



China ZhengTong 2015 Annual Results Announcement

Last updated March 2016



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) FY2015 Highlights

Full Fledging Platform and Scalable Business Model to Secure Growth and Profitability

- RMB **29,361** million in total revenues with **(5.0%)** yoy growth
- **88,455** retail vehicles sold with **2.4%** yoy growth on luxury brands
- **911,767** units serviced with **17.7%** yoy volume growth on luxury brands
- **17.1%** yoy growth on gross profits from luxury brands after-sales services with average **48.5%** gross profits margin and **110bps** margin expansion
- DongZheng licensed auto financing business achieved RMB **1,918mm** segment assets and segment profits of RMB **18mm**
- RMB **424** mm commissions on extended services
- RMB **619** mm net profits to common shareholders

Luxury Brands Focused Balanced National Net Work

- A portfolio of **21** brands dominated by **6** leading luxury brands, including **BMW, Jaguar & Land Rover, Volvo, Audi, Mercedes, and Porsche**
- **112** outlets in **36** cities and **15** provinces across the country¹
- **11** new stores were opened, including **4** BMW/MINI (incl. 1 Service Center) , **4** Jaguar & Land Rover, **1** Volvo, **1** Audi and **1** Infiniti; 4 stores were closed, including 1 Lamborghini 4S store, 2 BMW urban showrooms and 1 Imported Volkswagen 4S store

