



China ZhengTong 1H2015 Results Announcement

Last updated August 2015





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Agenda

1

Performance Highlights

2

Business Development

3

Financial Review

4

Company Strategies



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



Performance Highlights



ZhengTong Auto(HKEX:1728) 1H2015 Highlights

Transforming business model with distinctive growth catalyst under challenging market conditions

- RMB **13,870** million in total revenues during 1H2015 with **40,157** retail vehicles sold including **27,544** premium brand cars
- Total **447,786** units serviced with **24.1%** YoY volume growth on luxury brands
- **13.3%** YoY growth on gross profits from after-sales services at **47.8%** gross profits margin and **170bps** margin expansion
- Licensed auto financing business (DZAF) achieved total lending of RMB **600mm+** since April 20th launching
- RMB **204** mm commissions on extended services
- RMB **347** mm net profits to common shareholders at RMB **15.7** cent per share

Premium-brand-focused highly diversified portfolio

- A portfolio of **21** brands dominated by **6** leading luxury brands, including **BMW, Jaguar & Land Rover, Volvo, Audi, Mercedes, and Porsche**
- **106** outlets in **37** cities and **15** provinces across the country¹

1. As of June 30th, 2015

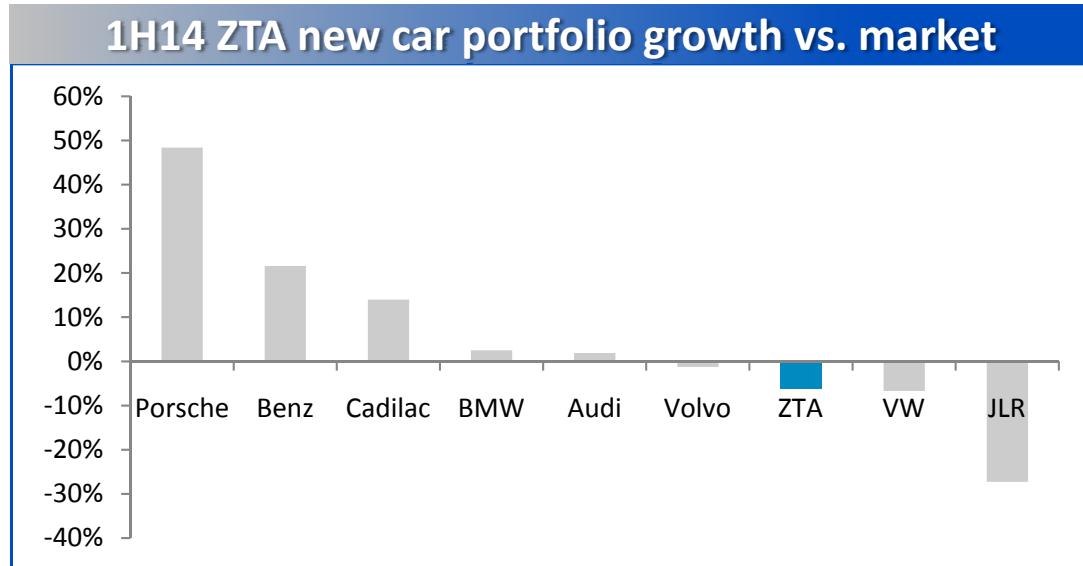


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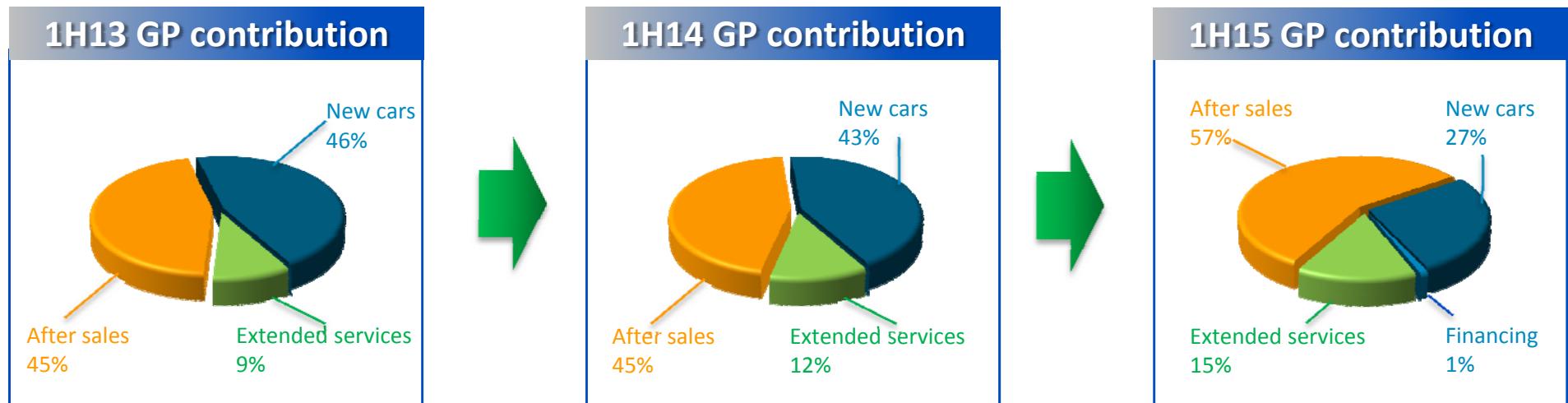


