



# China ZhengTong 2015 Annual Results Announcement

Last updated March 2016





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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) 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 country<sup>1</sup>
- **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



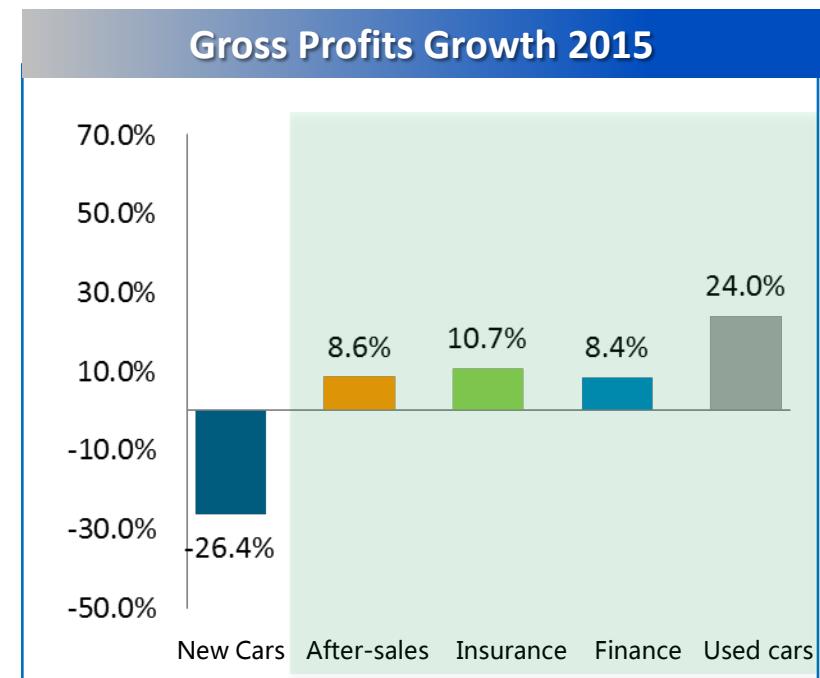
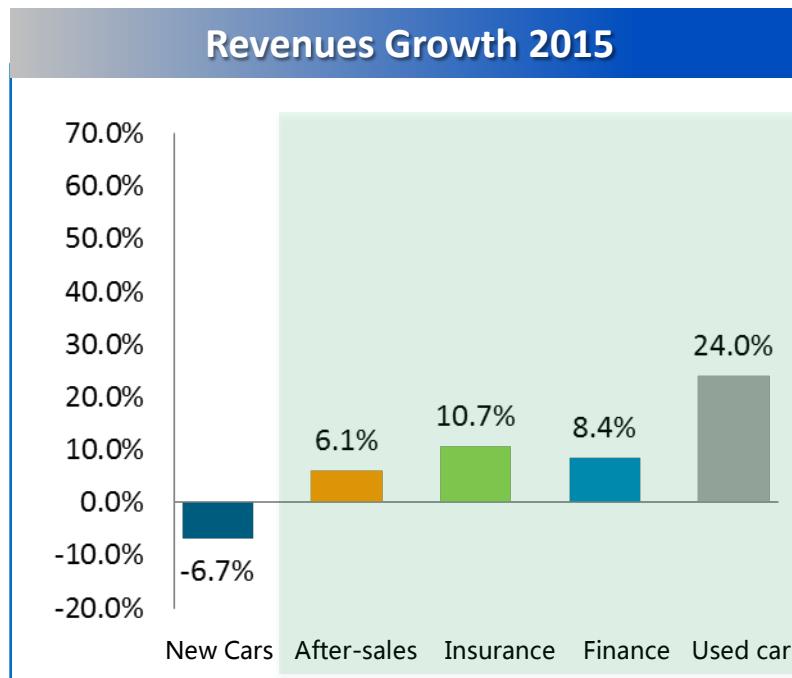
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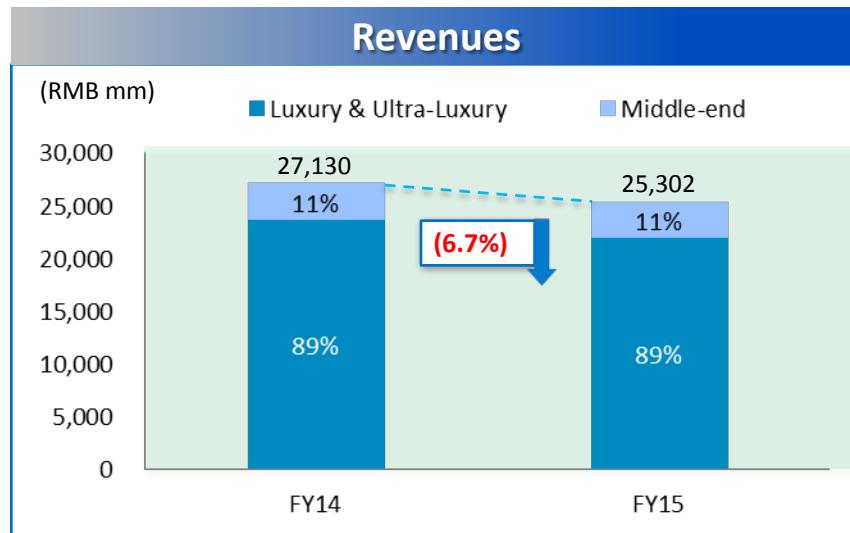
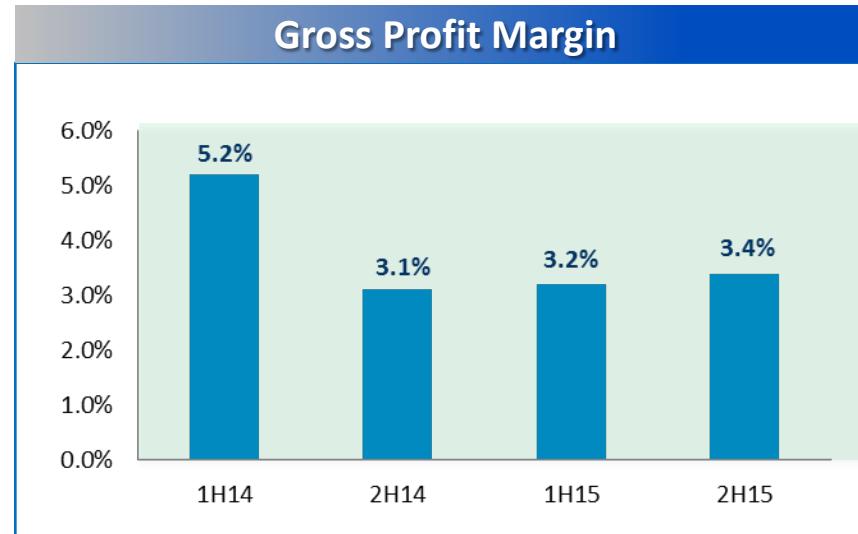
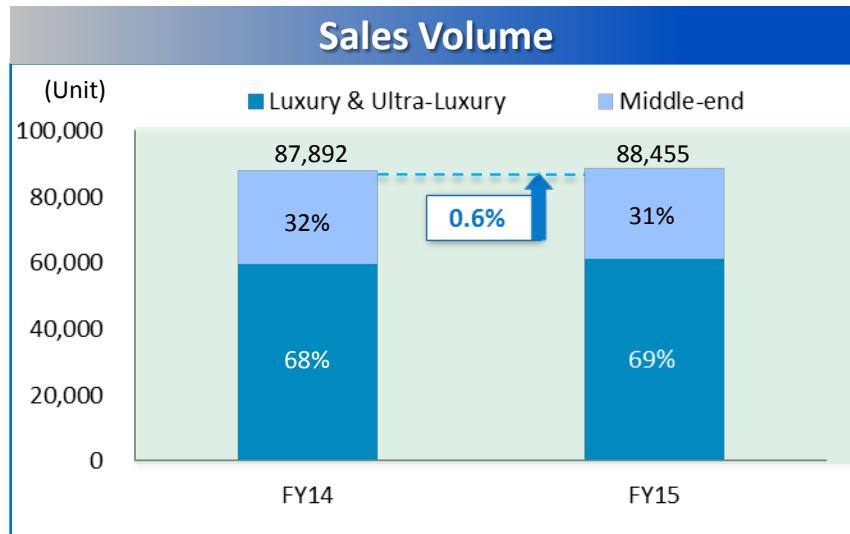
## Business Development

