CHINA ZHENGTONG
2017 RESULTS ANNOUNCEMENT

March 2017

**CHINA ZHENGTONG
AUTO SERVICES HOLDINGS LIMITED
中国正通汽车服务控股有限公司**

Stock Code: HK1728
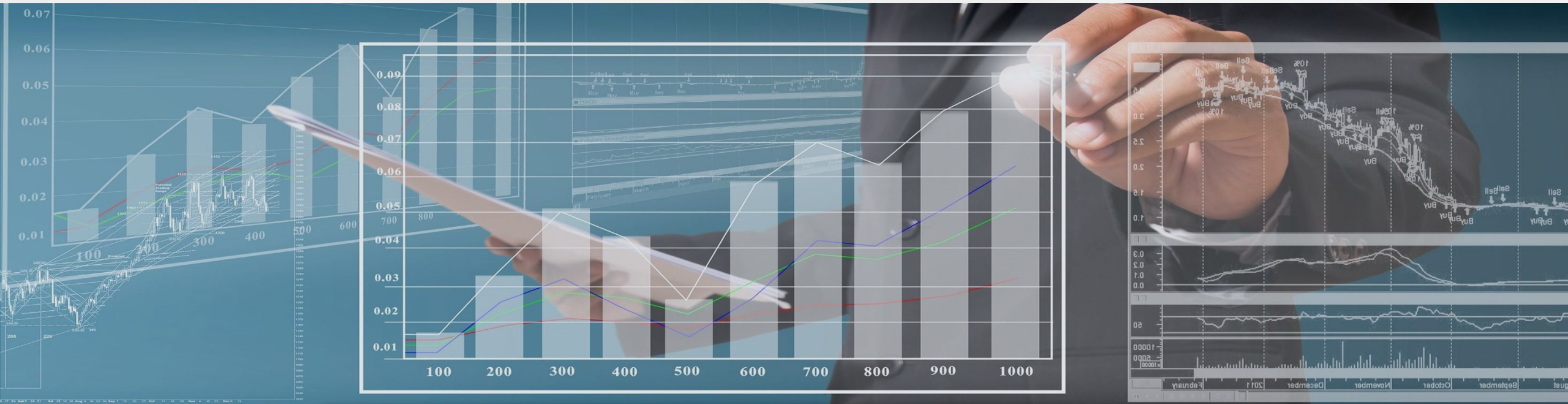
DISCLAIMER

Agenda

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PERFORMANCE HIGHLIGHT

Zhengtong Auto (HKEX:1728) FY2017 Performance Highlights

Capture the market growth with our balanced distribution network and service platforms

Turnover	New Car Sales	Luxury Car Sales
35.4bn , ⬆ **12.6%**	109,016units , ⬆ **12.5%**	80,012units , ⬆ **17.7%**

New Car GP	After Sales GP	AFC Segment Profit
1.4bn , ⬆ **88.5%**	1.8bn , ⬆ **13.4%**	377mm , ⬆ **70.6%**

Net Profit	Operating Profit
1.2bn , ⬆ **138.4%**	2.4bn , ⬆ **94.4%**
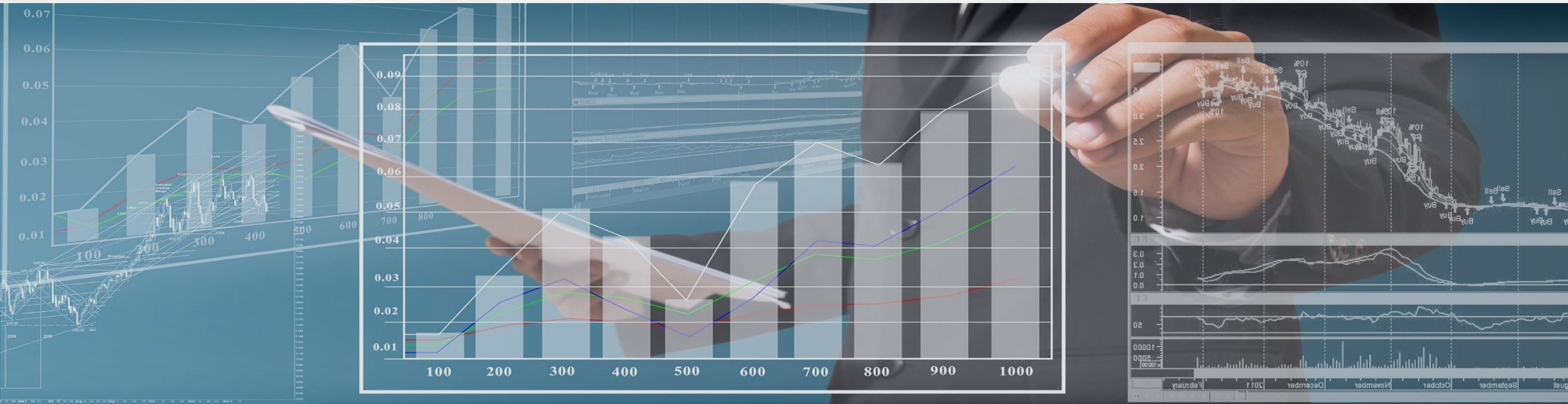
BUSINESS REVIEW