Business Development

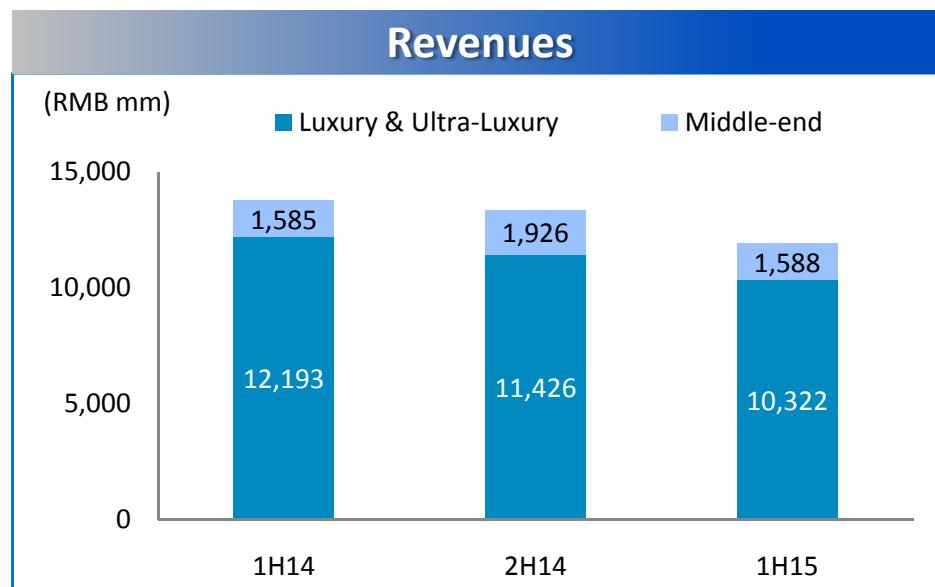
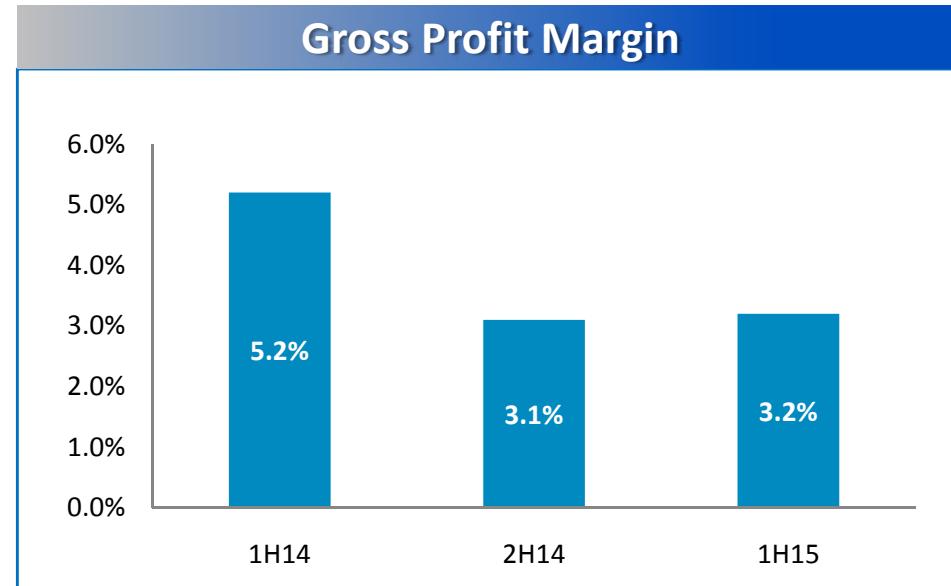
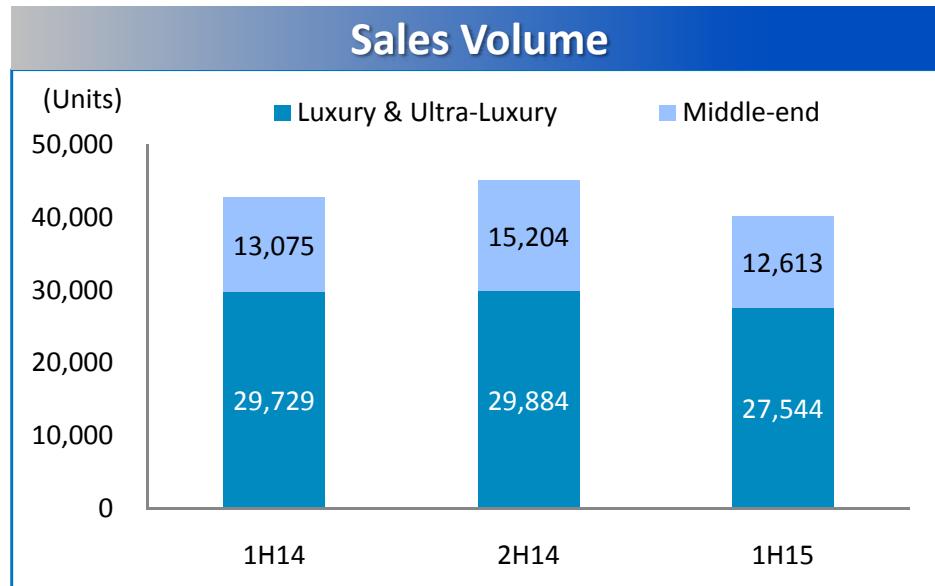
Full-fledging business model backboned by services



- In 1H2015, Company brand portfolio growth stayed in line with major premium brands' growth in China
- After sales contributed increasingly to Company's overall gross profits with over the past three years with steady GP margin
- Extended service (commissions from financing arrangement, insurance, and used car businesses) maintained increases in penetration despite sluggish new car sales
- Auto financing business (DongZheng Auto Financing¹) demonstrated robust growth trajectory since official launch to fuel growth across dealer's business platform

