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## **VALUE PARTNERS CHINA GREENCHIP FUND LIMITED**

*(Incorporated as an exempted company in the Cayman Islands with limited liability)*  
(Stock Code: 1186)

### **ANNOUNCEMENT**

#### **Continuing Connected Transaction with Value Partners Limited**

Reference is made to the Announcements and the Circular.

On 16 December 2005, the Board announced that the two resolutions relating to the First Supplemental Agreement and the cap amount of HK\$90 million were not approved at the extraordinary general meeting of the Company held on 16 December 2005. The Board would like to announce that on 29 December 2005, the Company entered into the Second Supplemental Agreement to amend the terms of the Investment Management Agreement (as renewed by the Renewal Agreement) whereby the amount of fees payable by the Company to the Manager thereunder will be restored to be determined in accordance with the provisions and formula as set out in the Investment Management Agreement with a Cap of HK\$70 million.

As the aggregate value of the fees payable to the Manager by the Company under the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) in any financial year during the Renewed Term may exceed HK\$13 million or 2.5% of the market capitalisation of the Company, the Transaction constitutes a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules. The Company will convene the EGM to seek Independent Shareholders' approval in respect of the Transaction (including the Cap).

The Manager will continue to manage and supervise all of the Investments in accordance with the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement).

The Company will convene the EGM to seek Independent Shareholders' approval in respect of the Transaction (including the Cap). A circular containing particulars of the Transaction, a letter from the Independent Board Committee, a letter from the independent financial adviser and the notice convening the EGM, will be despatched to Shareholders as soon as practicable.

#### **1. INTRODUCTION**

Reference is made to the Announcements and the Circular.

The Board announced that on 1 April 2005, the Company entered into the Renewal Agreement to extend the term of the Investment Management Agreement for two years commencing on 4 April 2005 and that the maximum fees payable to the Manager under the Renewal Agreement during the Renewed Term is HK\$13 million per annum. The Board further announced that on 8 November 2005, the Company entered into the First Supplemental Agreement to amend the terms of the Investment Management Agreement (as renewed by the Renewal Agreement) whereby the amount of fees payable by the Company to the Manager thereunder will be restored to be determined in accordance with the provisions and formula as set out in the Investment Management Agreement and with a cap amount of HK\$90 million. The related Circular which set out the two resolutions to be voted on in respect of the above-mentioned issues was despatched to the Shareholders on 30 November 2005.

On 16 December 2005, the Board announced that the two resolutions in respect of the First Supplemental Agreement and the cap amount of HK\$90 million were not approved at the extraordinary general meeting of the Company held on 16 December 2005. The Board would like to announce that on 29 December 2005, the Company entered into the Second Supplemental Agreement to amend the terms of the Investment Management Agreement (as renewed by the Renewal Agreement) whereby the amount of fees payable by the Company to the Manager thereunder will be restored to be determined in accordance with the provisions and formula as set out in the Investment Management Agreement with a Cap of HK\$70 million.

As the aggregate value of the fees payable to the Manager by the Company under the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) in any financial year during the Renewed Term may exceed HK\$13 million or 2.5% of the market capitalisation of the Company, the Transaction constitutes a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules. The Company will convene the EGM to seek Independent Shareholders' approval in respect of the Transaction (including the Cap).

## **2. SECOND SUPPLEMENTAL AGREEMENT**

On 29 December 2005, the Company and the Manager entered into the Second Supplemental Agreement.

### **2.1 Parties**

The Company and the Manager.

### **2.2 Date of the agreement**

29 December 2005

### **2.3 Term**

#### **(A) Amendment to the Renewal Agreement**

The Company and the Manager entered into the Second Supplemental Agreement to amend (subject to approval of the Independent Shareholders) the terms of the Investment Management Agreement (as renewed by the Renewal Agreement).

Pursuant to the Second Supplemental Agreement, clause 3 of the Renewal Agreement will be deleted in its entirety so that the amount of fees payable to the Manager by the Company under the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) will be restored to be determined in accordance with the provisions and formula as set out in the Investment Management Agreement. The Company and the Manager agreed to set the maximum aggregate value of the fees payable to the Manager by the Company pursuant to the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) in any financial year during the Renewed Term at HK\$70 million. In the event that the Cap is exceeded, the Manager shall be entitled to, under the terms of the Second Supplemental Agreement, terminate its appointment under the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) forthwith by giving notice in writing to the Company.