New Car Sales and After Sales Businesses

New Car Sales Volume

(Unit)

- ■ Mid to High-end Car Sales Volume
- ■ Luxury and Ultra-luxury Car Sales Volume

96,883
- 28,921
- 67,962 (2016)

+12.5%

109,016
- 29,004
- 80,012 (2017)

New Car Sales GPM

- 2.89% (2016)

+198bps

- 4.87% (2017)

New Car Sales Revenue

(RMB MM)

- 27,042 (2016)

+12.0%

- 30,289 (2017)

Throughputs

(Unit)

- 987,766 (2016)

+14.3%

4.7%

- 1,128,534 (2017)

Aftersales Revenue

(RMB MM)

- 3,422 (2016)

+13.9%

- 3,899 (2017)
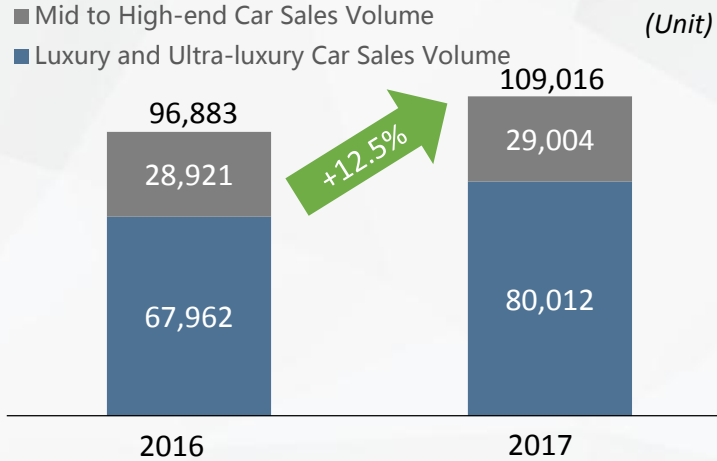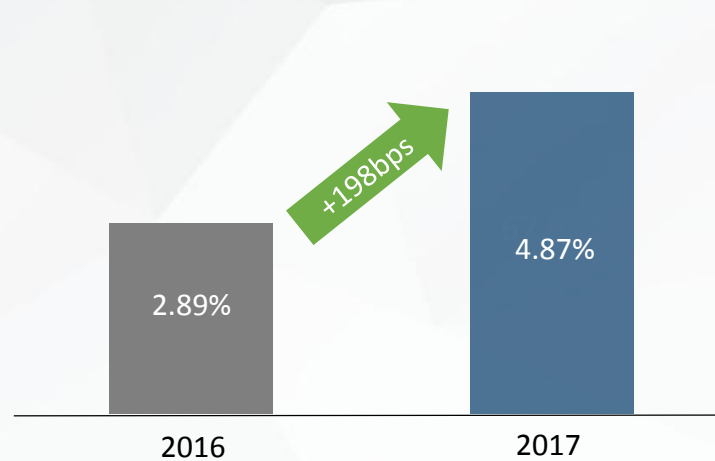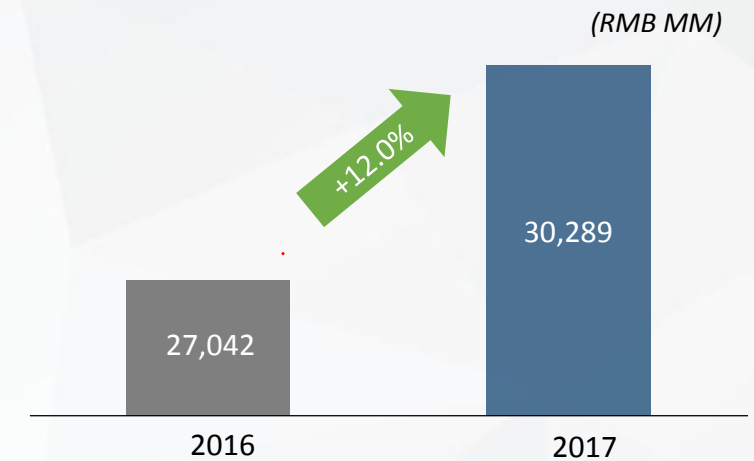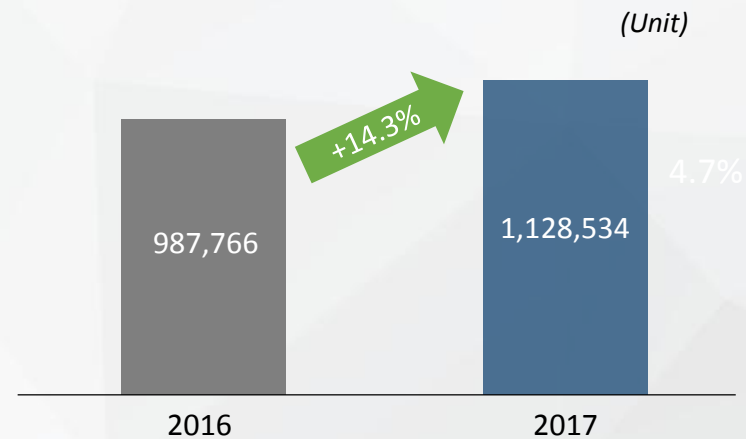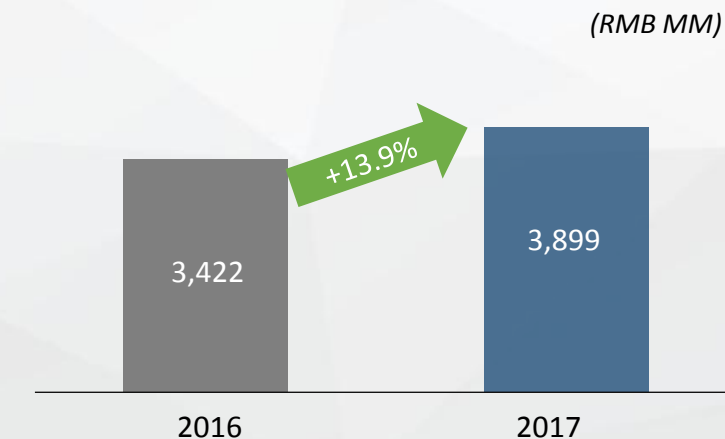
Aftersales Profit Margin