# Business Development

- In 2015 luxury auto market overall achieved single digit 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

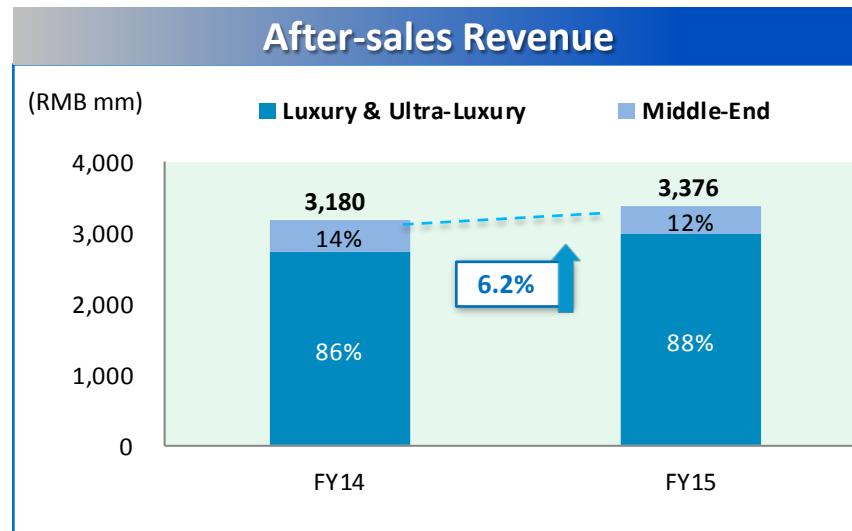
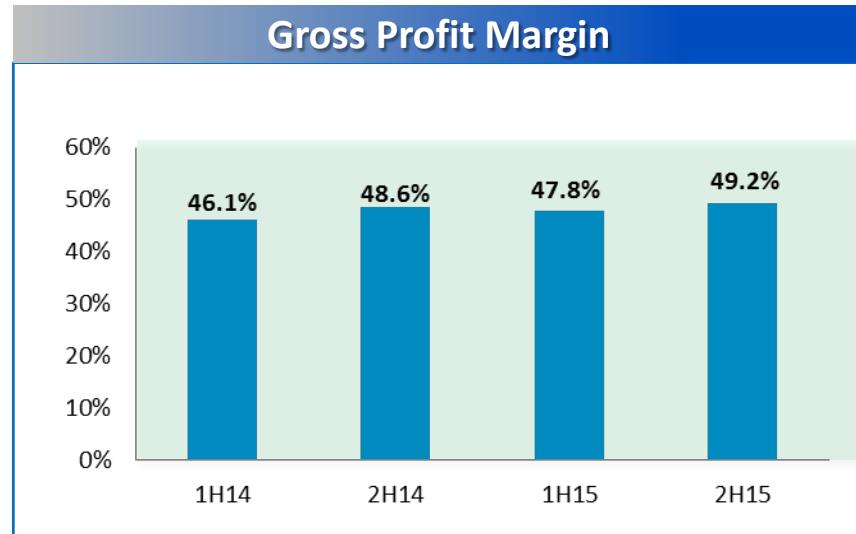
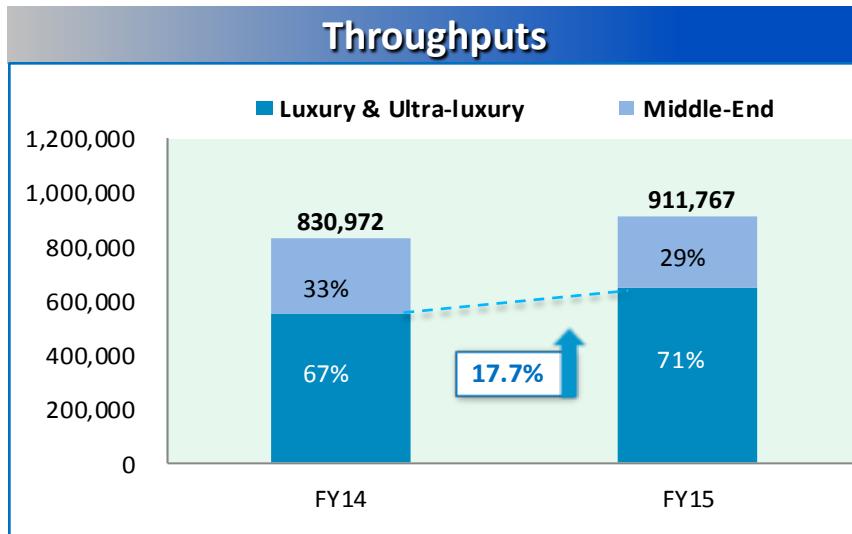


