

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.

BUSINESS REVIEW *(Cont'd)*

Property Investment in PRC

The economy of China remained vigorous in the first half of 2006. The GDP for the second quarter was 11.3% better than that of 2005. Some worries about the economy turning overheated were heard again. The Central Government continued to monitor and handle the situation with care. The People's Bank raised lending rates first in April and again in July 2006.

The property market in Shanghai was relatively stable during the first half of 2006. The Group's investment properties there continued to provide a steady source of rental income, as they are all located inside the inner circle of the city where demand remains strong.

PROSPECTS

General Trading

After the rapid rise in April and May, the prices of imported fishmeal have consolidated gradually for nearly three months. By the end of August, the prices were about 20% below their record highs. The price adjustment, however, was considered insufficient by many of the end consumers in China. Most buyers, including distributors, were reluctant to enter into the market at such price levels.

It seems that the high prices have shifted the balance between supply and demand. As a consequence of shrinkage in transactions in the fishmeal market, we anticipate that the turnover of our fishmeal business in 2006 will be lower than that of 2005 in terms of tonnage. Despite such adverse market conditions, we did not see any significant drop in our market share in the first half year. We are confident that, for the year 2006 as a whole, the fishmeal business of the Group will maintain its market share and will contribute positively to the Group's results.

Property Investment

After seventeen consecutive rises of 0.25% each, the US Federal Reserve decided to leave the federal funds rate intact in its August and September meetings. Whilst some analysts viewed this as a hint that the US Federal Reserve was approaching the end of its two-year tightening cycle, others still worried that inflationary pressure would force the US Federal Reserve to further raise interest rates in the near future.

The views on the direction of the interest rate in China are less divided. Most analysts believe that the People's Bank will continue to raise rates to cool down the economy, as a precaution to prevent it from turning overheated.

Since the end of June, the Group has concluded agreements for the renewal or replacement of some tenancies that expired after the half-year end date. Currently, all our investment properties in Hong Kong are leased out at market rates.

On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration of Industry and Commerce and the State Administration of Foreign Exchange jointly issued a document (hereafter referred to as "Document No 171") containing new proposals to regulate foreign investment in China's real estate sector. The proposals included an increase in the ratio of registered capital in property developers' overall investment and restrictions on residential property purchases by foreign institutions and individuals.

Taken into consideration the possible effects of the restrictions imposed by Document No 171 on the purchases of residential properties by foreigners, the Group has decided to restructure its China property portfolio by disposing the residential properties and concentrating more on the commercial and/or retail properties.