- 47.4% (2016)

-20bps

- 47.2% (2017)
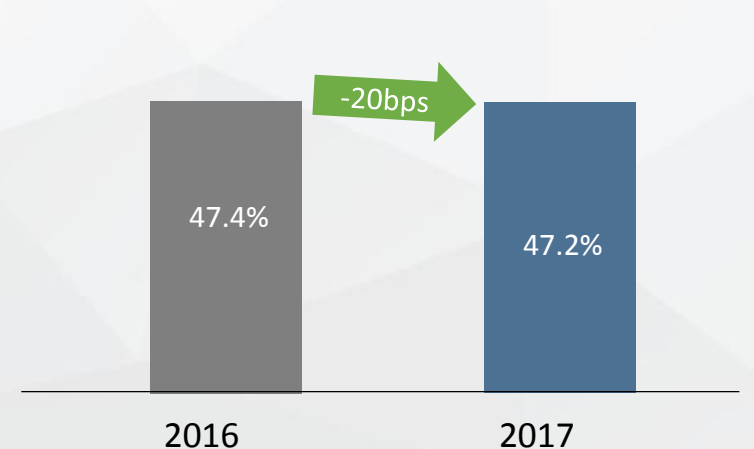
Highlights of AFC Business

Segment Assets

(RMB MM)

+63.9%

2016: 4,413
2017: 7,235

Segment Profit

(RMB MM)

+70.6%

2016: 221
2017: 377

NPL Ratio

-25%

2016: 0.36%
2017: 0.27%

ROA [1]

1H2016: 5.74%
2016FY: 5.71%
2017FY: 6.57%
1H2017: 4.87% *

ROE [2]