# New Car Sales Business



- 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

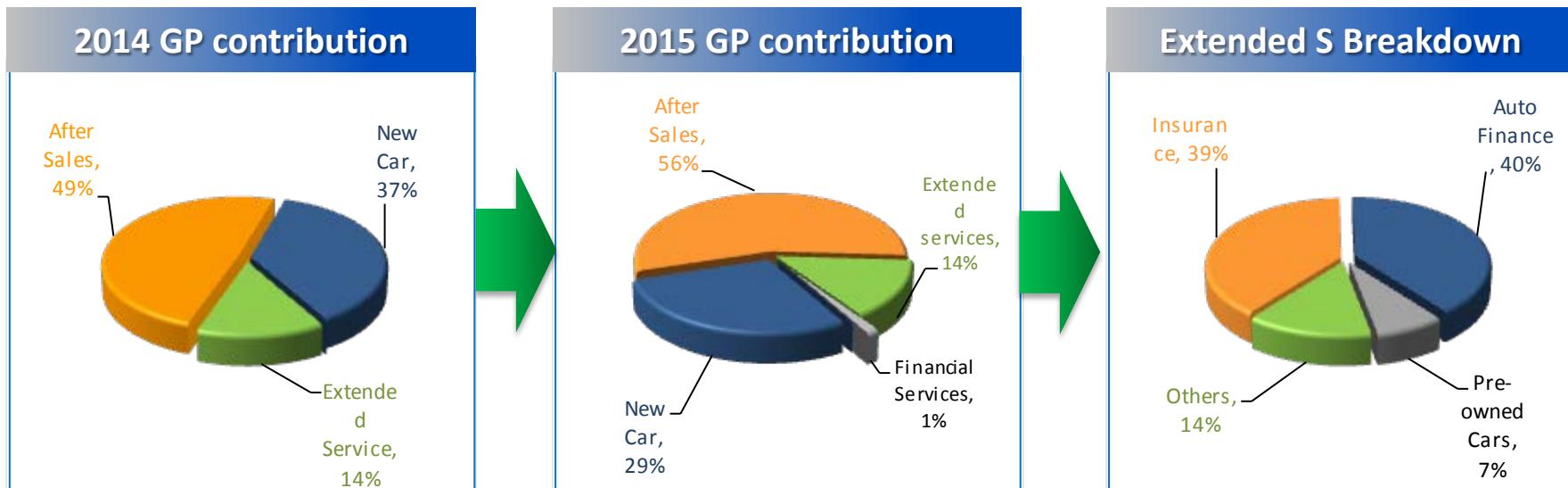
# After-sales Business



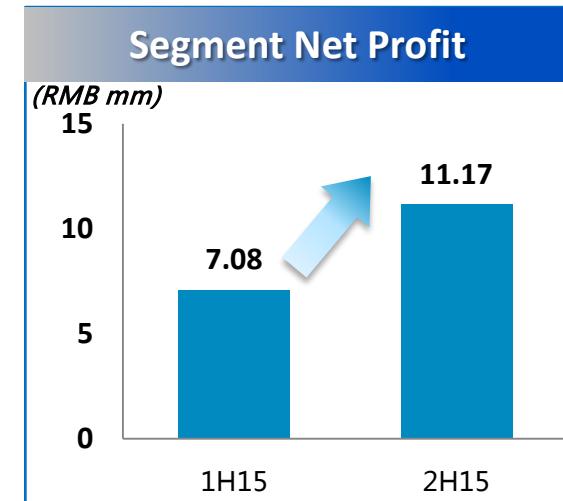
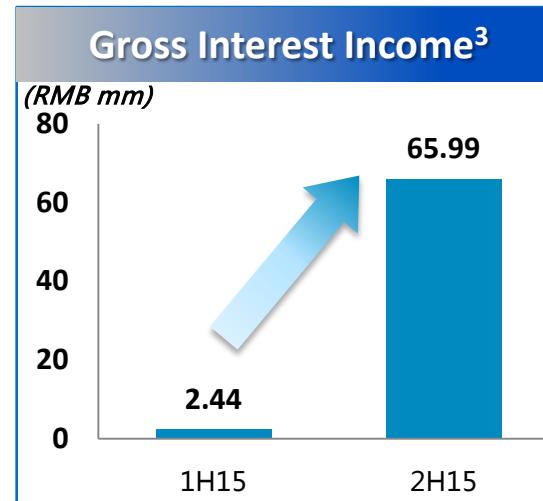
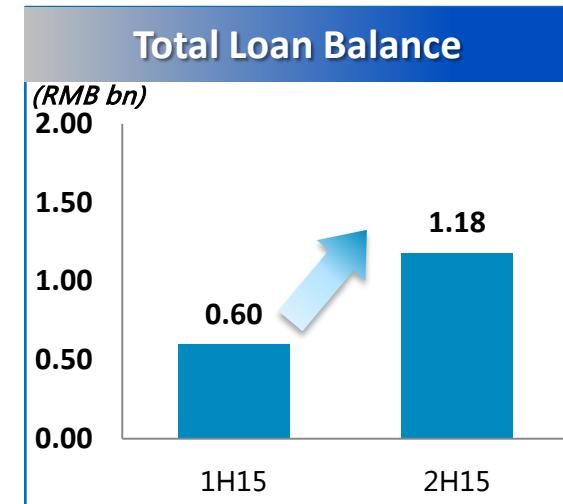
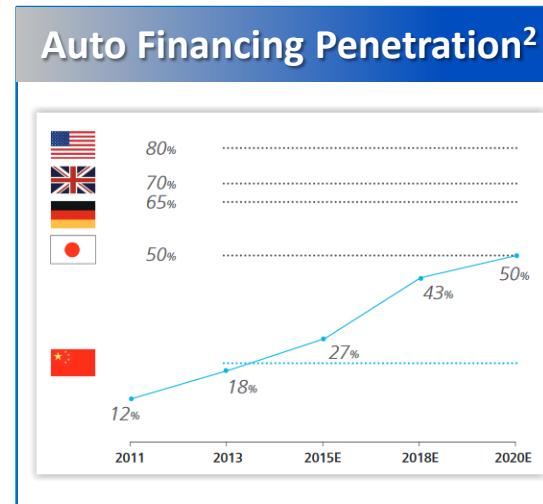
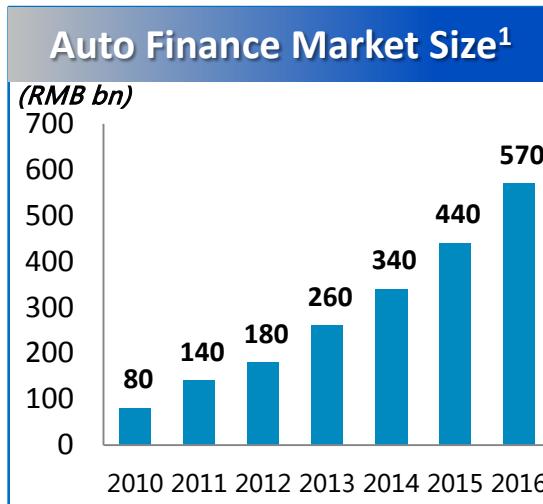
- In 2015, the Company serviced 911,767 units, including 651,590 units of luxury cars with 17.7% yoy growth
- Revenues grew by 6.2% yoy while gross profits by 8.9%
- On luxury brands, revenues grew by 8.9% while gross profits increased by 17.1%
- After sales service margin peaked at 49.2% in 2H15 with 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 DZAF, 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%



