



# China ZhengTong 1H19 Results Announcement

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# Performance Highlights



# ZhengTong Auto(SEHK:1728) 1H19 Highlights

**17,431** million RMB

Total revenue

**1,305** million RMB

Profit from operations

**52,060** units

New car sales

**40,869** units

Luxury & Ultra luxury

**660** million RMB

New car sales gross profit

**1,127** million RMB

After-sales gross profit

**276** million RMB

Financial services business profit

**471** million RMB

Equity shareholders of the company

**7.1%**

YoY decline

**14.5%**

YoY decline

**5.6% ; 3.8%**

YoY decline

**33.5%**

YoY decline

**6.6%**

YoY increase

**0.0%**

YoY flat

**33.8%**

YoY decline

# ZhengTong Auto(SEHK:1728) 1H2019 Highlights



Committed to improving profitability, optimize the proportion of luxury brands

## Six major brands

Prioritize **Mercedes, Porsche, BMW, Audi, JLR, Volvo** six leading luxury brands

## Auto finance business

Loans and interest income steady increased, sufficient capital reserve, NPL remained low

## Pre-owned automobiles

With the launch of "Zhengtong Auction" and advanced information platform and management system, proactively studied the business model suitable for authorized dealers

## Supply chain business

Introduced strategic investor for the construction of intelligent logistics platform and purchase of automated logistics equipment, streamlined its resources to consolidate its competitiveness

# 2

# Business Development

# New Car Sales



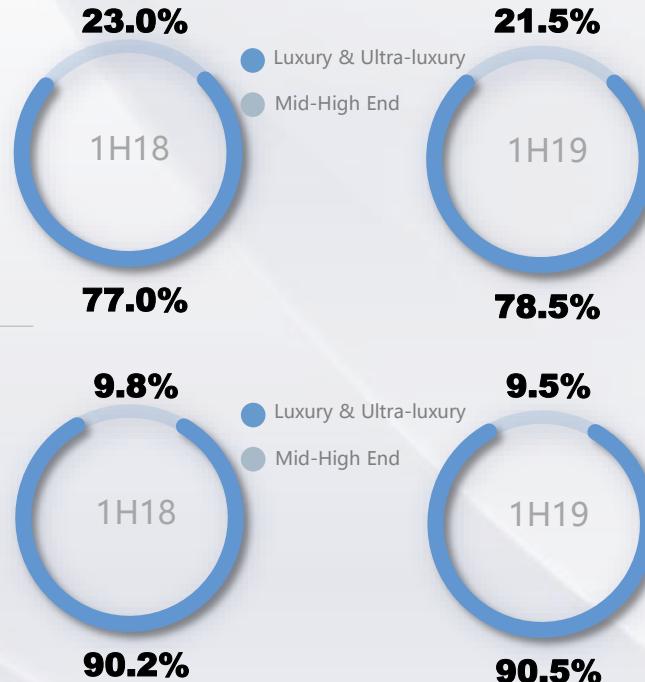
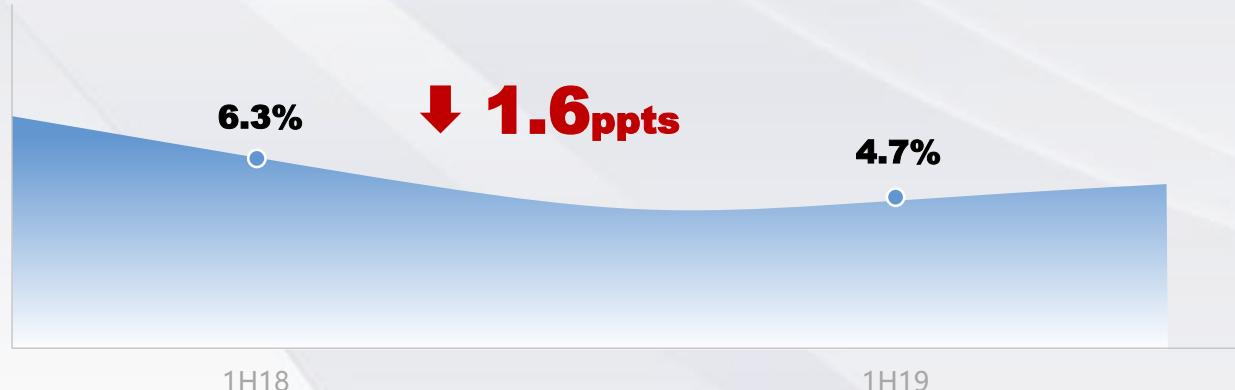
## Sales Volume



