



China ZhengTong 1H2015 Results Announcement

Last updated August 2015



Disclaimer



These materials have been prepared by China ZhengTong Auto Services Holdings Limited (“ZhengTong Auto” or The “Company”, together with its subsidiaries, the “Group”) and exclusively have not been independently audited or verified. No representation or warranty, expressed or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information, statements, opinions or estimates presented or contained in these materials. The Company or any of its affiliates, advisers or representatives accepts no liability whatsoever for any loss howsoever arising from any information, statements, opinions or estimates presented or contained in these materials. The information, statements, opinions or estimates presented or contained in these materials is subject to change without notice and its accuracy is not guaranteed.

These materials are highly confidential, are being given solely for your information and for your use and may not be copied, reproduced or redistributed to any other person in any manner. Neither these materials nor any copy hereof maybe, directly or indirectly, taken or distributed into the United States or to any U.S. person as defined in Regulation S under the U.S. Securities Act of 1933, as amended. You agree to keep the contents of this presentation and these materials confidential and such presentation and materials form a part of the Confidential Information as defined in the confidentiality agreement you might have previously executed.

1

Performance Highlights

2

Business Development

3

Financial Review

4

Company Strategies



**CHINA ZHENG TONG
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



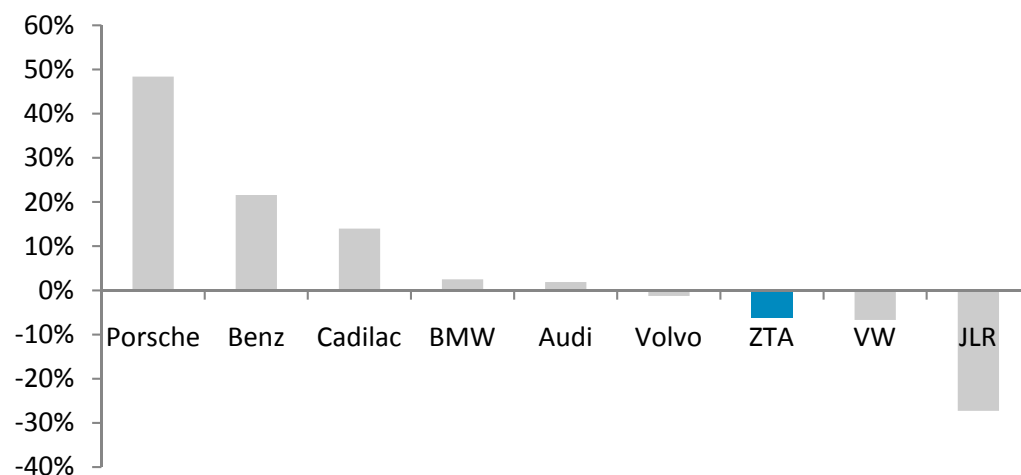
**CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED**
中國正通汽車服務控股有限公司



Business Development

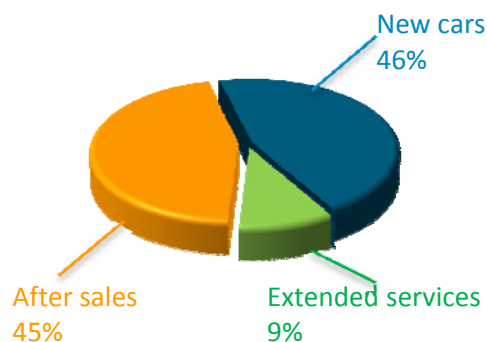
Full-fledged business model backboned by services

1H14 ZTA new car portfolio growth vs. market

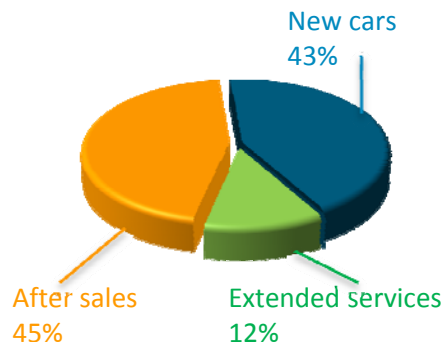


- In 1H2015, Company brand portfolio growth stayed in line with major premium brands' growth in China
- After sales contributed increasingly to Company's overall gross profits with over the past three years with steady GP margin
- Extended service (commissions from financing arrangement, insurance, and 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

