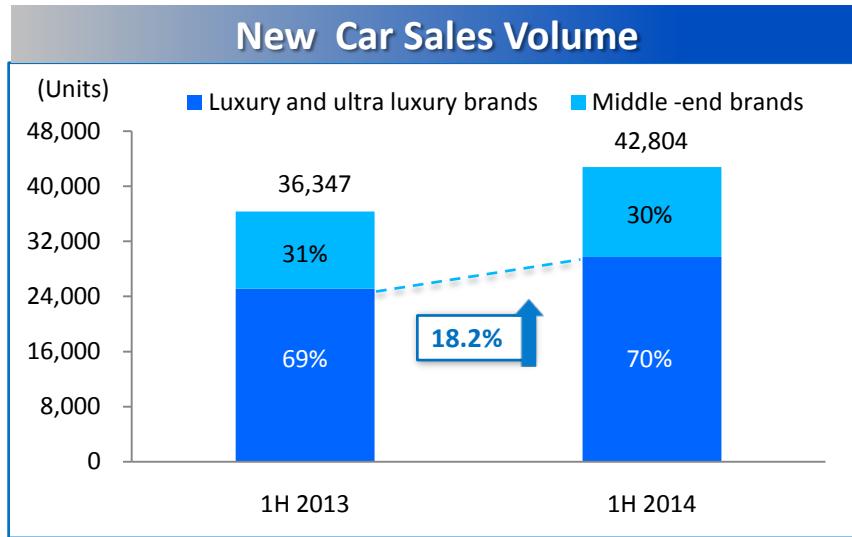
Car Businesses and GP Contribution



Gross Profit Margins

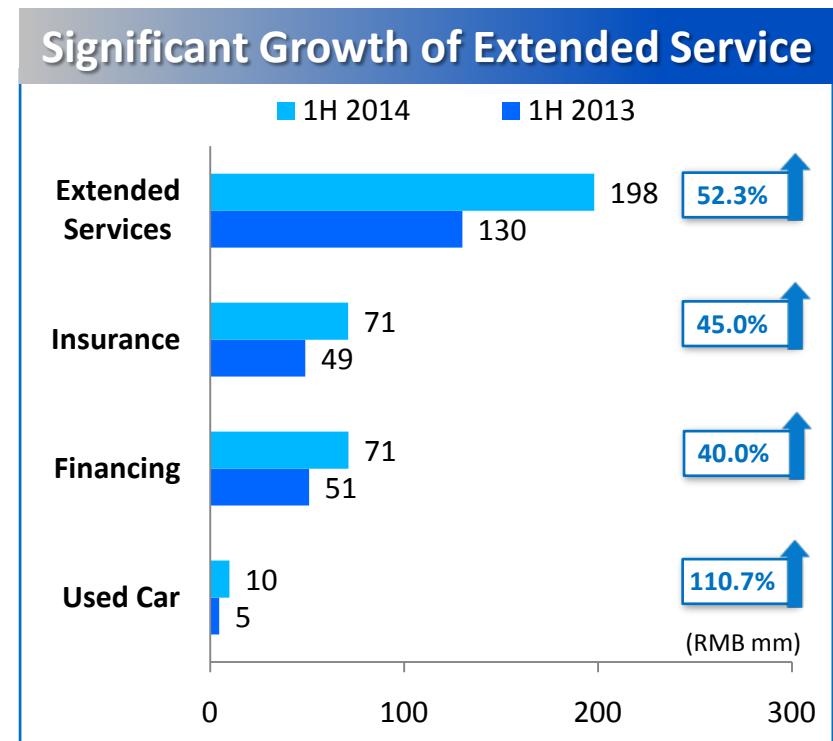
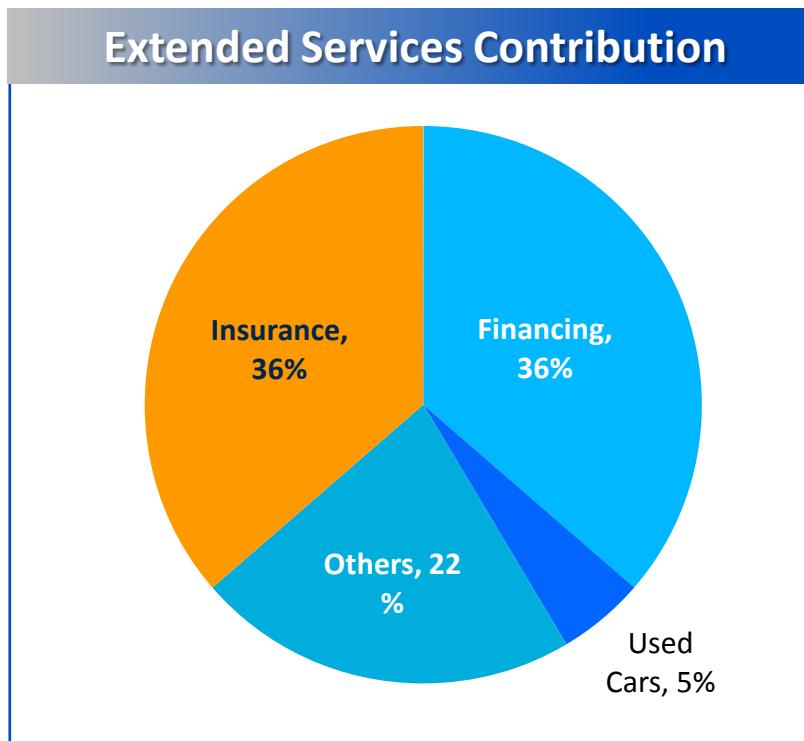


