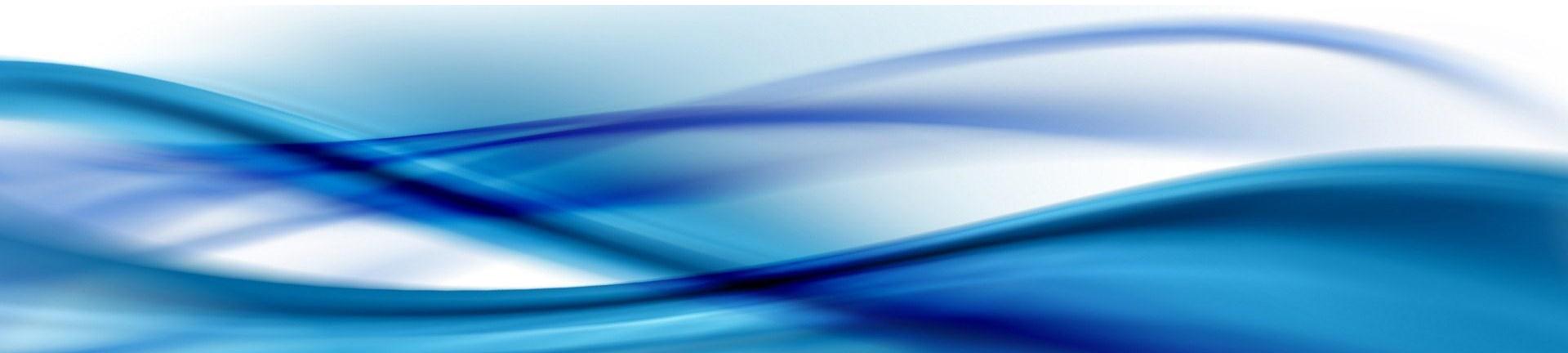




China ZhengTong 1H2016 Results Announcement

August 2016





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Performance Highlights

2

Business Development

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Financial Review



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) 1H2016 Highlights

Improved service platform with burgeoning emerging businesses

- RMB **14,596** million in total revenues with **5.2%** YoY growth in 1H2016
- **44,474** retail vehicles sold with **10.8%** YoY volume growth including **31,458** units of luxury brands with **14.2%** YoY growth
- **475,346** units services with **10.9%** YoY volume growth on luxury brands
- **2.0%** YoY growth on revenue with **4.3%** on luxury brands and **46.9%** on overall gross profit margin
- Auto finance business achieved **3,193** million segment assets and segment profits of RMB **74** million for the first year
- Extended business revenue achieved **172** million
- RMB **253** million net profits to common shareholders at RMB **11.5** cent per share

Balanced national network with optimization of luxury brands

- Brand portfolio covers 21 brands with focus on BMW, Audi, JLR, Volvo, Mercedes and Porsche 6 leading luxury brands
- National coverage reaches 113 in 36 cities across 15 provinces ¹
- 4 new operating dealership stores were opened for luxury automobiles during 1H2016, namely 3 Audi 4S stores in Shenzhen, Zhengzhou and Qingdao, and a Jaguar and Land Rover 4S store in Wuhan. In addition, 3 stores were closed down including a Lamborghini 4S store in Shanxi, an Volvo urban showroom in Luohu, Shenzhen and a Jaguar and Land Rover urban showroom in Shantou

