



China ZhengTong 2015 Results Announcement

Last updated April 2015



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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) FY2014 Highlights

Service-driven Scalable Business Model to Fuel Steady Growth in Challenging and Good Market Conditions

- RMB **30,910** million in total revenues with **3.6%** YoY growth
- **87,892** retail vehicles sold with **9.8%** YoY growth on volume
- **830,972** units serviced with **14.6%** YoY volume growth on luxury cars
- **19.4%** YoY growth on gross profits from after-sales services at **47.4%** gross profits margin and **200bps** margin expansion
- RMB **422** mm commissions on extended services with **41.1%** YoY growth
- RMB **804** mm net profits to common shareholders

Luxury 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**
- **105** outlets in **37** cities and **15** provinces across the country¹
- **13** new store openings: **6** BMW (incl. Service Center) , **3** Jaguar & Land Rover, **1** Volvo, **1** Audi, **1** Mercedes, and **1** Cadillac

Significant Business Development

- Establishment of fully licensed ZhengTong auto financing subsidiary to cater full spectrum of auto financing needs in China

1. As of December 31, 2014



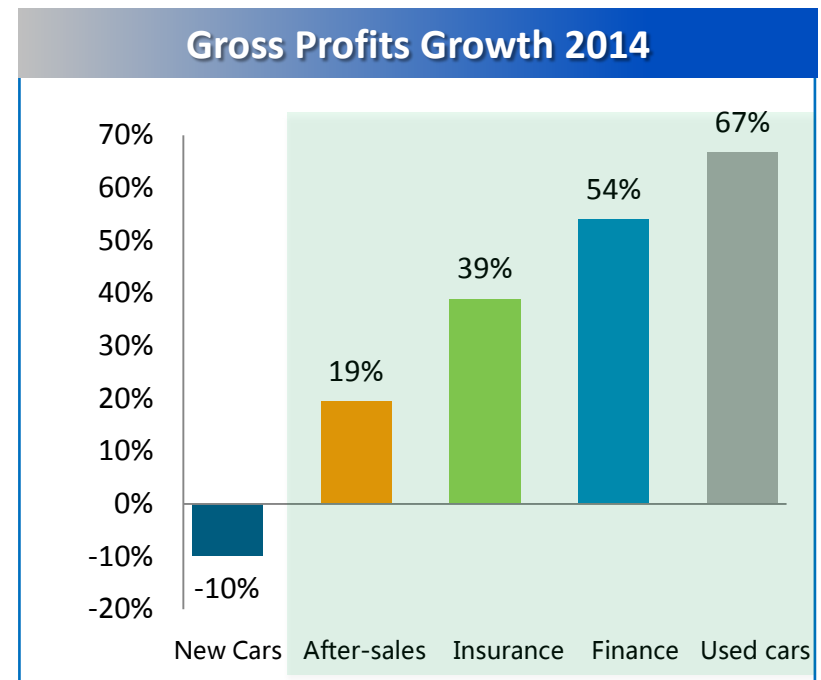
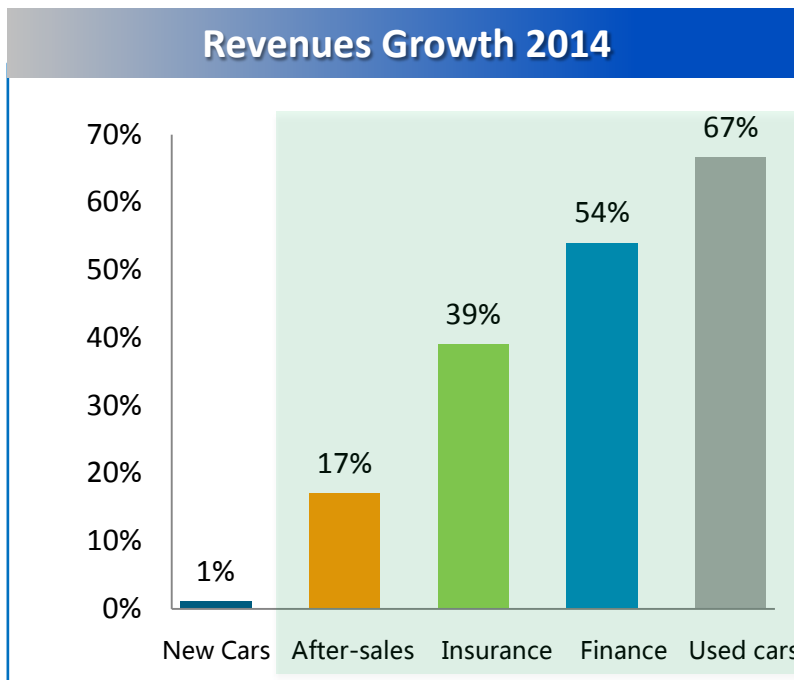
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Business Development