# Automobile Financial Service Business Segment



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>

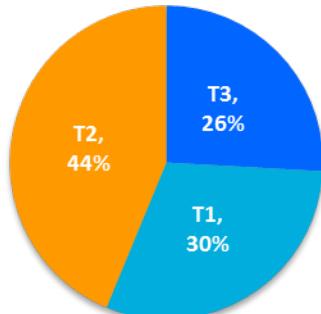
3. Gross interest income = interest income + commission fees

# Network Advancement

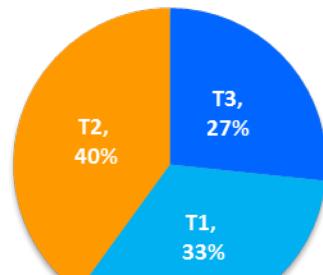
Brands	Type	2014	2015 Variance	2015	Pipeline <sup>1</sup>	Total
Luxury & Ultra-Luxury	4S Store	66	9	75	14	89
	Showroom	19	-2	17		17
	Service Center	3	1	4		4
	Pre-owned Car Center				1	1
	Quick Service	1		1		1
Mid-High End	4S Store	16	-1	15		15
Total		105	7	112	15	127

## Tier Cities Geographic Coverage

FA2015 Coverage

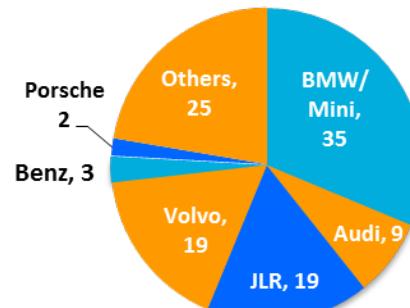


New Pipeline Breakdown

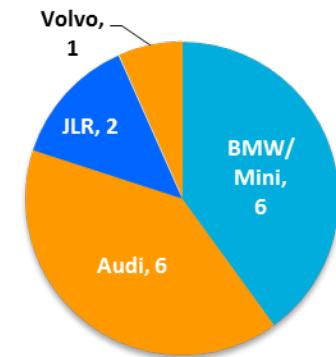


## Brands Breakdown

FA2015 Brands

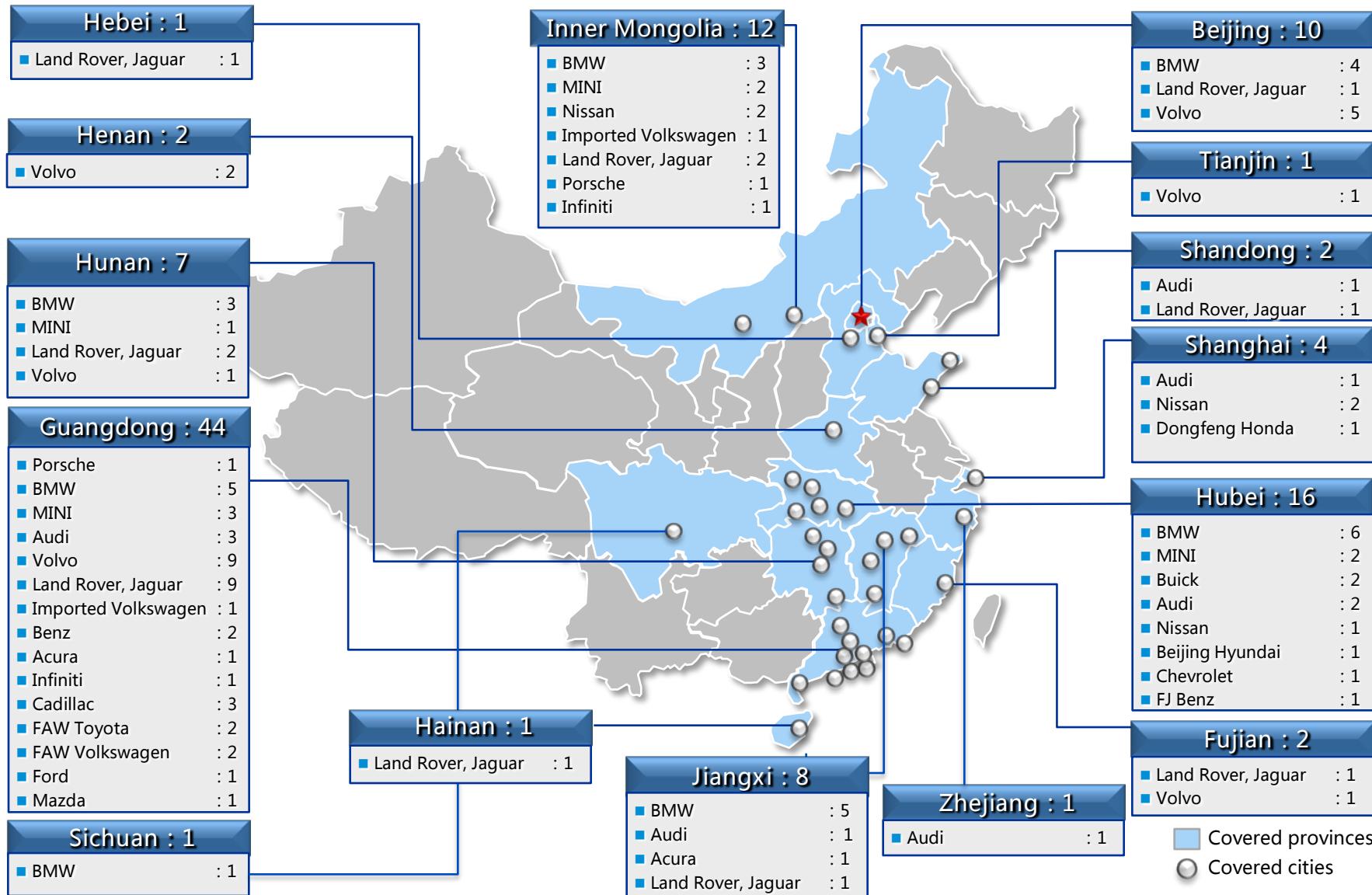


New Pipeline Breakdown