1. As of December 31, 2015



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

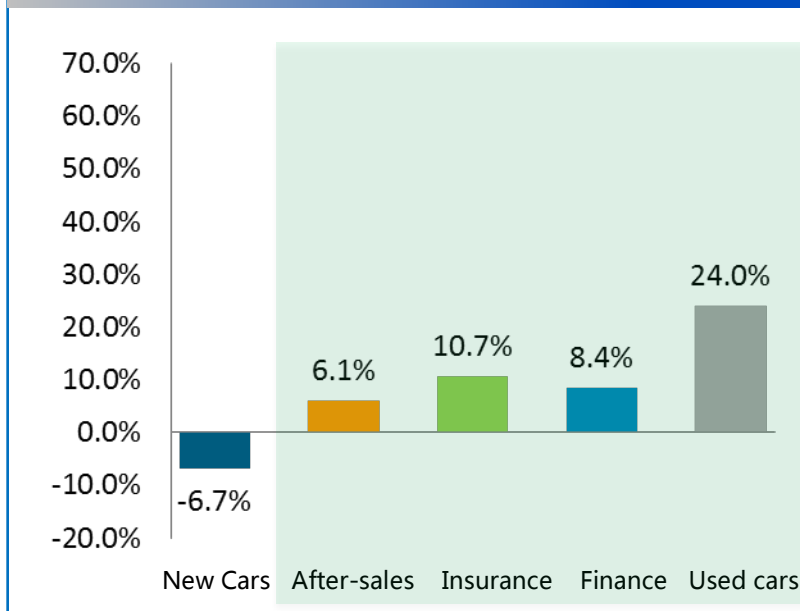


Business Development

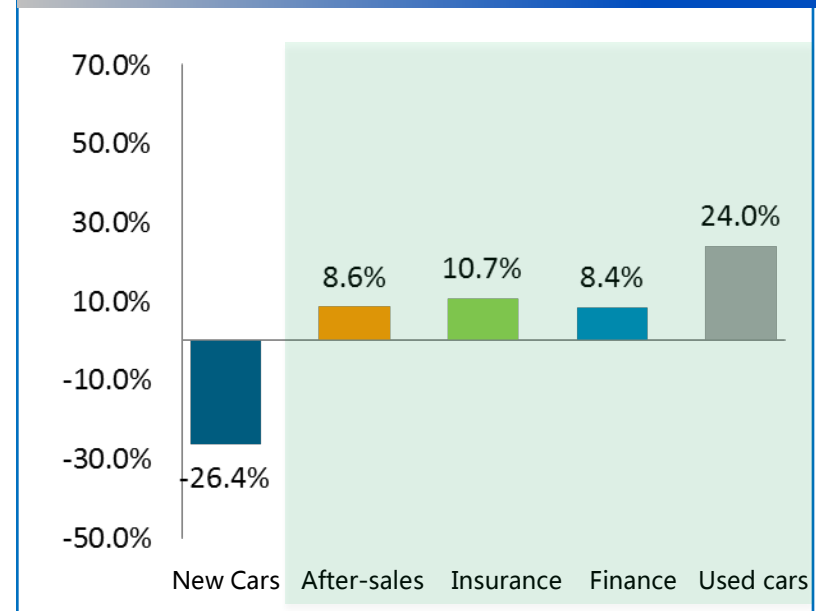
Business Development

- In 2015 luxury auto market overall achieved single digital volume growth with a strong rebound towards the year end, rationalized dealer-OEM relationship and prudent sales strategy leads to stabilized new car margin
- After-sales services continued to expand dramatically especially at matured store level, gross profits on premium brands grew by 17.1% yoy and gross profit margin climbed to 48.5% with 110bps expansion yoy
- Extended services on commissions combined achieved RMB 424 mm, commissions from financing, insurance and user card achieved around double-digit growth through better penetrations in spite of sluggish new car sales
- Auto financing established quickly to achieve nearly RMB 2 billion lending by year end, compelling product offerings, rigorous risk management, and unique cross-sell synergies within the Group and beyond shall help unlock full potential of DongZheng Auto Financing (DZAFC) in the very near future