1. By 30 June 30 2016



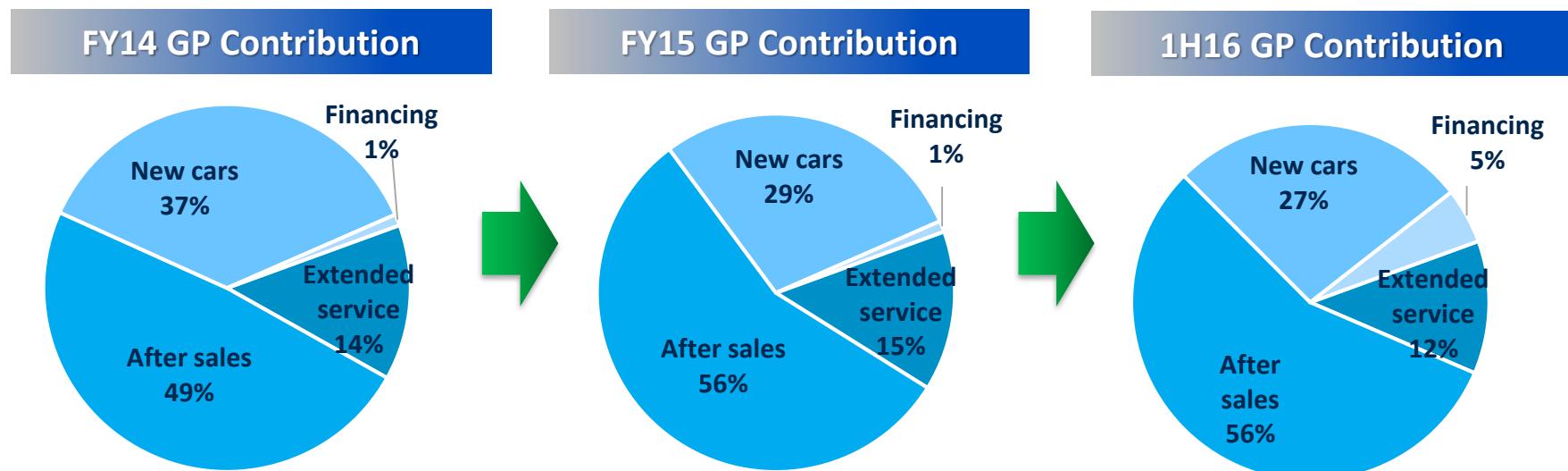
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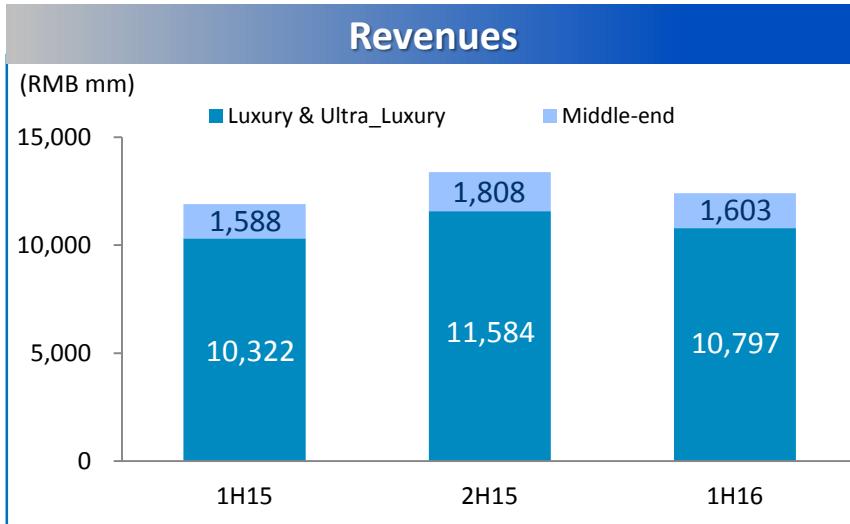
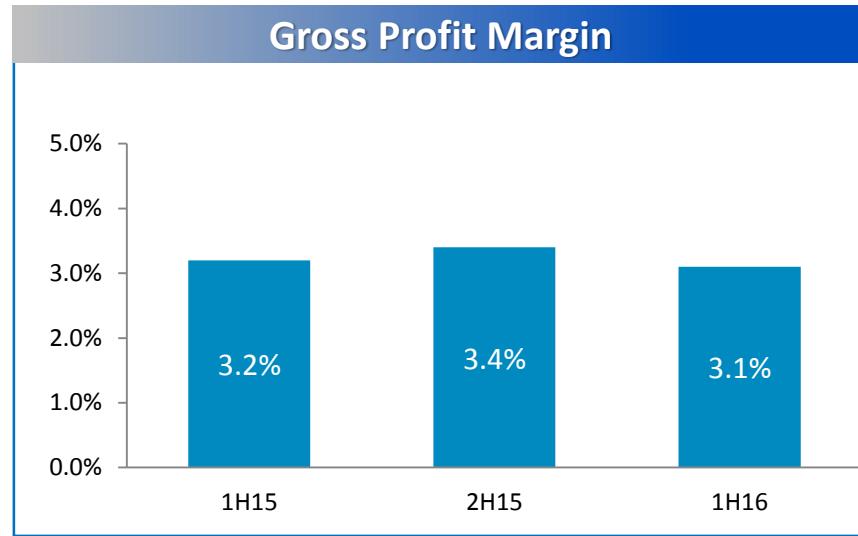
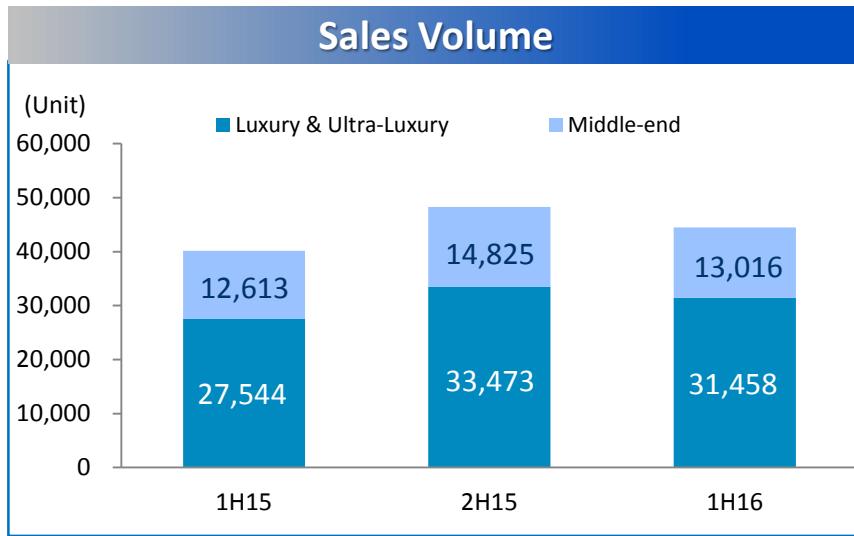
Business Development

Business Outlook

- For the first half of 2016, the overall market of the passenger automobiles saw a high growth momentum, where the market of the luxury-branded automobiles experienced a steady growth. Automobile manufacturer paid more attentions on channels building to dealers. The group has waged a steady but robust sales strategy due to varying gross margins caused by an increasingly intensified competition environment, production cycles and other uncertainties
- The after sales grew positively thanks to steadily expanding customer basis and vigorous growth of the overall throughputs. Given the down-regulation of spare parts and components prices, the group plans to secure continuous growth by constantly improving our innovative services as well as customer loyalties
- Auto finance related aftermarket value-added services have attracted considerable attentions from the market with exuberant demands. Accordingly, the finance segment which takes specialized auto finance, insurance brokerage, and financial leasing services as the core, will stand out by its independence and growth
- As of 30 June 2016, total assets of auto finance segment amounted to RMB 3,193 million with accumulative loan contracts reaching 13,120, realizing segment profits at RMB 73.50 million. The non-performing loan ratio was controlled at 0.35% triggered by 48 times involving RMB 992.75 million

