

# VALUE PARTNERS CHINA GREENCHIP FUND LIMITED

(Incorporated as an exempted company in the Cayman Islands with limited liability)

(Stock Code: 1186)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

### RESULTS

The Board of Directors (the “Board”) of Value Partners China Greenchip Fund Limited (the “Company”) is pleased to announce the audited financial statements of the Company for the year ended 31 December 2003.

### INCOME STATEMENT

|  |              | <b>01.01.2003</b>          | 16.01.2002        |
|--|--------------|----------------------------|-------------------|
|  |              | to                         | to                |
|  |              | <b>31.12.2003</b>          | 31.12.2002        |
|  | <i>Notes</i> | <i>HK\$</i>                | <i>HK\$</i>       |
| <b>Income</b>  |              |                            |                   |
| Dividend income  |              | <b>16,169,164</b>          | 12,875,336        |
| Interest on bank deposits                                  |              | <b>249,271</b>             | 343,134           |
| Interest on investments                                    |              | <b>774,020</b>             | 998,290           |
| Other income   |              | <b>2,604</b>               | –                 |
|  |              | <u><b>17,195,059</b></u>   | <u>14,216,760</u> |
| <b>Expenses</b>  |              |                            |                   |
| Performance fee  | 4            | <b>37,142,088</b>          | 941,262           |
| Underwriting fee   | 5            | <b>9,285,522</b>           | 235,316           |
| Management fee   | 3            | <b>6,442,234</b>           | 3,415,789         |
| Custodian fee  |              | <b>904,627</b>             | 622,694           |
| Directors’ fee   |              | <b>320,000</b>             | 226,411           |
| Auditors’ fee  |              | <b>214,278</b>             | 236,216           |
| Other operating expenses                                   |              | <b>1,521,850</b>           | 755,042           |
|  |              | <u><b>55,830,599</b></u>   | <u>6,432,730</u>  |
| Net (loss)/income before investment and exchange gain/loss |              | <u><b>(38,635,540)</b></u> | <u>7,784,030</u>  |

|  |              | <b>01.01.2003</b>         | 16.01.2002         |
|--|--------------|---------------------------|--------------------|
|  |              | <b>to</b>                 | to                 |
|  |              | <b>31.12.2003</b>         | 31.12.2002         |
|  | <i>Notes</i> | <i>HK\$</i>               | <i>HK\$</i>        |
| <b>Investments and exchange gain/(loss)</b>            |              |                           |                    |
| Net change in unrealised loss on investment securities |              | <b>196,297,769</b>        | (5,505,857)        |
| Net realised gain on sale of investment securities     |              | <b>160,435,453</b>        | 2,806,009          |
| Exchange (loss)/gain                                   |              | <b>(307,242)</b>          | 57,228             |
|  |              | <u><b>356,425,980</b></u> | <u>(2,642,620)</u> |
| Net income before tax                                  |              | <b>317,790,440</b>        | 5,141,410          |
| Taxation   | 6            | <b>(56,087,920)</b>       | (822,626)          |
| Net income for the year/period                         |              | <b>261,702,520</b>        | 4,318,784          |
| Dividend   | 7            | -                         | -                  |
| Income retained for the period                         |              | <u><b>261,702,520</b></u> | <u>4,318,784</u>   |
| Basic earnings per ordinary share (cents)              | 8            | <u><b>8.52</b></u>        | <u>0.18</u>        |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation of the financial statements

The financial statements are prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention as modified by the fair valuation of investment securities.

### 2. Income and expenses

All income and expenses are accounted for on an accrual basis. Dividend income is recognised on the date it is declared payable by the investee company and when the Company's right to receive payment is established. Dividends received are included separately in dividend income and are stated after deduction of withholding taxes.

### 3. Management fee

The Manager, Value Partners Limited, is entitled to receive a management fee of 1.5% per annum of the net asset value of the Company. The management fee is calculated and accrued daily and payable monthly in arrears.

### 4. Performance fee

The Manager is entitled to receive a performance fee which represents 12% of the net increase between the net asset value per share as at the last business day of each relevant financial year end ("performance fee valuation day") and the higher of (i) the net asset value per share on the day dealing in shares of the Company on The Stock Exchange of Hong Kong Limited commences and

(ii) the highest value for the net asset value per share as at performance fee valuation day for any preceding relevant financial year on which a performance fee was last calculated and paid. The performance fee is calculated and accrued daily and payable yearly in arrears.

