



CHINA ZHENG TONG  
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 Growth<sup>1</sup> 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, JLR<sup>2</sup>, 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 company<sup>3</sup>
- ZhengTong fully licensed insurance brokerage companies
- A **Forbes Asia Fabulous 50**<sup>4</sup> 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/>





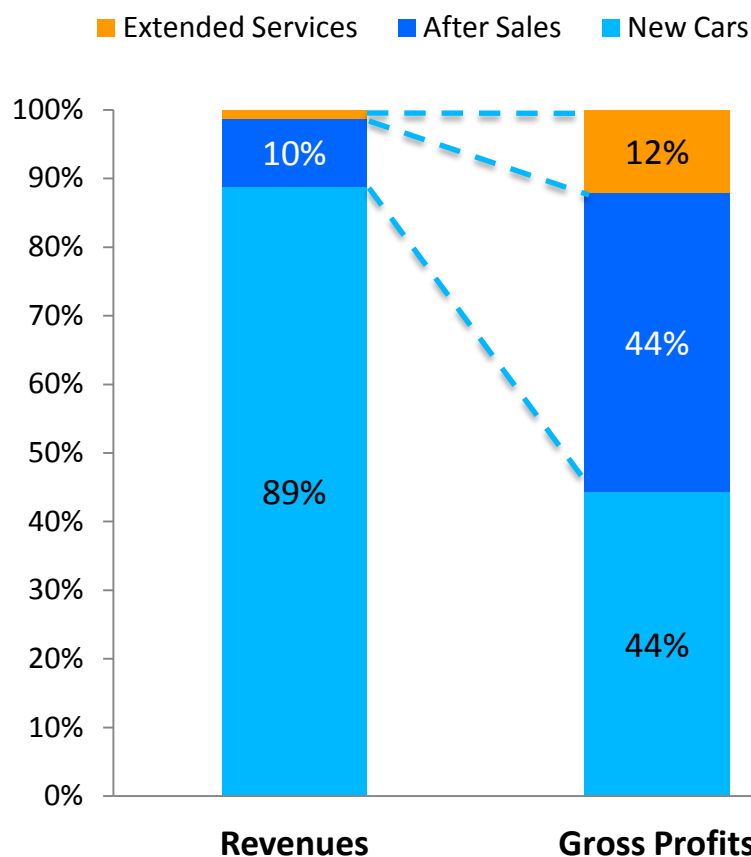
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## Business Development