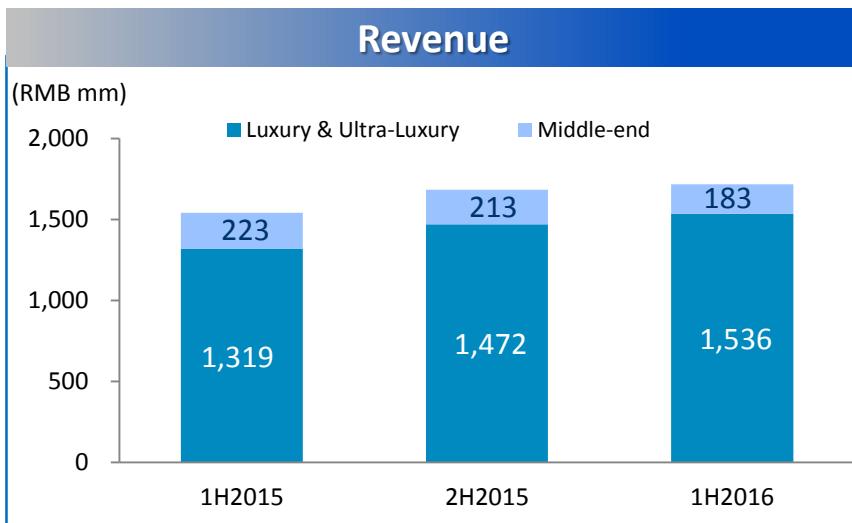
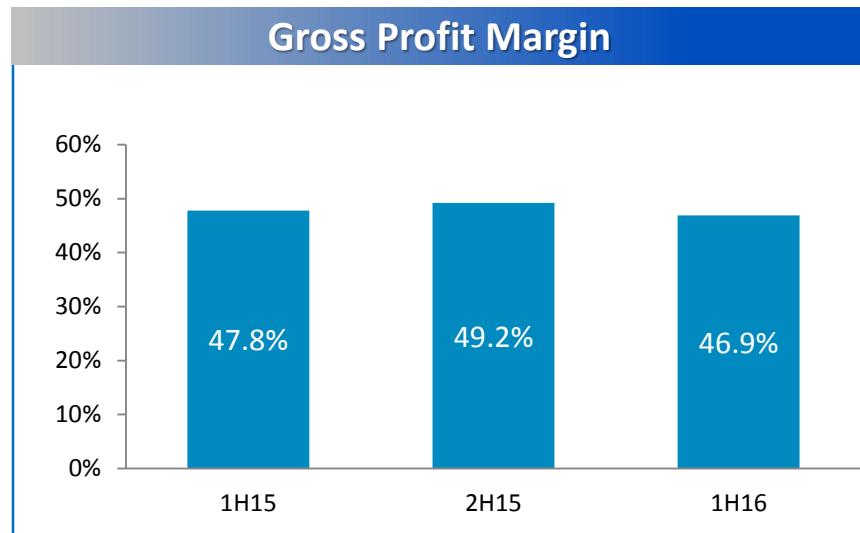
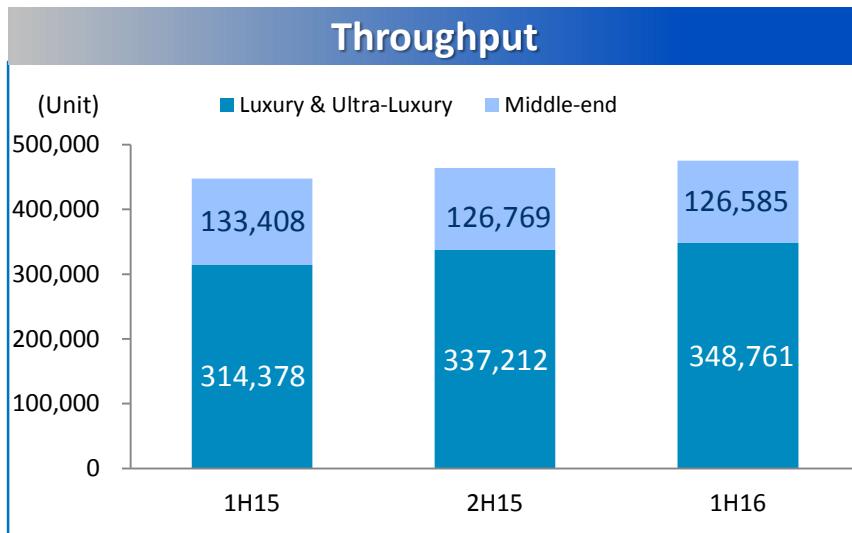