Business Development

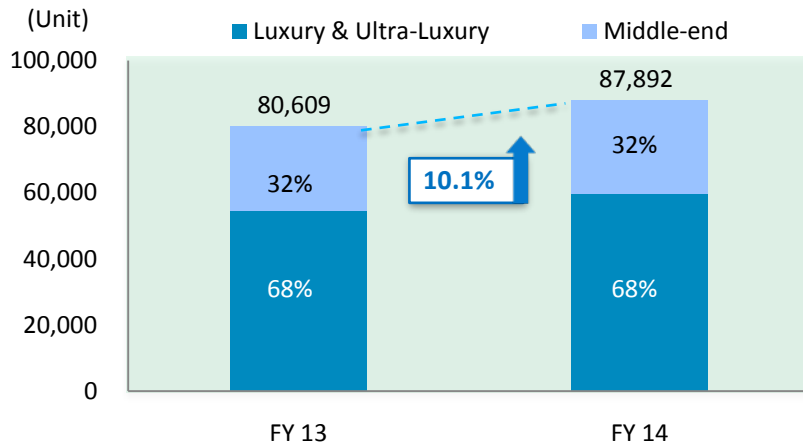
- In 2014 luxury auto market maintained double-digit growth, but temporary margin volatility on new cars combined with distinctive business models led to drastic performance divergence between the Company and its peers
- After-sales services maintained healthy growth momentum, and gross profits grew 19% YoY while gross profit margin reached 47.4% with 200bps expansion YoY
- Extended services on commissions increased 41% YoY to over RMB 400 mm, with 39% and 54% YoY growth on insurance brokerage and financing service fees respectively. Extended services target to gear up through further cross selling and service integration
- The Company has become the only duly licensed¹ dealer group for auto financing and is well positioned to maximize its leading advantages in the thriving auto financing market in China with only 18% penetration rate²



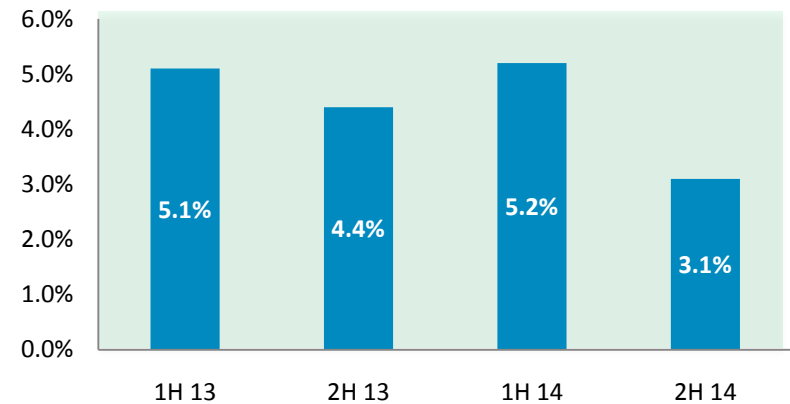
1. By China Banking Regulatory Commission, on March 19, 2014
 2. 2014 China Auto Finance Report, Emerging Auto Financing Services, Deloitte Automotive Service, 2014