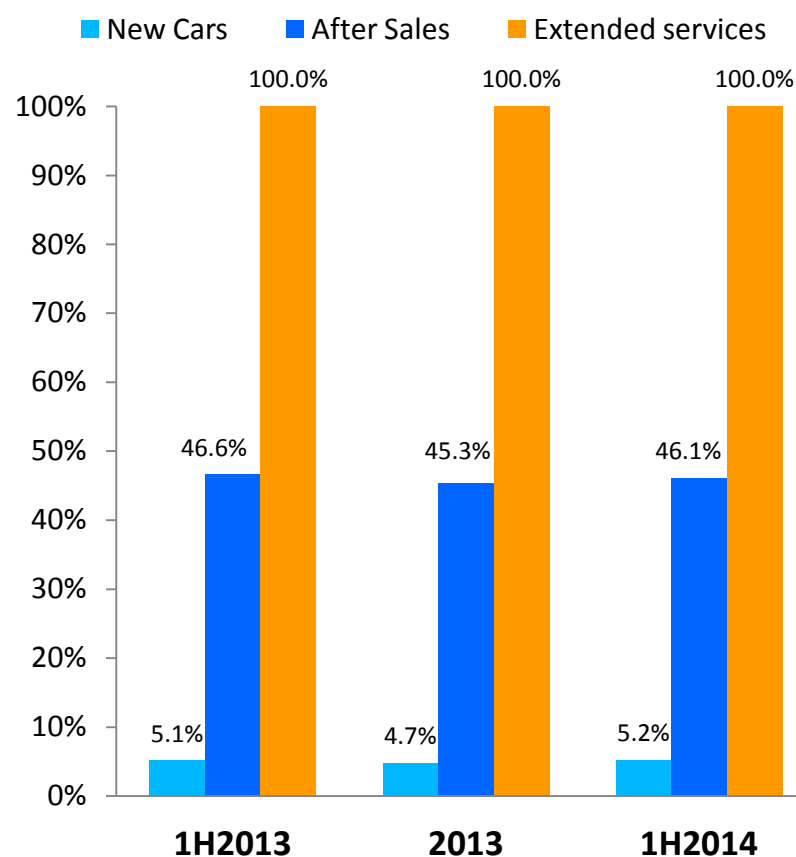


# Car business Revenues and Gross Profits Contribution

## Car Businesses and GP Contribution

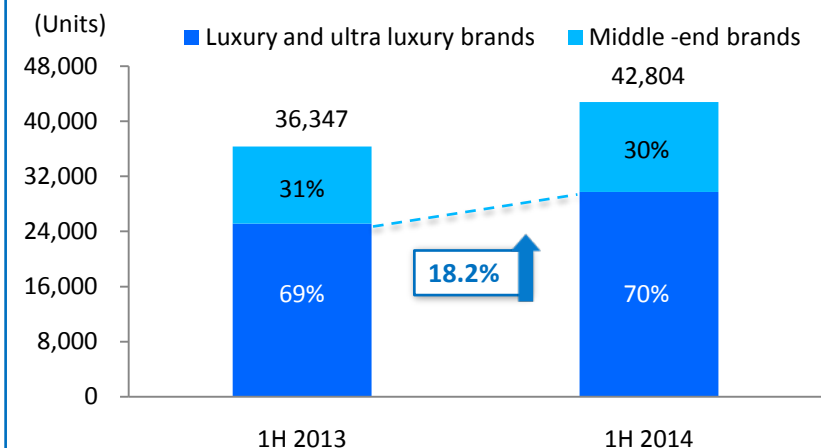


## Gross Profit Margins

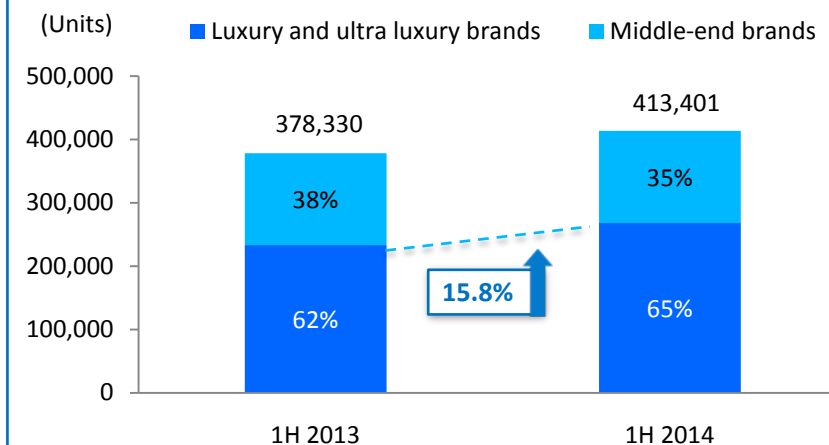


# Strong New Car Sales and After-sales Services Business Growth

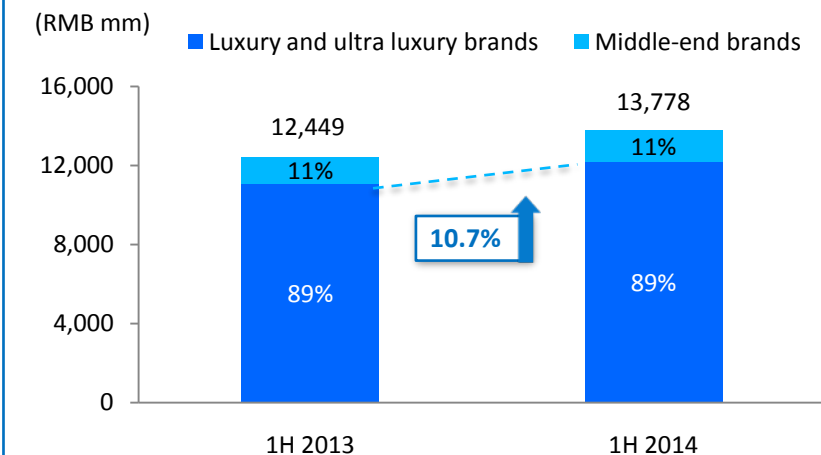
## New Car Sales Volume



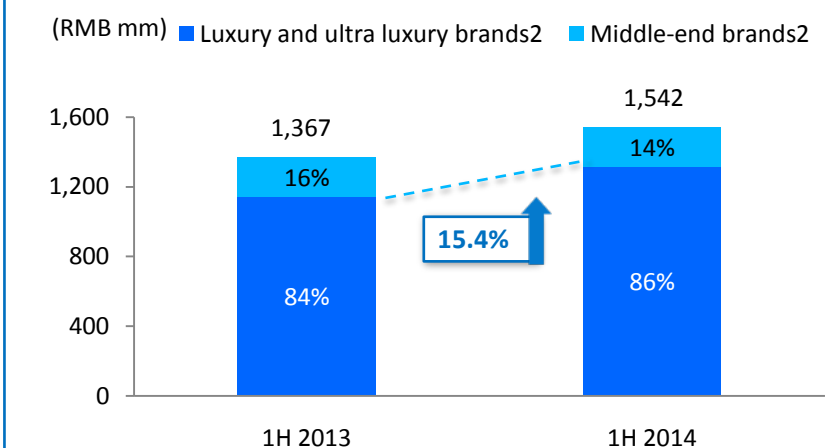