New Car Sales Business



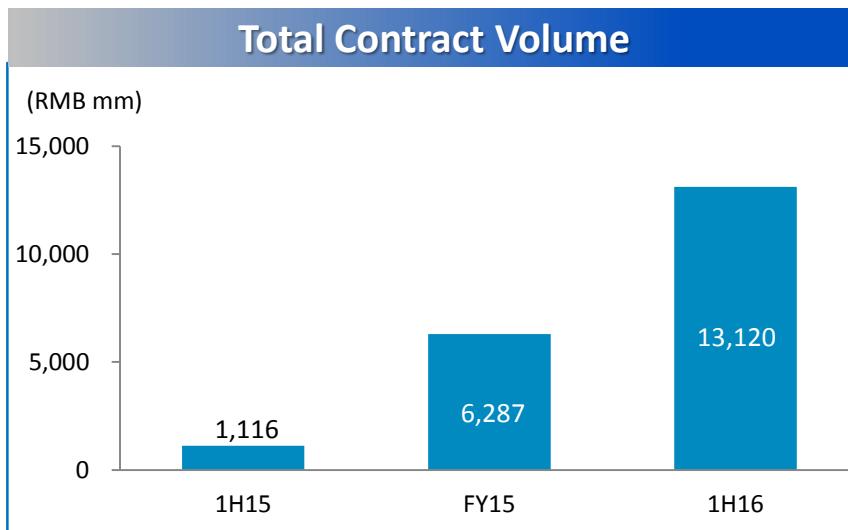
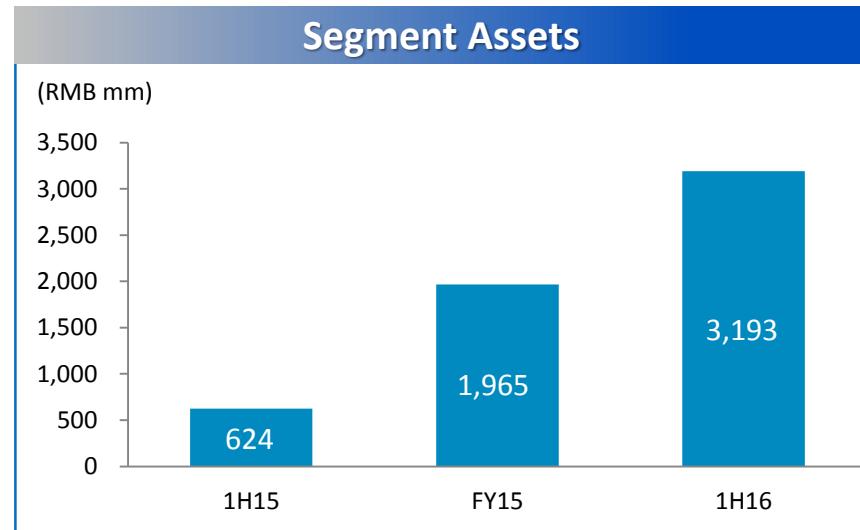
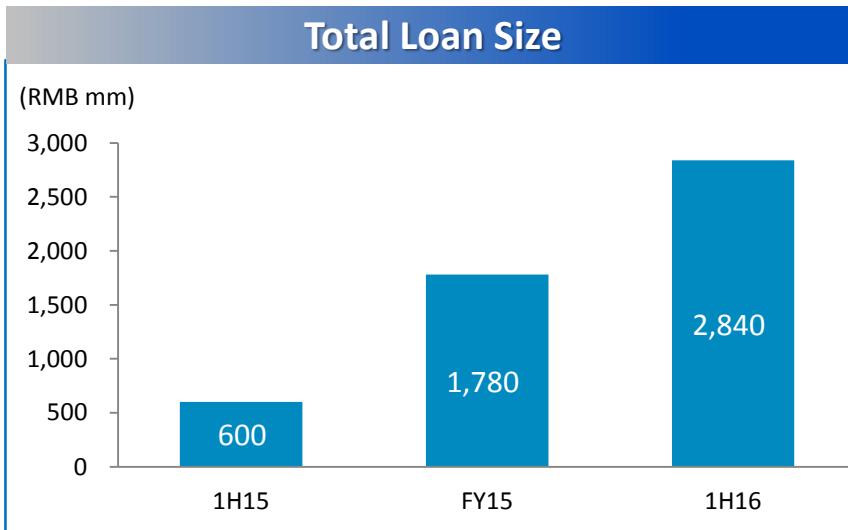
- In 1H2016, the luxury auto market has maintained strong momentum and the company has achieved total sales volume of 44,474 with 10.8% growth YoY, including 31,458 luxury and ultra-luxury branded automobiles with 14.2% growth YoY.
- Total revenues increased by 4.1% to RMB 12,400 mm while revenues on luxury cars increase by 4.6% to RMB 10,707 mm.
- Compared to 1H2016, the gross profit margin has skidded 10% due to varying brand disparities, among them is Audi with the maximal discount.