Revenues Growth 2015

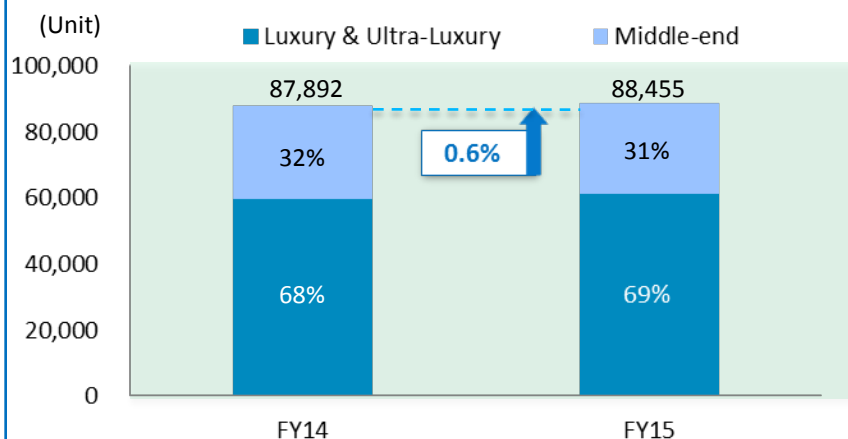


Gross Profits Growth 2015

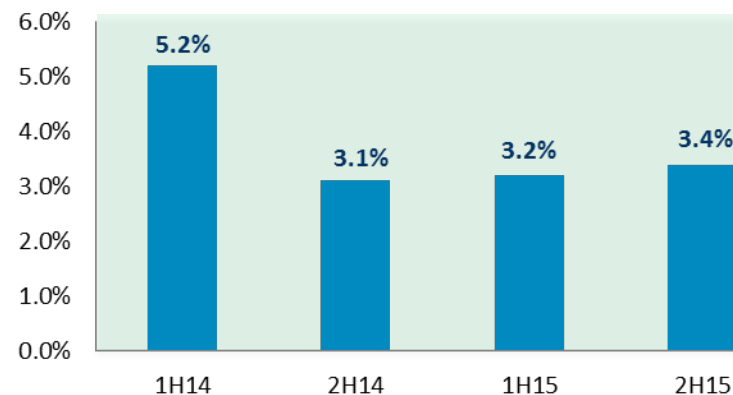


New Car Sales Business

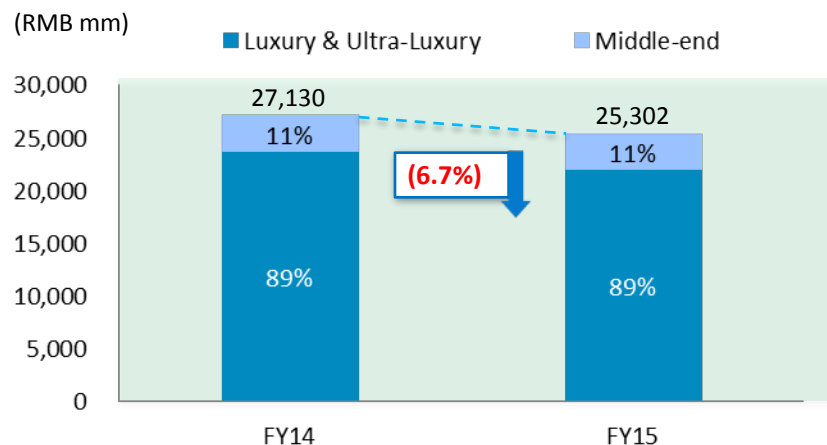
Sales Volume



Gross Profit Margin



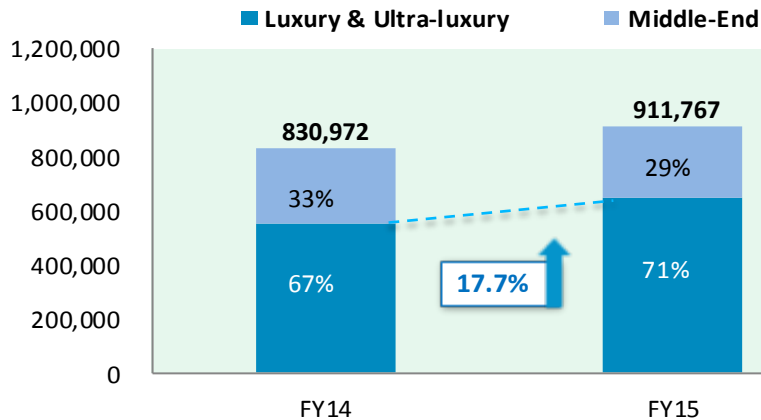
Revenues



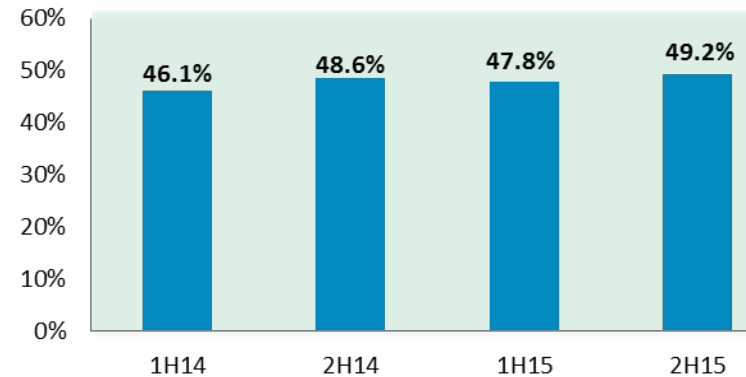
- In 2015 China's luxury auto sales trailed overall personal vehicle market but with divergence across leading brands
- The Company achieved record sales volume of 61,017 units on luxury brands alone with 2.4% growth with 12% yoy growth during 2H15
- Company continued to rationalize collaboration with OEM partners and implement prudent sales and expansion strategies
- Dealer's new car margins started to stabilize on most luxury brands

After-sales Business

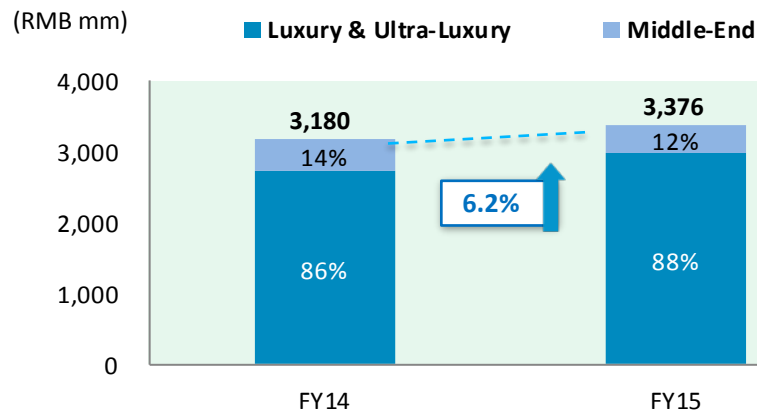
Throughputs



Gross Profit Margin



After-sales Revenue

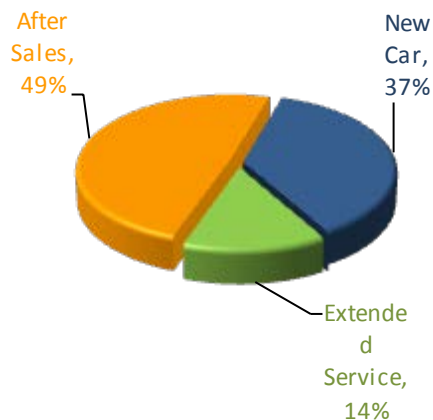


- In 2015, the Company serviced 911,767 units, including 651,590 units of luxury cars with 17.7% yoy growth
- Revenues grew by 6.2% yoy while gross profits by 8.9%
- On luxury brands, revenues grew by 8.9% while gross profits increased by 17.1%
- After sales service margin peaked at 49.2% in 2H15 with full year margin of 48.5% at 110bps margin expansion from 2014
- Same store growth even with mature stores
- Economies of scale and cross platform synergies unlocked great growth potentials even with matured stores having been operated with 3+ years