#### **5. Underwriting fee**

The underwriter is entitled to receive an underwriting fee which represents 3% of the net increase between the net asset value per share as at the last business day of each relevant financial year end between 2002 and 2006 (both years inclusive) (“underwriting fee valuation day”) and the higher of (i) net asset value per share on the day dealing in shares of the Company on The Stock Exchange of Hong Kong Limited commences and (ii) the highest value for the net asset value per share as at underwriting fee valuation day for any preceding relevant financial year on which an underwriting fee was last calculated and paid. The underwriting fee is calculated and accrued daily and payable yearly in arrears.

#### **6. Taxation**

No provision for Cayman Islands profits tax has been made as a tax exemption certificate has been granted to the Company by the Governor-in-Council of the Cayman Islands which is effective for a period of twenty years.

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

There was no material unprovided deferred taxation for the year.

#### **7. Dividends**

The Board does not recommend the payment of any dividends for the year.

#### **8. Earnings per share**

The basic earnings per ordinary share is calculated by dividing net income of HK\$261,702,520 (2002: HK\$4,318,784) by the weighted average number of ordinary shares outstanding during the year being 30,700,000 (2002: 23,517,143).

### **MANAGEMENT DISCUSSION AND ANALYSIS**

2003 was a hugely successful year for the China-related investments and Value Partners Greenchip Fund Limited (the “Company”) was well-positioned to harvest. Profit attributable to shareholders increased 61 times from HK\$4.3 million to HK\$261.7 million for the year ended 31 December, 2003. The net asset value (“NAV”) per share of the Company was HK\$18.59 as of December 31, 2003 a gain of 85.5%<sup>1</sup> from December 31, 2002.

The Company outperformed the Hang Seng Index (up 34.9%) and the MSCI China Free Index (up 81.1%) by 50.6 and 4.4 percentage points, respectively, from January 1, 2003 to December 31, 2003.

The key to our performance is our ability to pick the right investments. The China bull run served to magnify the profit potential from this ability. We believe that if the market turns bad, our selection process would still be useful to limit the potential downside.

Now, one key question is whether the market for China-related investments has become a bubble, and if so how long the bubble will keep expanding. The truth is, nobody really knows, until a bubble bursts, following which everyone is wise with hindsight. As always, we intend to be practical, and we have set ourselves twin objectives for 2004:

1. To continue participating in the buoyant market for China investing, seeking attractive potential profit from the bull run;
2. But at the same time, to be well prepared in case of a market crash, in which event we aim to keep our potential losses limited and still have sufficient cash to take advantage of new opportunities.

The Company was set up to invest in smaller companies (including unlisted companies), which are under-researched or ignored by institutional investors. The emphasis is on carrying out intensive research to identify under-appreciated value. With this objective, we aim to achieve an attractive reward over the long term, regardless of short-term fluctuations in the marketplace.

In view of the substantial profits tax provision being provided for the year ended 31 December 2003, the Company has engaged a professional tax advisory firm to apply for a profits tax exemption under the Hong Kong Inland Revenue Ordinance. If the Company can satisfy the requirements of the Inland Revenue Ordinance, the Company might qualify for a profits tax exemption. However, the possible outcome remains uncertain at this stage.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

None of the directors of the Company is aware of any information which would indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the year.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the financial statements for the year.

## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be published on the Stock Exchange's website in due course.

By order of the Board  
**Choi Nga Chung**  
*Chairman*

Hong Kong, 24 March 2004

- 1 Calculated based on the Company's NAV as at 31st December 2003, last valuation day in December, and the NAV as at 31st December 2002. In determining the above NAVs, the investments are valued using their closing prices.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Room 3301, Tower II, Lippo Centre, 89 Queensway, Admiralty, Hong Kong on 14th May 2004 at 3:00 p.m. for the purposes of transacting the following business:

1. To receive and consider the Report of Directors and Auditors and the audited financial statements for the year ended 31 December 2003.
2. To re-elect Directors and to authorize the Board of Directors to fix their remuneration for the ensuing year.
3. To re-appoint the Auditors and to authorize the Board of Directors to fix their remuneration.

By Order of the Board  
**LEE Eric Chin Hung**  
*Company Secretary*

Hong Kong, 24th March, 2004

*Notes:*

- (1) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy, together with power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or at any adjourned meeting thereof. Completion and return of the form of proxy will not preclude members from attending the meeting and voting in person.

Please also refer to the published version of this announcement in *The Standard*.