Strong New Car Sales and After-sales Services Business Growth



Robust Extended Services

- Fully licensed insurance broker division to contribute commission income and unlock after-sale services potentials
- CBRC¹ Licensed ZhengTong auto financing company to launch by 2015
- Dedicated used car trading platform integrated with leading technologies



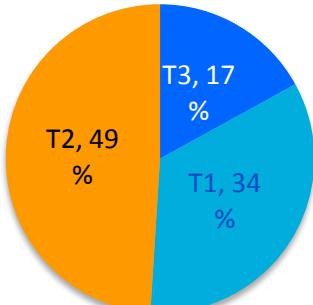
1. China Banking Regulatory Commission

Network Development

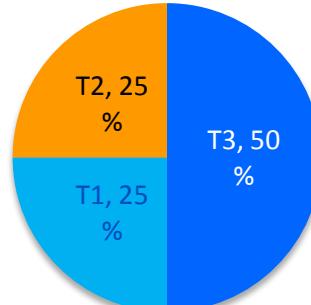
Brands	Type	2013	1H 2014 open	1H 2014	Pipeline	Total
Luxury & Ultra-Luxury	4S Store	59	2	61	32	93
	Showroom	15	2	17	1	18
	Service Center	2		2	2	4
	User Car Center				1	1
	Quick Service		1	1		1
Mid-High End	4S Store	16		16		16
Total		92	5	97	36	133