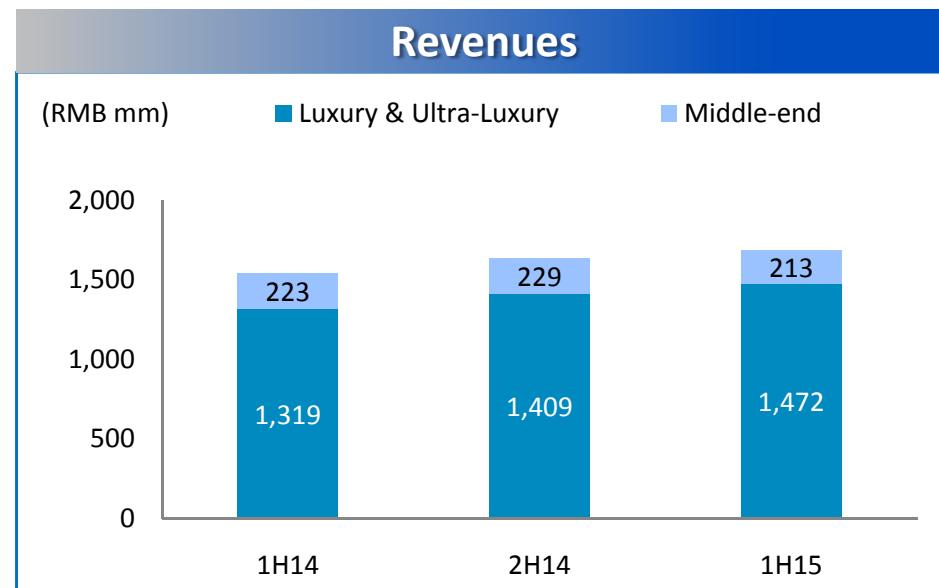
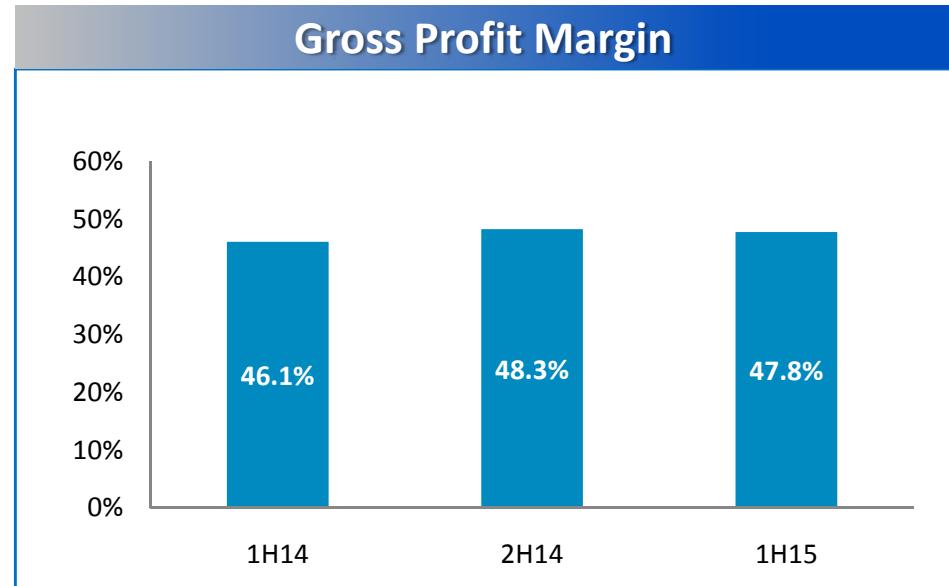
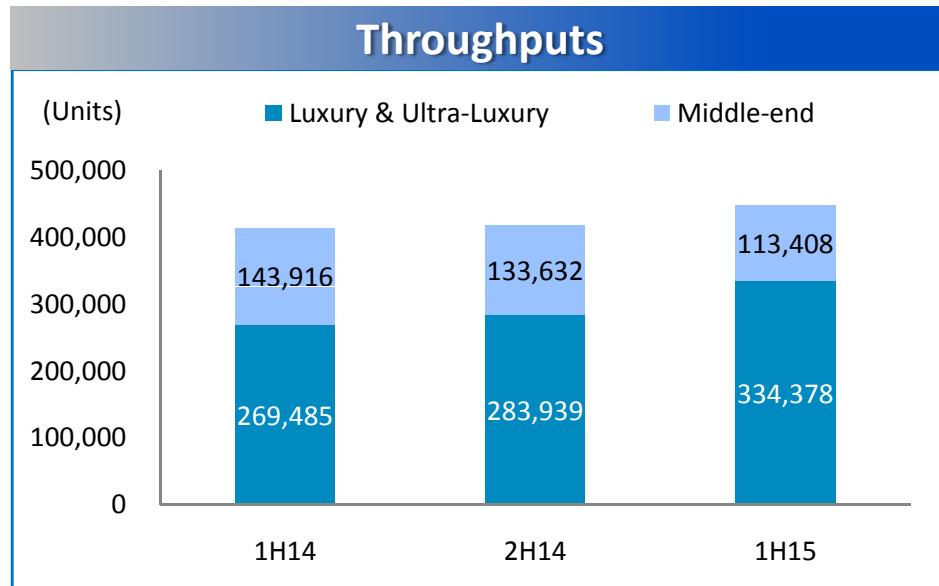