## New Car Sales Revenue



## New Car Sales GPM



# After-Sales Business

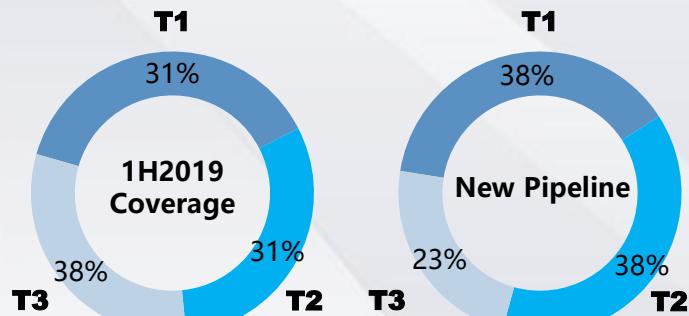


# Network Advancement

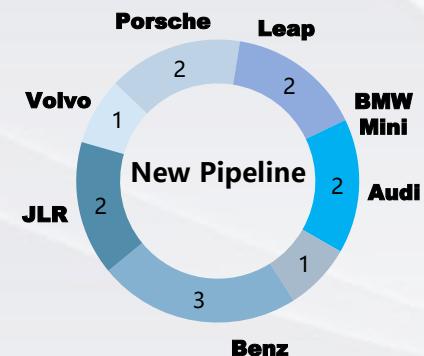
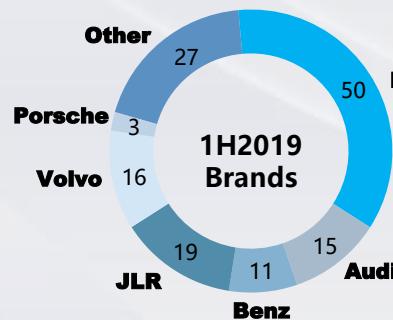


| Brands                | Type           | 2018 | 1H2019 Variance | 1H2019 | New Pipeline | Total |
|-----------------------|----------------|------|-----------------|--------|--------------|-------|
| Luxury & Ultra-luxury | 4S Store       | 100  | 1               | 101    | 10           | 111   |
|                       | Showroom       | 18   | 0               | 18     | 0            | 18    |
|                       | Service Center | 6    | 0               | 6      | 1            | 7     |
|                       | Pre-owned Car  | 1    | 0               | 1      | 0            | 1     |
| Mid-High End          | Fast Repair    | 1    | 0               | 1      | 0            | 1     |
|                       | 4S Store       | 14   | 0               | 14     | 1            | 15    |
| Total                 |                | 140  | 1               | 141    | 13           | 154   |