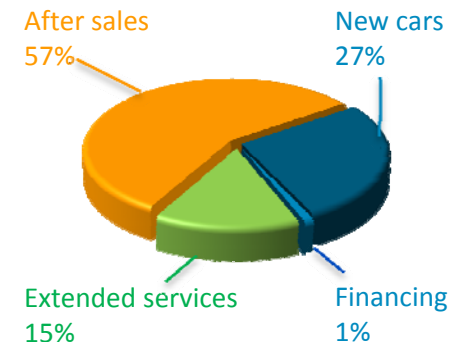
1H13 GP contribution



1H14 GP contribution



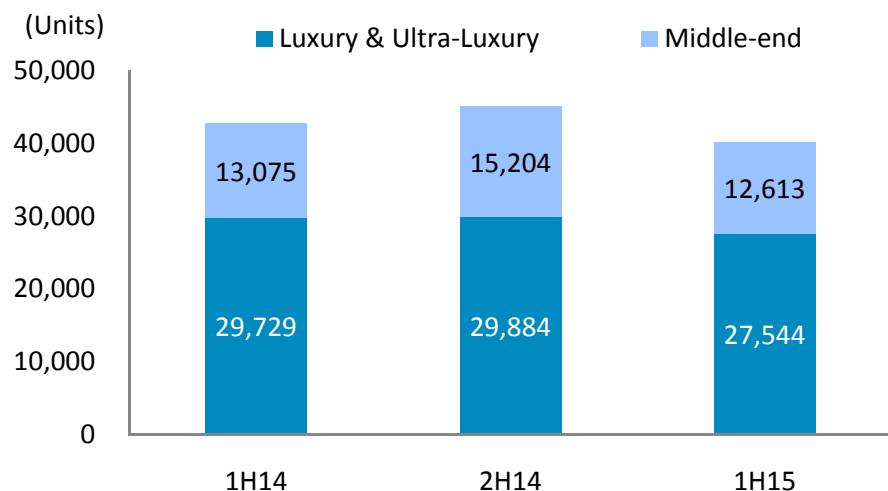
1H15 GP contribution



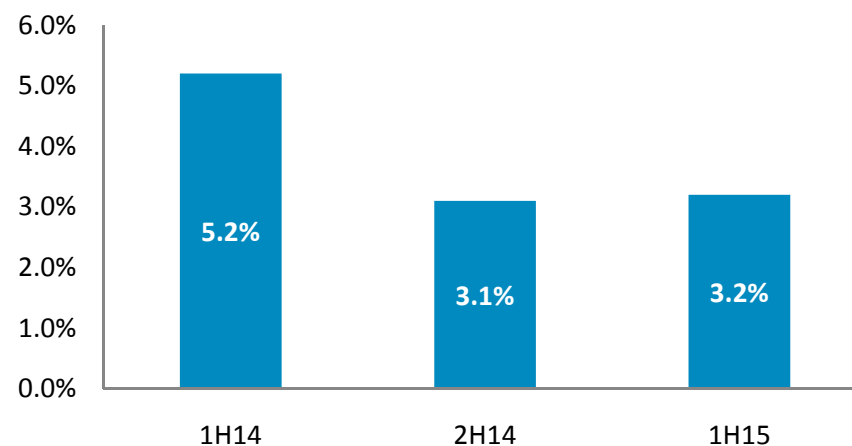


New Car Sales Business

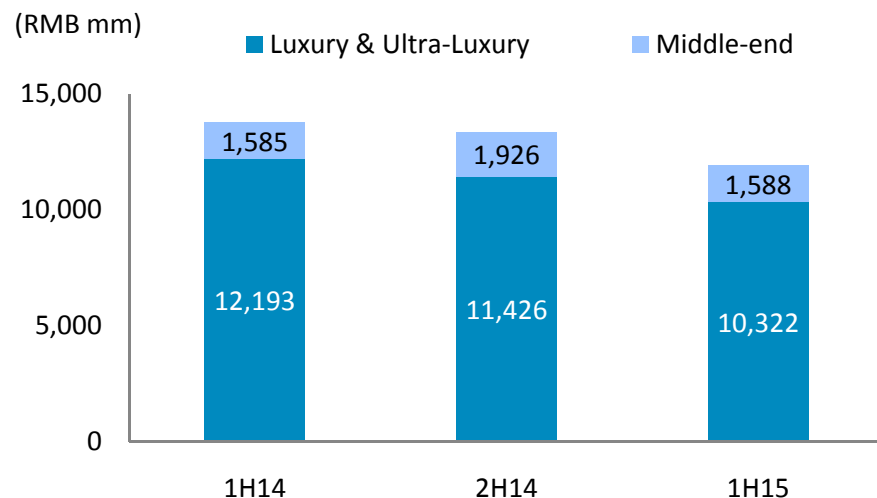
Sales Volume



Gross Profit Margin



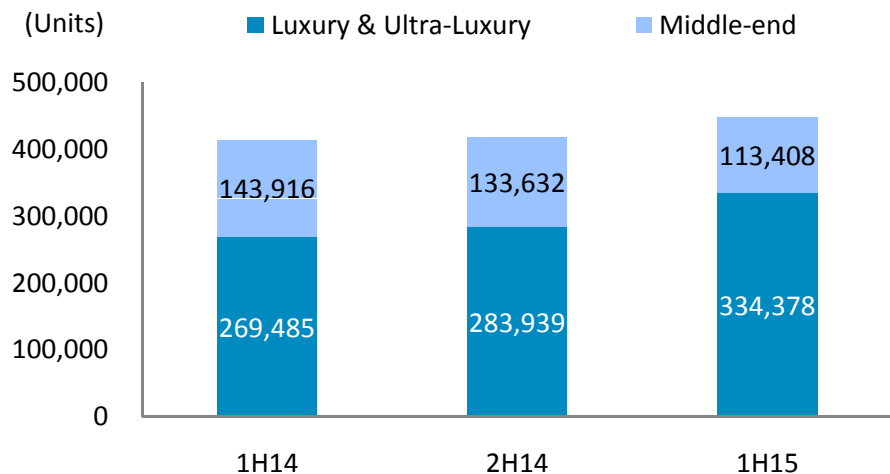
Revenues



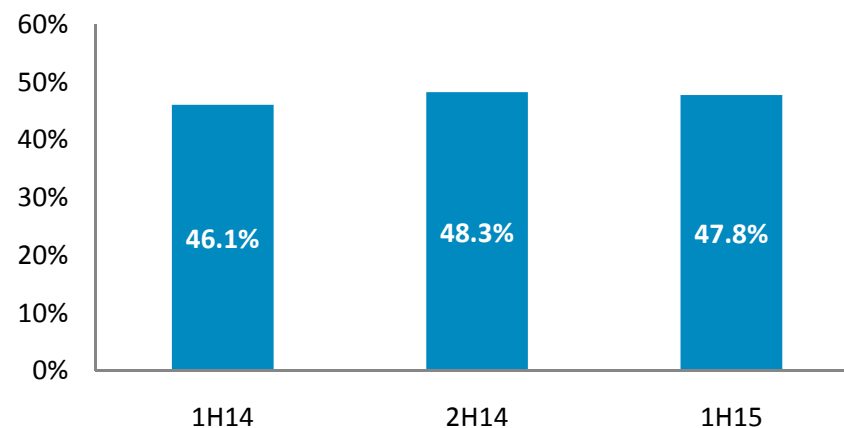
- In 1H2015 China's luxury auto market as well as the overall PV market witnessed weaker than expected demand, dealer-OEM relationship has been normalizing
- Company achieved total sales volume of 40,157 units with 27,544 units on luxury brands
- A slower revenue growth on new cars was coupled with stabilizing 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