New Car Sales Business

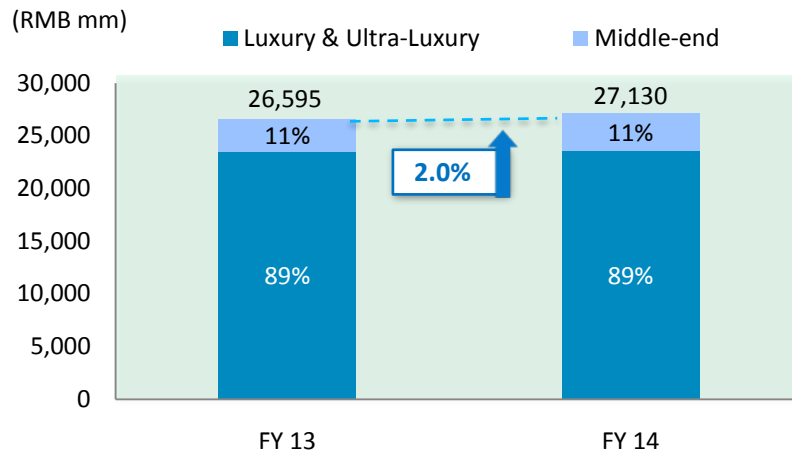
Sales Volume



Gross Profit Margin



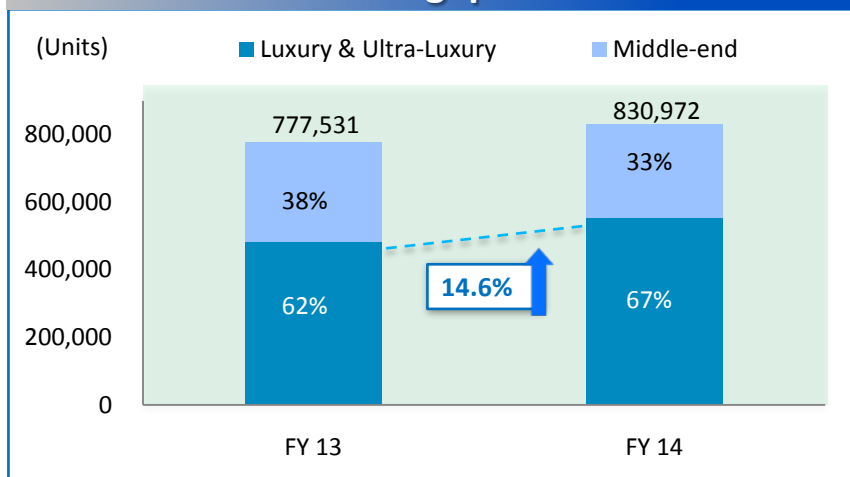
Revenues



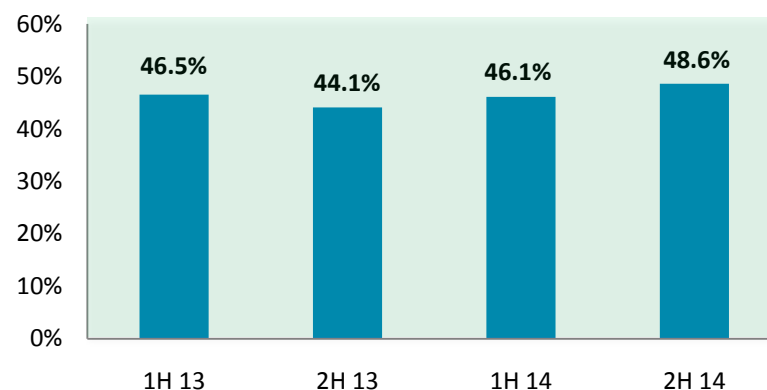
- In 2014 China's luxury auto market continued to outperform the overall passenger vehicle market and maintained high growth
- The Company achieved record sales volume of 59,613 units on luxury brands alone with 9.6% growth YoY
- ASPs on luxury cars continued averaging down, new car margins became increasingly volatile during the 2nd of 2014 and impacted industry profoundly
- The Company strived for fine balance between profitability and sales expansion and new cars
- Performance divergence has emerged among dealers, economies of scale and well-rounded platform ensure Company's competitive advantages