1H2016: 26.18%
2016FY: 28.51%
1H2017: 31.45%
2017FY: 18.90% *
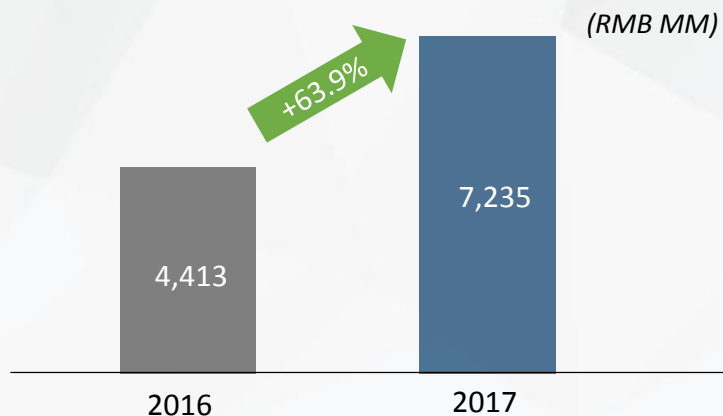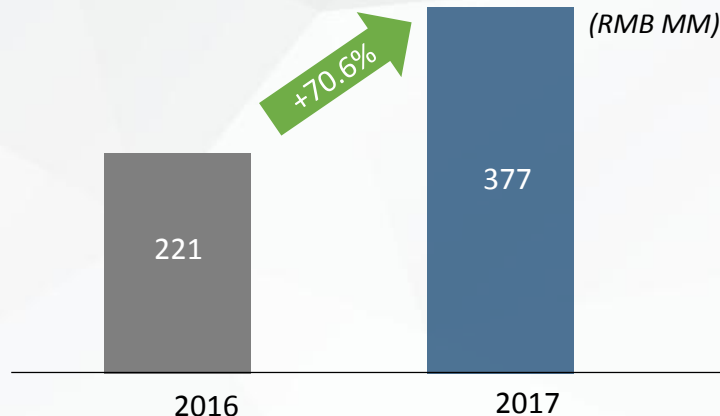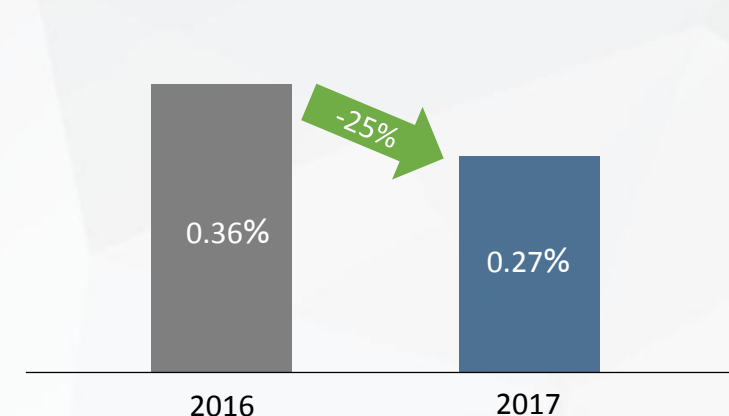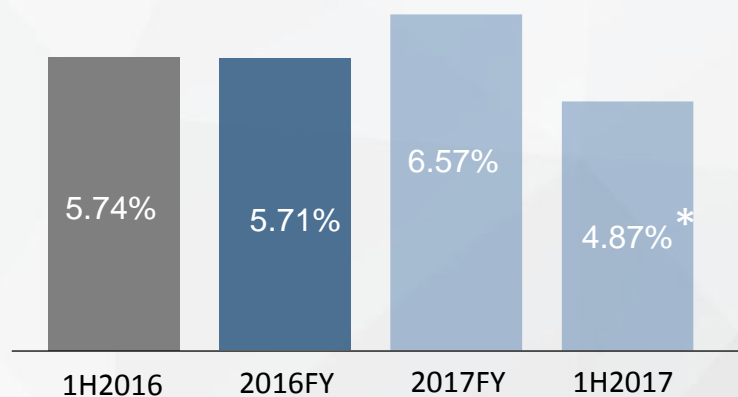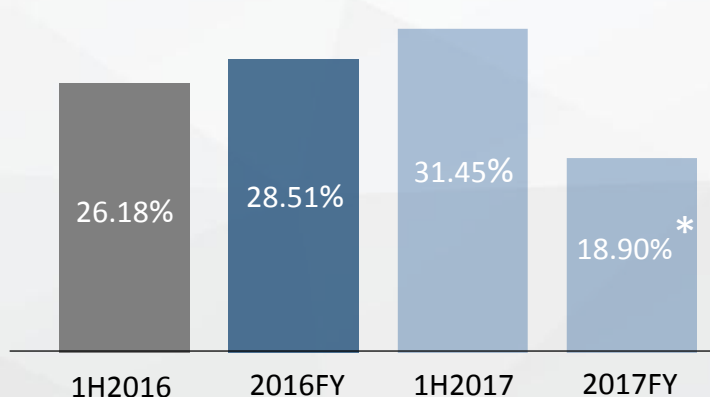
Notes：

1. DZAFC completed the capital injection in June last year, the decrease of ROA and ROE was highly due to the increased registered capital

2. ROA=NPAT*2/(2016FYE total assets + 2017FYE total assets)

3. ROE=NPAT*2/(2016FYE total equity + 2017FYE total equity)

Retail Network Expansion with Focus on Premium Segment

Inner Mongolia (**12**)