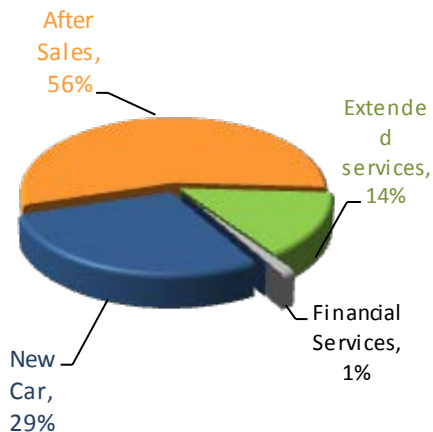
Extended commissioned-based services

- Extended businesses currently mainly include commissions from insurance brokerage, financing facilitation and pre-owned car businesses.
- Commissions on insurance increased by 11% despite increasing competition and already staggering penetration rate on new policies. Retention rate on renewal policies steadily grew to contribute not only commissions but also possible after sales services.
- Penetration rate on auto financing to benefit from favorable lending environment as well as change of customer purchase behavior
- On DZAFC, total asset of financial service business segment reached RMB1,918 million , 6,278 auto units were financed throughout the year , Segment profit of financial service business was RMB18.25 million , 3 default cases worth RMB 438K with a default rate of 0.025%

