



Value Partners China Greenchip Fund Limited

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

EXPLANATORY MEMORANDUM

PRELIMINARY

If you are in any doubt about the contents of this explanatory memorandum, you should consult your stock broker, bank manager, solicitor, accountant or other financial adviser.

Reference should be made to the sub-section headed “Restrictions on distribution” in this section for guidance on the offer of the Shares in jurisdictions other than Hong Kong.

The Directors and the directors of the Manager collectively and individually accept full responsibility for the information contained in this explanatory memorandum and for the accuracy and fairness of the opinions expressed herein, and that, having made all reasonable enquiries, the Directors and the directors of the Manager confirm that, to the best of their knowledge and belief, the information contained in this explanatory memorandum is true, accurate and complete in all material respects and not misleading.

The Fund has been authorised by the SFC in Hong Kong under the SFO, but such authorisation does not imply that investment in the Fund is recommended by the SFC.

The Fund is an open-ended mutual fund corporation and is therefore required to be registered as a mutual fund with the Cayman Islands Monetary Authority (the “Authority”) under the Mutual Funds Law (2003 Revision) of the Cayman Islands (“Mutual Funds Law”). However, the Fund will not be subject to supervision in respect of its investment activities or the constitution of the Fund’s portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Fund in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has passed upon or approved the contents of this explanatory memorandum or assessed the merits of an investment in the Shares. There is no investment compensation scheme available to investors in the Cayman Islands.

Value Partners China Greenchip Fund Limited

Prior to 26 March 2007, the Fund was a close-ended investment company and its Non-redeemable Class N Shares were listed on the Stock Exchange. As approved by the Shareholders on 19 March 2007, the Fund was converted from a close-ended investment company into an open-ended mutual fund corporation and the Non-redeemable Class N Shares of the Fund were delisted from the Stock Exchange on 26 March 2007.

Only Redeemable Class A Shares of the Fund are offered pursuant to this explanatory memorandum. Non-redeemable Class N Shares of the Fund are closed for subscription and not being offered for subscription pursuant to this explanatory memorandum.

No action has been or will be taken in any jurisdiction (other than Hong Kong) that would permit a public offering of the Shares or any other securities of the Fund or the possession, circulation or distribution of this explanatory memorandum or any other offering or publicity material relating to the offering of Shares in any country or jurisdiction (other than Hong Kong) where action for the purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this explanatory memorandum nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction (other than Hong Kong) except under circumstances that will result in compliance with any applicable rules and regulations of such country or jurisdiction.

This explanatory memorandum does not constitute an offer or solicitation in any jurisdiction in which such an offer or solicitation is not authorised or in which the person making such offer or solicitation is not qualified to do so or to any person whom it is unlawful to make such offer or solicitation. Any representation to the contrary is unlawful.

RESTRICTIONS ON DISTRIBUTION

The following information is provided for guidance only. Applicants for Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United States

The Shares have not been and will not be registered under the Securities Act or under the securities laws of any state or other political subdivision of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States, its territories or possessions, any state of the United States. Neither the United States Securities and Exchange Commission nor any state or other regulatory agency in the United States has passed upon the Shares or the adequacy or accuracy of this explanatory memorandum.

The offering of Shares is being made outside the United States in accordance with Regulation S under the Securities Act. The Fund has not offered, sold or delivered and will not offer, sell or deliver directly or indirectly any Shares in the United States or to or for the account or benefit of US Persons. **The attention of United States Persons is drawn to the sub-section headed “Restrictions on Shareholders” and the compulsory redemption powers of the Directors referred to therein.**

Cayman Islands

No invitation may be made to the public in the Cayman Islands to subscribe for the Shares.