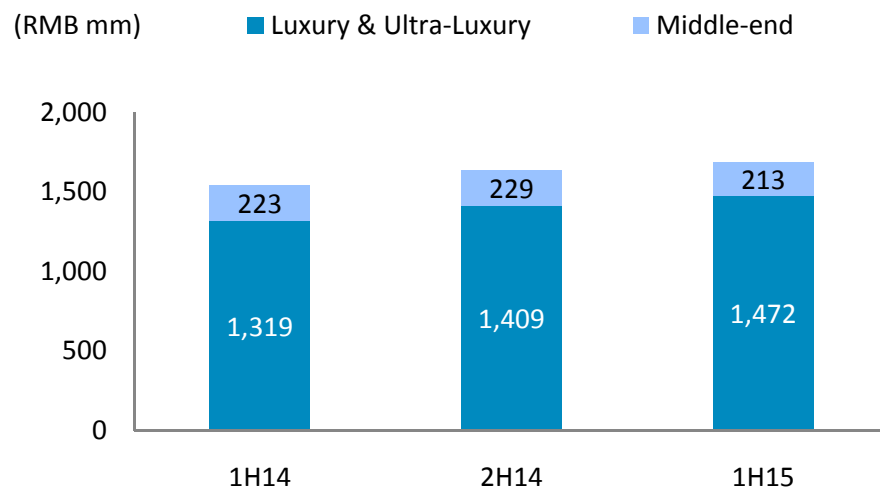
Throughputs



Gross Profit Margin



Revenues

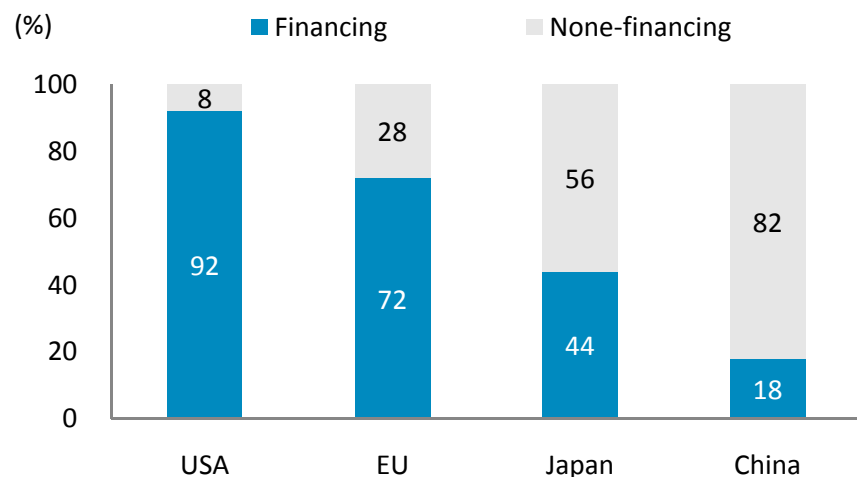


- In 1H2015, the Company serviced 447,786 units, including 334,378 units luxury cars with 24.1% growth YoY
- Total revenues increased by 9.3% to RMB 1,688mm while revenues on luxury cars increase by 11.6% to RMB 1,472mm
- Company achieved solid 47.8% gross profit margin during 1H15 with 170bps margin 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

