

Changsha Tongcheng Holdings Co., Ltd.

Report for the Third Quarter of 2006

1 Important Note

1.1 The Board of Directors, the Supervisory Committee as well as the Directors, Supervisors and Senior Management Staff of Changsha Tongcheng Holdings Co., Ltd (“the Company”) individually and collectively accepts responsibility for the correctness, accuracy and completeness of the contents of this report and confirms that there are no material omissions or errors which would render any statement misleading.

1.2 All Directors, Supervisors and Senior Management Staff agreed with and guaranteed the correctness, accuracy and completeness of the contents of this Report.

1.3 All directors attended the Board of Directors, at which the report for the third quarter of 2006 was reviewed.

1.4 The third quarterly Financial Statements was un-audited.

1.5 Chief Executive of the Company Zhou Zhaoda as well as Accounting Supervisor Tang Jiancheng and Chief Accountant Li Xi hereby confirm that the Financial Statements in this report is true and complete.

2 Company Profile

2.1 Basic Information

Short Form of the Stock	Tongcheng Holdings	Short form before change (if has)	G Tongcheng
Stock code	000419		
	Secretary of the Board	Securities Affairs Representative	
Name	Su Qianli		
Contact Address	No. 589 Labour West Road Changsha, Hunan, China		
Tel	0731-5534994		
Fax	0731-5535588		
E-mail	wqm0708@263.net		

2.2 Financial Data

2.2.1 Key Accounting Data and Financial Indexes (Unit: RMB)

	Quarterly Ended Sept. 30 th , 2006	Quarterly Ended Dec. 31 st , 2005	+ / - (%)
Total assets	1,715,569,961.12	1,551,705,710.69	10.56%
Shareholders' equity (minority interests excluded)	649,270,126.18	634,580,101.82	2.31%
Net assets per share	3.6994	3.6157	2.31%
net assets per share (Adjusted)	3.6698	3.5805	2.49%
	Jul.-Sept., 2006	Jan.-Sept., 2006	To Third Quarter of 2005
Net cash flow from operating activities	61,580,620.86	143,643,369.35	567.43%
Earnings per share	0.0281	0.0837	24.34%
Earnings per share (Note)	0.0281	-	-
Return on net assets	0.76%	2.26%	0.11%
Return on net assets after deducting non-recurring profits and losses	0.20%	1.52%	-0.41%

Note: Net cash flow from operating activities of this quarter increases a lot compared to the same period of last year, as the company actively carries out its prime operations, broadens its operating channels, improves inventory management, and optimizes payment management and payment term of purchasing.

Non-recurring profits and losses item	Amount
Plus: Investment income	3,115,216.00
Subsidy income	1,500,000.00
Non-operating incomes	348,833.35
Minus: non-operating expenses	120,105.40
Total	4,843,943.95

2.2.2 Financial Statements

2.2.2.1 Balance Sheet

Company: Changsha Tongcheng Holdings Co., Ltd. Date: Sept. 30th, 2006 Unit: RMB

Items	End of the reporting period		End of the previous year	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Currency capital	384,051,819.00	367,936,335.82	229,536,689.39	206,110,529.83
Short-term investment				
Notes receivable	144,000.00	144,000.00		
Dividends receivable				
Interests receivable				
Accounts receivable	29,939,360.84	5,970,913.39	11,444,143.14	6,177,086.07
Other receivable	13,603,568.65	184,351,685.37	12,804,364.26	193,702,640.77
Prepayments	11,948,633.89	9,179,163.04	7,089,017.20	6,195,181.62
Subsidy receivable				
Inventories	170,634,482.81	165,021,814.26	169,434,500.41	164,122,468.75
Prepaid expenses	502,159.63	190,278.08	479,063.97	190,977.29
Long-term bond investment due within one year				
Other current assets				
Total current assets	610,824,024.82	732,794,189.96	430,787,778.37	576,498,884.33
Long-term investment				
Long-term equity investment	20,600,000.00	189,194,616.04	20,600,000.00	177,588,212.58