## After-sales Throughputs



## New Car Sales Revenue



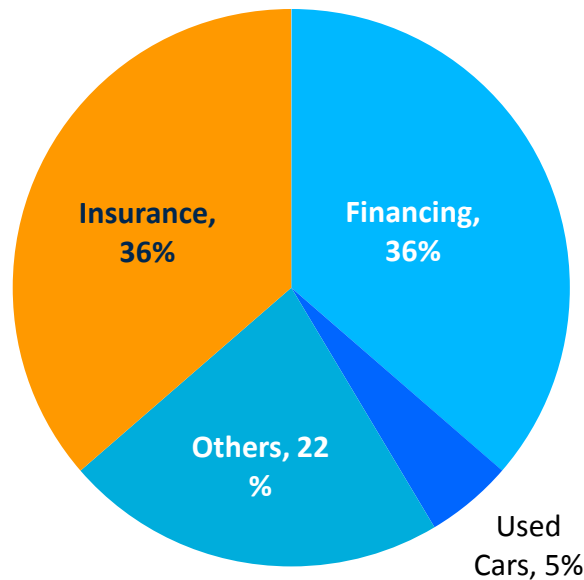
## After-sales Revenue



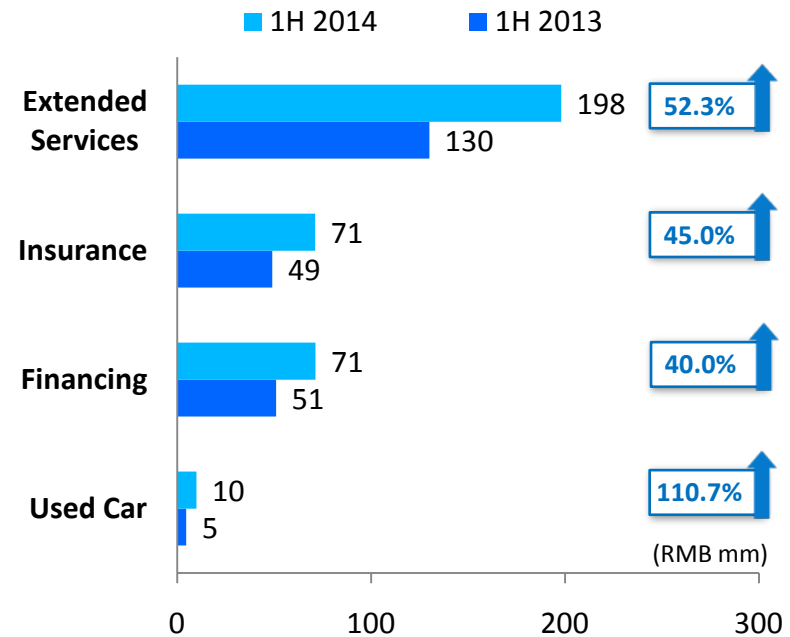
# Robust Extended Services

- **Fully licensed insurance broker division** to contribute commission income and unlock after-sale services potentials
- **CBRC<sup>1</sup> Licensed ZhengTong auto financing company** to launch by 2015
- **Dedicated used car trading platform** integrated with leading technologies