## Tier Cities Geographic Coverage

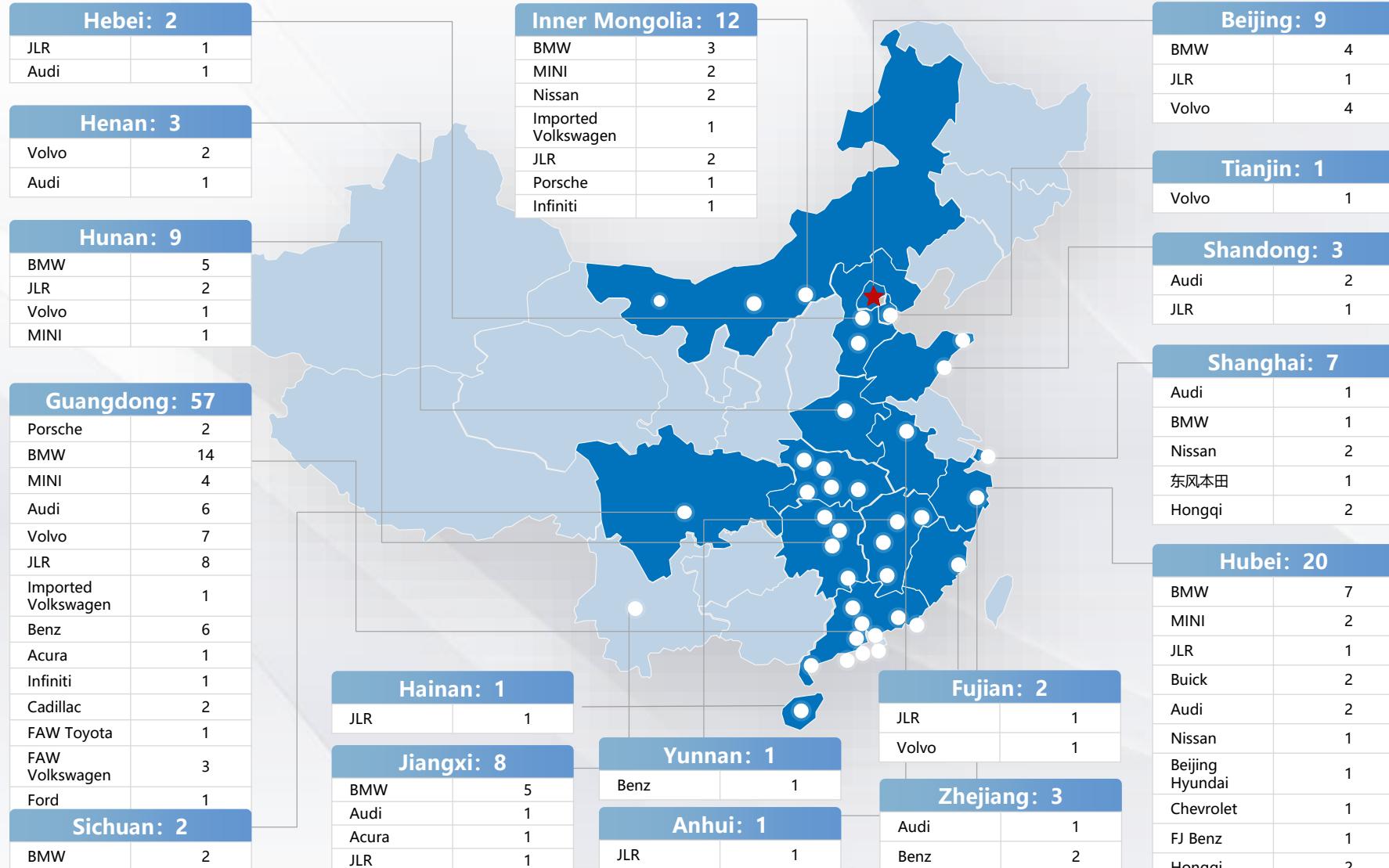


## Brands Breakdown



Total number of authorization for possible future store openings

# Balanced and reasonable deployment of the national dealership network for luxury brands



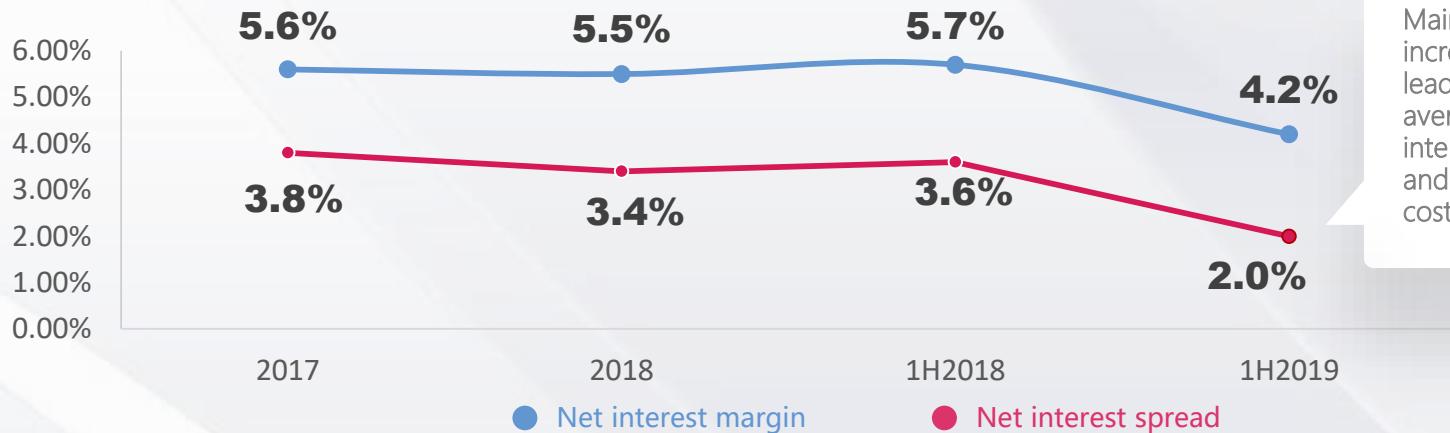
