

CHAIRMAN'S STATEMENT

The directors are pleased to present the interim report and condensed financial statements of Value Partners China Greenchip Fund Limited (the "Company") for the 6 months ended 30th June 2005. The condensed income statement, statement of changes in equity and cash flow statement for the 6 months ended 30th June 2005, and the condensed balance sheet as at 30th June 2005, all of which are unaudited, along with selected explanatory notes, are set out on pages 9 to 25 of this report.

Management discussion and analysis

Since last year, the market for China-related stocks has been driven more by excess liquidity, rather than by true value. A lot of that money has been chasing big cap stocks. Consequently, small cap stocks underperformed the overall market.

As of 30th June 2005, the Company returned 1.9% year-to-date. Over the same period, the Hang Seng Index fell by 0.2% and the MSCI China Free Index rose 3.1%. Our current focus is on research and company visits rather than buying stocks. As a value investor, we will not buy unless we can identify investments with the right fundamentals and trading at attractive prices. If this means we have to wait for a better entry opportunity, we can afford to be patient.

For this reason, the cash level in the Company remains relatively high at 18%. We have also carried out limited hedging from time to time. This is done by selling contracts on the Hong Kong Futures Exchange Limited. But the futures contracts do not represent a major allocation.

What it all amounts to, is that we are waiting. Our aim is to make a big harvest from stock investing using our wealth of research and experience. But this strategy cannot be rushed. The outlook for China-related investments remain promising over the medium term, with the Beijing government committed to rapid economic growth in order to create jobs and maintain social stability. But in the short term, we have concerns about excessive speculation.

At the last annual general meeting, a general mandate to buy back up to 10% of the Company was granted. In fact, we have bought back some shares in the first half of 2005 because we believe it would help increase shareholders' value when the shares are traded at an attractive discount to net asset value.

Since inception, the Company has returned 95.9%. Over the same period, the Hang Seng Index was up by 32.4% and the MSCI China Free Index rose 64.5%. We have created tremendous value for our shareholders and will continue to do our best to increase return on our investments.

CHAIRMAN'S STATEMENT *(Continued)*

Liquidity and financial resources

As at 30th June 2005, the Company had bank balances of HK\$162,812,674 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 period are set out in note 8 to the condensed financial statements.

Purchase, sale or redemption of shares

On 28th June 2005, the Company repurchased 10,000 ordinary shares with a par value of HK\$0.10 each at HK\$17.233 per share on The Stock Exchange of Hong Kong Limited. The repurchase involved a total cash outlay of HK\$172,330. The aggregate purchase price was charged to equity. All of the repurchased shares were cancelled.

Save as disclosed above, the Company has not purchased, sold or redeemed any of its shares during the 6 months ended 30th June 2005.

Dividend

The Board of Directors does not recommend the payment of interim dividend.

Value Partners China Greenchip Fund Limited

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

CHAIRMAN'S STATEMENT (Continued)

Top 10 financial assets at fair value through profit or loss

Name of investee company	Nature of business	Holdings	Cost HK\$	Market value HK\$	Dividends received HK\$	Dividends earned HK\$	% of net assets
Petrochina Co Ltd – H shares	Oil and gas extraction	6,970,000	27,654,410	39,729,000	968,217	968,217	6.74
NWS Holdings Ltd	Transportation equipment	2,447,271	11,265,025	27,287,072	–	–	4.63
Chaoda Modern Agriculture (Holdings) Ltd	Food and beverage	7,321,700	9,827,681	22,331,185	–	–	3.79
Road King Infrastructure Ltd	Transport service	3,713,000	12,185,497	21,906,700	668,340	668,340	3.72
Vtech Holdings Ltd	Software application	745,000	4,544,912	13,447,250	57,961	–	2.28
Heng Tai Consumables Group Ltd	Food and beverage	8,656,000	7,053,735	12,810,880	43,280	43,280	2.17
Pacific Andes International Holdings Ltd	Food and beverage	9,832,000	7,584,105	12,584,960	–	–	2.14
GZI Transport Ltd	Transport service	3,890,000	9,031,904	10,405,750	204,225	204,225	1.77
China Insurance International Holdings Co Ltd – H shares	Insurance	3,572,000	13,873,708	10,180,200	–	–	1.73
Kowloon Development Co Ltd	Property	1,110,000	7,631,025	9,768,000	277,500	277,500	1.66
			<u>110,652,002</u>	<u>180,450,997</u>	<u>2,219,523</u>	<u>2,161,562</u>	<u>30.63</u>

