

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31st December 2003.

Principal activities

Value Partners China Greenchip Fund Limited (the “Company”) is a close-ended investment company registered with limited liability in the Cayman Islands on 16th January 2002. Its principal investment objective is to achieve medium-term capital growth by means of investing in companies established in Greater China or which derive a majority of their revenue from business related to Greater China, whether in the form of direct investment or trade.

The Company has been listed on The Stock Exchange of Hong Kong Limited on 8th April 2002. The Company will have an initial life of five years from the date of the Placing. Shareholders shall be given the opportunity to vote in general meeting to extend the life of the Company for successive periods of two years each. Upon the expiration of the initial term of five years (or such longer term if the life of the Company is extended in the manner described in this paragraph), the Company will be wound up and dissolved in accordance with the Cayman Islands Companies Law.

Results and appropriations

The results of the Company for the year are set out in the income statement on page 14.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 16.

Share capital

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

Pre-emptive rights

There is no provision for pre-emptive rights under the Company’s Memorandum and Articles of Association and there was no restriction against such rights under the laws of Cayman Islands.

REPORT OF THE DIRECTORS *(Continued)*

Financial summary since date of incorporation

A summary of the results and of the assets and liabilities of the Company since the date of incorporation is set out on page 31.

Purchase, sale or redemption of securities

During the year, the Company has not purchased, sold or redeemed any of its own shares.

Directors

The directors during the year were:

Mr. Cheah Cheng Hye

Mr. Chung David Kuohsien (resigned on 31st October 2003)

Mr. Li Aubrey Kwok Sing

Mr. Teng Ngiek Lian

Mr. Paul Marin Theil

Mr. Yeung Kin Sing, William

Mr. Choi Nga Chung (appointed on 2nd May 2003)

Mr. Li Kar Keung (appointed on 31st October 2003 and
resigned on 6th February 2004)

Mr. Yeung Kin Sing, William is a non-executive director and was appointed to hold office until the next annual general meeting. He is eligible for re-election at that meeting.

Mr. Li Aubrey Kwok Sing is an independent non-executive director and was appointed for approximately 3 years term expiring on 7th April 2005.

Mr. Paul Marin Theil is an independent non-executive director and was appointed to hold office until the next annual general meeting. He is being eligible for re-election at that meeting.

Mr. Choi Nga Chung is an executive director and was appointed to hold office until the next annual general meeting. He is eligible for re-election at that meeting.

Regarding other directors, there is being no provision in the Company's Articles of Association for retirement by rotation.

REPORT OF THE DIRECTORS (Continued)

Biographical details of directors and senior management

Brief biographical details of directors and senior management are stated below:

Executive Directors:

Mr. Cheah Cheng Hye, aged 50, was appointed as an Executive Director of the Company on 16th January 2002. Mr. Cheah has over twenty years of experience in the finance and investment industry. He co-founded Value Partners Limited and is currently chief investment officer of that company. At Value Partners Limited, Mr. Cheah has been in charge of a China/Hong Kong equities portfolio that has won several performance awards since its launch in 1993. Mr. Cheah has succeeded in expanding Value Partners Limited's funds under management from less than US\$5 million in 1993 to more than US\$1.9 billion by the end of December 2003. In 1989, he also founded Morgan Grenfell's Hong Kong equities research department. Prior to that, he worked as a financial journalist for The Asian Wall Street Journal and the Far Eastern Economic Review Limited for eleven years.

Mr. Choi Nga Chung, aged 32, was appointed as an Executive Director of the Company on 2nd May 2003. Mr. Choi is currently a senior fund manager at Value Partners Limited. Prior to returning to Value Partners Limited in 2001, Mr. Choi was an analyst at Dresdner Kleinwort Benson and Axiom Investment Limited. Mr. Choi holds a MSc degree in Finance from the University of Lancaster and a BA degree in Banking, Insurance and Finance from University of North Wales.

Mr. Teng Ngiek Lian, aged 54, was appointed as an Executive Director of the Company on 19th March 2002. Mr. Teng has been investing in Asian equity markets in the last nineteen years. He is the founder, chief executive officer and chief investment officer of Target Asset Management Pte Limited, the investment advisor of Target Asia Fund, which invests primarily in listed Asian equities. Mr. Teng has held a number of senior investment positions in Singapore, including as the Managing Director of Morgan Grenfell Investment Management (Asia) Limited Singapore, UBS Asset Management Pte Ltd and Joint Chief Operating Officer of WBL Corporation, a company listed in Singapore. He was a council member of the Singapore Society of Financial Analysts and an affiliate of AIMR for ten years. Mr. Teng is also a Chartered Certified Accountant (UK) and a Chartered Secretary (UK).