● Cities covered

● Province covered

# Auto Finance Business

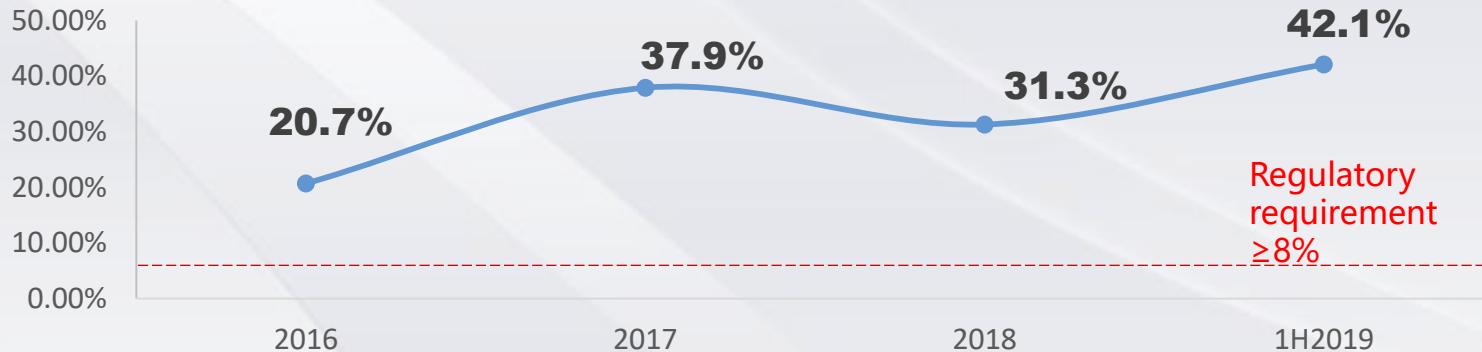


## High profitability



Mainly due to 1) increase in deposits leading to decrease in average yield of interest-earning assets and 2) rise in funding cost