Auto Financing Penetration¹



Business Scope

Retail Loan

- ❖ New car loan
- ❖ Used car loan

Wholesale Loan

- ❖ Inventory financing
- ❖ Spare parts financing
- ❖ CapEx financing

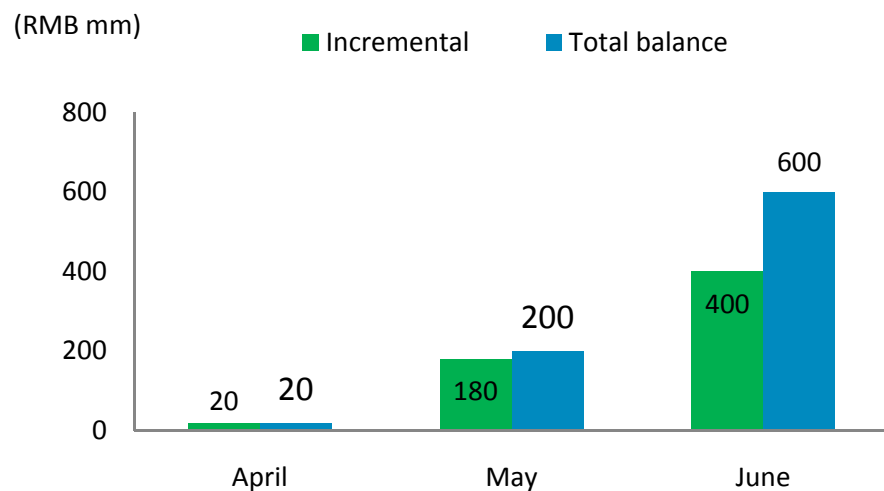
Leasing

- ❖ Financial lease
- ❖ Operating lease

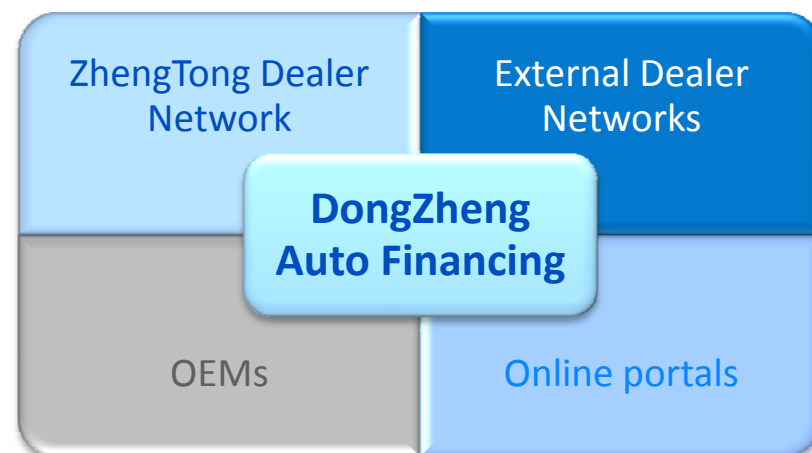
Other

- ❖ Consulting
- ❖ Agency

Loan balance Growth



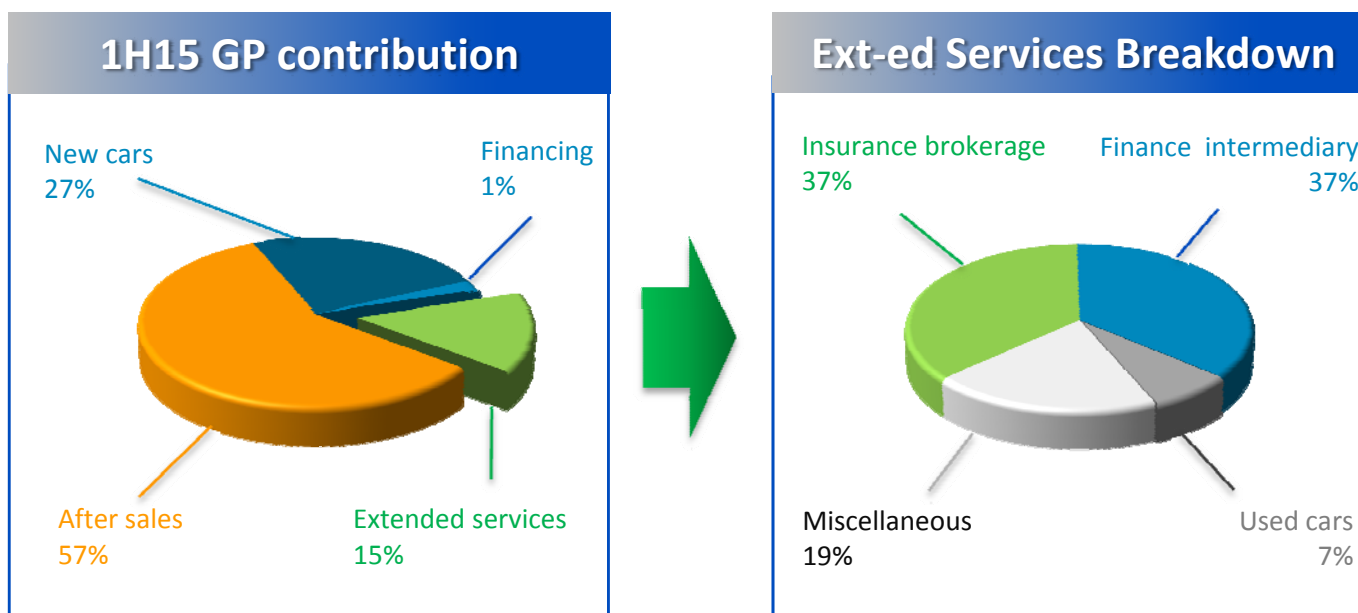
Selected Business Partners



1. 2014 China Auto Finance Report, Emerging Auto Financing Services, Deloitte Automotive Service, 2014

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

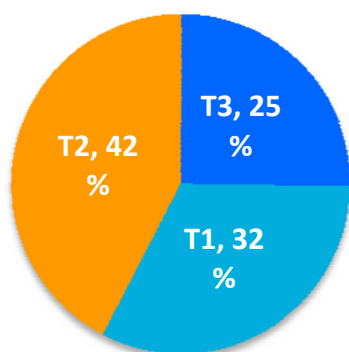


Network Advancement

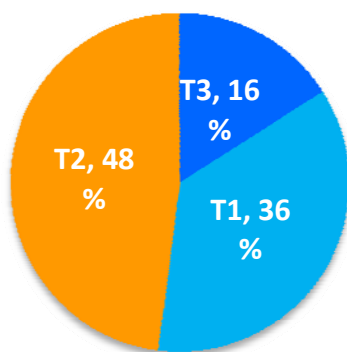
Brands	Type	2014	2015	Pipeline ¹	Total
Luxury & Ultra-Luxury	4S Store	66	66	21 ³	87
	Showroom	19	19	1	20
	Service Center	3	4	1	5
	User Car Center			2	2
	Quick Service	1	1		1
Mid-High End	4S Store	16	16		16
Total		105	106	25	131