Value Partners China Greenchip Fund Limited

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

CHAIRMAN'S STATEMENT (Continued)

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

As at 30th June 2005, the interests and short positions of each director and chief executive in the shares of the Company, as recorded in the register required to be kept by the Company under Section 352 of Part XV of the Hong Kong Securities and Futures Ordinance (the "SFO") were as follows:

Ordinary shares with a par value of HK\$0.10 each

Name of director	Position held	Number of shares on which interested	Capacity	% of holdings
Mr Cheah Cheng Hye	Long position	200,000 (Note 1)	Interests 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 31.58% beneficially owned by Mr Cheah. Mr Cheah is therefore deemed to be interested in these shares by virtue of the SFO.

Value Partners China Greenchip Fund Limited

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

CHAIRMAN'S STATEMENT (Continued)

Substantial shareholders' interests and short positions in the shares of the Company

The register of substantial shareholders required to be kept under Section 336 of the SFO shows that as at 30th June 2005, the Company had been notified of the following substantial shareholders' interests and short positions, 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.

Ordinary shares with a par value of HK\$0.10 each

Name of shareholder	Position held	Number of shares on which interested	Capacity	% of holdings
Deutsche Bank Aktiengesellschaft	Long position	6,450,000 <i>(Note 1)</i>	Security interest	21.02
QVT Financial GP LLC	Long position	6,450,000 <i>(Note 2)</i>	Interests of controlled corporation	21.02
QVT Financial LP	Long position	6,450,000	Investment manager	21.02
QVT Associates GP LLC	Long position	4,913,379 <i>(Note 3)</i>	Interests of controlled corporation	16.01
QVT Fund LP	Long position	4,913,379	Beneficial owner	16.01
Stichting Shell Pensioenfond	Long position	4,000,000	Beneficial owner	13.03
Sarasin Investmentfonds SICAV-Emergingsar/ Emergingsar-Asia	Long position	3,069,500	Beneficial owner	10.00
Stichting Philips Pensioenfonds	Long position	2,400,000	Beneficial owner	7.82

Note 1: Deutsche Bank Aktiengesellschaft is deemed to be interested in the shares through its controlled corporation, Deutsche Bank AG London Branch, which has a security interest in the shares.

Note 2: QVT Financial GP LLC is deemed to be interested in the shares through its controlled corporation, QVT Financial LP.

Note 3: QVT Associates GP LLC is deemed to be interested in the shares through its controlled corporation, QVT Fund LP.

CHAIRMAN'S STATEMENT *(Continued)*

Exposure to fluctuations in exchange rates and related hedges

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

Compliance with the Code on Corporate Governance Practices

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 on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") at any time during the 6 months ended 30th June 2005, except that the Company does not have a chief executive officer position because the nature of the Company is a close-ended investment company, therefore day-to-day management is delegated to the Manager.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted Appendix 10 of the Listing Rules on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). All directors have confirmed, following specific inquiry made by the Company, that they have complied with the required standards set out in the Model Code during the period.

Events after the balance sheet date

Subsequent to the balance sheet date, the Company has cleared its tax position with the Inland Revenue Department (the "IRD") for the years of assessment 2002/03 and 2003/04. Accordingly, the Company has written back the tax payable in the condensed balance sheet in respect of these 2 years of assessment on 5th September 2005. Subsequent to 5th September 2005, the Company has also cleared its tax position with the IRD for the year of assessment 2004/05.

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 6 months ended 30th June 2005 with directors.

On behalf of the Board

So Chun Ki Louis

Chairman

Hong Kong, 13th September 2005