## Sufficient headroom for higher leverage



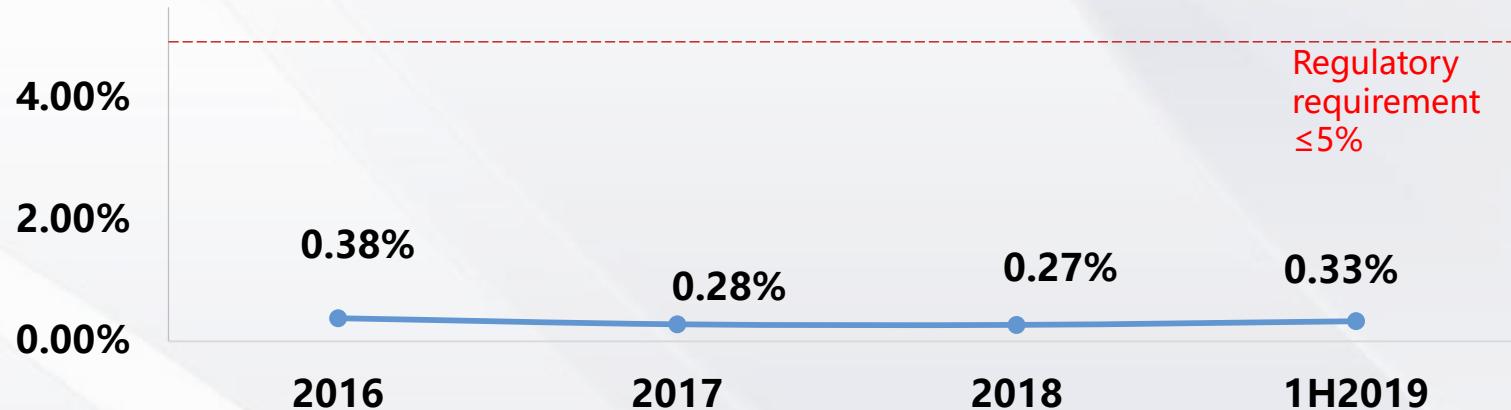
### Notes:

- (1) Calculated by dividing net interest income for the period by the average balance of interest-earning assets
- (2) Calculated by using ratio of interest income to the average balance of interest-earning assets minus the ratio of interest expenses to the average balance of interest-bearing liabilities
- (3) Capital adequacy ratio; calculated by dividing total capital, net of capital deductions, by risk-weighted assets

# Auto Finance Business



## High quality loan book (NPL ratio)



## Prudent provision coverage



note:

- (1) Overall non-performing loan ratio; calculated by dividing the balance of non-performing loans by the gross balance of the loans and advances to customers
- (2) Provision coverage ratio; calculated by dividing allowance for impairment losses on loans and advances by the amount of non-performing loans

# 3

# Financial Review

# Financial Highlights



(RMB million)