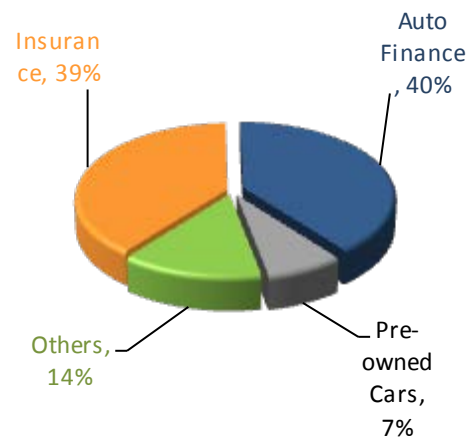
2014 GP contribution



2015 GP contribution

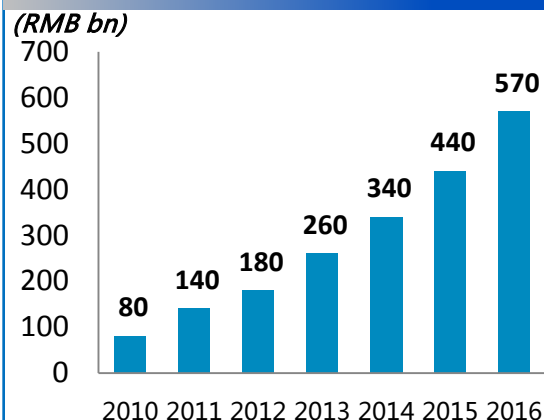


Extended S Breakdown

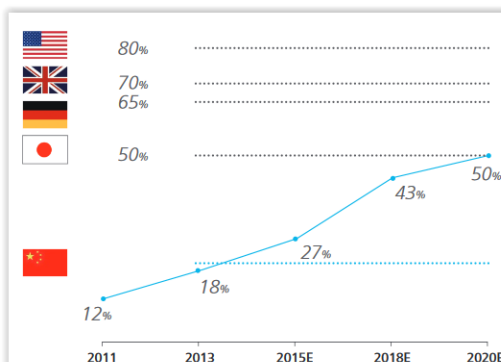


Automobile Financial Service Business Segment

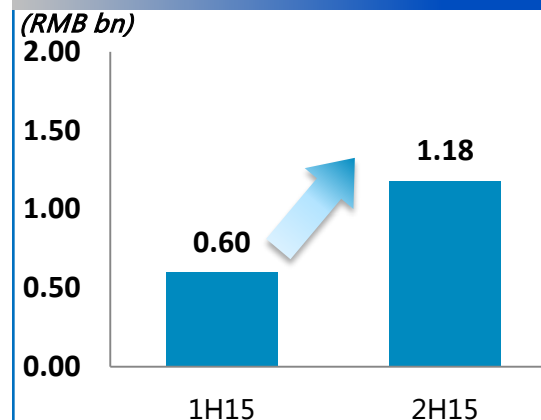
Auto Finance Market Size¹



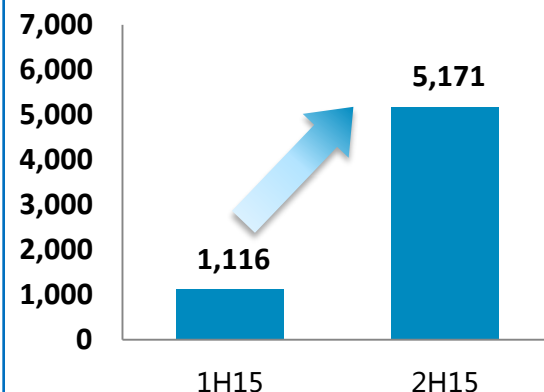
Auto Financing Penetration²



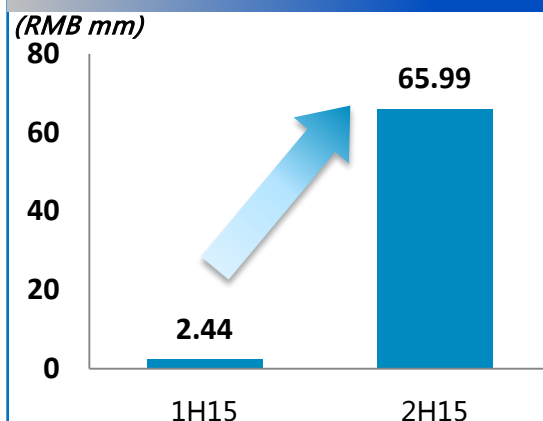
Total Loan Balance



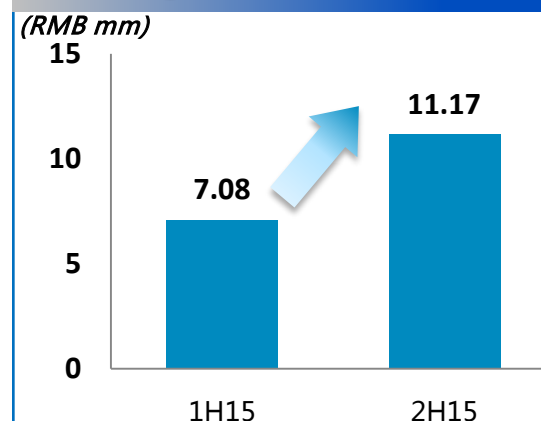
Retail Loan Contracts



Gross Interest Income³



Segment Net Profit



1. Data source: CBRC, and the data for 2015/2016 is estimated

2. Data source: <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/manufacturing/deloitte-cn-mfg-auto-finance-en-160129.pdf>

3. Gross interest income = interest income + commission fees

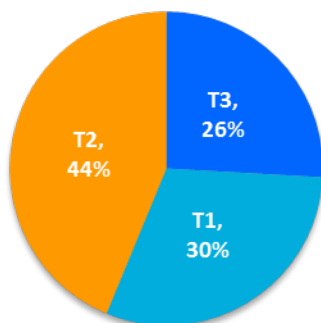


Network Advancement

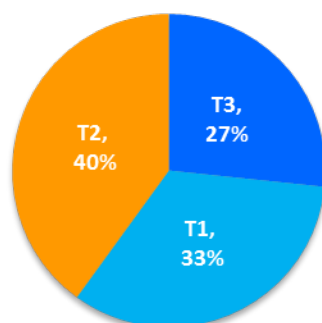
| Brands | Type | 2014 | 2015 Variance | 2015 | Pipeline ¹ | Total |
|-----------------------|----------------------|------|---------------|------|-----------------------|-------|
| Luxury & Ultra-Luxury | 4S Store | 66 | 9 | 75 | 14 | 89 |
| | Showroom | 19 | -2 | 17 | | 17 |
| | Service Center | 3 | 1 | 4 | | 4 |
| | Pre-owned Car Center | | | | 1 | 1 |
| | Quick Service | 1 | | 1 | | 1 |
| Mid-High End | 4S Store | 16 | -1 | 15 | | 15 |
| Total | | 105 | 7 | 112 | 15 | 127 |