After-sales Business

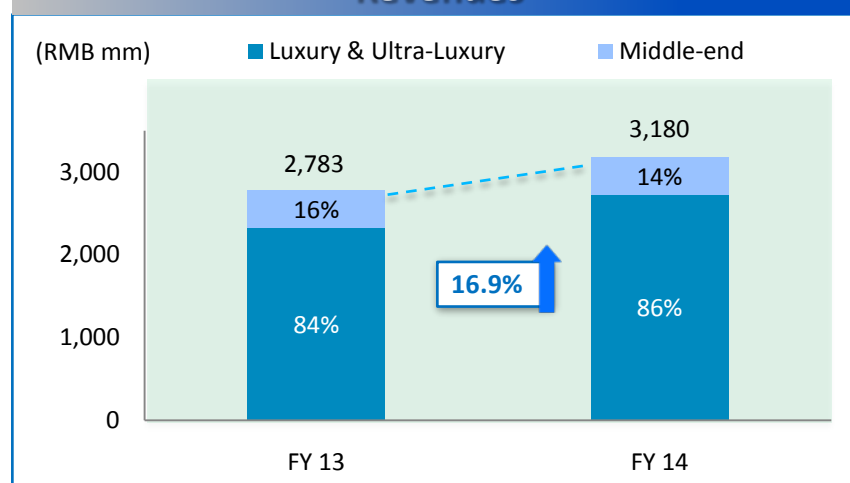
Throughputs



Gross Profit Margin



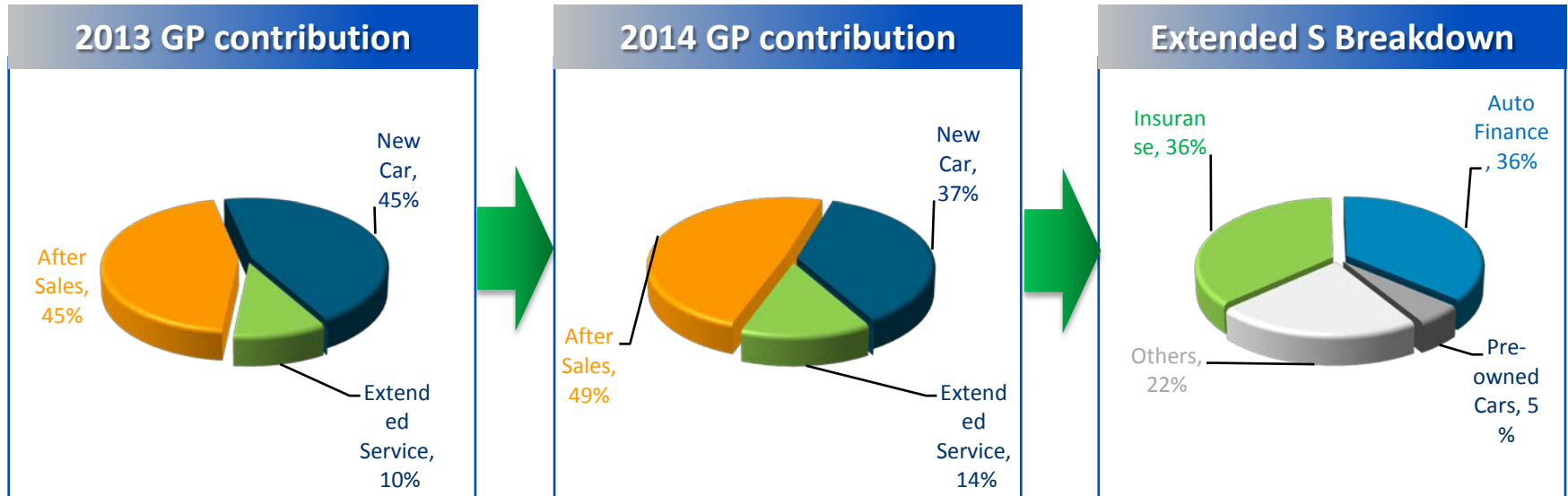
Revenues



- In 2014, the Company serviced 830,972 units, including 553,424 units of luxury cars with 14.6% growth YoY
- Revenues grew by 16.9% YoY while gross profits by 19.4%, attributed to 200 bps margin expansion
- Main drivers for margin expansion include:
 - Product and services innovation with successful introduction of more value-added customer solutions
 - Maximizing cross-selling opportunities across business platform
 - Stringent cost management
- The Company is positioned to individualize well-rounded solution to secure top notch customer experience