For the period ended 30 June 2019

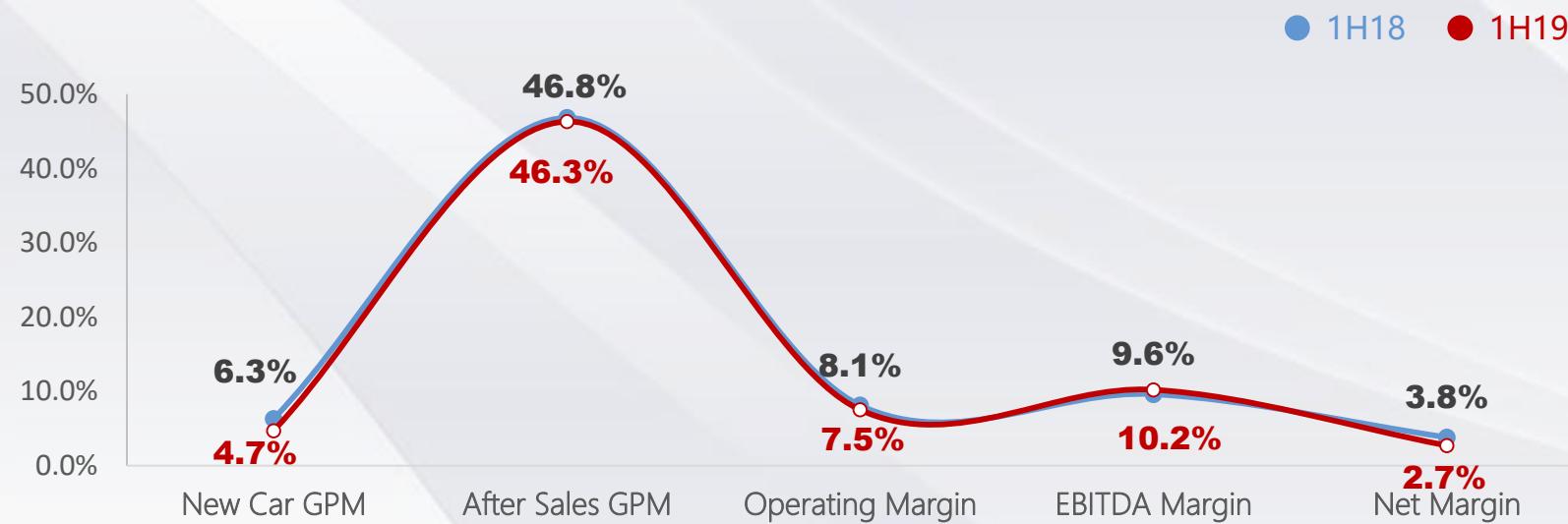
|   | 1H18   | 1H19          | YoY              |
|---|--------|---------------|------------------|
| <b>Revenue</b>                              | 18,768 | <b>17,431</b> | <b>-7.1%</b>     |
| <b>Gross profit</b>                         | 2,304  | <b>2,051</b>  | <b>-11.0%</b>    |
| <b>GPM</b>                                  | 12.3%  | <b>11.8%</b>  | <b>-0.5ppts</b>  |
| <b>Commission Income</b>                    | 304    | <b>366</b>    | <b>+20.4%</b>    |
| <b>Selling, distribution &amp; admin</b>    | -6.66% | <b>-6.50%</b> | <b>-0.16ppts</b> |
| <b>Financing cost</b>                       | -2.46% | <b>-3.19%</b> | <b>+0.73ppts</b> |
| <b>Net Profit Margin</b>                    | 3.87%  | <b>2.98%</b>  | <b>-0.89ppts</b> |
| <b>Profit to common shareholders</b>        | 711    | <b>471</b>    | <b>-33.8%</b>    |
| <b>Basic earnings per share (RMB cents)</b> | 29.0   | <b>19.2</b>   | <b>-33.8%</b>    |