Tier Cities Geographic Coverage

FA2015 Coverage

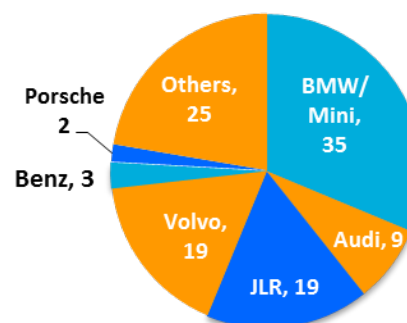


New Pipeline Breakdown

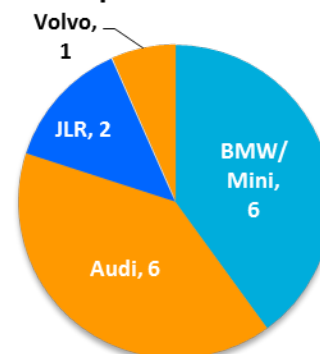


Brands Breakdown

FA2015 Brands



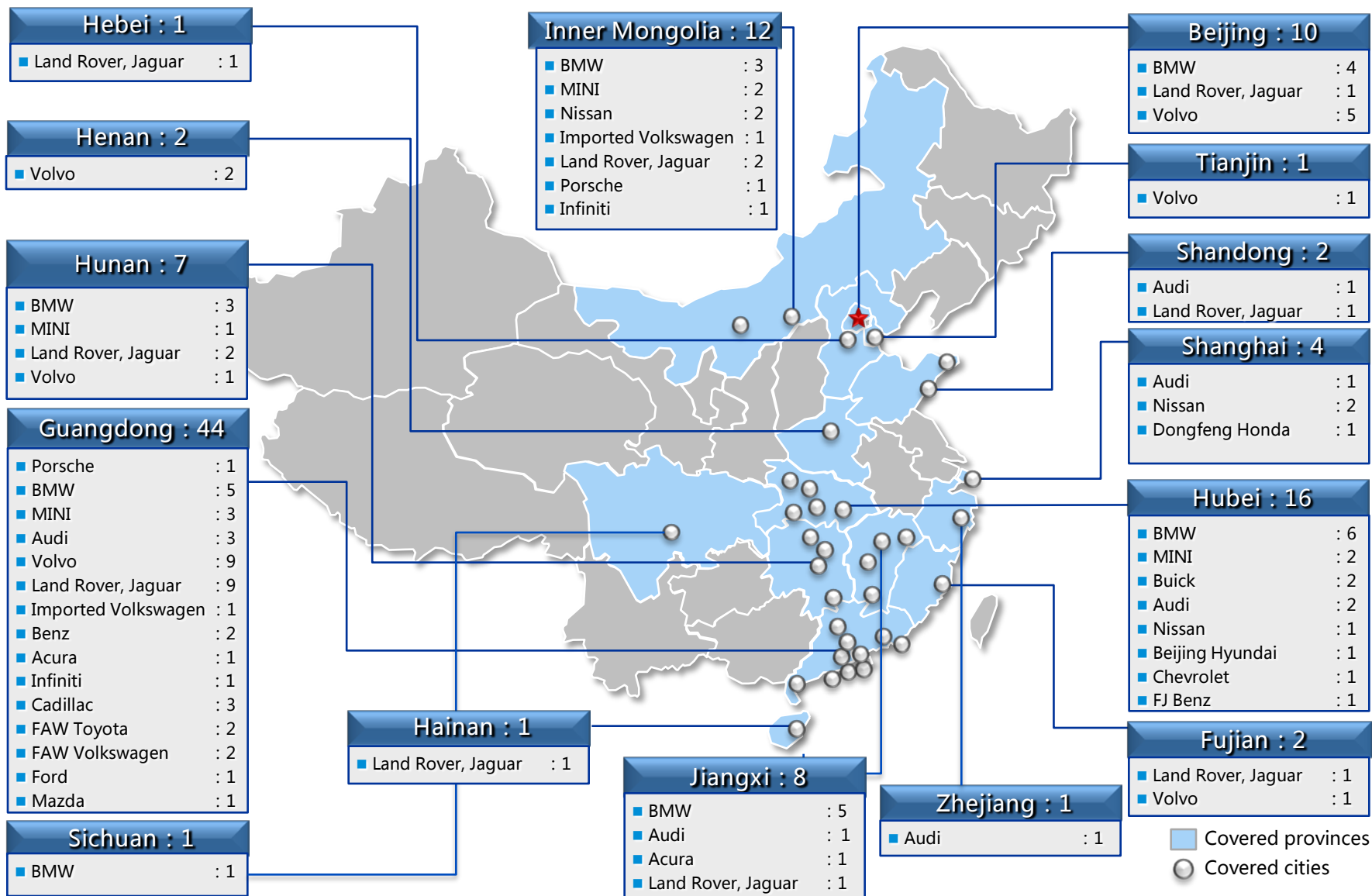
New Pipeline Breakdown



1. Total number of authorization for possible future store openings



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 31 December 2015 | | |
|--|-------------------------------------|----------------|---------------|
| | FY 2015 | FY 2014 | YoY |
| <i>(RMB million)</i> | | | |
| Revenue | 29,361 | 30,910 | -5.00% |
| Gross profit | 2,587 | 2,726 | -5.10% |
| Commission Income | 424 | 422 | +0.6% |
| Selling, distribution & admin¹ | (5.99%) | (5.14%) | +85bps |
| Financing costs | (1.57%) | (1.55%) | +2bps |
| Net profit margin | 2.14% | 2.66% | -52bps |
| Profit to common shareholders | 619 | 804 | -23.0% |
| Basic earnings per share <i>(RMB cents)</i> | 28.0 | 36.4 | -23.1% |

