

VALUE PARTNERS CHINA GREENCHIP FUND LIMITED

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

(Stock Code: 1186)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

INTERIM RESULTS

The Board of Directors (the “Board”) of Value Partners China Greenchip Fund Limited (the “Company”) is pleased to announce the unaudited interim results of the Company for the six months ended 30th June 2004. The interim results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED INCOME STATEMENT

For the six months ended 30th June 2004

		(Unaudited)	
	<i>Note</i>	2004	2003
		HK\$	HK\$
Income			
Dividend income		4,810,378	5,755,933
Interest on bank deposits		102,958	86,910
Interest on investments		–	505,348
Other income		132,513	2,604
		<u>5,045,849</u>	<u>6,350,795</u>
Expenses			
Management fee	3	4,381,817	2,640,490
Performance fee	4	–	12,199,198
Underwriting fee	5	–	3,049,799
Other operating expenses		973,474	800,130
		<u>5,355,291</u>	<u>18,689,617</u>
Net loss before investment and exchange gains/losses		<u>(309,442)</u>	<u>(12,338,822)</u>

		(Unaudited)	
		2004	2003
	<i>Note</i>	HK\$	HK\$
Investment and exchange gains/losses			
Net realised gain on sale of available-for-sale securities		97,804,972	30,895,680
Net realised gain on sale of derivative financial instruments		1,962,729	–
Net change in unrealised appreciation/depreciation in value of available-for-sale securities		(141,579,885)	84,686,052
Net change in unrealised appreciation/depreciation in value of derivative financial instruments		(264,759)	–
Net exchange loss		(104,702)	(43,846)
		<u>(42,181,645)</u>	<u>115,537,886</u>
Net (loss)/income before tax		(42,491,087)	103,199,064
Taxation	6	–	(18,059,836)
Net (loss)/income for the period		<u>(42,491,087)</u>	<u>85,139,228</u>
Basic earnings per share (<i>cents</i>)	8	<u>(138.41)</u>	<u>277.33</u>

CONDENSED BALANCE SHEET

As at 30th June 2004

	(Unaudited) 30th June 2004 HK\$	(Audited) 31st December 2003 HK\$
Available-for-sale securities	<u>368,103,312</u>	<u>576,277,872</u>
Derivative financial instruments	<u>833,699</u>	—
Current assets		
Amounts due from brokers	9,602,784	3,762,227
Other accounts receivable	10,167	1,644,659
Bank balances	203,459,073	96,917,542
	<u>213,072,024</u>	<u>102,324,428</u>
Current liabilities		
Amounts due to brokers	—	6,968,551
Other creditors and accruals	868,737	48,002,364
Tax payable	56,910,546	56,910,546
	<u>57,779,283</u>	<u>111,881,461</u>
Net current assets/(liabilities)	<u>155,292,741</u>	<u>(9,557,033)</u>
Net assets	<u>524,229,752</u>	<u>566,720,839</u>
Financed by:		
Share capital	3,070,000	3,070,000
Share premium	297,629,535	297,629,535
Reserves	223,530,217	266,021,304
Shareholders' funds	<u>524,229,752</u>	<u>566,720,839</u>
Ordinary shares in issue	<u>30,700,000</u>	<u>30,700,000</u>
Net asset value per share	<u>17.08</u>	<u>18.46</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of the financial statements

The unaudited condensed financial statements are prepared in accordance with International Accounting Standard 34 “Interim financial reporting” as issued by the International Accounting Standards Committee. The condensed financial statements are prepared under the historical cost convention as modified by the fair valuation of available-for-sale securities and derivative financial instruments.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2003.

2. Income and expenses

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. Interest income is recognised in the condensed income statement for all interest bearing instruments on an accruals basis. Income received is accounted for after deduction of withholding tax where applicable.

All major expenses are accounted for on an accruals basis.

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 period 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, CLSA Limited, 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 period 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 from 22nd January 2002.

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the period.

There was no material unprovided deferred taxation for the period.

7. Interim Dividends

The Board of Directors does not recommend the payment of any dividends for the six months ended 30th June 2004 (2003: nil).

8. Earnings per share

The basic earnings per share is calculated based on the net loss for the period of HK\$42,491,087 (2003: net income for the period of HK\$85,139,228) and the weighted average number of ordinary shares in issue during the period, being 30,700,000 (2003: 30,700,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Due to our cautious approach since late last year, we have been able to limit the damage caused by sharp falls in the price of China-related stocks. Year to date, the Company is down 6.5%^(Note 1) while the Hang Seng Index and the Hang Seng China Enterprise Index dropped 2.3% and 14.5% respectively. By taking profit and raising our cash levels during the past several months, we have been able to keep many of the gains made previously: the Company has still increased by a very respectable 35.4% over 12 months and 70.2% over two years.

We remain in no rush to buy. The Company currently holds cash of over 25%. To us, China is a long-term bull story with exciting fundamentals. We remain bullish about China over the long term and believe that the country, with its pro-business leadership, is headed for a “soft” landing with 2004 economic growth of at least 8%. With its huge savings, China can absorb excessive investments in such sectors as steel and real estate while bottlenecks in areas such as power generation can be overcome; however, this takes time.

Unfortunately, while the adjustment is taking place, business will suffer and that’s why we remain wary. We believe that any landing, soft or hard, will damage corporate profits and share prices generally. If we are correct in our economic predictions, we will be able to purchase stocks at depressed prices in the future. If we have been too pessimistic and the stock market snaps back (possibly because investors are prepared to see through the current setback to the next upturn), we will still benefit because we have a lot of money invested in stocks, even while raising cash.

In the months ahead, we can again concentrate on our real job: stock-picking. During normal times, we will not be distracted by trying to time the market or speculate on whether it will go up or down. We have to be sure, however, that we have sufficient cash to buy – as cheap stocks become available. This concern has driven our caution in recent months.

Note 1: Calculated based on the Company’s net asset value as at 30th June 2004, the last valuation day in June 2004, and the net asset value as at 31st December 2003. In determining the above net asset values, investments are valued using their closing prices.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not purchased, sold or redeemed any of its own shares during the period.

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 six months ended 30th June 2004.

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 unaudited condensed financial statements for the six months ended 30th June 2004 with directors.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) 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, 26th August 2004

As at the date of this announcement, the executive directors of the company are Mr. Cheah Cheng Hye, Mr. Teng Ngiek Lian, Mr. Choi Nga Chung and Mr. Ngan Wai Wah, the non-executive director is Mr. Yeung Kin Sing and the independent non-executive directors are Mr. Li Aubrey Kwok Sing and Mr. Paul Marin Theil.

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