REPORT OF THE DIRECTORS (Continued)

Biographical details of directors and senior management (Continued)

Non-executive Director:

Mr. Yeung Kin Sing William, aged 41, was appointed as a Non-executive Director and a member of the Audit Committee of the Company on 27th August 2002. Mr. Yeung is the Executive Deputy General Manager at China Euro Securities Limited (“CESL”), the first joint venture securities company in China after its accession into WTO. The foreign shareholder of CESL is CLSA Asia Pacific Markets. Mr. Yeung has previously been a practising solicitor in Hong Kong focusing on corporate finance and capital markets transactions. He was also a practising accountant in the UK focusing on audit and taxation services for the insurance and entertainment industries, covering many multi-national corporations. Mr. Yeung holds a BSc degree in Computing and Accountancy from the University of East Anglia in the UK, is a qualified solicitor in Hong Kong and England and Wales as well as a chartered accountant in England and Wales. He is also a chartered tax advisor in the UK.

Independent Non-executive Directors:

Mr. Li Aubrey Kwok Sing, aged 54, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 6th March 2002. He is a director of Management Capital Limited, a Hong Kong-based financial advisory and direct investment firm, and has over 30 years of experience in merchant banking and commercial banking. He is also a non-executive director of ABC Communications (Holdings) Limited, The Bank of East Asia, Limited, Cafe de Coral Holdings Limited, China Everbright International Limited, Chinney Alliance Group Limited and CNPC (Hong Kong) Limited and non-executive Chairman of Atlantis Asian Recovery Fund plc. Mr. Li has a Master of Business Administration from Columbia University and a Bachelor of Science in Civil Engineering from Brown University.

Mr. Paul M. Theil, aged 50, was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 21st October 2002. Mr. Theil has over 15 years of experience in the finance and investment industry. He is a partner in the private equity investment activities of an international investment bank. Mr. Theil holds J.D. and M.B.A. degrees from the Harvard Law and Business Schools and B.A. and M.A. degrees from Yale University.

Value Partners China Greenchip Fund Limited

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

REPORT OF THE DIRECTORS (Continued)

Directors' and chief executives' interests in the shares of the Company

As at 31st December 2003, the interests of each director and chief executive in the shares of the Company, as recorded in the register maintained by the Company under Section 352 of the Hong Kong Securities and Futures Ordinance ("SFO") or as notified to the Company were as follows:

Name of director	Number of shares on which interested	Capacity	% of holdings
Mr. Cheah Cheng Hye	200,000 (<i>Note 1</i>)	Interest of controlled corporation	0.65%

Note 1: These shares are registered in the name of Value Partners Limited, the Manager of the Company. Value Partners Limited is 31.82% beneficially owned by Mr. Cheah Cheng Hye. Mr. Cheah Cheng Hye is therefore deemed to be interested in these shares by virtue of the SFO.

Substantial shareholders' interests in the shares of the Company

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December 2003, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name of shareholder	Number of shares on which interested	Capacity	% of holdings
Credit Lyonnais Securities	1,710,500	Beneficial owner	5.57%
Deutsche Bank AG	4,850,000	Beneficial owner	15.79%
Stichting Philips Pensioenfond	2,400,000	Beneficial owner	7.82%
Stichting Shell Pensioenfond	4,000,000	Beneficial owner	13.03%

REPORT OF THE DIRECTORS *(Continued)*

Management contracts and directors' interests in contracts

Details of significant management contracts, and directors' interests in these contracts, in relation to the Company's business are set out in note 8 to the financial statements.

Save as disclosed above, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year. Also no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

Under the Custody Agreement dated 28th March 2002, the Company appointed Standard Chartered Bank as Custodian to provide custodian services to the Company. In return, during the year, custodian fee of HK\$904,627 (2002: HK\$622,694) was paid or payable by the Company to the Custodian.

Under the terms of the Investment Management Agreement dated 28th March 2002, the Company appointed Value Partners Limited to provide investment management services to the Company in return for a performance fee and management fee. Related party transactions, which also constitute connected transactions under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"), required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in note 7 to the financial statements.

The Company has applied to the Stock Exchange for (i) a waiver from strict compliance with Rule 14.25 of the Listing Rules in respect of the transactions contemplated under the Custody Agreement; and (ii) a waiver from strict compliance with Rule 14.26 of the Listing Rules for a period of three years from the date of appointment of the Manager in respect of the transaction contemplated under the Investment Management Agreement. Details of these waivers have been set out in the prospectus dated 3rd April 2002.

REPORT OF THE DIRECTORS *(Continued)*

Connected transactions *(Continued)*

In the opinion of the independent non-executive Directors of the Company, the transactions contemplated under the Custody Agreement and the Investment Management Agreement (i) have been entered into by the Company in the ordinary course of its business and are conducted in accordance with the respective terms of the said agreements; (ii) have been entered into on normal commercial terms and on arm's length basis; (iii) have been entered into on terms that are fair and reasonable so far as the Shareholders of the Company are concerned; and (iv) the value of annual custodian's fees payable by the Company to the Custodian and the annual management fee and performance fee payable by the Company to the Manager do not exceed their respective caps.

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.

Auditors

The financial statements have been audited by PricewaterhouseCoopers, who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Choi Nga Chung

Chairman

Hong Kong, 24th March 2004