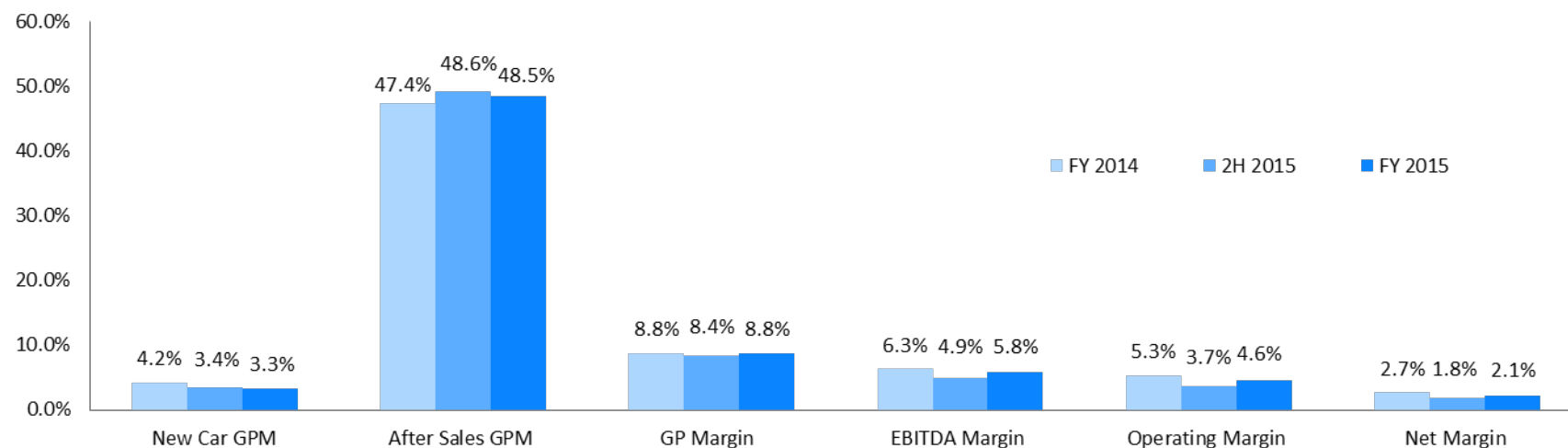
1. Selling, distribution & admin cost ratio adjusted before FX gain/loss: FY2015 (5.59%) vs. FY2014 (5.09%), increased by 50bps