Tier Cities Geographic Coverage

1H 2014 Coverage

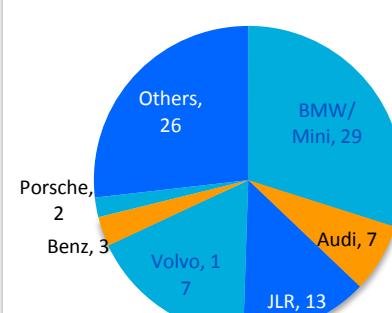


New Pipeline Breakdown

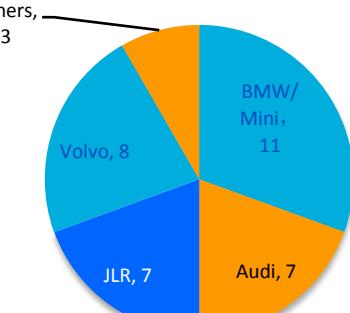


Brands Break down

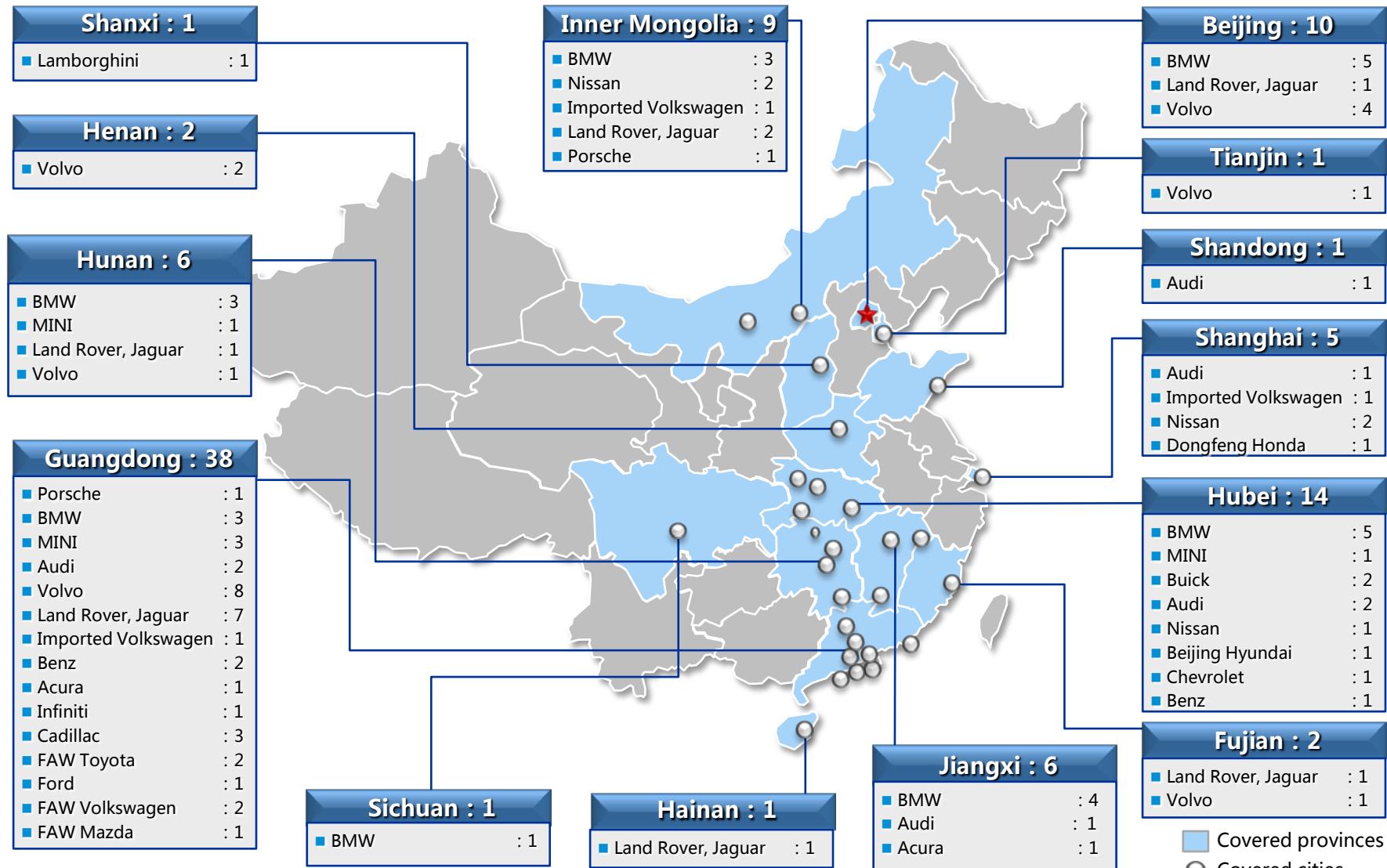
1H 2014 Brands



New Pipeline Breakdown



Balanced Nationwide Dealer Network





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Financial Review