## Extended Services Contribution



## Significant Growth of Extended Service



1. China Banking Regulatory Commission

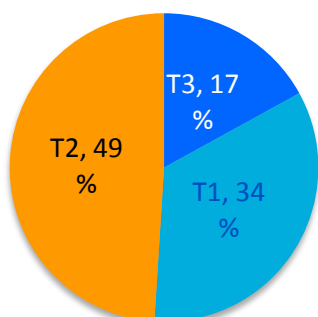


# Network Development

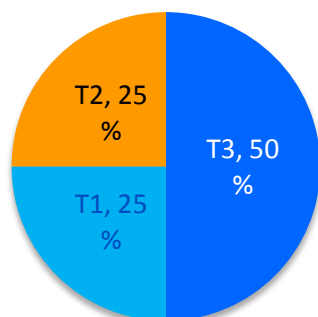
Brands	Type	2013	1H 2014 open	1H 2014	Pipeline	Total
Luxury & Ultra-Luxury	4S Store	59	2	61	32	93
	Showroom	15	2	17	1	18
	Service Center	2		2	2	4
	User Car Center				1	1
	Quick Service		1	1		1
Mid-High End	4S Store	16		16		16
Total		92	5	97	36	133

## Tier Cities Geographic Coverage

1H 2014 Coverage

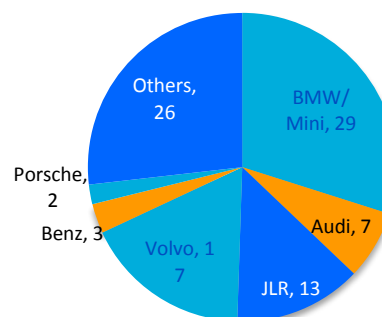


New Pipeline Breakdown

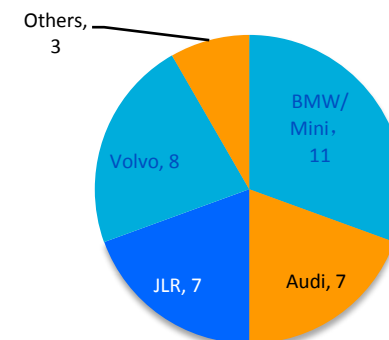


## Brands Break down

1H 2014 Brands

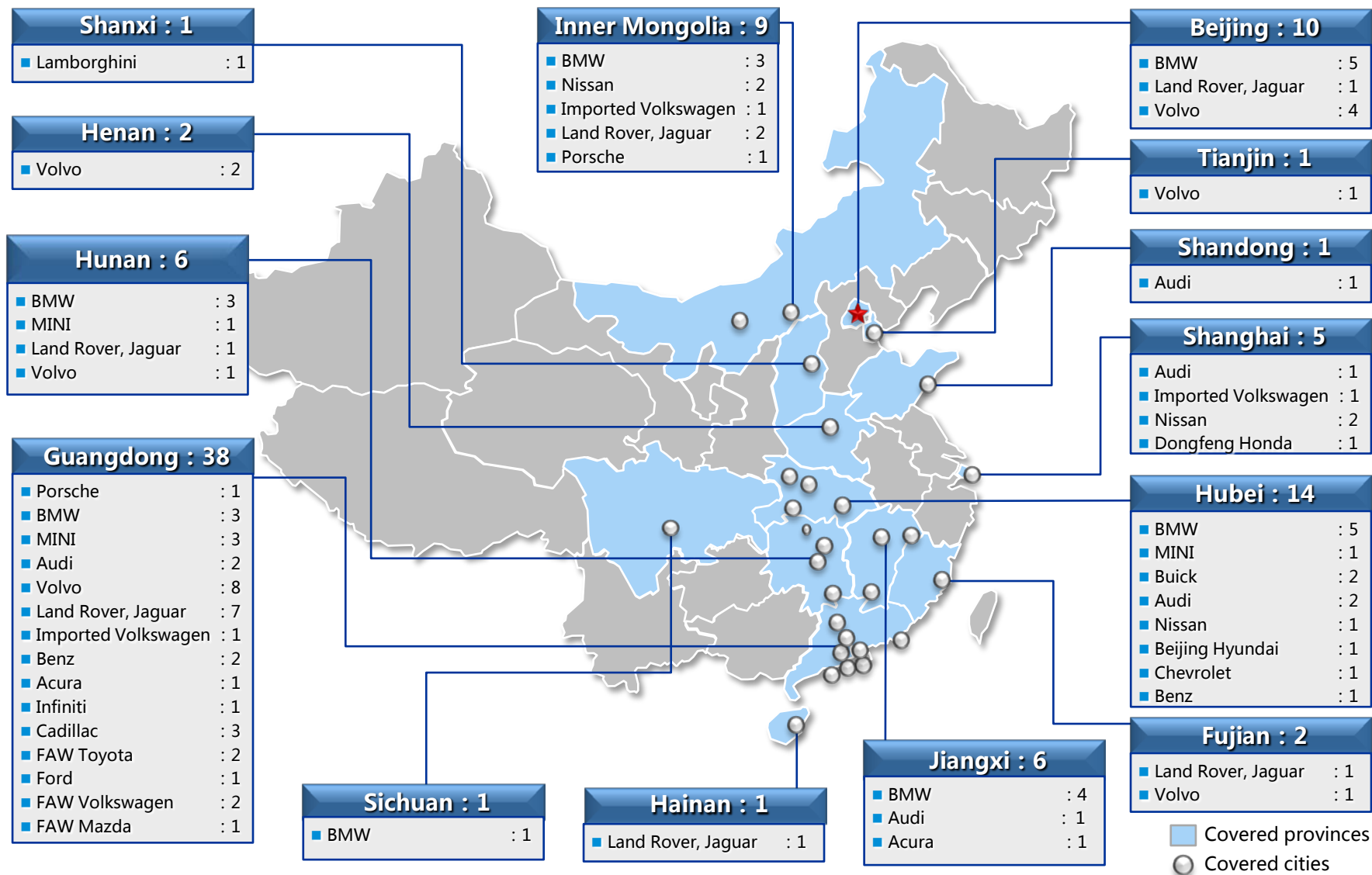


New Pipeline Breakdown





# Balanced Nationwide Dealer Network





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## Financial Review