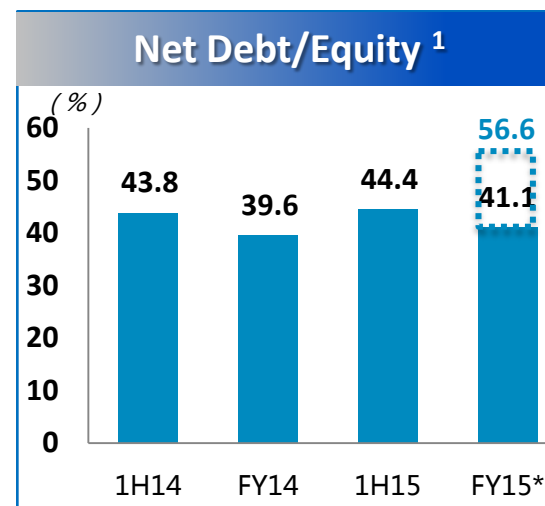
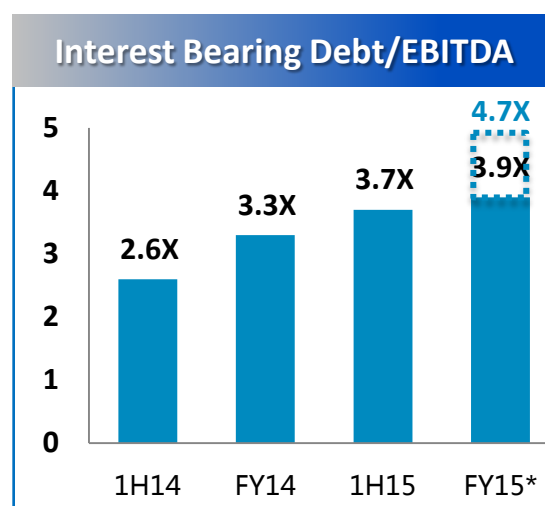
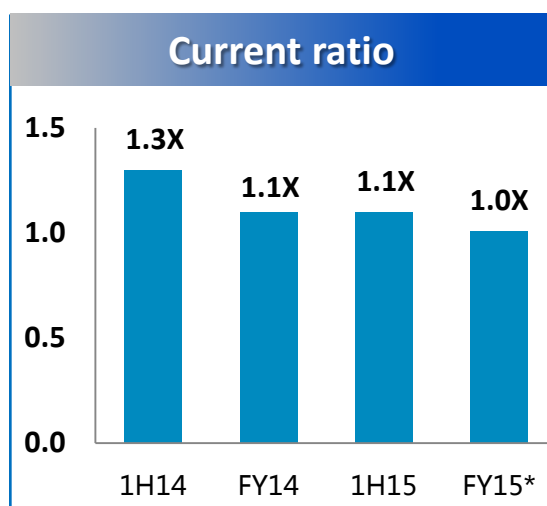
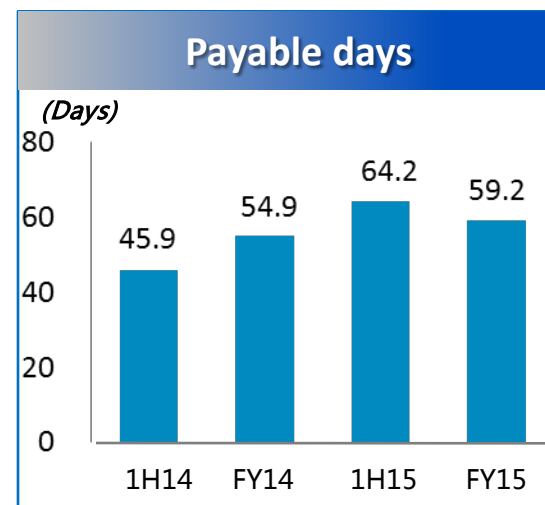
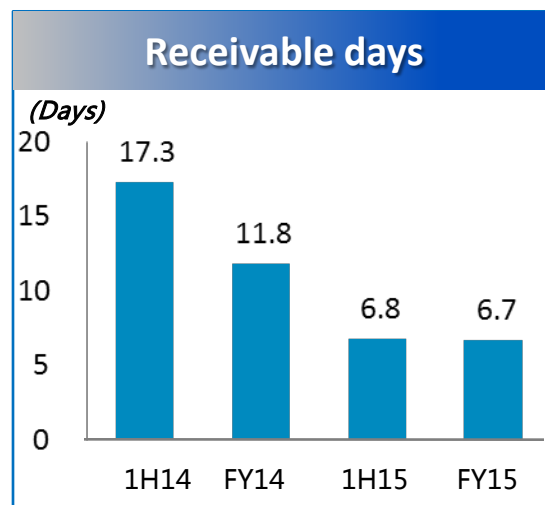
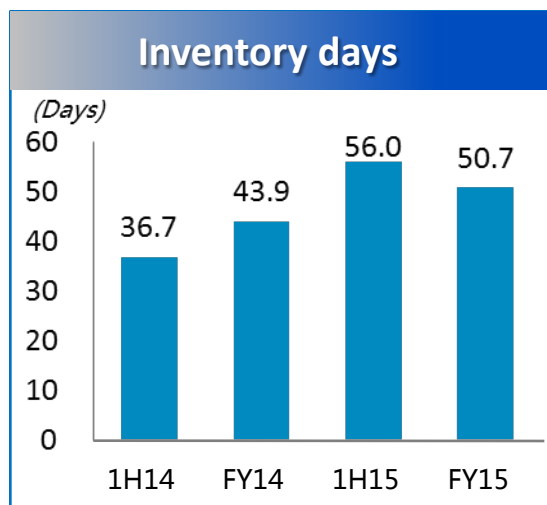
Profitability snapshots

For the year ended 31 December 2015

| | FA 2015 | FA 2014 | 2H15 |
|------------------|---------|---------|-------|
| New Car GPM | 3.3% | 4.2% | 3.4% |
| After Sales GPM | 48.5% | 47.4% | 49.2% |
| GP Margin | 8.8% | 8.8% | 8.4% |
| EBITDA Margin | 5.8% | 6.3% | 4.9% |
| Operating Margin | 4.6% | 5.3% | 3.7% |
| Net Margin | 2.1% | 2.7% | 1.8% |



Improved Financial Positions on dealer business



1. Net debt = ST debt + LT debt – Cash and equivalents – Pledged bank deposits
2. *Impact of financial service business segment has been excluded from Group ratio

Q & A