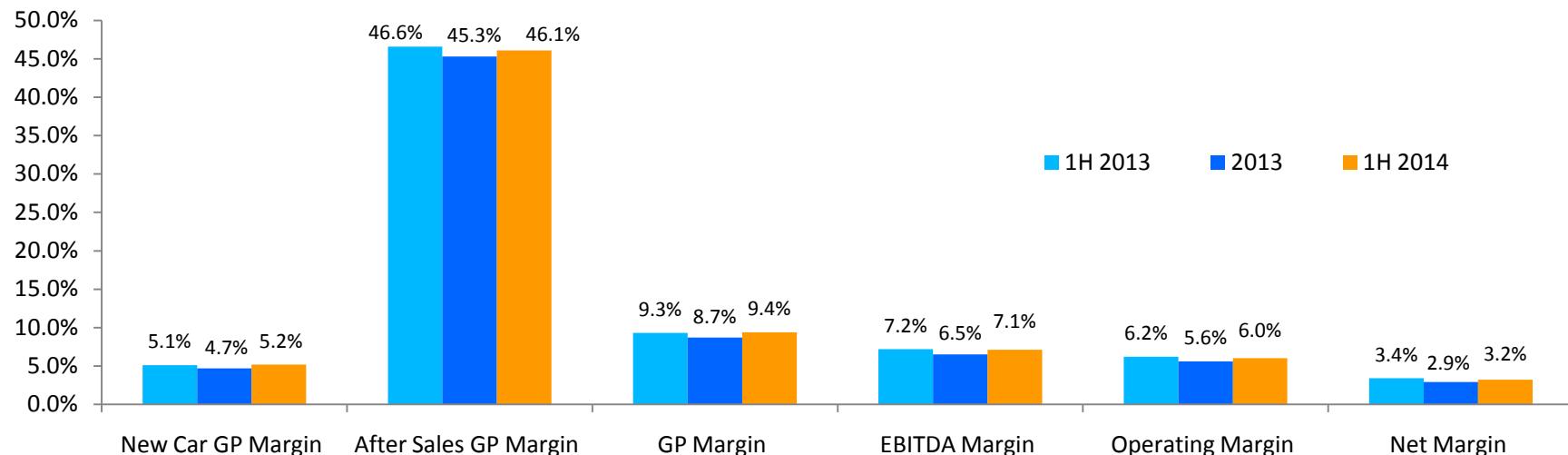


Performance Highlights

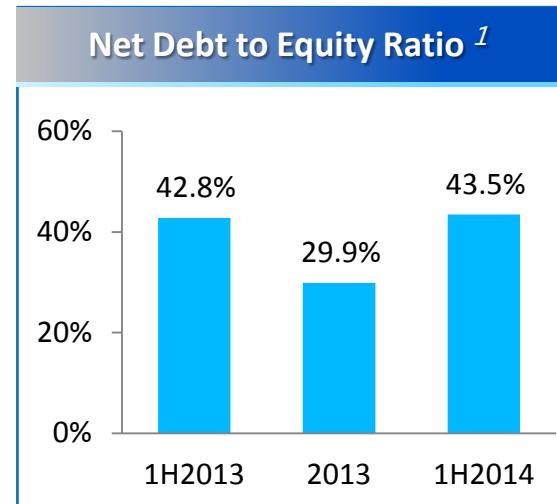
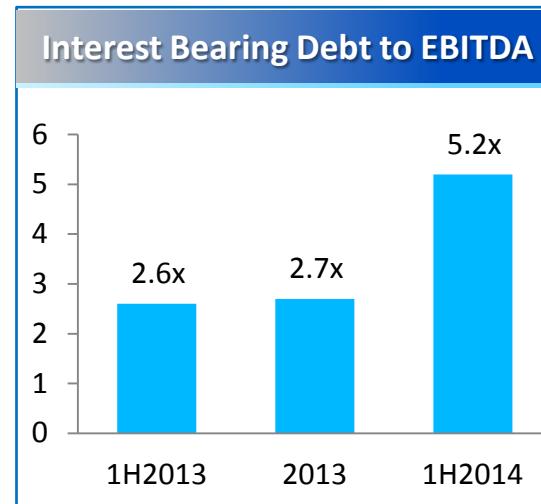
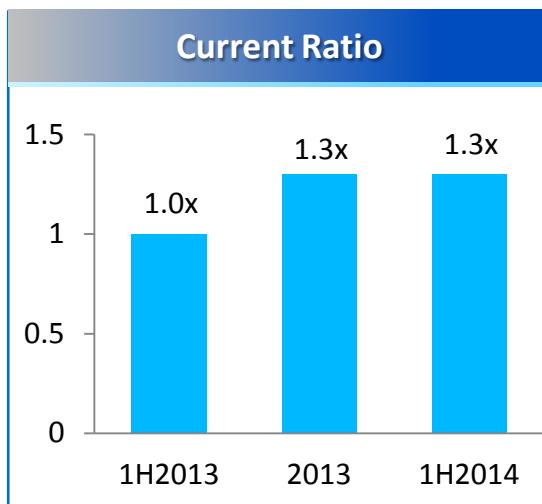
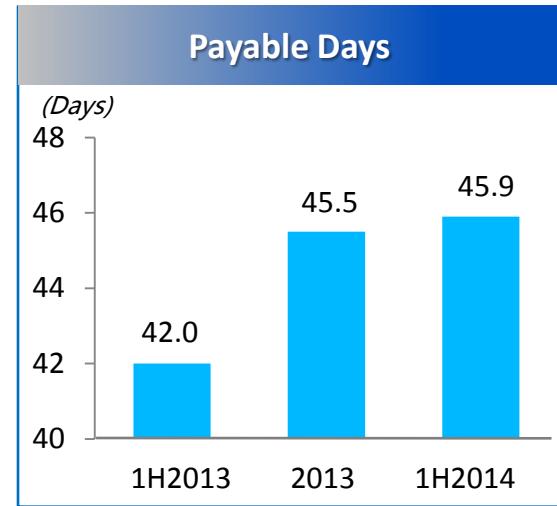
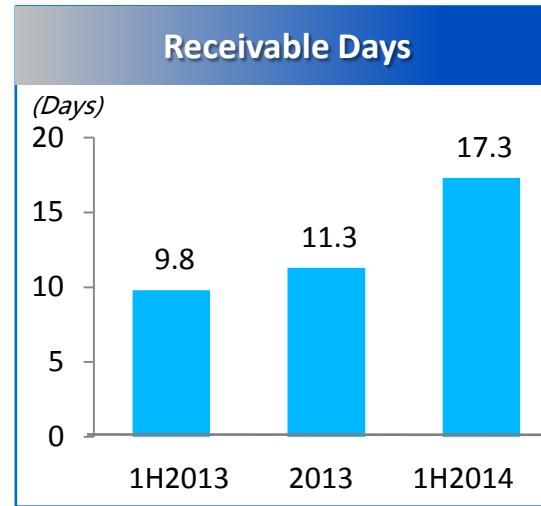
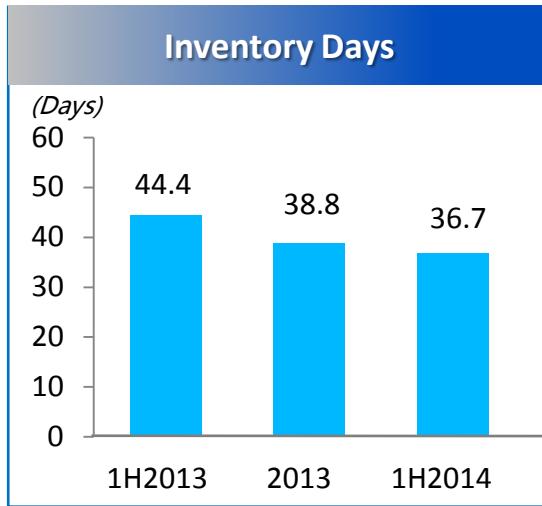
	For the six months ended 30 June 2014		
	1H 2014	HoH	1H 2013
<i>(RMB million)</i>			
Revenue	15,609	+11.4%	14,010
Gross profit	1,467	+12.9%	1,299
Commission Income	198	+52.1%	130
Selling, distribution & admin	(5.0%)	+0.7pt	(4.3%)
Financing costs	(1.4%)	-0.1pt	(1.5%)
Net profit margin	3.2%	-0.2pt	3.4%
Profit attributable to equity holders of the Company	499	+7.3%	465
Basic earnings per share <i>(RMB cents)</i>	23	+7.6%	21