The basis of the calculation of the fees (being management fee and performance fee) payable by the Company to the Manager remains unchanged throughout and is on the same basis as the ones provided under the Investment Management Agreement. Details of the basis of the calculation of such management fee and performance fee are set out below in the section headed "Consideration".

#### **(B) Other terms of the Investment Management Agreement**

The Company and the Manager acknowledge that all the terms of the Investment Management Agreement (as renewed by the Renewal Agreement), save and except as amended by the Second Supplemental Agreement, will remain in full force and effect.

##### **(1) Consideration**

###### *Management Fee*

The Company will pay a management fee to the Manager of 1.5% per annum (based on a 360-day year) of the Net Asset Value of the Company, calculated and accrued daily and payable in arrears to the Manager at the end of the calendar month.

###### *Performance Fee*

The Manager will also be entitled to receive a performance fee from the Company calculated by reference to the increase in the Net Asset Value per Share (as defined below) as at the relevant Performance Fee Valuation Day. The next Performance Fee Valuation Day will be 31 December 2005.

A performance fee will be payable to the Manager if the Net Asset Value per Share (as defined below), calculated on the relevant Performance Fee Valuation Day, is greater than the Base Net Asset Value per Share (as defined below). The fee payable shall be 12% of the appreciation in the Net Asset Value per Share (as defined below), calculated as at the

Valuation Point on the relevant Performance Fee Valuation Day over the Base Net Asset Value per Share (as defined below) for each Share then in issue, calculated as follows:

$$\frac{(A-B) \times C \times D}{E}$$

Where:

“A” is the Net Asset Value per Share, calculated on the relevant Performance Fee Valuation Day, before the deduction of any provision for the performance fee and the underwriting fee and provided that for the purpose of this calculation only the Net Asset Value shall be calculated by including any distribution which has been declared or paid during the Relevant Performance Period.

“B” is the Base Net Asset Value per Share which shall be the greater of the Net Asset Value per Share on the day dealing in Shares of the Company on the Stock Exchange commences and the highest value for “A” as at the Valuation Point for any preceding Relevant Performance Period in relation to which a performance fee was last calculated and paid (after deduction of all fees including any performance fee in respect of such preceding Relevant Performance Period).

“C” is the aggregate number of Shares in issue during the Relevant Performance Period, calculated by adding the total number of Shares in issue as at the Valuation Point on each Business Day of the Relevant Performance Period.

“D” is 12% or, subject to the approval of the Shareholders by ordinary resolution in general meeting (which approval shall, for the avoidance of doubt, only be required in connection with a proposal to increase such rate), such other percentage figure agreed from time to time between the Manager and the Directors.

“E” is the number of Business Days in the Relevant Performance Period.

The amount of fees (being management fees and performance fees) payable under the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) will be determined in accordance with the provisions and formula as set out above.

Shareholders should note that save and except for the Cap, terms of the Second Supplemental Agreement are identical to the terms of the First Supplemental Agreement.

Save and except for those interested Directors who have abstained from voting in relation to the Transaction, the Directors (including the independent non-executive Directors) are of the view that the Cap is fair and reasonable.

### **3. INFORMATION OF THE PARTIES INVOLVED**

The Company is a close-ended investment company and is principally engaged in investments in listed and unlisted companies related to Greater China. The Manager is licensed for Types 1, 4, 5 and 9 regulated activities in Hong Kong. The Manager is deemed a connected person of the Company under Rule 21.13 of the Listing Rules. In addition, Mr Cheah Cheng Hye, a director of the Company, is also a director and the single largest shareholder of the Manager holding 32.77%.

The Company confirms that, save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Manager and their respective ultimate beneficial owners are Independent Third Parties.

### **4. REASONS FOR THE TRANSACTION**

The First Supplemental Agreement and the cap amount of HK\$90 million were not approved at the extraordinary general meeting of the Company held on 16 December 2005. As such, the Company entered into the Second Supplemental Agreement with the Manager. The entering into the Second Supplemental Agreement will benefit the Shareholders as a whole as such amendment to the Investment Management Agreement (as renewed by the Renewal Agreement) will render fair compensation to the Manager in accordance with

the intention of the parties when establishing the Company as reflected in the Investment Management Agreement.

Save and except for those interested Directors who have abstained from voting in relation to the Transaction, the Directors (including the independent non-executive Directors) are of the view that the terms of the Second Supplemental Agreement are on normal commercial terms and are fair and reasonable and that the entering into of the Transaction is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Company.