New Car Sales Business



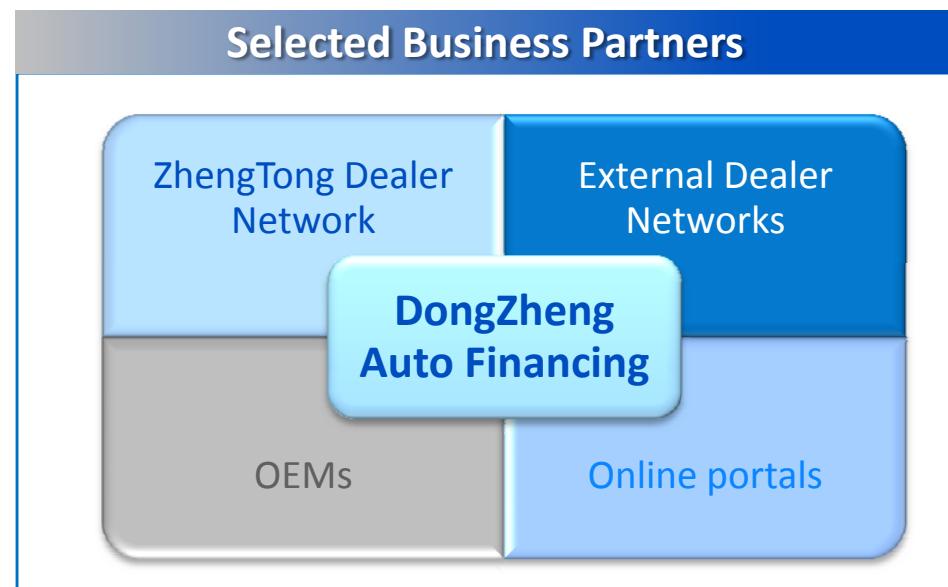
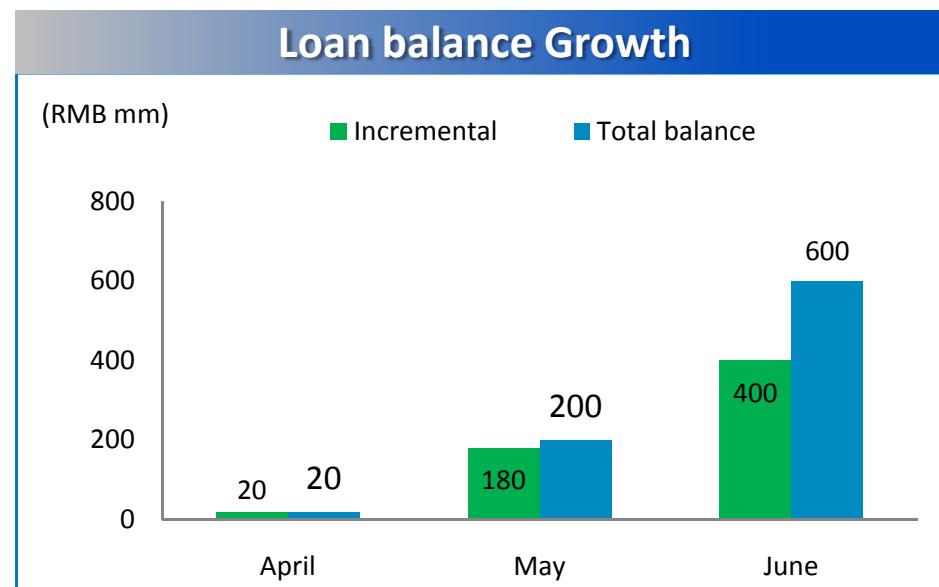
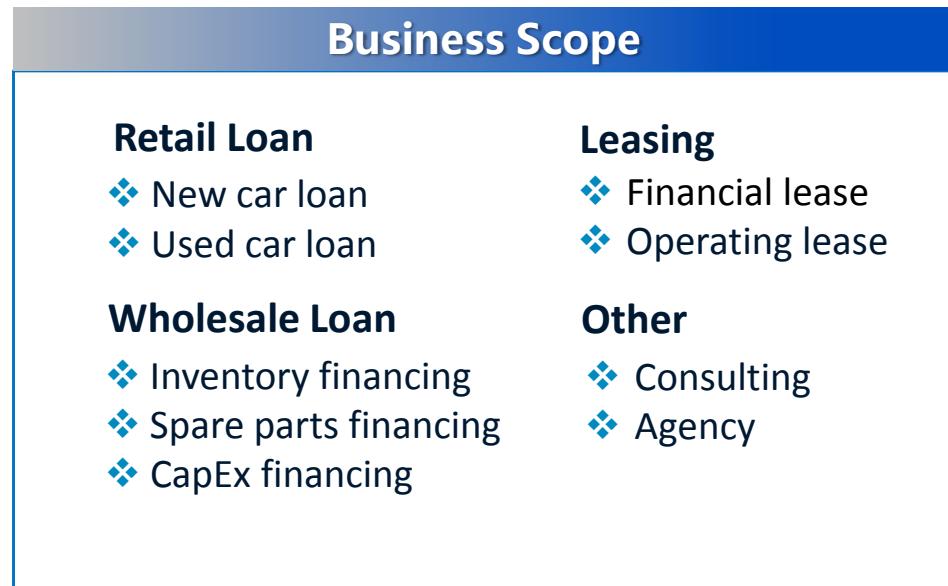
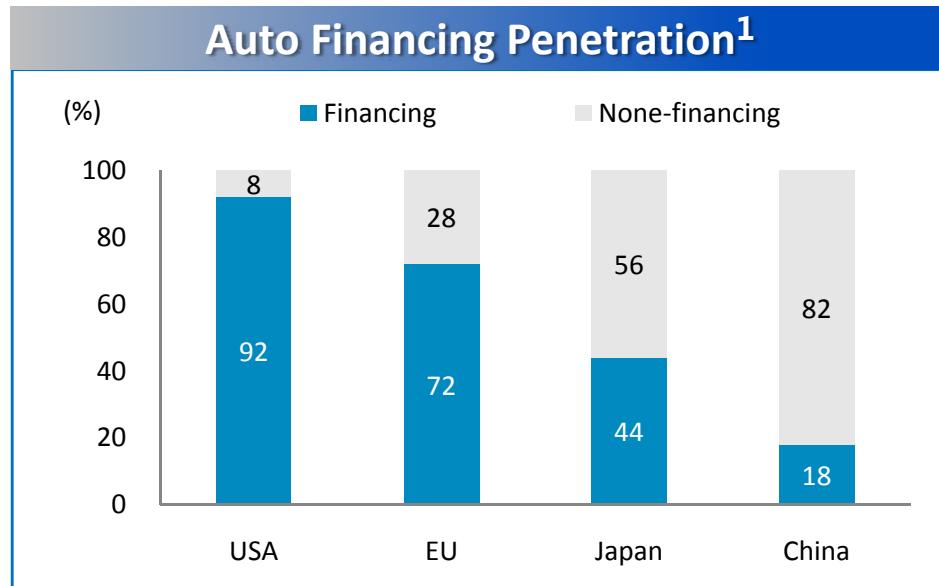
- In 1H2015 China's luxury auto market as well as the overall PV market witnessed weaker than expected demand, dealer-OEM relationship has been normalizing
- Company achieved total sales volume of 40,157 units with 27,544 units on luxury brands
- A slower revenue growth on new cars was coupled with stabilizing new car margins with around 10bps expansion from 2H14
- Company strived for reasonable balance between volume growth and new margins and actively leveraged whole platform to explore cross selling opportunities