Beijing (**9**)

Tianjin (1)

Shandong (3)

Liaoning (1)

Shanghai (**7**)

Hebei (2)

Jiangsu (1)

Henan (3)

Chongqing(1)

Sichuan (3)

Hubei (**21**)

Hunan (8)

Yunan (1)

Fujian (2)

Guangdong (**59**)

Hainan (2)

Jiangxi (8)

Zhejiang (3)

Anhui (1)
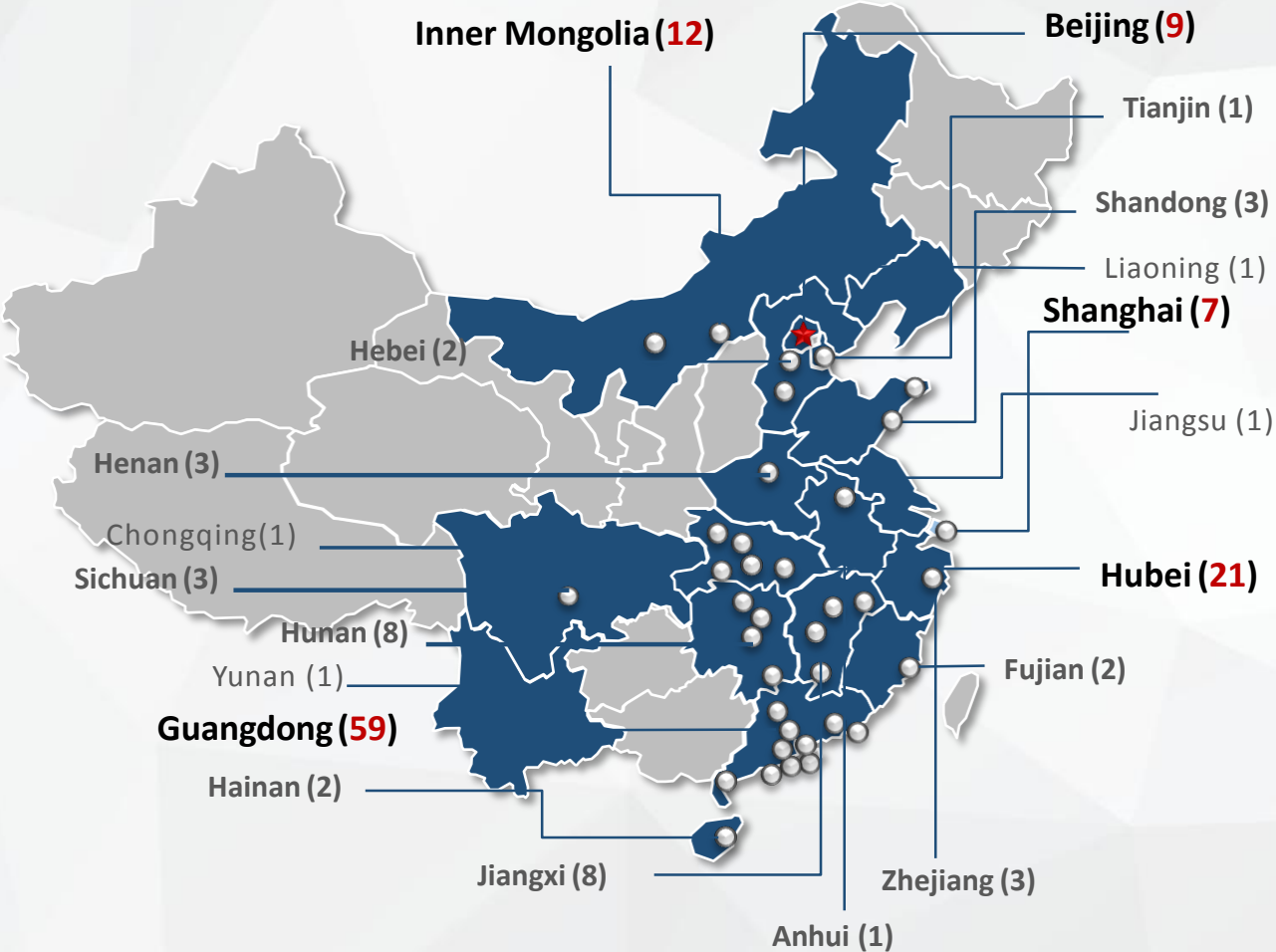
Zhengtong has created a **concentrated network** to enhancebusiness efficiency and profitability in Guangdong, Hubei, Inner Mongoliaand Beijing.