Long-term bond investment				
Total long-term investment	20,600,000.00	189,194,616.04	20,600,000.00	177,588,212.58
Cost-book value differentials				
Fixed assets:				
Original value of fixed assets	1,303,815,119.35	770,142,396.02	1,282,928,700.62	749,729,197.49
Minus: accumulated depreciation	282,144,313.40	131,423,956.06	237,904,699.93	103,871,955.68
Net value of fixed assets	1,021,670,805.95	638,718,439.96	1,045,024,000.69	645,857,241.81
Minus: fixed assets depreciation reserves			149,430.56	149,430.56
Net fixed assets	1,021,670,805.95	638,718,439.96	1,044,874,570.13	645,707,811.25
Project goods and materials				
Assets under construction	29,014,778.85	23,093,618.43	20,723,762.70	20,723,762.70
Liquidation of fixed assets				
Total fixed assets	1,050,685,584.80	661,812,058.39	1,065,598,332.83	666,431,573.95
Intangible assets and other assets:				
Intangible assets	30,015,982.18	30,015,982.18	30,475,327.49	30,475,327.49
Long-term prepaid expenses	3,444,369.32	3,442,966.82	4,244,272.00	4,244,272.00
Other long-term assets				
Total of intangible assets and other assets	33,460,351.50	33,458,949.00	34,719,599.49	34,719,599.49
Deferred taxes:				
Deferred tax debits				
Total assets	1,715,569,961.12	1,617,259,813.39	1,551,705,710.69	1,455,238,270.35
Current liabilities:				
Short-term loans	131,000,000.00	131,000,000.00	140,000,000.00	140,000,000.00

Notes payable	320,945,000.00	320,945,000.00	220,868,000.00	220,868,000.00
Accounts payable	113,301,822.43	106,720,859.03	126,857,995.53	124,467,427.10
Advance receivable	16,654,131.82	11,995,799.04	9,045,865.41	4,521,284.76
Payroll payable				
Welfare payable	1,011,936.72	792,831.10	571,728.23	352,622.61
Dividends payable	600,300.00	600,300.00	600,300.00	600,300.00
Taxes payable	14,262,156.37	12,727,941.21	25,411,966.50	18,207,818.23
Other taxes and expenses payable	46,942.56	46,560.51	159,359.05	159,359.05
Other payables	25,236,631.81	18,715,333.95	26,075,038.73	17,347,346.61
Accrued expenses	4,503,987.95	4,445,062.37	4,134,010.17	4,134,010.17
Accrued liabilities				
Long-term liabilities due within one year				
Other current liabilities				
Total current liabilities	627,562,909.66	607,989,687.21	553,724,263.62	530,658,168.53
Long-term liabilities				
Long-term loans	360,000,000.00	360,000,000.00	290,000,000.00	290,000,000.00
Bonds payable				
Long-term account payable				
Special account payable				
Other long-term liabilities				
Total long-term liabilities	360,000,000.00	360,000,000.00	290,000,000.00	290,000,000.00
Deferred taxes				
Deferred tax credit				
Total liabilities	987,562,909.66	967,989,687.21	843,724,263.62	820,658,168.53
Minority interests	78,736,925.28		73,401,345.25	
Owners/shareholders' equity				
Paid-up capital (stock)	175,508,155.00	175,508,155.00	175,508,155.00	175,508,155.00
Minus: investment				

returned				
Net paid-up capital (stock)	175,508,155.00	175,508,155.00	175,508,155.00	175,508,155.00
Capital reserve	287,817,231.13	287,817,231.13	287,817,231.13	287,817,231.13
Surplus reserve	52,319,828.77	40,576,136.57	52,319,828.77	40,576,136.57
Among which, Legal public welfare fund	17,439,942.91	13,525,378.84	17,439,942.91	13,525,378.84
Undistributed profit	133,624,911.28	145,368,603.48	118,934,886.92	130,678,579.12
Among which, Cash dividends				
Unconfirmed investment loss				
Foreign currency statement translation				
Total owners/shareholders' equity	649,270,126.18	649,270,126.18	634,580,101.82	634,580,101.82
Total liabilities and owners/shareholders' equity	1,715,569,961.12	1,617,259,813.39	1,551,705,710.69	1,455,238,270.35

2.2.2.2 Profit and Profit Distribution during the Reporting Period

Name: Changsha Tongcheng Holdings Co., Ltd; Period: Jul.-Sept, 2006; Unit: RMB

Items	Jul.-Sept, 2006		Jul.-Sept, 2005	
	Consolidation	Parent company	Consolidation	Parent company
I. Main operating revenue	264,719,171.53	230,420,886.25	211,783,767.91	182,901,453.74
Minus: operating cost	207,612,476.06	203,383,146.99	157,681,377.42	153,650,436.67
Taxes and associate charges	2,359,784.20	648,269.55	2,405,338.26	841,813.12
II. Main operating profit ("-" for loss)	54,746,911.27	26,389,469.71	51,697,052.23	28,409,203.95
Plus: Profits from other	12,223,671.46	11,392,925.88	12,359,921.34	12,172,573.02