After-sales Business



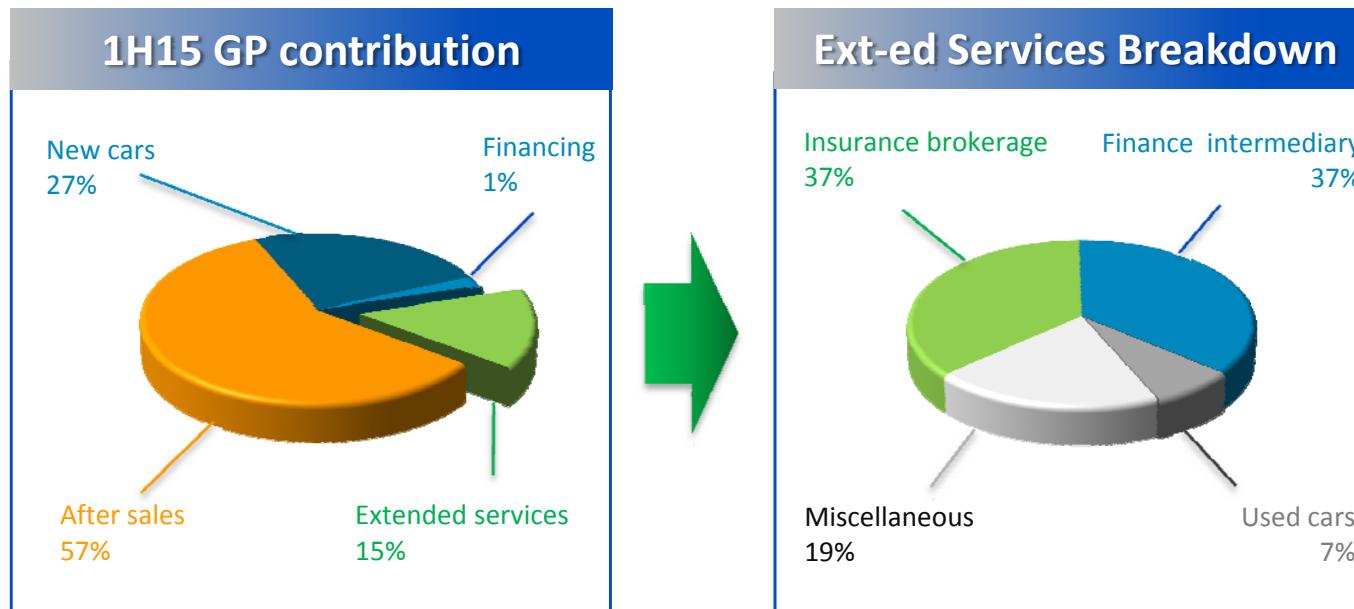
- In 1H2015, the Company serviced 447,786 units, including 334,378 units luxury cars with 24.1% growth YoY
- Total revenues increased by 9.3% to RMB 1,688mm while revenues on luxury cars increase by 11.6% to RMB 1,472mm
- Company achieved solid 47.8% gross profit margin during 1H15 with 170bps margin expansion YoY
- Company was well positioned to maximize growth opportunities from favorable policy changes on parts as well as growing customer
- Innovate service solutions and marketing strategies helped both on retention and profitability

Auto Financing business (DZAF) update



Extended commissioned-based services

- Extended services include licensed insurance brokerage, finance intermediary and used car businesses
- Extended services contributed to 15.2% on the adjusted gross profits, increasing from 11.2% during 1H2014
- Despite sluggish new car sales, penetrations on new car insurance, renewal insurance, and auto financing handling maintained strong growth
- CBRC¹ licensed ZhengTong subsidiary DZAF collaborated with own dealer network on innovative auto financing solutions to promote extended commissions as well as new car sales



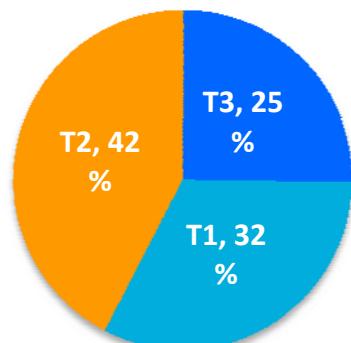
1. China Banking Regulatory Commission

Network Advancement

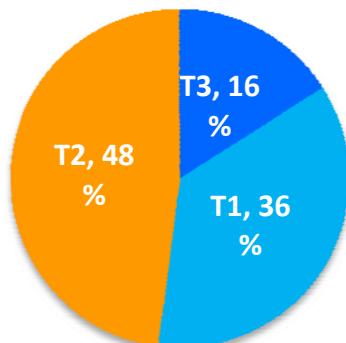
| Brands | Type | 2014 | 2015 | Pipeline ¹ | Total |
|-----------------------|-----------------|------|------|-----------------------|-------|
| Luxury & Ultra-Luxury | 4S Store | 66 | 66 | 21 ³ | 87 |
| | Showroom | 19 | 19 | 1 | 20 |
| | Service Center | 3 | 4 | 1 | 5 |
| | User Car Center | | | 2 | 2 |
| | Quick Service | 1 | 1 | | 1 |
| Mid-High End | 4S Store | 16 | 16 | | 16 |
| Total | | 105 | 106 | 25 | 131 |