Extended Service

- Extended services on insurance brokerage, financing and used car businesses achieved 41% growth YoY
- The fully licensed Dingze Insurance Agency¹, Company's insurance brokerage arm, achieved 39% YoY growth on commission income and 60% YoY growth on insurance premium collection to RMB 1.4 billion. In 2015 the Company to maximize its license privilege and introduce more higher margin services and promote cross-selling among financing and after-sales
- Commission income on auto financing grew 54% YoY, benefited from robust demand and improved penetration rate
- The Company has become the first CBRC² licensed dealer group on auto financing to cater the ever growing consumer financing market in China with 18% auto financing penetration rate in 2014, and is well positioned to facilitate full spectrum of auto financing offerings including auto loans financing, floor financing, leasing, etc with significant competitive advantages



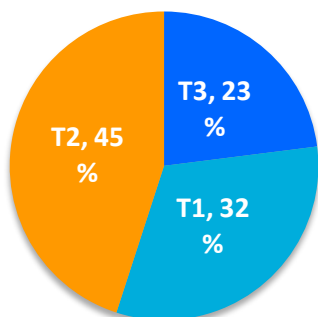
- On September 17, 2013 by China Insurance Regulatory Commission
- China Banking Regulatory Commission, on March 6, 2015
- 2014 China Auto Finance Report, Emerging Auto Financing Services, Deloitte Automotive Service, 2014

Network Advancement

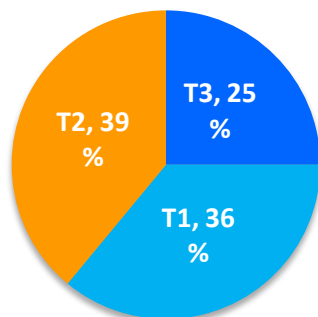
Brands	Type	2013	2014 added	2014	Pipeline ¹	Total
Luxury & Ultra-Luxury	4S Store	59	7	66	25 ²	91
	Showroom	15	4	19	0	19
	Service Center	2	1	3	1	4
	User Car Center				2	2
	Quick Service		1	1		1
Mid-High End	4S Store	16		16		16
Total		92	13	105	28	133