# Profitability Snapshots

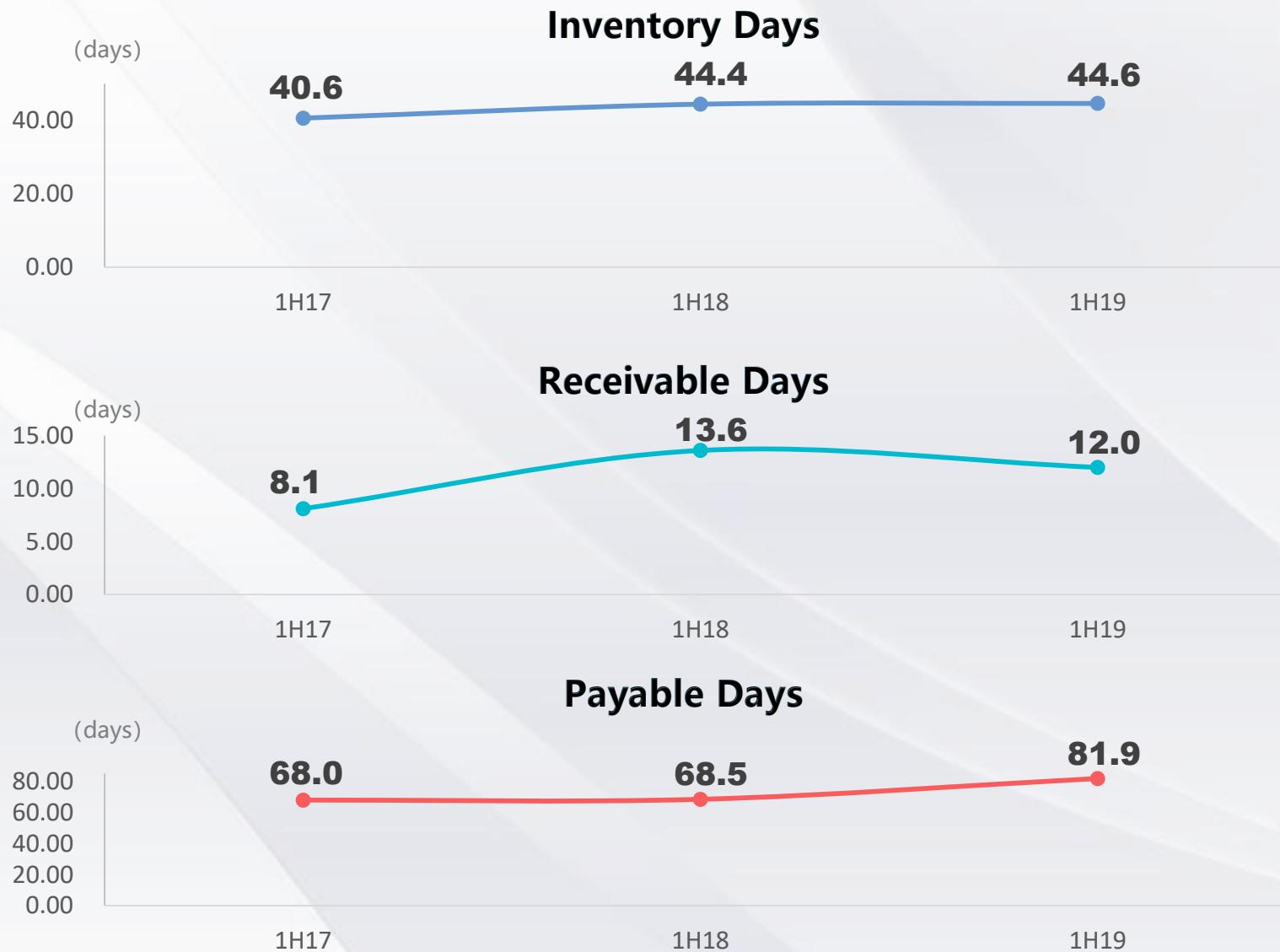


For the period ended 30 June 2019

|                  | 1H18         | 1H19         |
|------------------|--------------|--------------|
| New Car GPM      | <b>6.3%</b>  | <b>4.7%</b>  |
| After Sales GPM  | <b>46.8%</b> | <b>46.3%</b> |
| Operating Margin | <b>8.1%</b>  | <b>7.5%</b>  |
| EBITDA Margin    | <b>9.6%</b>  | <b>10.2%</b> |
| Net Margin       | <b>3.8%</b>  | <b>2.7%</b>  |