After Sales Business



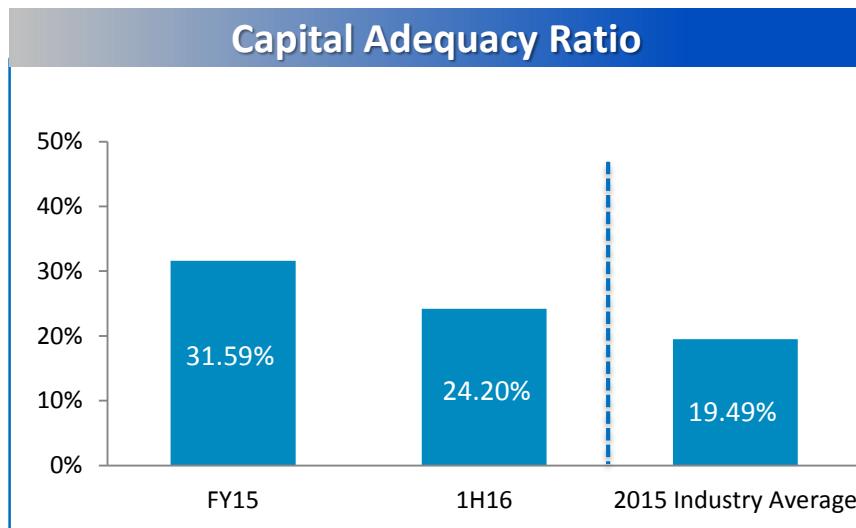
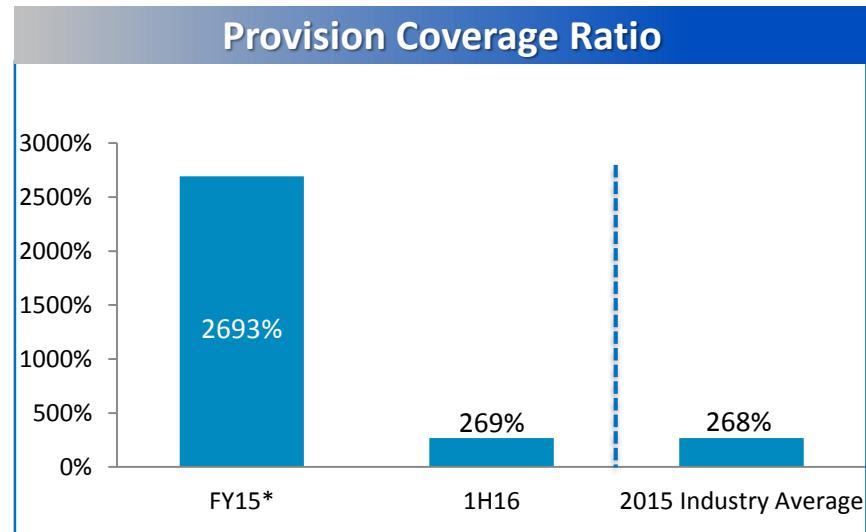
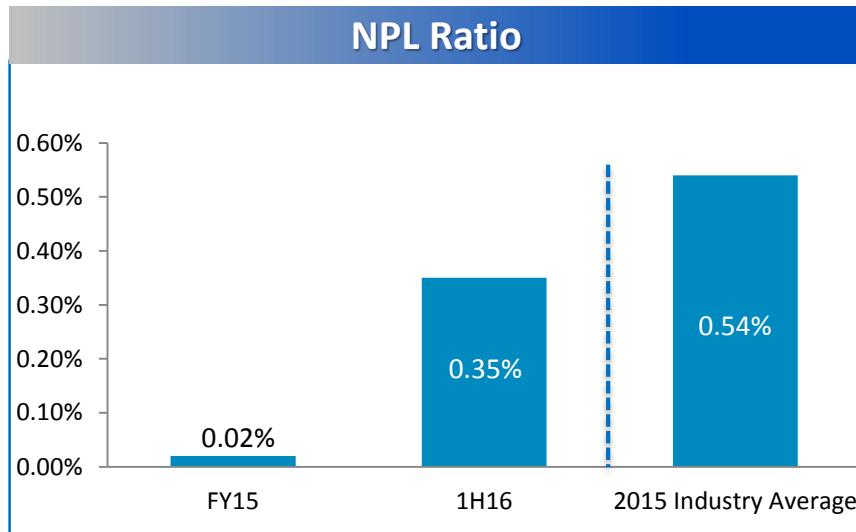
- In 1H2016, the company serviced 348,761 units of luxury and ultra-luxury cars, and achieved double digit growth of 10.9% YoY, mainly depending on YoY growth of the same store.
- Total revenues increased by 2.0% YOY to RMB 1,719 mm during 1H2016 while revenues on luxury cars increase by 4.3% to 1,536 mm.
- The gross profit margin fluctuated in a reasonable range thanks to a conservative rebate confirmation related with spare parts according to the market fluctuation.

Auto Finance Business



- Dongzheng AFC was opened in April 2015 and has maintained robustly increasing momentum during 1H2016.
- Total loans during 1H2016 has amounted to RMB 2.84 billion with 373% growth YoY.
- As at 30 June 2016, total assets of Dongzheng AFC amounted to RMB 3.19 billion with 411% growth YoY with total number of contracts doubled on a YoY base.
- The increase attributes to:
 - Dissimilar financing products towards customers with different demands
 - Strategic cooperation with OEM, dealers and banks
 - Diversified financing channels

Auto Finance Business (continued)



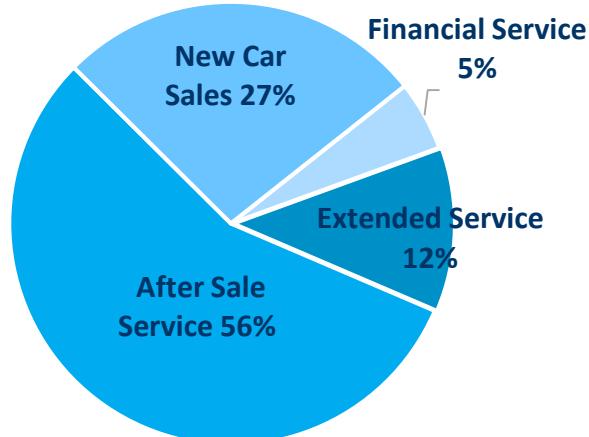
- Dongzheng AFC continued to adopt a prudent risk management strategy while enlarging its business during 1H2016.
- Company's NPL ratio was controlled at 0.35% far below the industry's average level in 2015.
- The provision coverage has reached 268.78%, which is far beyond the industry's average level, indicating company's resolve to control the risk at a low level.
- Such steady risk-controlling data attribute to:
 - Constant instructions on risk management
 - Risk-management team with ample experiences
 - Strict threshold for risk-controlling

* The provision coverage ratio far beyond the industry level at the end of 2015 is mainly due to low NPL ratio back then