2017 NETWORK DEVELOPMENT

	Newly Opened	Strategic Coop
Porsche	1	
Mercedes-Benz	4	
BMW / MINI	4	10
Audi	3	
Jaguar / Land Rover	1	
Hongqi	2	
Volkswagen	1	
	16	**10**

2017
Total Authorized Outlets

150

91%

Premium Outlets /Total Outlets%

Brand Distribution
Authorized but not Opened Outlets

Audi, 1

Porsche, 2

JLR, 2

BMW, 4

Hongqi, 2

Benz, 4

Volvo, 1
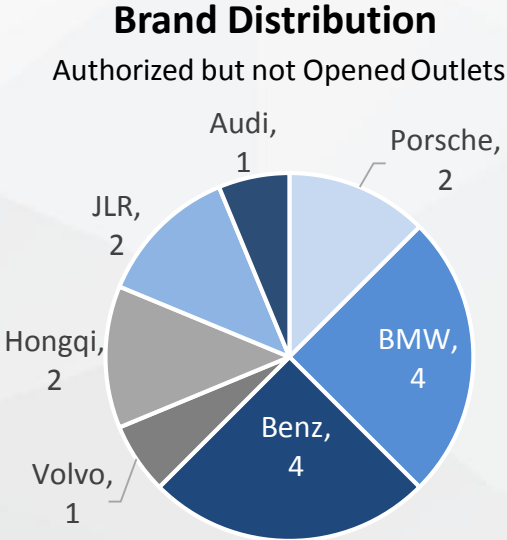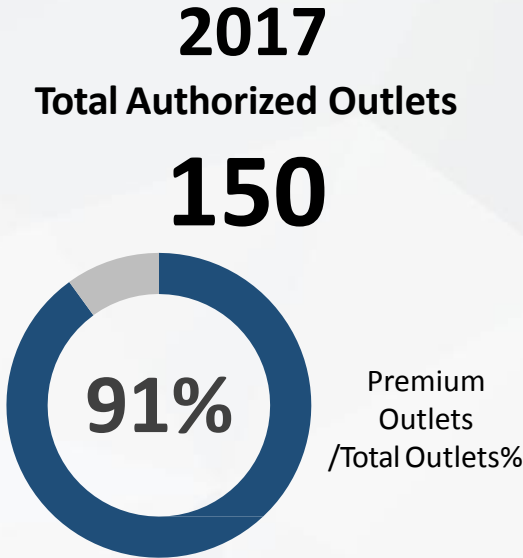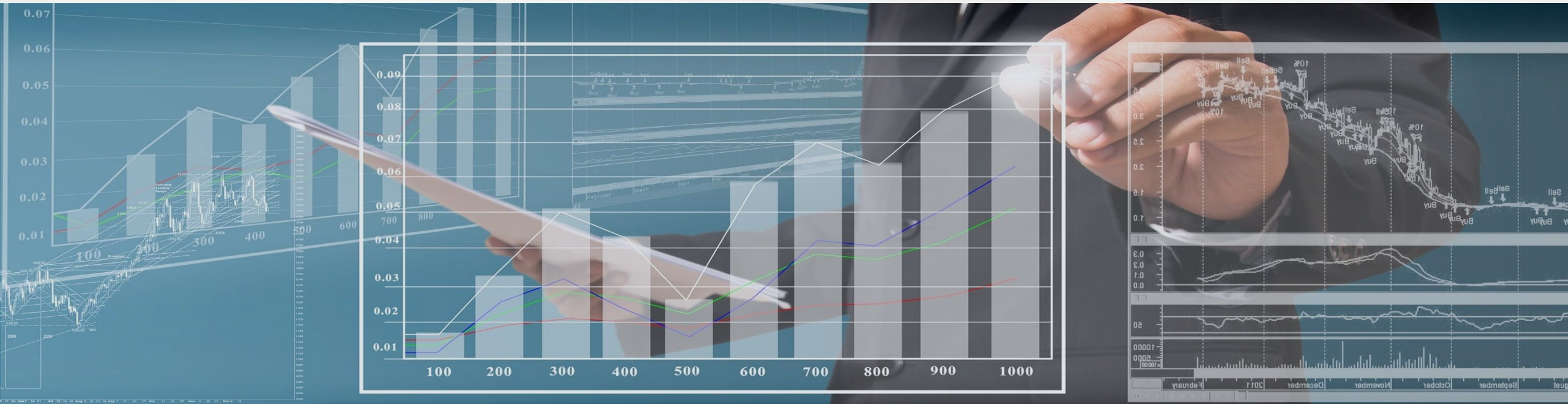
FINANCIAL REVIEW