Tier Cities Geographic Coverage

FA2014 Coverage

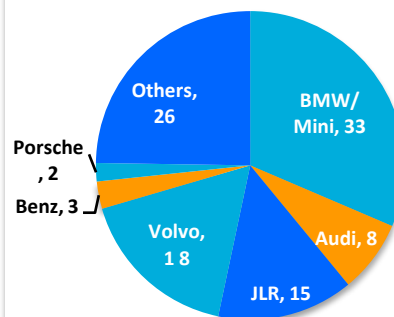


New Pipeline Breakdown

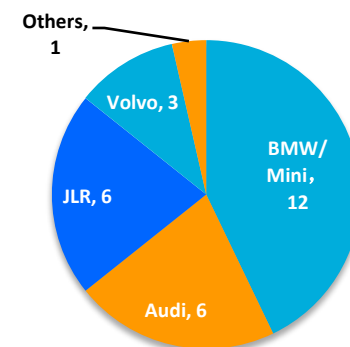


Brands Breakdown

FA 2014 Brands



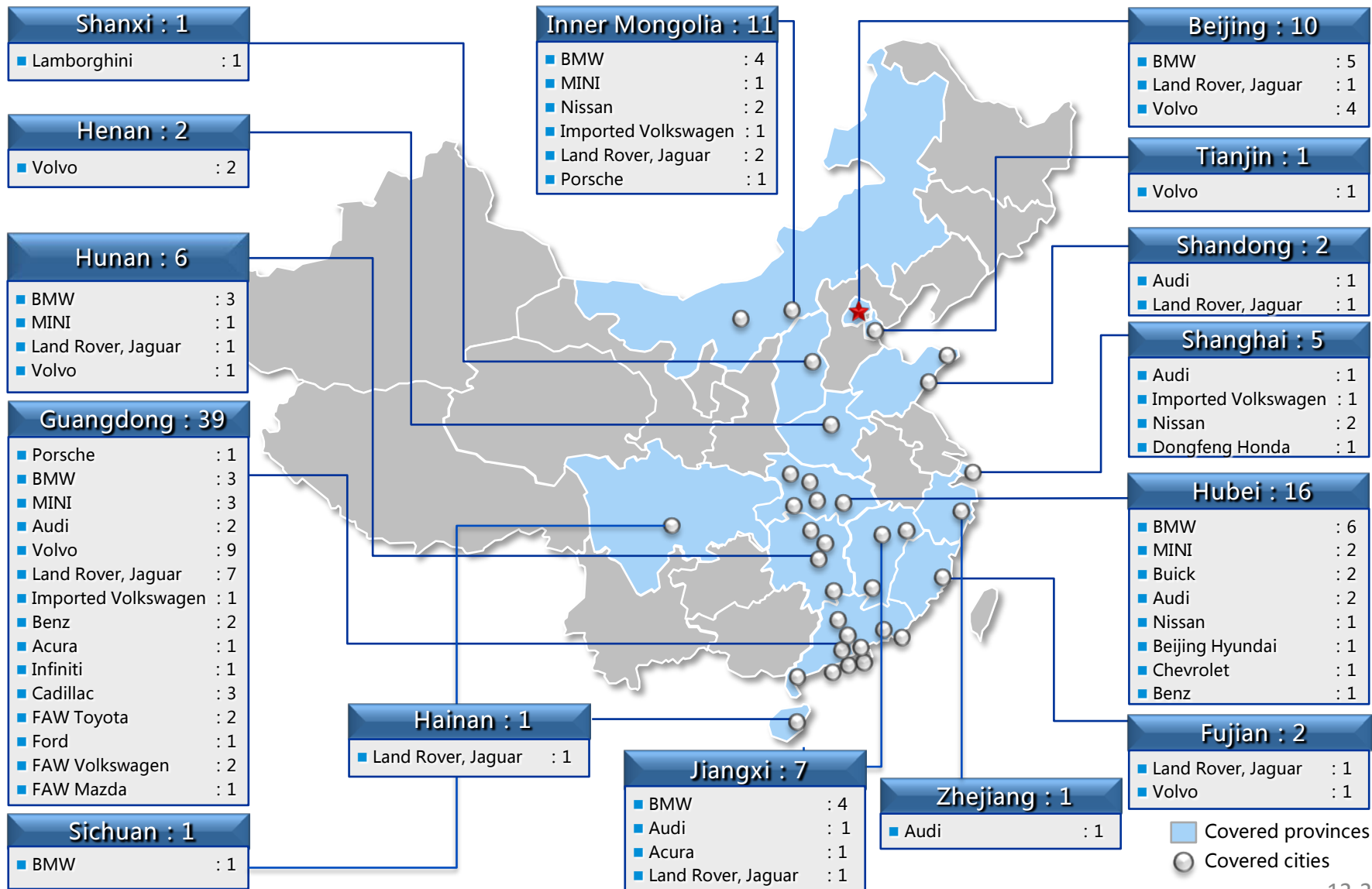
New Pipeline Breakdown



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 31 December 2014		
	FY 2014	FY 2013	YoY
<i>(RMB million)</i>			
Revenue	30,910	29,840	+3.59%
Gross profit	2,726	2,588	+5.30%
Commission Income	422	299	+41.1%
Selling, distribution & admin¹	(5.14%)	(4.29%)	+85bps
Financing costs	(1.55%)	(1.64%)	-9bps
Net profit margin	2.66%	2.86%	-20bps
Profit to common shareholders	804	837	-4.01%
Basic earnings per share <i>(RMB cents)</i>	36.4	37.9	-3.96%