Tier Cities Geographic Coverage

FA2014 Coverage

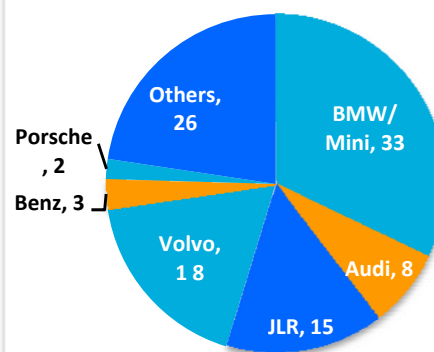


New Pipeline Breakdown

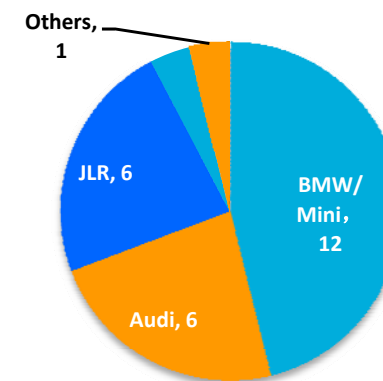


Brands Breakdown

FA 2014 Brands



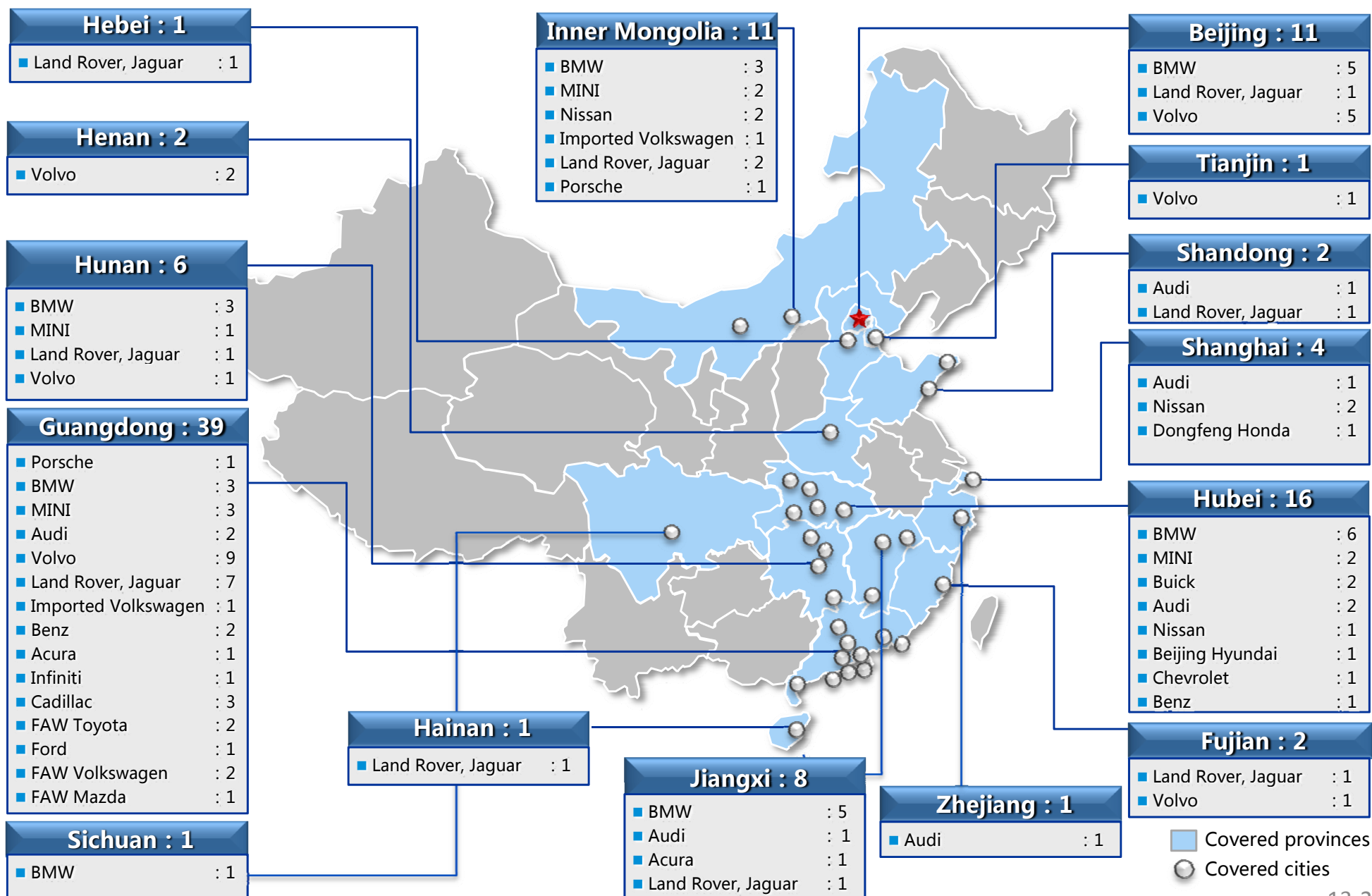
New Pipeline Breakdown



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



Balanced National Coverage





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



Financial Review

Financial Highlights



	For the year ended 30 June 2015		
	1H 2014	1H 2015	YoY
<i>(RMB million)</i>			