Financial Review

(RMB mm)	2016	2017	YOY
As of year end of 31 Dec 31 2017			
Turnover	31,519	35,474	*+12.5%*
Gross Profit	2,736	3,768	*+37.7%*
Service Income	377	577	*+52.9%*
Selling, Distribution & Admin	(6.41%)	(4.96%)	*-145bps*
Financing Cost	(1.53%)	(1.98%)	*+45bps*
Net Profit Margin	1.61%	3.42%	*+181bps*
Profit to Common Shareholders	493	1,190	*+141.4%*
Basic Earnings per Share(RMB cents)	22.3	53.8	*+141.3%*

Profitability Snapshots

(RMB mm)	As of year end of 31 Dec 2017		
	2016	**2017**	**YOY**
New Car GPM	2.89%	4.87%	*+198bps*
After Sales GPM	47.38%	47.18%	*-20bps*
GP Margin	8.68%	10.62%	*+194bps*
EBITDA Margin	5.24%	8.17%	*+293bps*
Operating Margin	3.96%	6.84%	*+288bps*
Net Margin （profit to common shareholders）	1.57%	3.36%	*+179bps*

■ 2015 ■ 2016 ■ 2017

	New Car GPM	After Sales GPM	GP Margin	EBITDA Margin	Operating Margin	Net Margin
2015	3.3%	48.5%	8.8%	5.8%	4.6%	2.1%
2016	2.89%	47.38%	8.68%	5.24%	3.96%	1.57%
2017	4.87%	47.18%	10.62%	8.17%	6.84%	3.36%
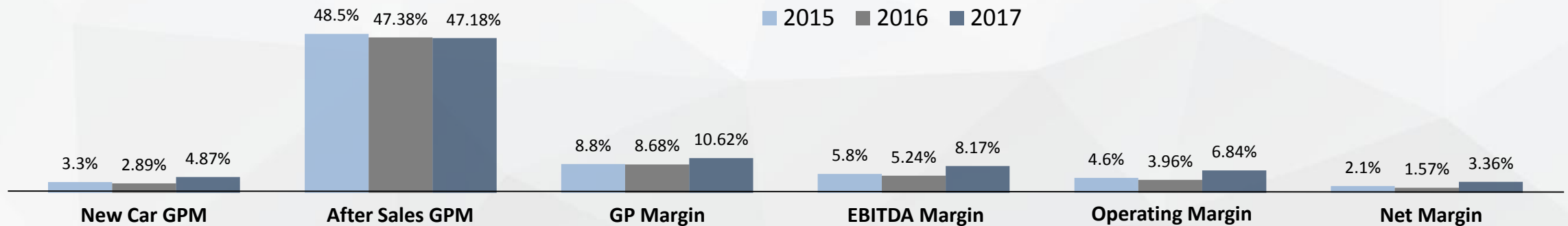
Financial Position and Liquidity

Inventory Days

Year	Value
2015	51.4
2016	39.5
2017	41.1

Receivable Days

Year	Value
2015	6.7
2016	7.1
2017	8.6

Payable Days

Year	Value
2015	59.2
2016	66.5
2017	68.1

Current Ratio

Year	Value
2015	1.0x
2016	0.9x
2017	1.1x

Interest Bearing Debt /EBITDA

Year	Total	With *
2015	4.7x	3.9x*
2016	6.7x	6.0x*
2017	6.2x	5.8x*

Net Debt /Equity[1]