1. Total number of authorization for possible future store openings

# Balanced National Coverage





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## Financial Review

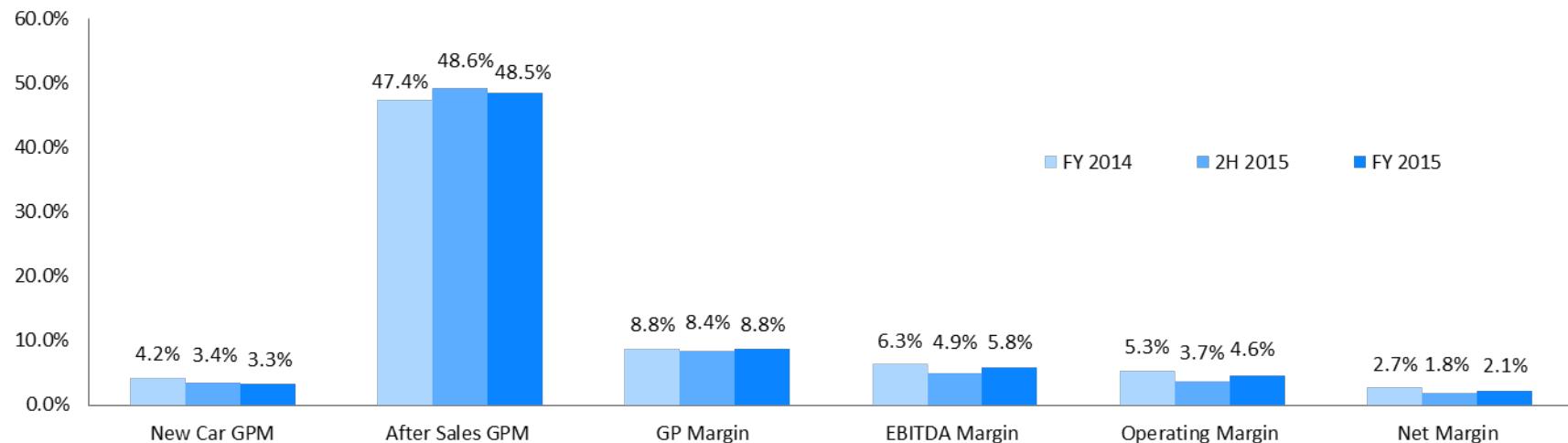
# Financial Highlights

	For the year ended 31 December 2015		
	FY 2015	FY 2014	YoY
<i>(RMB million)</i>			
<b>Revenue</b>	<b>29,361</b>	30,910	-5.00%
<b>Gross profit</b>	<b>2,587</b>	2,726	-5.10%
<b>Commission Income</b>	<b>424</b>	422	+0.6%
<b>Selling, distribution &amp; admin<sup>1</sup></b>	<b>(5.99%)</b>	<b>(5.14%)</b>	+85bps
<b>Financing costs</b>	<b>(1.57%)</b>	<b>(1.55%)</b>	+2bps
<b>Net profit margin</b>	<b>2.14%</b>	2.66%	-52bps
<b>Profit to common shareholders</b>	<b>619</b>	804	-23.0%
<b>Basic earnings per share (RMB cents)</b>	<b>28.0</b>	36.4	-23.1%