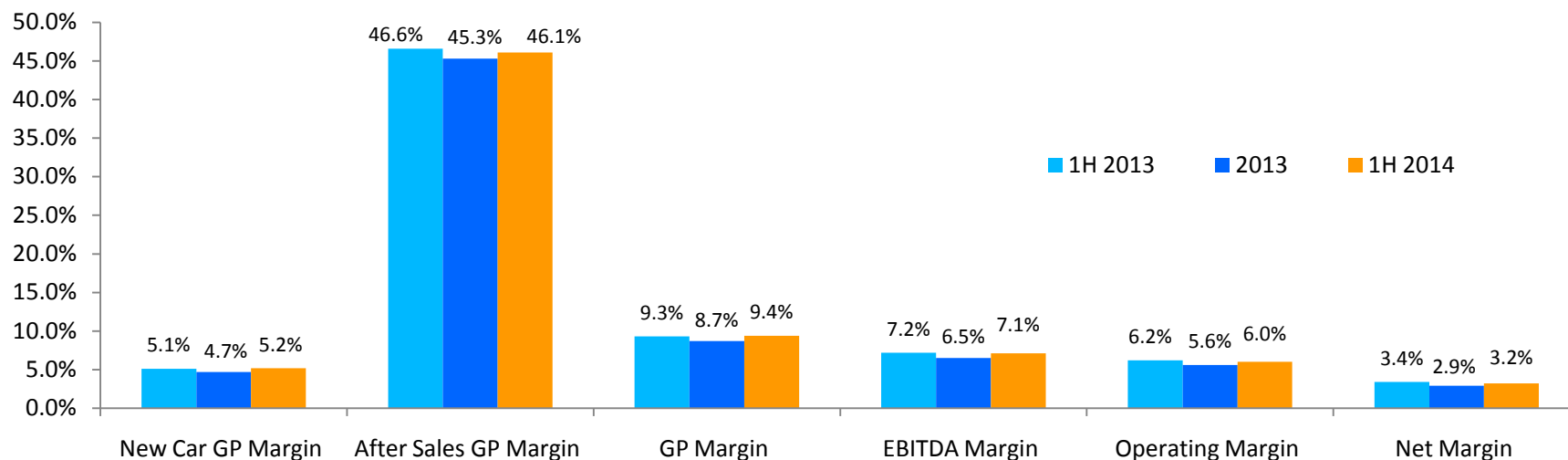
# Performance Highlights

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



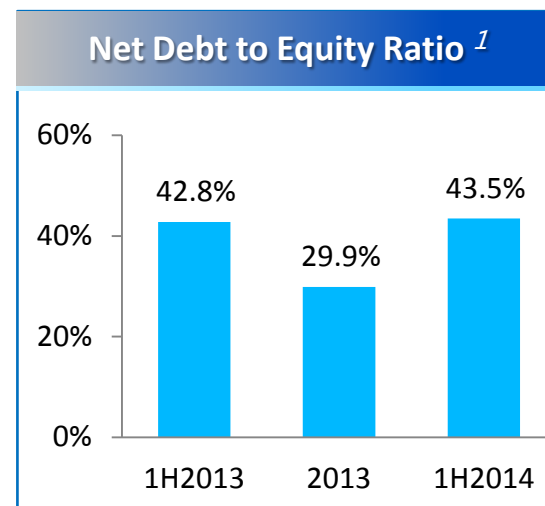
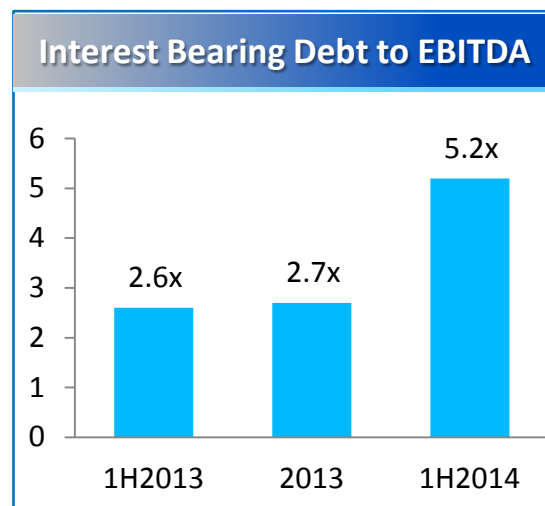
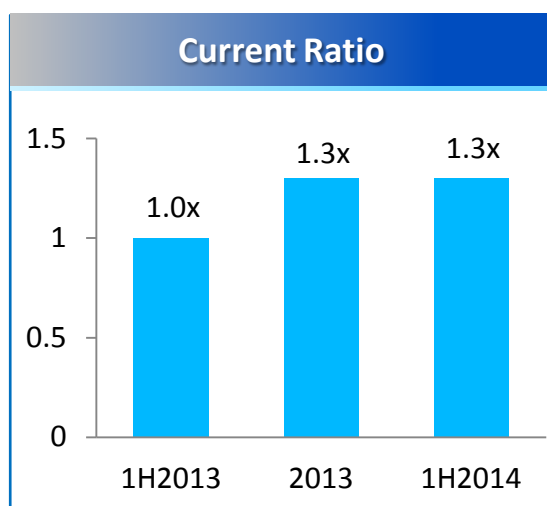
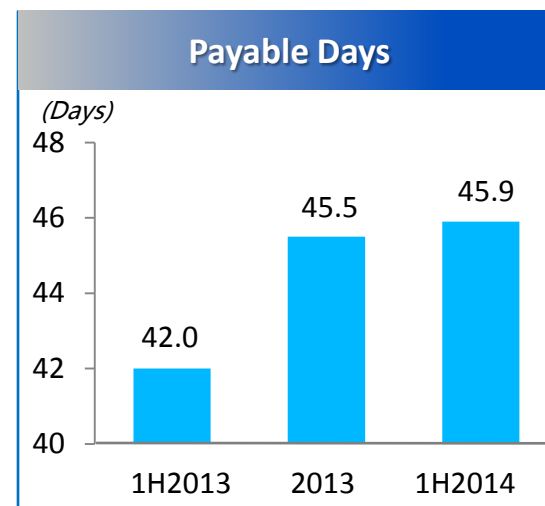
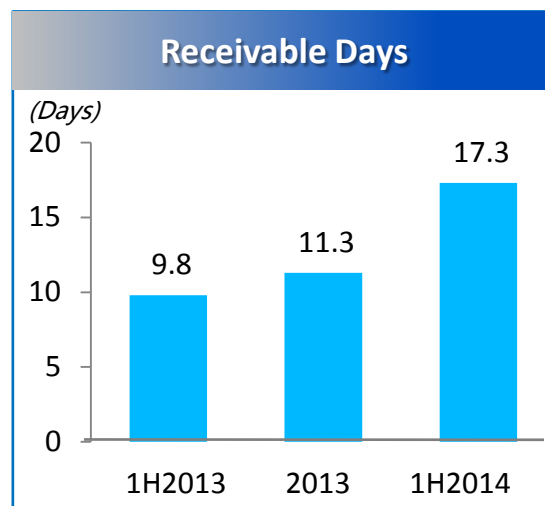
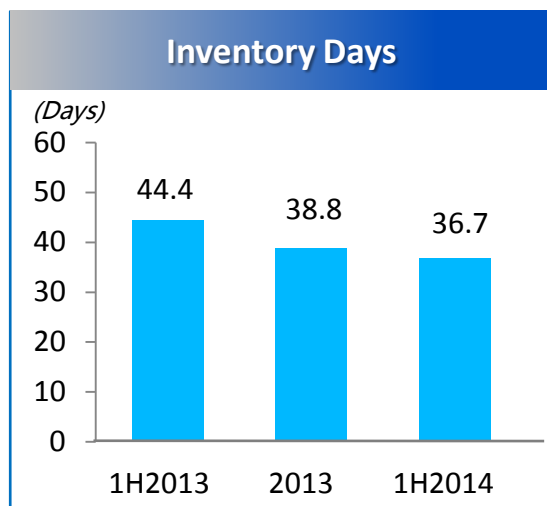
# Improved Profitability Mainly Driven By Same Store Growth