13 August 2007

Value Partners China Greenchip Fund Limited

CONTENTS

	Page
PRELIMINARY	I
RESTRICTIONS ON DISTRIBUTION	III
DEFINITIONS	3
INFORMATION ON THE FUND	13
INTRODUCTION	13
INVESTMENT OBJECTIVE, APPROACH AND RESTRICTIONS	13
DETERMINATION OF NET ASSET VALUE	18
NET ASSET VALUE PUBLICATION	25
RESTRICTIONS ON SHAREHOLDERS	25
DISTRIBUTION	26
REPORTS AND ACCOUNTS	27
DIRECTORS	27
TERMINATION OF THE FUND	28
INVESTMENT MANAGEMENT	29
THE MANAGER	29
THE CUSTODIAN AND ADMINISTRATOR'S AGENT	31
THE ADMINISTRATOR	32
POTENTIAL CONFLICTS OF INTERESTS	33
FEES AND EXPENSES	35
SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES	41
SUBSCRIPTION OF SHARES	41
REDEMPTION OF SHARES	43
TRANSFER OF SHARES	47
FAX INSTRUCTIONS	49
FORM OF SHARES	50

Value Partners China Greenchip Fund Limited

	Page
RISK FACTORS	51
RISKS RELATING TO THE FUND	51
RISKS RELATING TO THE PRC	56
RISKS RELATING TO HONG KONG	59
RISKS RELATING TO TAIWAN	60
TAXATION	61
CAYMAN ISLANDS	61
HONG KONG	62
THE PRC	63
FURTHER INFORMATION ABOUT THE FUND	66
THE FUND	66
MUTUAL FUNDS LAW	66
MEETINGS OF SHAREHOLDERS	67
AMENDMENT TO THE MATERIAL CONTRACTS	68
MATERIAL CONTRACTS	68
REGISTRATION PROCEDURES	72
NON-REDEEMABLE CLASS N SHARES	72
MISCELLANEOUS	76
CAYMAN ISLANDS ANTI-MONEY LAUNDERING REGULATIONS	77
DOCUMENTS AVAILABLE FOR INSPECTION	78
PROCEDURE FOR APPLICATION	79
METHOD OF APPLICATION	79
PAYMENT PROCEDURE	79

Value Partners China Greenchip Fund Limited

DIRECTORY

Registered office	PO Box 309GT Ugland House South Church Street George Town Grand Cayman Cayman Islands British West Indies
Principal office in Cayman Islands	Bank of Bermuda (Cayman) Limited P.O. Box 513 GT Strathvale House North Church Street George Town Grand Cayman Cayman Islands
Principal place of business in Hong Kong	Level 14, Three Pacific Place 1 Queen's Road East Hong Kong
Directors	Mr. So Chun Ki Louis Mr Cheah Cheng Hye Mr Ngan Wai Wah, Franco
Manager	Value Partners Limited Level 14, Three Pacific Place 1 Queen's Road East Hong Kong
Administrator	Bank of Bermuda (Cayman) Limited P.O. Box 513 GT Strathvale House North Church Street George Town Grand Cayman Cayman Islands

Value Partners China Greenchip Fund Limited

Custodian and Administrator's Agent	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
Legal advisers to the Fund	<i>As to Hong Kong law:</i> Simmons & Simmons 35th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong <i>As to Cayman Islands law:</i> Maples and Calder 1504 One International Finance Centre 1 Harbour View Street Hong Kong
Auditors	PricewaterhouseCoopers PO Box 258GT Strathvale House South Church Street Georgetown, Grand Cayman Cayman Islands British West Indies

Value Partners China Greenchip Fund Limited

DEFINITIONS

In this explanatory memorandum, unless the context otherwise requires, the following expressions have the meanings set out below.

“Administrator”	Bank of Bermuda (Cayman) Limited or its successors
“Administrator’s Agent”	HSBC Institutional Trust Services (Asia) Limited or its successors
“Administration Agreement”	the administration agreement dated 26 March 2007 entered into between the Fund and the Administrator, details of which are summarised in the sub-section headed “Material contracts” of this explanatory memorandum
“Articles”	the articles of association of the Fund
“Associate(s)”	has the meaning ascribed to that term, as the context requires, in the SFO
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) 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
“China” or “PRC”	the People’s Republic of China, but for the purposes of this explanatory memorandum

	and the Fund's investment objective and investment approach, for geographical reference excludes Taiwan, Macau and Hong Kong
“Code”	the Code on Unit Trusts and Mutual Funds issued by the SFC
“Commodity”	gold, silver, platinum, any other precious metal and any other commodity or merchandise of any nature (other than currency) and any option in respect of any of the foregoing except any option defined in the Articles as a Futures Contract
“Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands, as amended, modified, re-enacted or replaced from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time
“Connected Person(s)”	in relation to a company means: (a) any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or (b) any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or