## 5. HISTORICAL PERFORMANCE

The following table sets out the aggregate amount of the fees payable to the Manager by the Company under the Investment Management Agreement and/or the Investment Management Agreement (as renewed by the Renewal Agreement) (where applicable) since the listing of the Company on the Stock Exchange in April 2002:

	8 April 2002 to 31 December 2002 (audited) (HK\$)	Year ended 31 December 2003 (audited) (HK\$)	Year ended 31 December 2004 (audited) (HK\$)	Six-month period ended 30 June 2005 (unaudited) (HK\$)
Management Fee	3,415,789	6,442,234	8,645,063	4,450,944
Performance Fee	941,262	37,142,088	1,234,508	1,416,498 <sup>*Note</sup>
Total fees payable to the Manager	<b>4,357,051</b>	<b>43,584,322</b>	<b>9,879,571</b>	<b>5,867,442</b>

*\*Note:* Please note that the Manager is entitled to receive a performance fee calculated by reference to the increase in the Net Asset Value per Share as at 31 December 2005. The performance fee is calculated and accrued daily and payable yearly in arrears.

## 6. CONTINUING CONNECTED TRANSACTION

The Manager will continue to manage and supervise all of the Investments in accordance with the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement). As the aggregate value of the fees payable to the Manager by the Company thereunder in any financial year during the Renewed Term may exceed HK\$13 million or 2.5% of the market capitalisation of the Company, the Transaction constitutes a non-exempt continuing connected transaction of the Company under Rule 14A.35 of the Listing Rules.

The Company proposes to set the maximum aggregate value of the fees payable to the Manager by the Company pursuant to the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement) in any financial year during the Renewed Term at HK\$70 million. The Cap was determined based on the estimated actual fees which may be payable in 2005 and historical performance of the Company and with reference to an estimated annual growth rate of 50% based on the historical performance. As we are now approaching the end of 2005, the Company is in a position to provide a better estimate of the actual fees which may be payable by the Company to the Manager in 2005, hence, the difference between the previous estimated cap amount of HK\$90 million and the Cap. If during the Renewed Term, the aggregate value of the fees payable to the Manager by the Company thereunder exceeds the Cap, the Company will take the necessary steps to ensure compliance with the Listing Rules. **As stated in the section headed "Terms" above, the basis of the calculation of the fees (being management fee and performance fee) payable by the Company to the Manager remains unchanged throughout and is on the same basis as the ones provided under the Investment Management Agreement.**

The Company will convene the EGM to seek Independent Shareholders' approval in respect of the Transaction (including the Cap). In view of the interest of the Manager and its associates (as defined in the Listing Rules) in the Transaction, the Manager and its associates (as defined in the Listing Rules) will abstain from voting at the EGM on the resolution(s) relating to the Transaction. The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

An Independent Board Committee will be appointed to advise the Independent Shareholders whether or not to vote in favour of the Transaction. CAF Securities Company Limited will be appointed to advise the Independent Board Committee and the Independent

Shareholders on whether the Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing particulars of the Transaction, a letter from the Independent Board Committee, a letter from the independent financial adviser and the notice convening the EGM, will be despatched to Shareholders as soon as practicable.

The Transaction will also be subject to the annual review requirement and the reporting requirement respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 and 14A.46 of the Listing Rules.

## 7. DEFINITIONS

“Announcements”	announcements of the Company dated 1 April 2005, 8 November 2005 and 16 December 2005 relating to the continuing connected transaction with the Manager
“Board”	means the board of Directors of the Company
“Business Day”	means a day (other than a Saturday) on which the Stock Exchange is open for normal trading and on which banks in Hong Kong are open for general business provided that, where as a result of a Number 8 Typhoon Signal being hoisted or a Black Rainstorm warning being issued or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Manager otherwise determines
“Cap”	means HK\$70 million, being the maximum aggregate value for the fees payable to the Manager by the Company in any financial year during the Renewed Term pursuant to the Investment Management Agreement (as renewed by the Renewal Agreement and amended by the Second Supplemental Agreement)
“Circular”	circular of the Company despatched to Shareholders on 30 November 2005 relating to the continuing connected transaction with the Manager
“Directors”	means the directors of the Company
“EGM”	means the extraordinary general meeting of the Company to be held to consider and approve the Transaction
“First Supplemental Agreement”	means the agreement entered into on 8 November 2005 between the Company and the Manager to amend the terms of the Investment Management Agreement (as renewed by the Renewal Agreement) which was not approved by the Shareholders at the extraordinary meeting of the Company held on 16 December 2005
“Futures Contract”	means any futures contract which is traded on the Futures Exchange or a Recognised Futures Exchange
“Futures Exchange”	means Hong Kong Futures Exchange Limited
“Greater China”	means the People’s Republic of China, but for the purposes of this announcement and the Company’s investment objective and investment approach and for geographical reference, includes Taiwan and Hong Kong and excludes Macau
“Independent Board Committee”	means the independent board committee of the Company comprising of Mr. Li Aubrey Kwok Sing, Mr. Ng Ka Wai, Eric and Mr. Paul Marin Theil
“Independent Third Party” or “Independent Third Parties”	means third part(y)/(ies) independent of the Company and connected persons of the Company (as defined in the Listing Rules)