	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



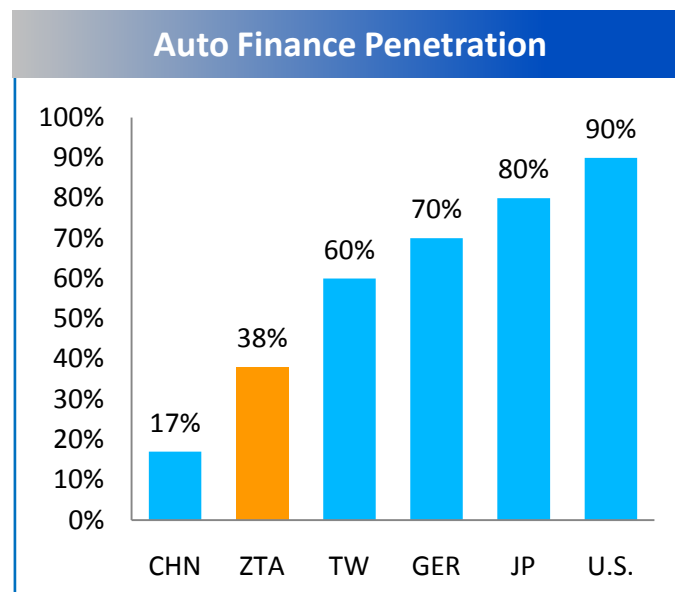
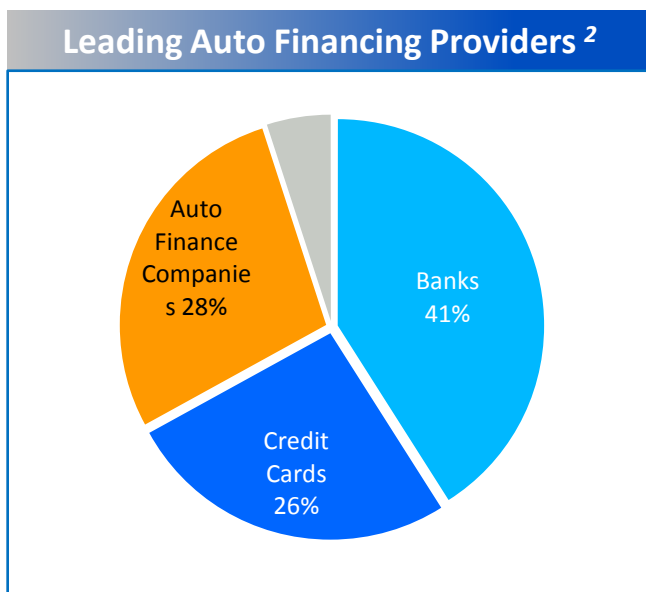


## Future Strategies

- 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**<sup>1</sup> 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