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 <i>(RMB cents)</i>	23	16	-30.5%

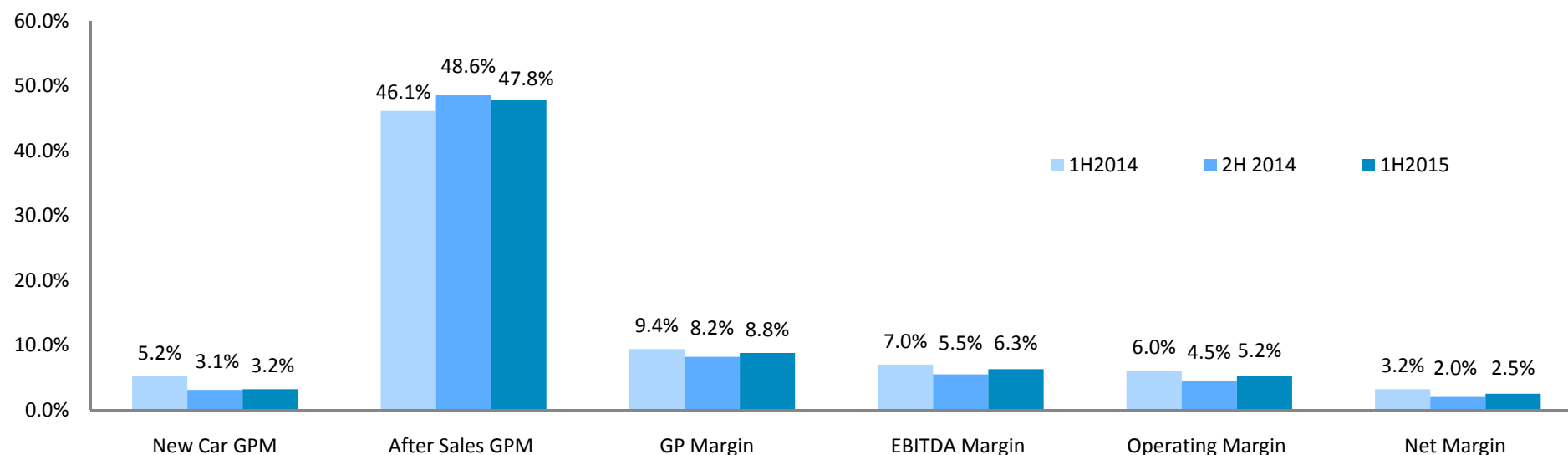
1. Selling, distribution & admin cost ratio adjusted before FX gain/loss: FY2014 (5.09%) vs. FY2013 (4.51%), increased 57bps



Improved Profitability snapshots

For the year ended 30 June 2015

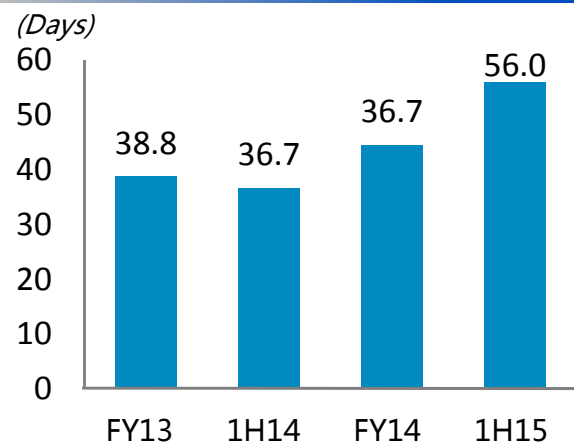
	1H 2014	2H 2014	1H 2015
New Car GPM	5.2%	3.1%	3.2%
After Sales GPM	46.1%	48.6%	47.8%
GP Margin	9.4%	8.2%	8.8%
EBITDA Margin	7.0%	5.5%	6.3%
Operating Margin	6.0%	4.5%	5.2%
Net Margin	3.2%	2.0%	2.5%



