

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 31st December 2003. The net asset value (“NAV”) per share of the Company was HK\$18.59 as of 31st December 2003, a gain of 85.5%¹ from 31st December 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 1st January 2003 to 31st December 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.

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.

Value Partners China Greenchip Fund Limited

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In view of the substantial profits tax provision being provided for the year ended 31st 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.

Liquidity and financial resources

As at 31st December 2003, the Company had bank balances of HK\$96,917,542 and had no borrowing. The Board of Directors believes that the Company has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital structure of the company

Details of movements in the share capital of the Company during the year are set out in note 4 to the financial statements.

Exposure to fluctuations in exchange rates and related hedges

The Company's assets and liabilities are primarily denominated in Hong Kong and US dollars. The Company has no significant exposure to foreign exchange fluctuations

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MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Top ten investment securities

Name of investee company	Nature of business	Holdings	Market	Dividend/ interest	Dividend/ interest	% of net asset
			value HK\$	received HK\$	earned HK\$	
Petrochina Co Ltd – H	Oil & Gas Extraction	11,600,000	51,620,000	1,750,779	1,750,779	9.11%
Oriental Press Group Ltd	Printing & Publishing	10,610,000	29,708,000	665,640	983,940	5.24%
Denway Motors Ltd	Transportation Equipment	3,416,000	28,011,200	196,000	196,000	4.94%
Shandong Chenming Paper Holdings Ltd – B	Pulp/ Paper	3,808,138	27,075,861	–	–	4.78%
Victory City International Holdings Ltd	Textiles Mill Product	7,616,000	25,323,200	946,080	1,304,820	4.47%
Sinopec Zhenhai Refining & Chemical Co Ltd – H	Oil & Gas Extraction	3,714,000	25,069,500	203,134	203,134	4.42%
China International Marine Container Co Ltd – B	Transportation Equipment	1,708,627	24,945,954	–	–	4.40%
Weiqiao Textile Co Ltd – H	Textiles Mill Product	2,364,000	23,167,200	–	–	4.09%
Road King Infrastructure Ltd	Transport Services	3,713,000	22,278,000	853,990	853,990	3.93%
Chongqing Changan Automobile Co Ltd – B	Transport Services	2,165,800	21,874,580	–	–	3.86%
			<u>279,073,495</u>	<u>4,615,623</u>	<u>5,292,663</u>	<u>49.24%</u>

On behalf of the Board

Choi Nga Chung

Chairman

Hong Kong, 24th March 2004