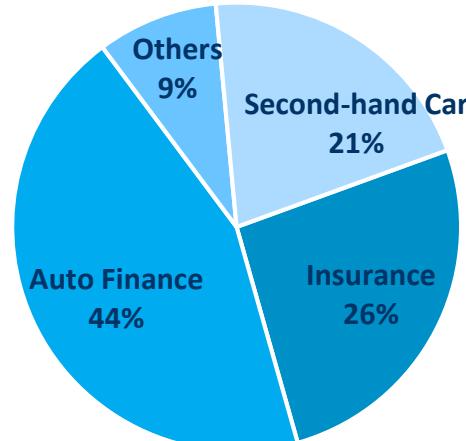
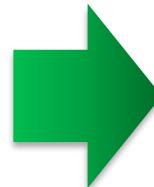
Extended Services

- The extended services mainly consist of auto finance, insurance, used-cars and other agency businesses
- As the automotive financial penetration kept up rising during 1H16, financial consumption concept has been accepted by a growing number of consumers. Moreover, automobile financial products have become diverse thanks to improvements of credit reporting and risk assessment systems. Meanwhile, financial service revenue grew steadily as the size of auto finance loan's rapid growth
- An increasingly competitive environment caused by the lower market access, led to policy adjustments on the ratios of insurance industry. However, company's new insurances, especially renewal of insurance continued to grow, where part of the branches' penetration of insurance renewal approached 90% that efficiently promoted customer viscosity
- For 1H16, asset size has amounted to RMB 3,193 million with accumulative loan contracts approaching 13,120. The segment profit achieved RMB 73.50 million with 48 non-performing loans involving RMB 9.93 million. The NPL ratios remains 0.35% low

Percentage of GPM in 1H16



Extended Services structure

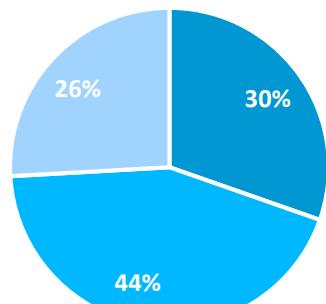


Network Advancement

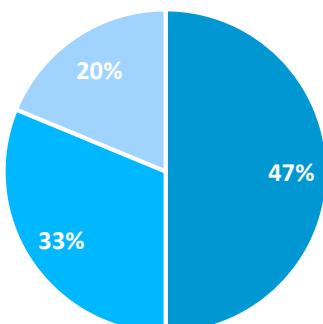
Brands	Type	2015	1H 2016 (net increase)	1H 2016	Pipeline ¹	Total
Luxury & Ultra-Luxury	4S Store	75	3	78	13	91
	Showroom	17	-2	15	-	15
	Service Center	4	-	4	1	5
	User Car Center	-	-	-	1	1
	Quick Service	1	-	1	-	1
Mid-High End	4S Store	15	-	15	-	15
Total		112	1	113	15	128