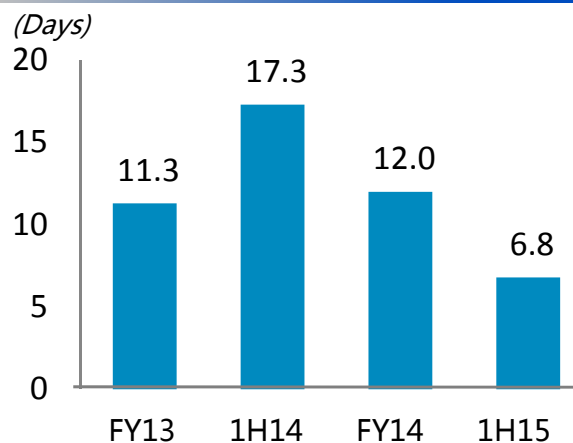


Improved Financial Positions

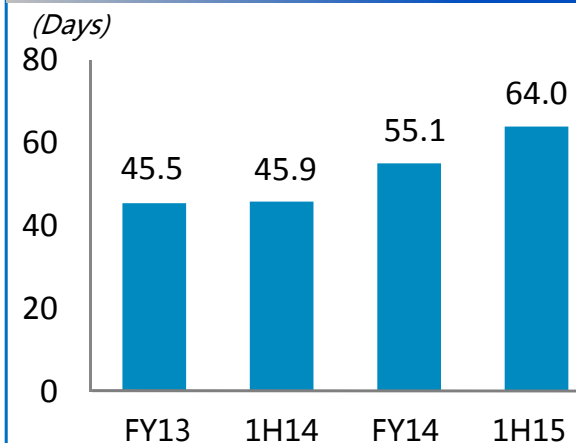
Inventory days



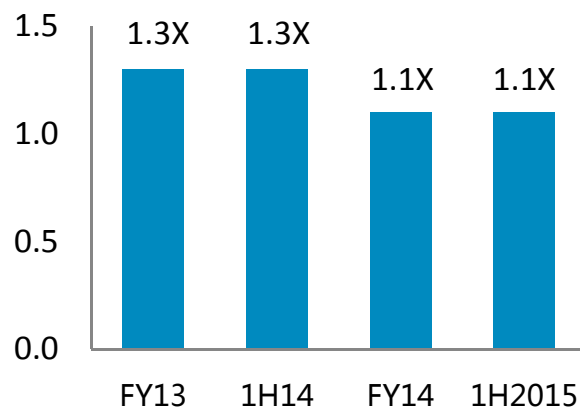
Receivable days



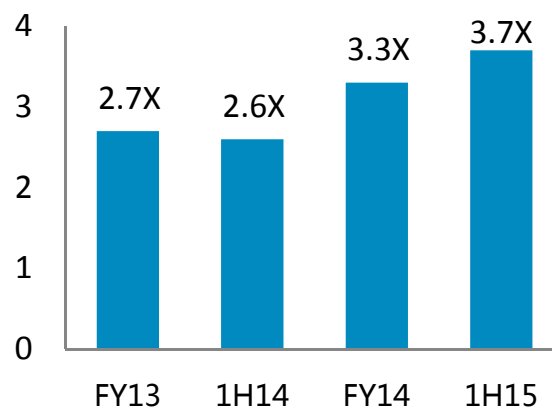
Payable days



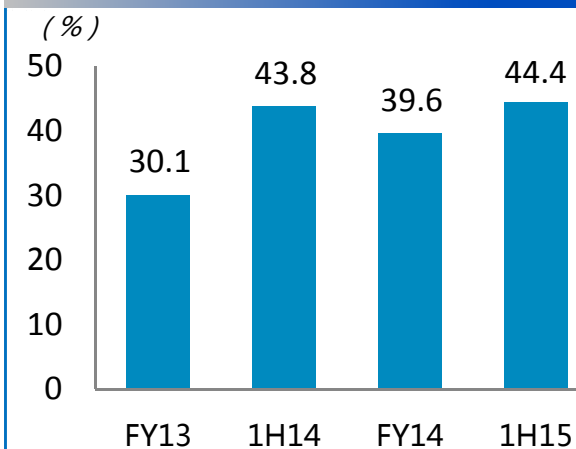
Current ratio



Interest Bearing Debt / EBITDA



Net Debt / Equity ¹



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



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



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