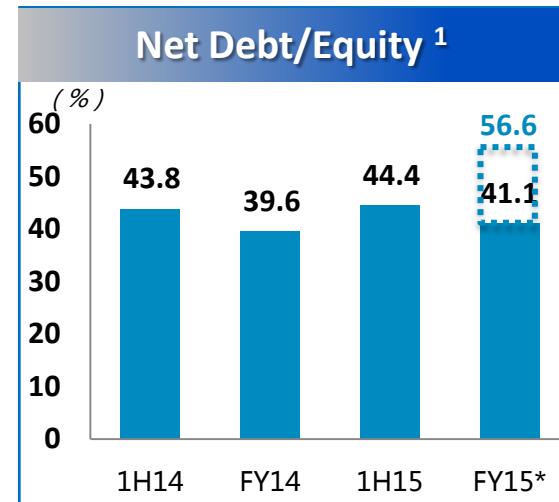
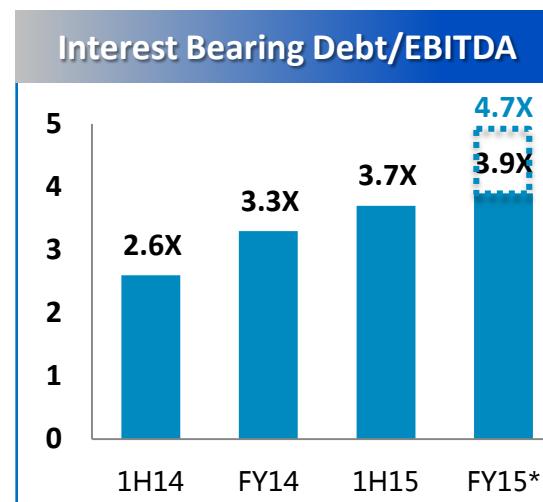
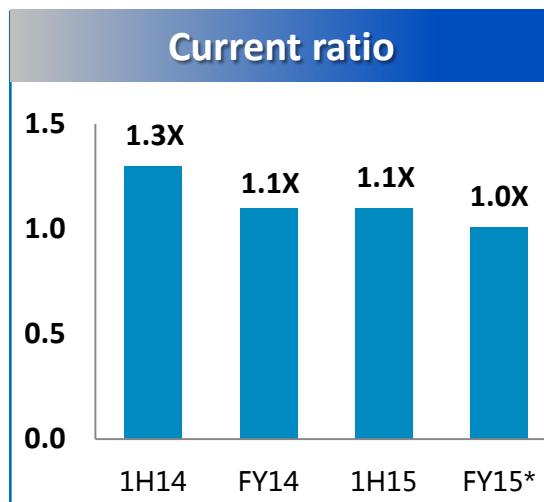
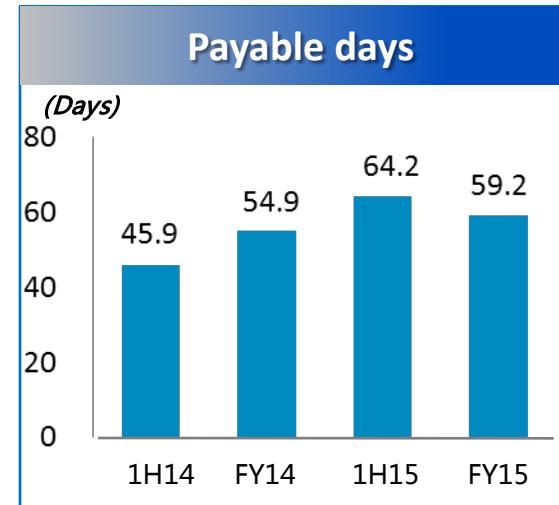
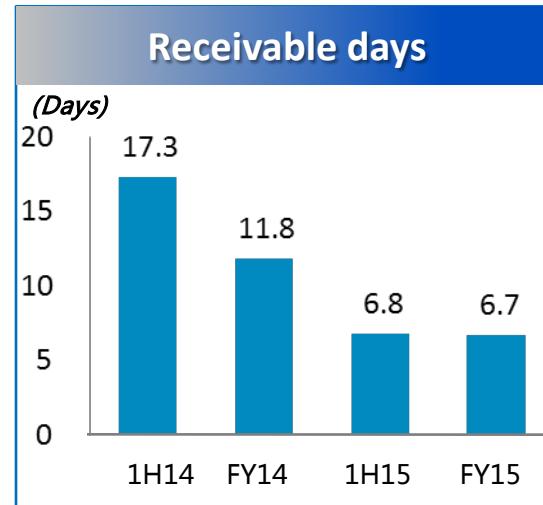
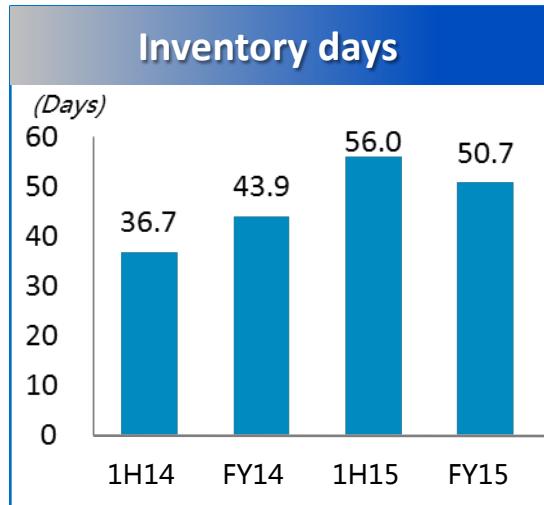
1. Selling, distribution & admin cost ratio adjusted before FX gain/loss: FY2015 (5.59%) vs. FY2014 (5.09%), increased by 50bps

# Profitability snapshots

	For the year ended 31 December 2015		
	FA 2015	FA 2014	2H15
<b>New Car GPM</b>	<b>3.3%</b>	<b>4.2%</b>	<b>3.4%</b>
<b>After Sales GPM</b>	<b>48.5%</b>	<b>47.4%</b>	<b>49.2%</b>
<b>GP Margin</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.4%</b>
<b>EBITDA Margin</b>	<b>5.8%</b>	<b>6.3%</b>	<b>4.9%</b>
<b>Operating Margin</b>	<b>4.6%</b>	<b>5.3%</b>	<b>3.7%</b>
<b>Net Margin</b>	<b>2.1%</b>	<b>2.7%</b>	<b>1.8%</b>



# 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