Tier Cities Geographic Coverage

FA2014 Coverage

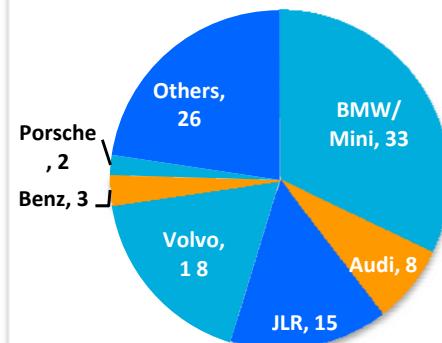


New Pipeline Breakdown

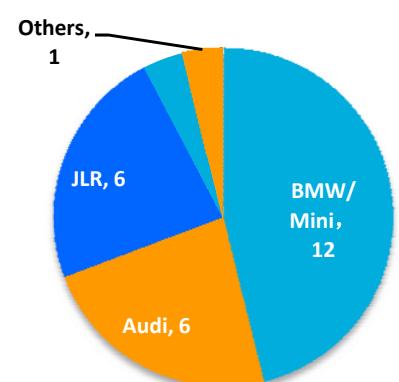


Brands Breakdown

FA 2014 Brands

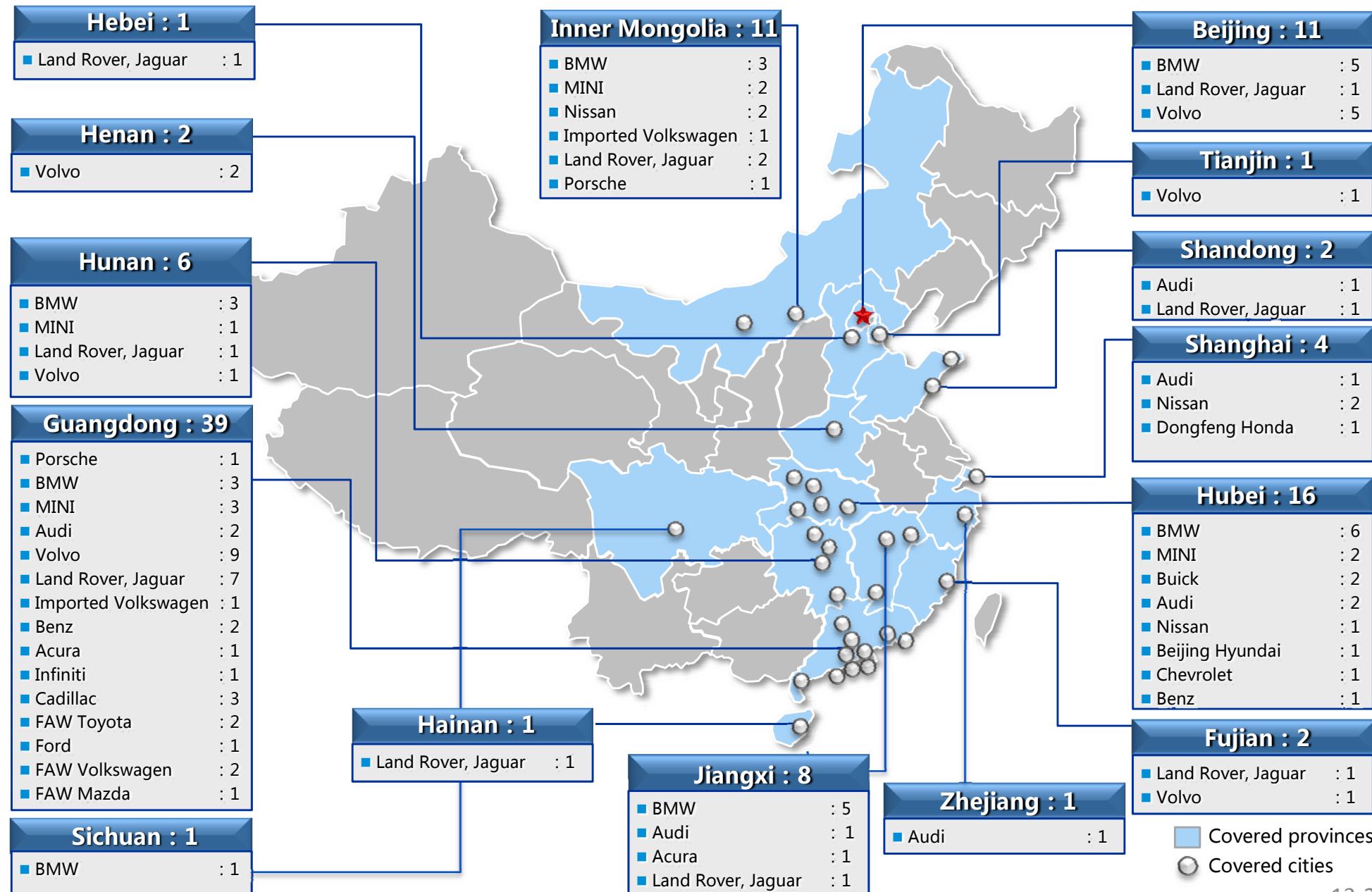


New Pipeline Breakdown



1. Total number of authorization for possible future store openings
2. Including 3 transitional stores under pipeline

Balanced National Coverage





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Financial Review



Financial Highlights

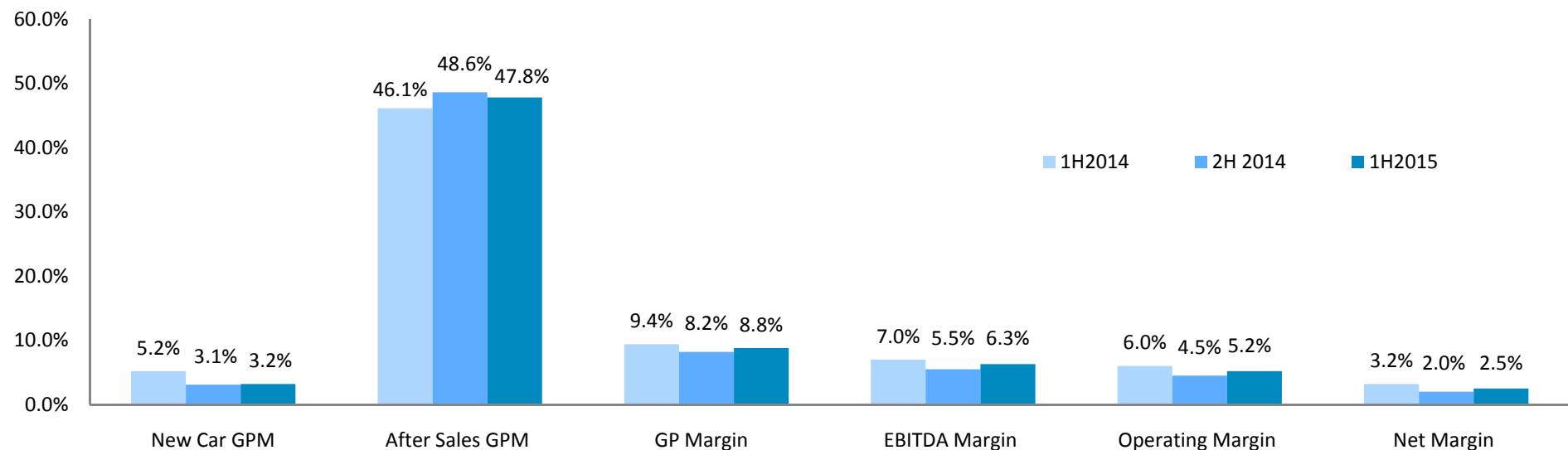
| | For the year ended 30 June 2015 | | |
|--|---------------------------------|---------------|---------------|
| | 1H 2014 | 1H 2015 | YoY |
| | (RMB million) | (RMB million) | |
| Revenue | 15,609 | 13,870 | -11.1% |
| Gross profit | 1,467 | 1,225 | -16.4% |
| Commission Income | 198 | 206 | +3.5% |
| Selling, distribution & admin¹ | (5.0%) | (5.5%) | +54bps |
| Financing costs | (1.4%) | (1.6%) | +18bps |
| Net profit margin | 3.2% | 2.5% | -70bps |
| Profit to common shareholders | 499 | 347 | -30.5% |
| Basic earnings per share (RMB cents) | 23 | 16 | -30.5% |

1. Selling, distribution & admin cost ratio adjusted before FX gain/loss: FY2014 (5.09%) vs. FY2013 (4.51%), increased 57bps