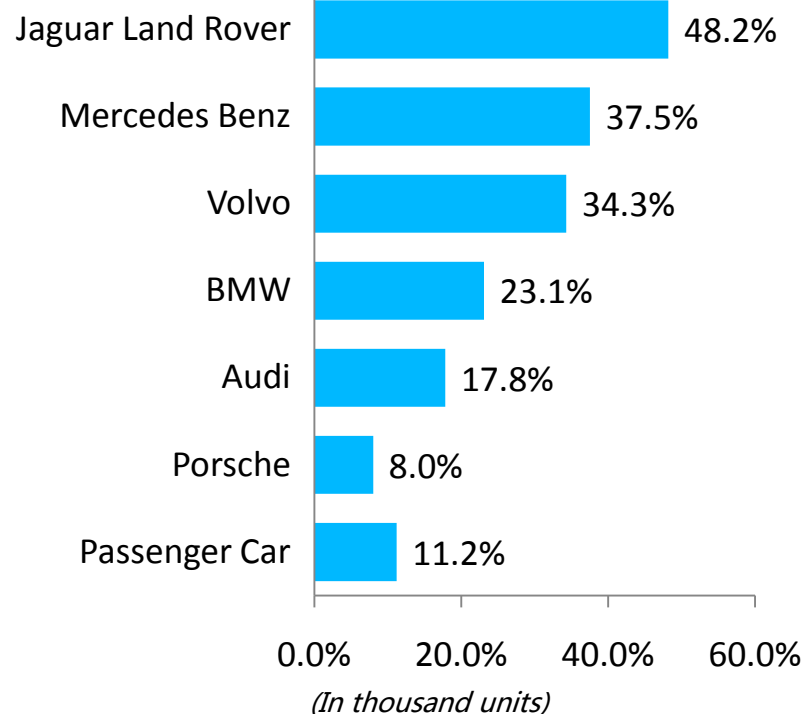


1. China Banking Regulatory Commission

2. [www.cbrc.gov.cn](http://www.cbrc.gov.cn) - Reports on China Auto Financing 2010-2013

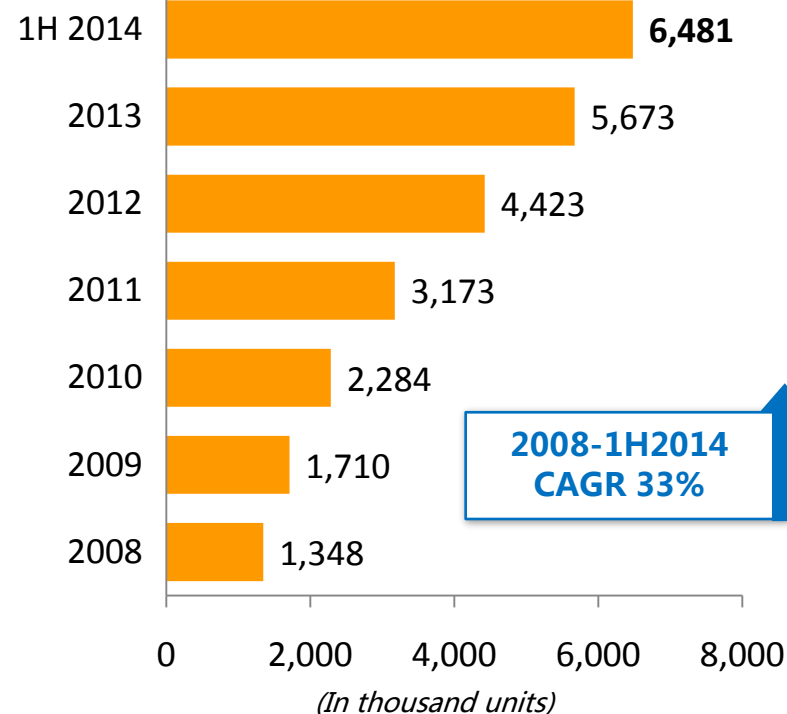
# Strong Growth with Luxury Brands Sector 1H2014

## Luxury Brands Sales Volume in 1H 2014 in China



*Luxury brands to maintain robust momentum and outperform Overall PV market in mid-term*

## Rapid Growth of Luxury Car Ownership in China



*Rapidly growing Luxury car customer base provides huge potential for after-sales and extended service markets*

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