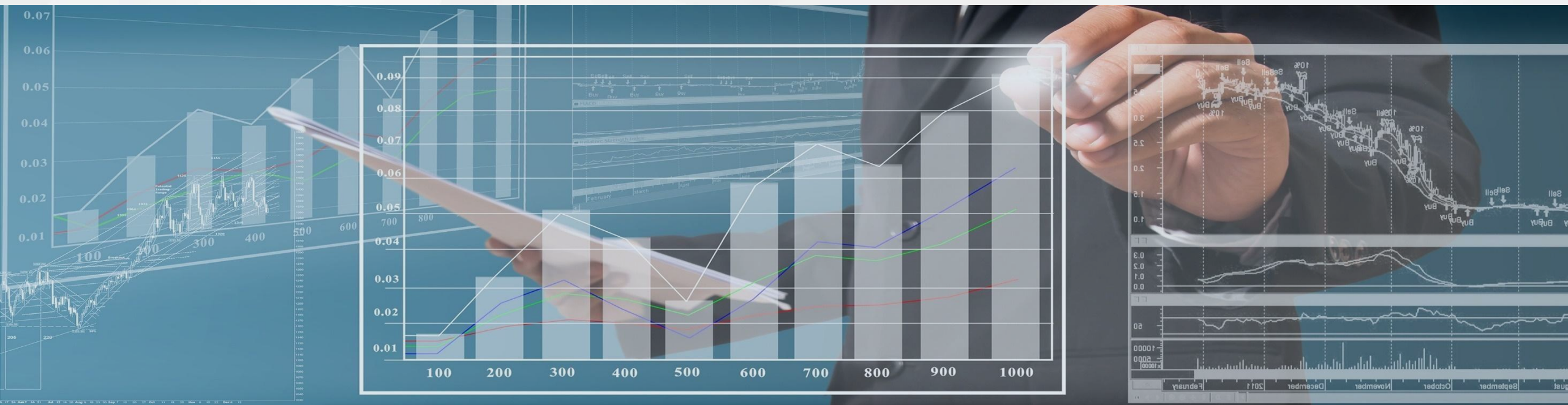| Year	Total	With *
2015	56.6	41.1*
2016	87.5	54.3*
2017	103.5	67.3*
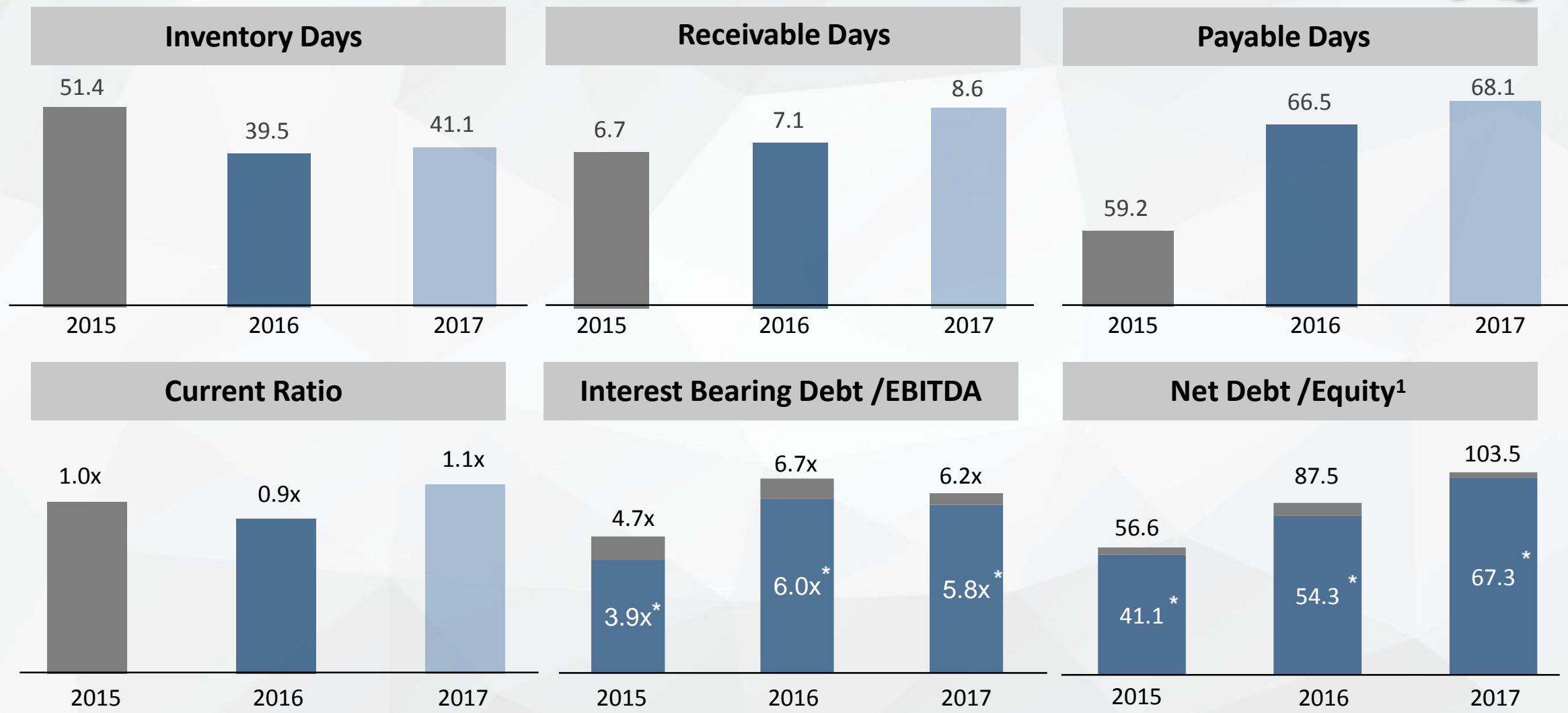
1. Net debt = ST debt + LT debt – Cash and equivalents – Pledged bank deposits
2. * Financial service business was excluded when calculating this ratio

Q&A