Tier Cities Geographic Coverage

1H 2016 Coverage

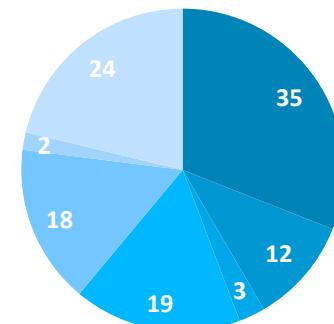


New Pipeline

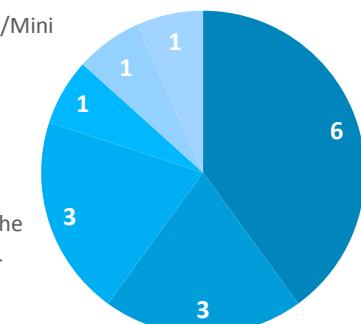


Brands breakdown

1H 2016 Brands

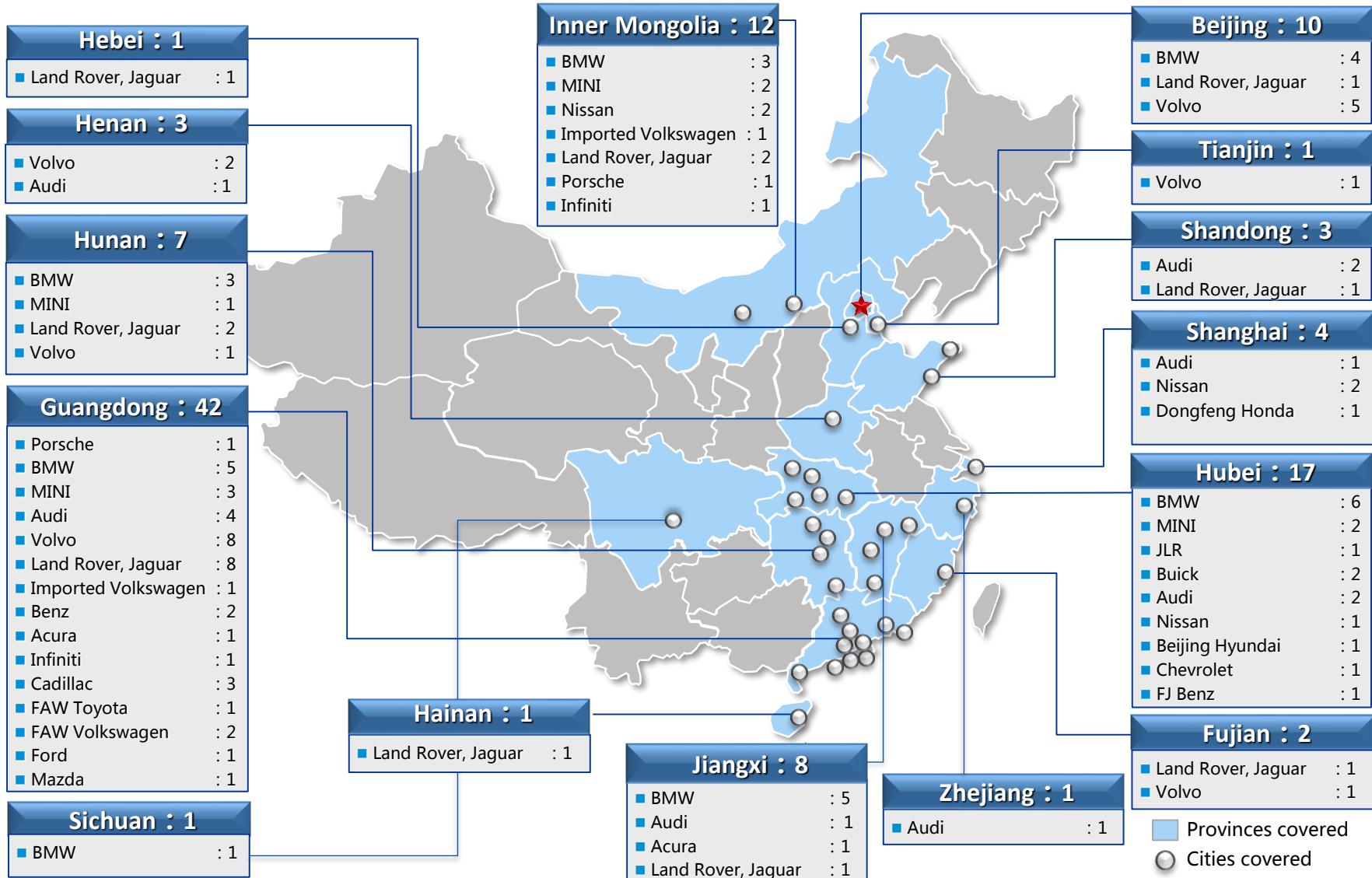


New Pipeline



1. Total number of authorization for possible future store openings

Balanced National Coverage





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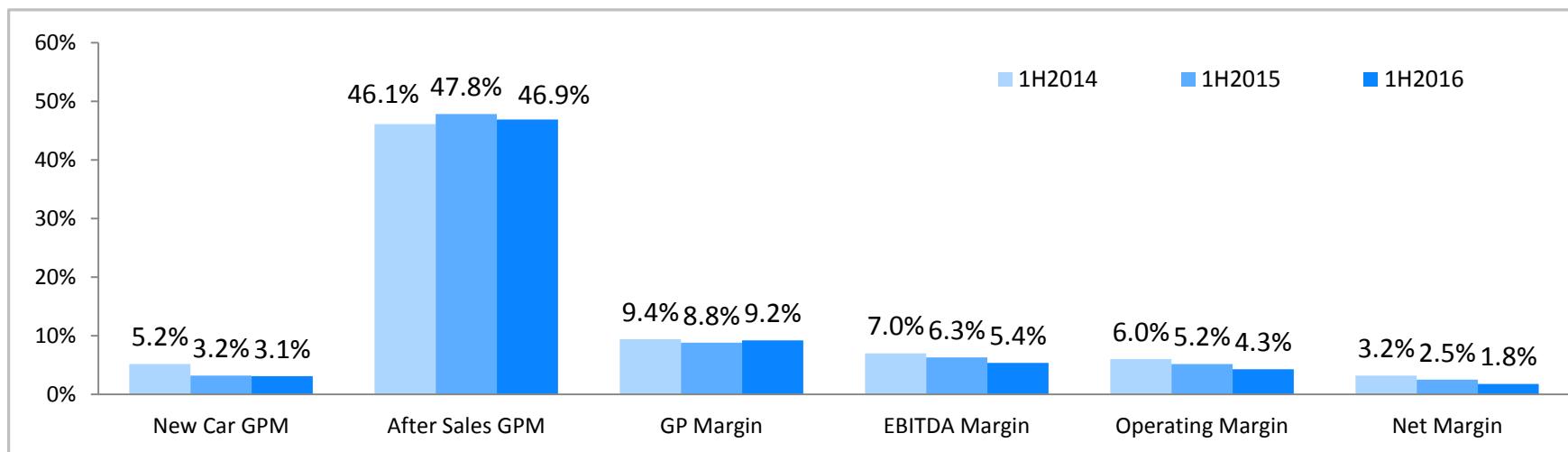
Financial Review