business ("-" for loss)				
Minus: operating expenses	17,715,289.74	13,135,793.89	18,406,204.71	14,097,127.49
Administrative expenses	38,581,827.32	25,353,880.21	33,203,397.78	21,953,372.70
Financial expenses	6,056,330.41	2,970,281.22	6,636,778.38	3,423,002.38
III. Operating profits ("-" for loss)	4,617,135.26	-3,677,559.73	5,810,592.70	1,108,274.40
Plus: investment income ("-" for Loss)	1,877,616.00	6,489,452.58		3,073,940.83
Subsidy income	1,500,000.00	1,500,000.00		
Non-operating incomes	404,402.51	91,136.67	254,463.15	227,641.72
Minus: non-operating expenses	49,249.50	49,246.37	1,809.01	1,809.01
IV. Total profits ("-" for loss)	8,349,904.27	4,353,783.15	6,063,246.84	4,408,047.94
Minus: Income tax	1,634,151.48	-581,639.08	440,255.35	440,255.35
Minority interest income	1,780,330.56		1,655,198.90	
Plus: unconfirmed investment loss during the period				
V. Net profits ("-" for loss)	4,935,422.23	4,935,422.23	3,967,792.59	3,967,792.59
Plus: undistributed profits at the beginning of year				
Other transfer in				
VI. Profits	4,935,422.23	4,935,422.23	3,967,792.59	3,967,792.59

available for distribution				
Minus: Withdrawal of legal surplus				
Withdrawal of legal public welfare fund				
Withdrawal of staff and workers' bonus and welfare fund				
Withdrawal of reserve fund				
Withdrawal of reserve for business expansion				
Profits capitalized on return of investment				
VII. Profits available for shareholders' distribution	4,935,422.23	4,935,422.23	3,967,792.59	3,967,792.59
Minus: Preferred stock dividends payable				
Withdrawal of free surplus reserves				
Common stock dividends payable				
Common Stock dividends change to assets (stock)				
VIII. Undistributed profit	4,935,422.23	4,935,422.23	3,967,792.59	3,967,792.59
Profit Statement				

(supplementary data)				
1. Profit from sales and disposal of departments or invested units				
2. Losses due to natural disasters				
3. Increase/decrease in total profits caused by changes of accounting policies				
4. Increase/decrease in total profits caused by changes in accounting estimate				
5. Losses from liability reorganization				
6. Others				

2.2.2.3 Income and Profit Distribution Statement from Jan. to Sept. of 2006

Name: Changsha Tongcheng Holdings Co., Ltd; Period: Jan.-Sept., 2006; Unit: RMB

Items	Jan.-Sept., 2006		Jan.-Sept., 2005	
	Consolidation	Parent company	Consolidation	Parent company
I. Main operating revenue	801,469,529.80	705,150,394.68	699,174,042.57	611,121,046.93
Minus: operating cost	635,265,569.05	621,872,281.92	551,270,174.49	538,564,090.06
Taxes and associate charges	6,794,603.52	1,998,373.40	6,744,441.96	2,113,149.45

II. Main operating profit ("-" for loss)	159,409,357.23	81,279,739.36	141,159,426.12	70,443,807.42
Plus: Profits from other business ("-" for loss)	34,314,451.78	31,097,238.95	36,770,891.81	36,207,467.65
Minus: operating expenses	49,561,951.90	35,480,270.86	41,267,045.18	28,710,431.52
Administrative expenses	107,001,864.62	69,234,451.15	97,705,160.54	64,168,147.58
Financial expenses	18,491,298.41	9,233,937.82	19,014,218.61	9,153,607.35
III. Operating profits ("-" for loss)	18,668,694.08	-1,571,681.52	19,943,893.60	4,619,088.62
Plus: investment income ("-" for Loss)	3,115,216.00	14,721,619.46		10,010,504.00
Subsidy income	1,500,000.00	1,500,000.00		
Non-operating incomes	467,737.69	128,010.99	319,747.84	243,755.54
Minus: non-operating expenses	137,433.54	87,924.57	56,315.24	56,293.34
IV. Total profits ("-" for loss)	23,614,214.23	14,690,024.36	20,207,326.20	14,817,054.82
Minus: income tax	3,588,609.84		1,428,772.79	1,428,772.79
Minority interest income	5,335,580.03		5,390,271.38	
Plus: unconfirmed investment loss during the period				
V. Net profits ("-" for loss)	14,690,024.36	14,690,024.36	13,388,282.03	13,388,282.03
Plus: undistributed profits at the beginning of	118,934,886.92	130,678,579.12	91,993,675.83	102,328,123.83