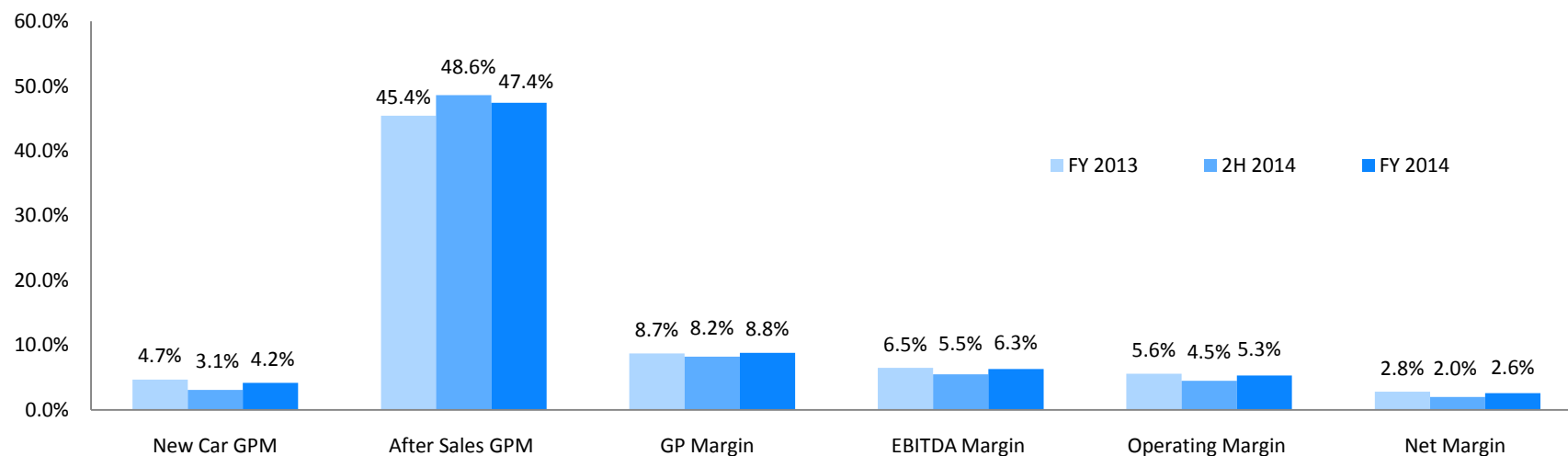
1. Selling, distribution & admin cost ratio adjusted before FX gain/loss: FY2014 (5.09%) vs. FY2013 (4.51%), increased 57bps



Profitability snapshots

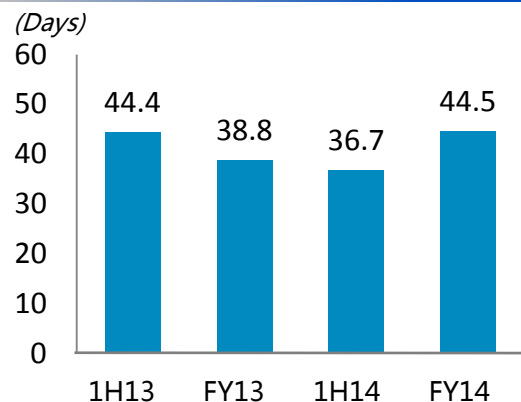
For the year ended 31 December 2014

	FA 2014	FA 2013	2H14
New Car GPM	4.2%	4.7%	3.1%
After Sales GPM	47.4%	45.3%	48.6%
GP Margin	8.8%	8.7%	8.2%
EBITDA Margin	6.3%	6.5%	5.5%
Operating Margin	5.3%	5.6%	4.5%
Net Margin	2.7%	2.9%	2.0%