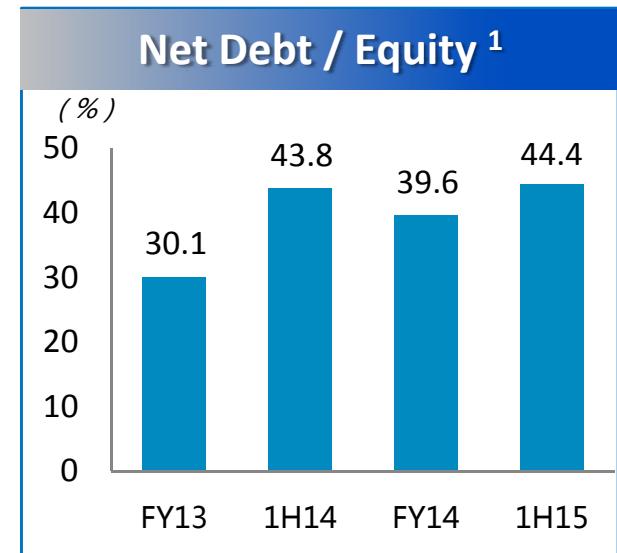
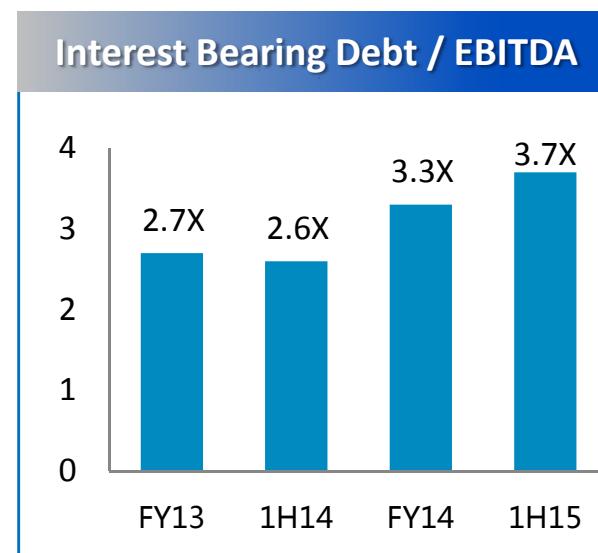
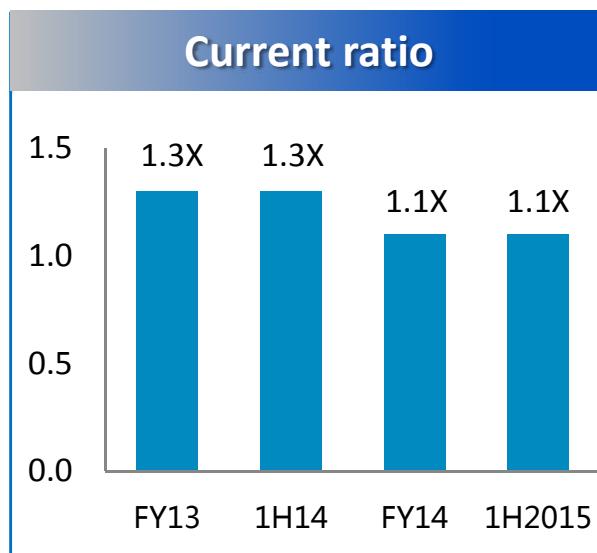
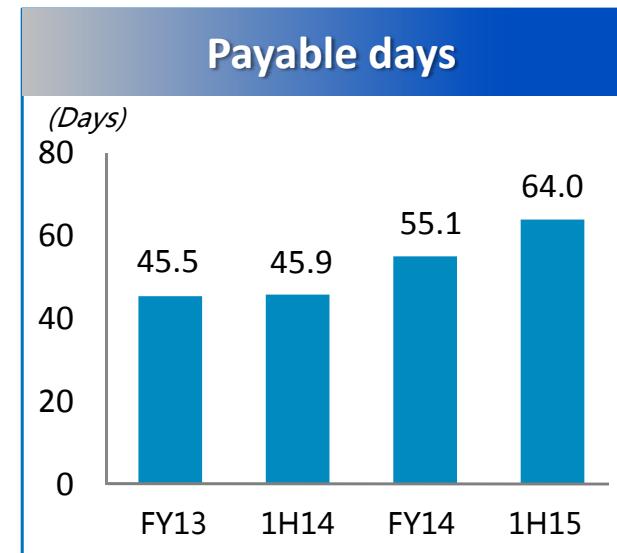
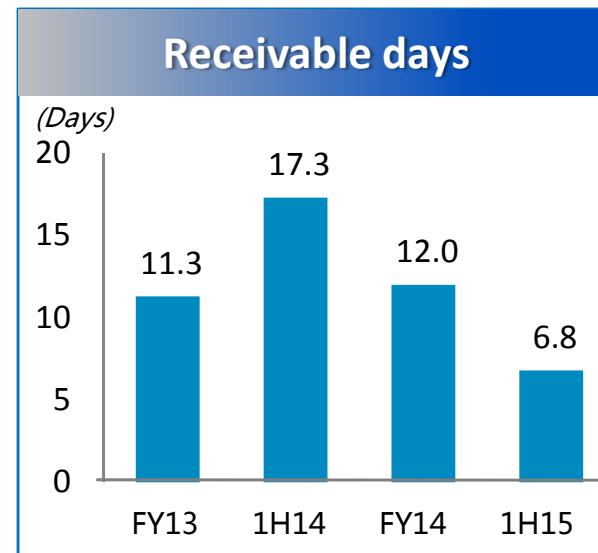
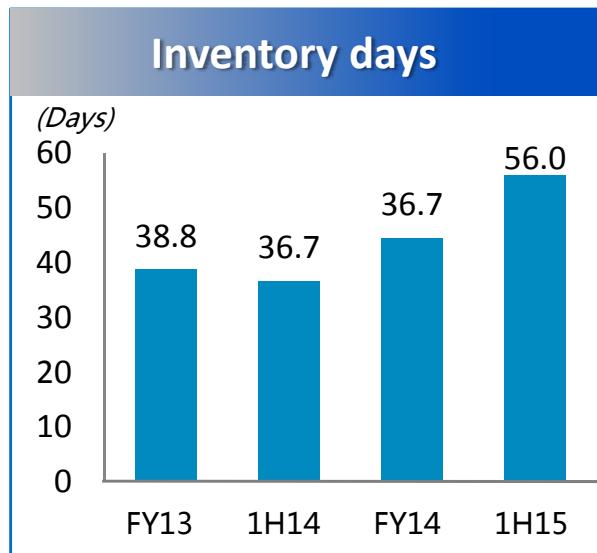


Improved Profitability snapshots

| | For the year ended 30 June 2015 | | |
|-------------------------|---------------------------------|--------------|--------------|
| | 1H 2014 | 2H 2014 | 1H 2015 |
| New Car GPM | 5.2% | 3.1% | 3.2% |
| After Sales GPM | 46.1% | 48.6% | 47.8% |
| GP Margin | 9.4% | 8.2% | 8.8% |
| EBITDA Margin | 7.0% | 5.5% | 6.3% |
| Operating Margin | 6.0% | 4.5% | 5.2% |
| Net Margin | 3.2% | 2.0% | 2.5% |



Improved Financial Positions



1. Net debt = (ST debt + LT debt – Cash and equivalents – Pledged bank deposits)



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Future Strategies

Future Strategy: 2H2015 focuses

- Leverage on auto financing to promote cross selling opportunities on new cars, services and used cars with distinctive value proposition
- Architect next generation operation and client management information system to further enhance interaction among clients and customer service specialists and actively explore non-traditional marketing strategy
- Actively explore healthy partnership with premium brand OEMs on new cars, diversify and customize post-sale offerings and solutions to secure balanced growth and profitability
- Maintain a steady progress on network expansion focusing on premium brands to substantiate market share on company dealer network
- Reinforce rigorous cost control to improve operation efficiency



Q & A