Improved Profitability Mainly Driven By Same Store Growth

	For the six months ended 30 June 2014		
	1H 2014	FA 2013	1H 2013
New Car GPM	5.2%	4.7%	5.1%
After Sales GPM	46.1%	45.3%	46.6%
GP Margin	9.4%	8.7%	9.3%
EBITDA Margin	7.1%	6.5%	7.2%
Operating Margin	6.0%	5.6%	6.2%
Net Margin	3.2%	2.9%	3.4%



Strengthened Balance Sheet and Liquidity Management



¹. Net debt was calculated as cash and cash equivalents and pledged bank deposits minus by total interest bearing liabilities



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Company Strategy



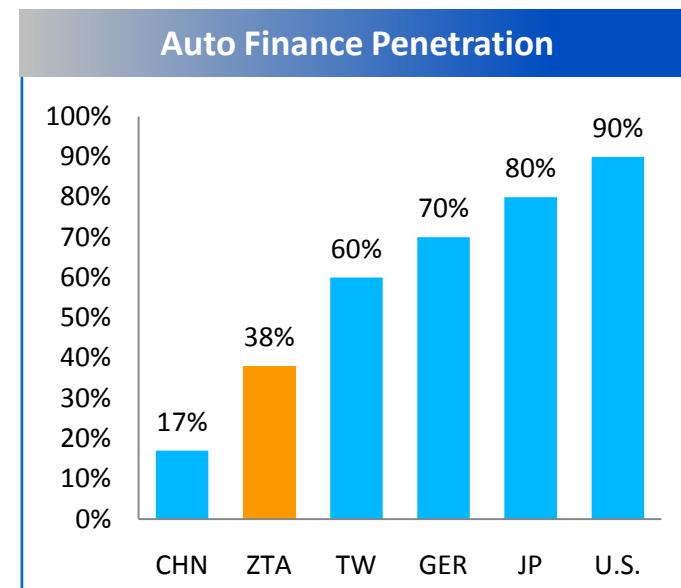
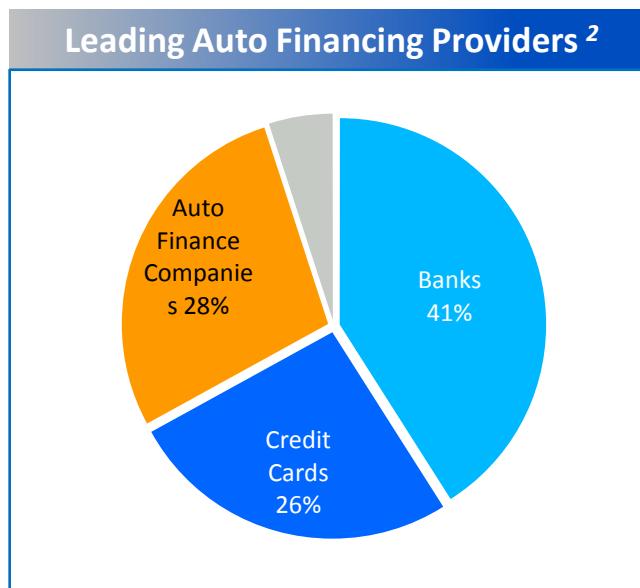