year				
Other transfer in				
VI. Profits available for distribution	133,624,911.28	145,368,603.48	105,381,957.86	115,716,405.86
Minus: Withdrawal of legal surplus				
Withdrawal of legal public welfare fund				
Withdrawal of staff and workers' bonus and welfare fund				
Withdrawal of reserve fund				
Withdrawal of reserve for business expansion				
Profits capitalized on return of investment				
VII. Profits available for shareholders' distribution	133,624,911.28	145,368,603.48	105,381,957.86	115,716,405.86
Minus: Preferred stock dividends payable				
Withdrawal of free surplus reserves				
Common stock dividends payable				
Common stock dividends change to assets (or stock)				
VIII. Undistributed profit	133,624,911.28	145,368,603.48	105,381,957.86	115,716,405.86

Profit Statement (supplementary data)				
1. Profit from sales and disposal of departments or invested units				
2. Losses due to natural disasters				
3. Increase/decrease in total profits caused by changes of accounting policies				
4. Increase/decrease in total profits caused by changes in accounting estimate				
5. Losses from liability reorganization				
6. Others				

2.2.2.4 Cash Flow Statement from Jan. to Sept. of 2006

Name: Changsha Tongcheng Holdings Co., Ltd; Period: Jan.-Sept., 2006; Unit: RMB

Items	Jan.-Sept., 2006	
	Consolidation	Parent company
I. Cash flow from operating activities		
Cash received from sales of goods or rendering of services	910,734,335.96	833,501,399.91
Refund of taxes and levies		
Other cash received relating to operating activities	39,304,906.79	37,115,954.60
Subtotal of cash inflows	950,039,242.75	870,617,354.51

Cash paid for goods and services	661,958,465.23	650,579,300.91
Cash paid to/for employees	33,201,551.02	22,201,464.29
Payments of all types of taxes	32,575,208.61	18,520,817.59
Other cash paid relating to operating activities	78,660,648.54	55,173,376.35
Subtotal of cash outflows	806,395,873.40	746,474,959.14
Net cash flow from operating activities	143,643,369.35	124,142,395.37
II. Cash flows from investing activities		
Cash received from disposal of investments		
Cash received from returns on investments	3,115,216.00	3,115,216.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	36,444.29	54,849.40
Other cash received relating to investing activities		
Subtotal of cash inflows	3,151,660.29	3,170,065.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets	37,147,915.29	30,762,683.43
Cash paid to acquire investments		
Other cash payments relating to investing activities		
Subtotal of cash outflows	37,147,915.29	30,762,683.43
Net cash flow from investing activities	-33,996,255.00	-27,592,618.03
III. Cash flows from financing activities		
Cash received from investment		
Cash received from borrowings	241,000,000.00	241,000,000.00
Other cash received relating to financing activities	613,419.05	468,203.26
Subtotal of cash inflows	241,613,419.05	241,468,203.26
Cash repayments of amounts borrowed	180,000,000.00	168,000,000.00
Cash payments for interest expenses and distribution of dividends and profits	16,745,403.79	8,192,174.61
Other cash payments relating to financing activities		
Subtotal of cash outflows	196,745,403.79	176,192,174.61
Net cash flow from financing activities	44,868,015.26	65,276,028.65
IV. Effect of foreign exchange rate changes on cash		
V. Net increase of cash and cash equivalents	154,515,129.61	161,825,805.99
Cash flow statement (supplemental information)		
I. Cash flow for adjusting net profits to operating activities		
Net profit	14,690,024.36	14,690,024.36
Plus: provision for assets impairment	888,857.89	354,721.66
Depreciation of fixed assets	45,167,345.79	28,472,006.35

Amortization of intangible assets	689,025.31	689,025.31
Amortization of long-term prepaid expenses	1,160,914.08	1,160,786.58
Decrease in prepaid expenses (minus: increase)	-23,095.66	699.21
Increase in accrued expenses (minus: decrease)	369,977.78	311,052.20
Losses on disposal of fixed assets, intangible assets and other long-term assets (minus: gains)	51,189.09	51,189.09
Losses on disposal of fixed assets	-149,430.56	-149,430.56
Financial expenses	16,131,984.74	7,723,971.35
Investment losses (minus: gains)	-3,115,216.00	-14,721,619.46
Deferred tax credit (minus: debit)		
Decrease in inventories (minus: increase)	-1,199,982.40	-899,345.51
Decrease in operating receivables (minus: increase)	-25,186,896.67	-5,925,575.00
Increase in operating payables (minus: decrease)	88,833,091.57	92,384,889.79
Others		
Minority interest income	5,335,580.03	
Net cash flow from operating activities	143,643,369.35	124,142,395.37
2. Investing and financing activities not involving cash receipts and payment		
Conversion of debt into capital		
Convertible company bonds due within one year		
Fixed assets under financing lease		
3. Net increase in cash and cash equivalents		
Cash at the end of period	384,051,819.00	367,936,335.82
Minus: cash at the beginning of period	229,536,689.39	206,110,529.83
Plus: cash equivalents at the end of reporting period		
Minus: cash equivalents at the beginning of period		
Net increase in cash and cash equivalents	154,515,129.61	161,825,805.99