Financial Highlights

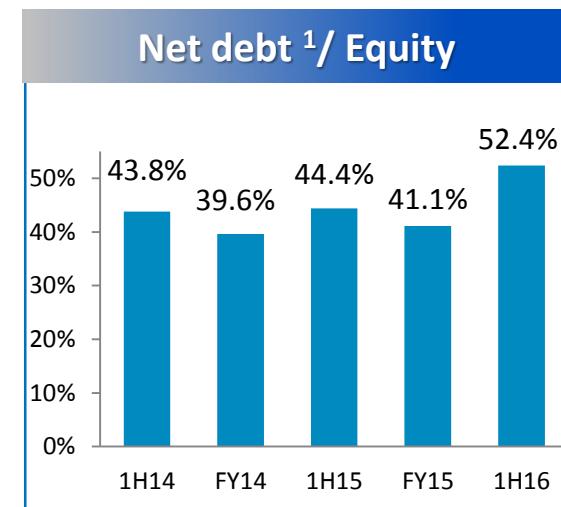
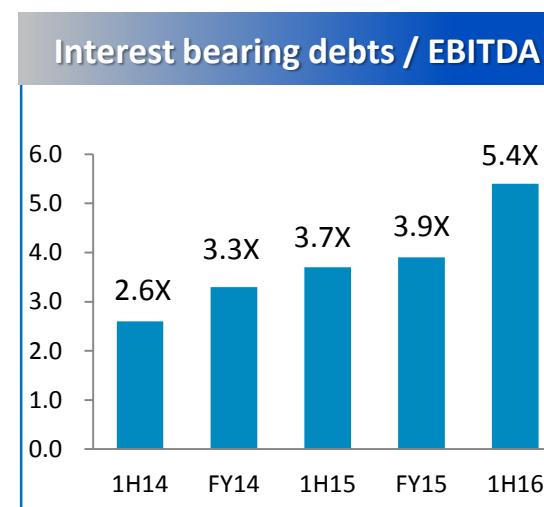
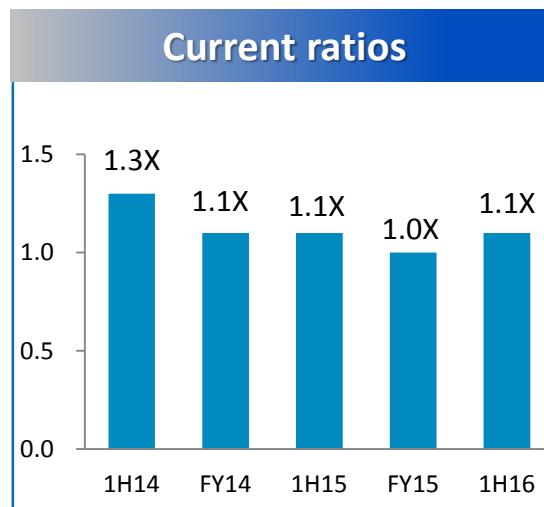
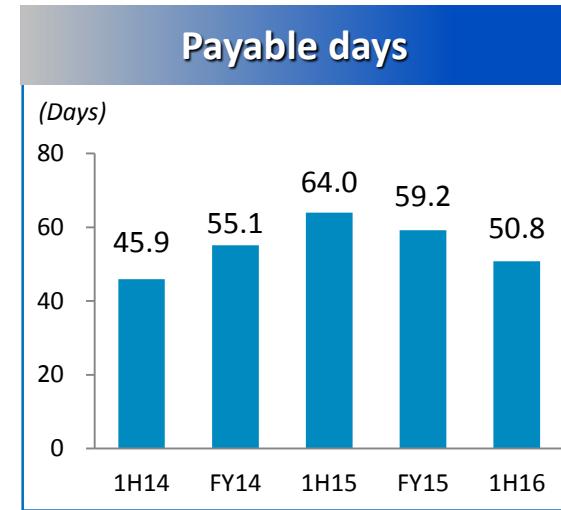
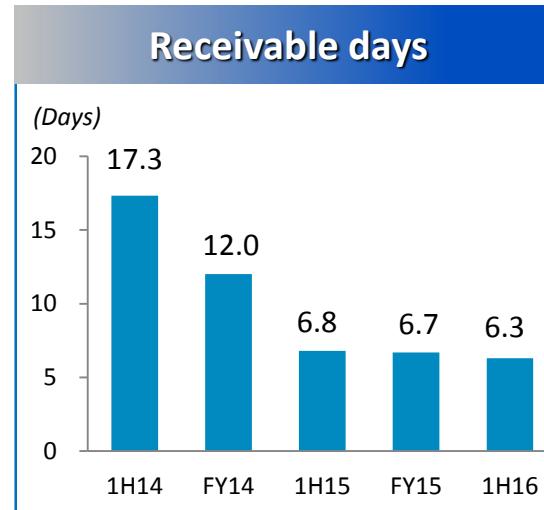
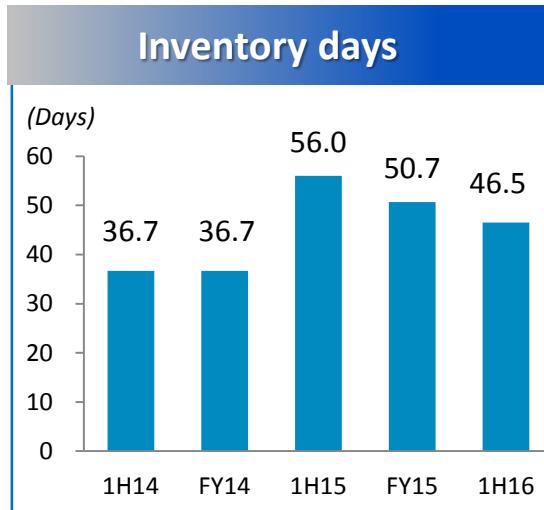
	For the year ended 30 June 2016		
	1H 2015	1H 2016	YoY
<i>(RMB million)</i>			
Revenue	13,870	14,596	+5.23%
Gross profit	1,225	1,344	+9.70%
Commission income	206	173	-16.0%
Selling, distribution & admin	(5.5%)	(6.3%)	+82bps
Financing costs	(1.6%)	(1.8%)	+13bps
Net profit margin	2.5%	1.8%	-76bps
Profit to common shareholders	347	253	-27.0%
Basic earnings per share (RMB cents)	16	12	-26.8%

Profitability Snapshots

	For the year ended 30 June 2016		
	1H 2015	1H 2016	YoY
New Car GPM	3.2%	3.1%	-10bps
After Sales GPM	47.8%	46.9%	-90bps
GP Margin	8.8%	9.2%	+40bps
EBITDA Margin	6.3%	5.4%	-90bps
Operating Margin	5.2%	4.3%	-90bps
Net Margin	2.5%	1.8%	-70bps



Asset-Liability and Liquidity Management



1. Net debt = Short-term interest-bearing liabilities + Long-term interest-bearing liabilities – Cash and cash equivalents – Pledged bank deposits and central bank deposits

Q & A