Future Strategies

- Promote diversified luxury brands portfolio led by the 6 major luxury brands (BMW, J&LR, Volvo, Audi, Mercedes and Porsche) in China
- Pursue geographically balanced and prudent network expansion invigorated by innovative technologies and marketing ideology
- Streamline new cars, after sales services, and extended services to further optimize operational efficiency and business synergies
- Rigorous corporate finance policy and liquidity management

Latest Development with ZhengTong Auto Financing

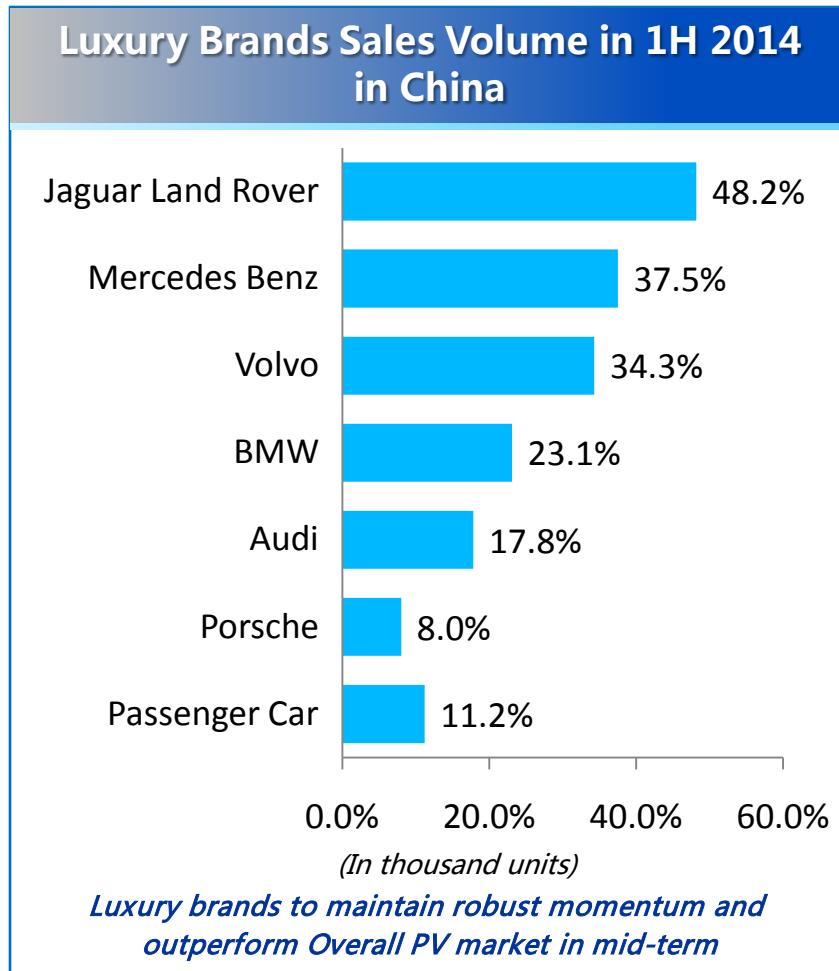
- China ZhengTong has been approved by **CBRC**¹ to establish own controlling auto financing company
- As of Jan 2014, there are **17** licensed auto financing companies in China with a **52%** CAGR on total assets 2010 through 2013
- China ZhengTong is highly confident with business potentials in auto financing and consumer finance in general and dedicated to personalized top-notch auto financing services



1. China Banking Regulatory Commission

2. www.cbrc.gov.cn - Reports on China Auto Financing 2010-2013

Strong Growth with Luxury Brands Sector 1H2014



Sources: China Association of Automobile Manufacturers, ACMR
Luxury brands include BMW, Benz, Audi, JLR, Volvo and etc.

Ultra Luxury brands include Bentley, Rolls-Royce, Ferrari, Porsche, Aston Martin and etc.



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Q&A