“Independent Shareholders”	means the shareholder(s) of the Company other than the Manager and its associates (as defined under the Listing Rules)
“Investments”	means all of the Company’s assets (including cash) for the time being deposited or deemed deposited with Standard Chartered Bank for the account of the Company excluding any amount declared as a dividend payable by the Company
“Investment Management Agreement”	means the agreement entered into on 28 March 2002 between the Company and the Manager for the management of the Investments
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	means Value Partners Limited or its successors
“Market”	means the following, in any part of the world: <ul style="list-style-type: none"> <li>(i) in relation to any Security: the Stock Exchange or a Recognised Stock Exchange; and</li> <li>(ii) in relation to any Futures Contract: the Futures Exchange or a Recognised Futures Exchange</li> </ul>
“Net Asset Value”	means the net asset value of the Company or, as the context may require, the net asset value per Share, calculated pursuant to the articles of association of the Company
“Performance Fee Valuation Day”	means the last Business Day of each calendar year
“Recognised Futures Exchange”	means an international futures exchange which is recognised by the SFC or which is approved by the Directors and the Manager
“Recognised Stock Exchange”	means an international stock exchange which is recognised by the SFC or which is approved by the Directors and the Manager
“Relevant Performance Period”	means the period commencing 1 January to 31 December (both dates inclusive) in each successive calendar year
“Renewal Agreement”	means the agreement entered into on 1 April 2005 between the Company and the Manager to renew the Investment Management Agreement which has expired on 3 April 2005
“Renewed Term”	means the fixed term of two years commencing on 4 April 2005
“Second Supplemental Agreement”	means the agreement entered into on 29 December 2005 between the Company and the Manager to amend the terms of the Investment Management Agreement (as renewed by the Renewal Agreement)
“Security” or “Securities”	means any share, stock, debenture, loan stock, bond, security, commercial paper, acceptance, trade bill, treasury bill, instrument or note of, or issued by or under the guarantee of, any body, whether incorporated or unincorporated, or of any government or local government authority or supranational body, whether paying interest or dividends or not and whether fully-paid, partly paid or nil paid and includes (without prejudice to the generality of the foregoing): <ul style="list-style-type: none"> <li>(i) any right, option or interest (howsoever described) in or in respect of any of the foregoing, including units in any Unit Trust (as defined in the articles of association of the Company);</li> </ul>

- (ii) any certificate of interest or participation in, or temporary or interim certificate for, receipt for or warrant to subscribe or purchase, any of the foregoing;
- (iii) any instrument commonly known or recognised as a security;
- (iv) any receipt or other certificate or document evidencing the deposit of a sum of money, or any rights or interests arising under any such receipt, certificate or document; and
- (v) any bill of exchange and any promissory note

“SFC”	means the Securities and Futures Commission of Hong Kong
“Share”	means shares of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	means registered holders of the Shares from time to time
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transaction”	means the entering into the Second Supplemental Agreement by the Company and all the transactions contemplated thereunder
“Valuation Point”	means the official close of trading on the Market on each Business Day on which any Security, commodity, or Futures Contract comprised in the Company’s portfolio is traded and, if assets comprising the Company’s portfolio are traded on more than one Market, the official close of trading on the last Market to close or such other time or times as determined by the Manager from time to time provided that there shall always be a Valuation Point on each Business Day

On behalf of the Board  
**So Chun Ki Louis**  
*Chairman*

Hong Kong, 29 December 2005

*As at the date of this announcement, the executive directors of the Company are Mr. Cheah Cheng Hye, Mr. Teng Ngiek Lian, Mr. Ngan Wai Wah and Mr. So Chun Ki Louis, the non-executive director is Mr. Yeung Kin Sing and the independent non-executive directors are Mr. Li Aubrey Kwok Sing, Mr. Paul Marin Theil and Mr. Ng Ka Wai, Eric.*

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