

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The board of directors (“the Board”) of Great China Holdings Limited (“the Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30 June 2006. The results have been reviewed by the Company’s audit committee.

The Group’s turnover for the six months ended 30 June 2006 was approximately HK\$777,623,000, representing a drop of about 18.02% from the same period in 2005. In spite of the substantial drop in turnover, the Group’s fishmeal business still made a very positive contribution. The Group’s net profit for the six months ended 30 June 2006 was approximately HK\$16,051,000, representing a rise of around 47.41% from the same period last year.

### **BUSINESS REVIEW**

#### **General Trading**

The fishmeal prices maintained their upward trend in the first quarter of 2006. The rise in prices gathered momentum towards the end of March. We saw a rapid upsurge throughout April and May, resulting in an aggregate increase in imported fishmeal prices of around 40% in just two months. Quite clearly, the market had become more volatile at higher price levels.

The phenomenal rise in prices was linked apparently to a perceived shrinkage in the global supply of fishmeal. On 20 April 2006, the relevant Peruvian authority announced that the anchovy fishing quota for the March to July period would be three million metric tons. The announced quota was substantially less than what had been expected. The fishmeal prices, already at their record highs, were further boosted by the reduced fishing quota.

On the demand side, as an attempt to counter-act the sharp rise in fishmeal prices, the end consumers in China tried all possible ways to reduce the use of fishmeal. We view this as a major cause for the drop in the Group’s turnover. Also, because of the reduction in demand, we expect that the volume of fishmeal imported to China will go down in 2006.

For tapioca chips, the prices were relatively stable in the first half of 2006, despite some fluctuations in the exchange rate of the Thai baht. Due to fierce market competition, this sector did not contribute much to the Group’s results. Nevertheless, we managed to keep the market share that we greatly expanded last year.

Oil prices went up in the first half of 2006, but sea freight was not agitated and remained at a low level throughout the period, though some minor ups and downs had been noted. The effect of fluctuations in sea freight on the results of our trading sector was negligible during the period under review.

#### **Property Investment in Hong Kong**

As detailed in the circular to shareholders dated 20 June 2006, our Group entered into an agreement in May for the sale of a property in Lantau Island. The transaction was completed in July 2006.

During the first half of 2006, the Group renewed or replaced the tenancy agreements of some of its investment properties at rental levels comparable to those of the corresponding old agreements. This was in line with the general trend. No significant rise or drop in Hong Kong’s property market was noted during the first half of 2006.