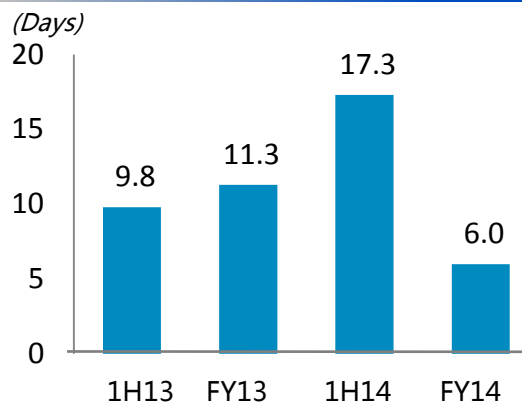


Improved Financial Positions

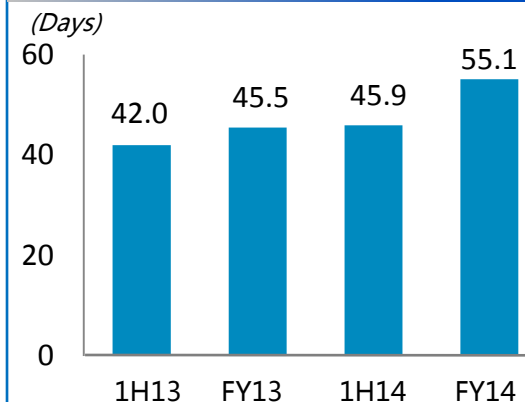
Inventory days



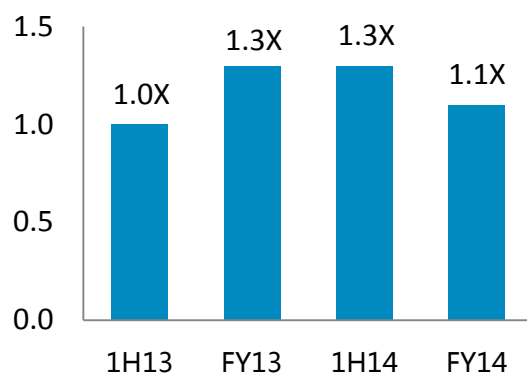
Receivable days



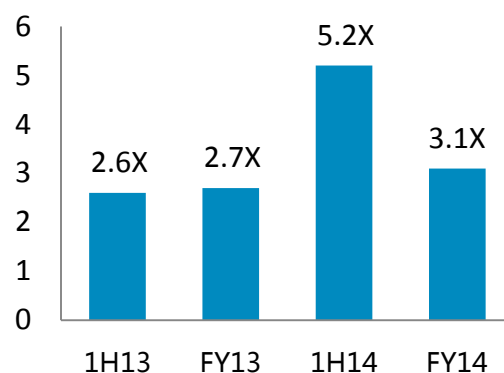
Payable days



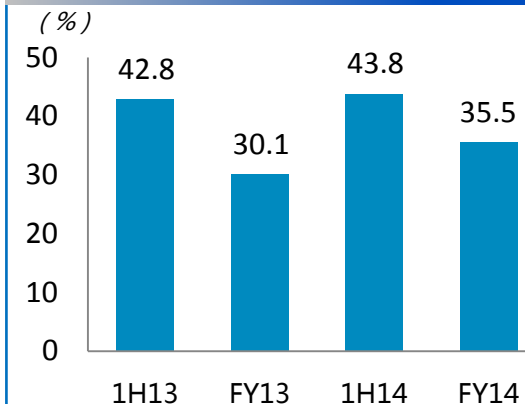
Current ratio



Interest Bearing Debt / EBITDA



Net Debt / Equity¹



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



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Future Strategies



Steady Network Expansion

- Promote diversified luxury brands portfolio led by 6 leading luxury brands in China
- Maintain balanced and prudent network expansion invigorated by innovative technologies and marketing ideology



Versatile and Scalable Platform

- Leverage on platform to advocate well-rounded yet customized service to deliver top-notch customer experience
- Streamline new cars, after sales services, and extended services to further optimize operational efficiency and business synergies



Profitability & Operation Efficiency

- Maintain rigorous cost control and liquidity management
- Strive for fine balance between business scale and marginal profitability

Q & A

ULTRA-LUXURY AND LUXURY BRANDS