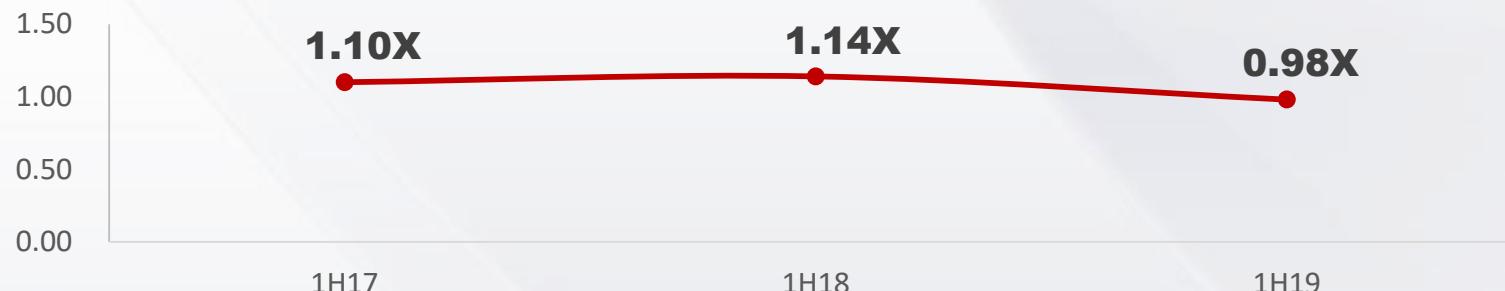
# Asset-Liability and Liquidity Management



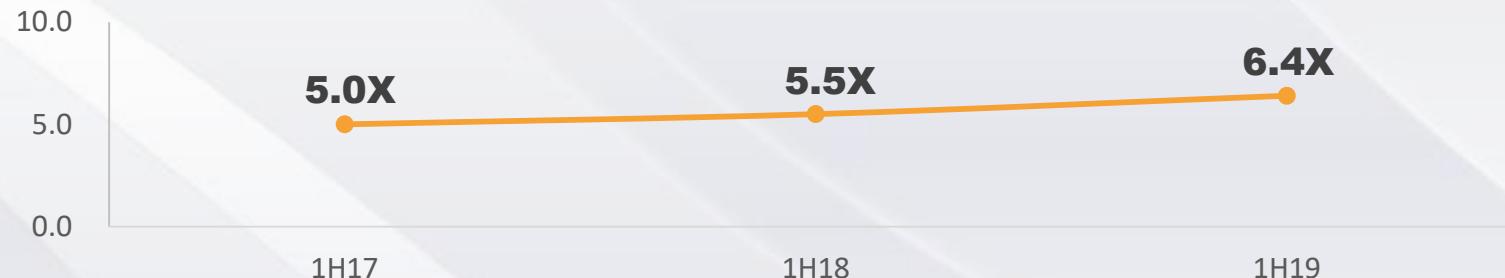
# Asset-Liability and Liquidity Management



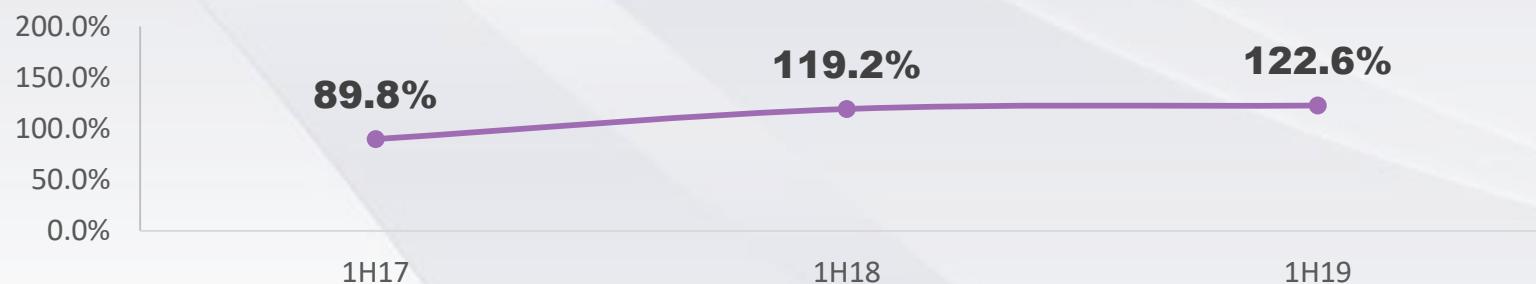
## Current Ratio



## Interest Bearing Debt/EBITDA



## Debt/Equity





**Q&A**  
**Thanks**