2.3 Total Number of Shareholders and Shares of the Top 10 Shareholders

Total Number of shareholders, Sept., 2006	18,272	
Transferable shares of the top 10 shareholders		
Name of shareholders (full name)	Number of transferable shares held at the end of the reporting period	Type of Shares (A, B, H or other shares)
Tongde Securities Investment Fund	1,978,626	A

Wang Shunqi	912,904	A
Liu Xihong	682,905	A
Wang Zhuhua	672,588	A
Liu Li	652,371	A
Cao Fengying	620,000	A
Deng Shengfa	520,101	A
Yu Shuqin	501,948	A
Zhong Jinhui	411,621	A
Zhao Yingmei	390,000	A

3 Discussion and Analysis of the Management Staff

3.1 Performance of the Company during the Reporting Period

3.1.1 Core business accounting for over 10% of the revenue or gross profit

Applicable Not applicable

Unit: Million RMB

Prime operations by industry			
	Revenue	Cost	Profit margin (%)
Retail Sector	690	618.75	10.33%
Tourism	108.66	16.52	84.80%
Other industries	2.80	0.00	100.00%
Including: associated transactions	0.00	0.00	0.00%

Note: Hunan Tongcheng Pawn Co., Ltd, the holding subsidiary of Changsha Tongcheng Holdings Co., Ltd., was put into operation formally in April.

3.1.2 Seasonal or periodical characteristics of the company's operations

Applicable Not applicable

3.1.3 Profit composition during the reporting period (key alternations of the percentage of prime business profits, profits of other businesses, expenses, investment benefits, subsidy incomes and net non-operating incomes in the total profits compared to the previous reporting period, and the reasons)

Applicable Not applicable

3.1.4 Major changes of prime operations and the structure compared to the previous reporting period, and the reasons

Applicable Not applicable

3.1.5 Major changes of the profit margin of prime operations compared to the previous reporting period, and the reasons

Applicable Not applicable

3.2 Analysis on major events, the impacts and solutions

Occupation and liquidation advancement of non-operating capitals

Applicable Not applicable

3.3 Changes of accounting policies, accounting estimates, consolidation scope and major accounting errors, and the reasons

Applicable Not applicable

3.4 Relevant explanations by the Board and the Supervisory Committee when getting "non-standard suggestions" after auditing

Applicable Not applicable

3.5 Warning about the possible deficit of accumulated net profit from beginning of year to end of next reporting period, or great reduction compared to the same period of last year, and the reasons

Applicable Not applicable

3.6 Rolling adjustment on the disclosed annual operation plan or budget of the company

Applicable Not applicable

3.7 Special commitments made by shareholders holding former non-circulating shares in share reform and the execution

Applicable Not applicable

Name	Special commitment	Fulfillment of commitment
Hunan Jinfan Investment Management Co., Ltd.	As the 3 million shares that Hunan Jinfan Investment Management Co., Ltd. held have been pawned, in order to guarantee the smooth implementation of the company's reform of non-tradable shares, Changsha Tongcheng Holdings Co., Ltd agrees to pay for the above shareholder temporarily. When the legal lock-up period expires, the above non-tradable shareholder should repay shares to Changsha Tongcheng Holdings Co., Ltd before selling stocks, or its Board could apply to SSE for share trading after acquiring the permission of Changsha Tongcheng Holdings Co., Ltd	Strict implementation

3.8 Timetable for share reform plan if have not started share reform yet.

Applicable Not applicable

Changsha Tongcheng Holdings Co., Ltd.

Board of Directors

Oct. 21st, 2006

By 7th Nov 2006, there are 840 companies listed in Shanghai Stock Exchange, 553 companies listed in Shenzhen Stock Exchange, 1174 companies listed in Hong Kong Stock Exchange and 749 companies listed in Taiwan Stock Exchange. As a result of great effort, **ReserachInchina** (www.researchinchina.com) are delighted to provide the detailed English Financial Statement for all of those listed companies mentioned above in Greater China.

For more company financial statements, as well as the price information or other related information, please write to report@researchinchina.com or dial 0086-10-82600828.