Value Partners China Greenchip Fund Limited

	(c) any member of the group of which that company forms part; or
	(d) any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c)
“Custodian”	HSBC Institutional Trust Services (Asia) Limited or its successors
“Custodian Agreement”	the custodian agreement dated 26 March 2007 entered into between the Fund and the Custodian, details of which are summarised in the sub-section headed “Material contracts” of this explanatory memorandum
“Dealing Period(s)”	monthly period(s) which commence at the end of the preceding Dealing Period and end in Hong Kong at 5:00 p.m. (Hong Kong time) on each Valuation Day
“Director(s)”	the director(s) of the Fund
“ERISA”	the United States Employee Retirement Income Security Act of 1974, as amended
“Fund”	Value Partners China Greenchip Fund Limited, a company incorporated with limited liability as an exempted company in the Cayman Islands on 16 January 2002
“Futures Contract”	any futures contract which is traded on the Futures Exchange or a Recognised Futures Exchange
“Futures Exchange”	Hong Kong Futures Exchange Limited

Value Partners China Greenchip Fund Limited

“Greater China”	the People’s Republic of China, but for the purposes of this explanatory memorandum and the Fund’s investment objective and investment approach, for geographical reference includes Taiwan and Hong Kong and excludes Macau
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar” or “HK\$”	the lawful currency for the time being and from time to time of Hong Kong
“IFRS”	International Financial Reporting Standards
“Investment Company Act”	the United States Investment Company Act of 1940, as amended
“Investment Management Agreement”	the investment management agreement dated 26 March 2007 entered into between the Fund and the Manager, details of which are summarised in the sub-section headed “Material contracts” of this explanatory memorandum
“Investments”	all the Fund’s assets (including cash) for the time being deposited or deemed deposited with the Custodian for the account of the Fund excluding any amount declared as a dividend payable by the Fund
“Macau”	the Macau Special Administrative Region of the PRC
“Manager”	Value Partners Limited or its successors
“Market”	has the meaning ascribed to that term, as the context requires, in the Articles

Value Partners China Greenchip Fund Limited

“Memorandum”	the memorandum of association of the Fund
“Mr. Cheah”	Mr. Cheah Cheng Hye, a Director and a director of the Manager
“Net Asset Value”	the net asset value of the Fund or, as the context may require, the net asset value per Share, calculated pursuant to the Articles
“New Taiwan dollar” or “NT dollar”	the lawful currency for the time being and from time to time of Taiwan
“Non-eligible Investor”	<p>any person to whom a transfer, or by whose holding, of Shares (whether directly or beneficially) would or may, in the sole and conclusive opinion of the Directors:</p> <ul style="list-style-type: none">(i) be in breach of any law or governmental authority in any jurisdiction whether on its own or in conjunction with any other relevant circumstances;(ii) result in the Fund incurring any liability to taxation that the Fund otherwise would not have incurred or suffered;(iii) require the Fund to be registered under any statute, law or regulation whether as an investment fund, trust, scheme or otherwise or cause the Fund to be required to apply for registration or comply with any registration requirements in respect of any Shares, whether in the United States or any other jurisdiction, including without limitation under the Securities Act or the Investment Company Act;

Value Partners China Greenchip Fund Limited

- (iv) cause the assets of the Fund to be considered “plan assets” within the meaning of ERISA;
- (v) likely to cause a pecuniary, tax, legal or regulatory disadvantage to the Fund or any Shareholder of the Fund in any jurisdiction that otherwise would not have incurred or suffered;
- (vi) be less than the minimum holding specified by the Manager from time to time; or
- (vii) such other non-qualified persons as determined by the Board from time to time

“Non-redeemable
Class N Shares”

Shares which are not redeemable at the option of the Shareholder

“Performance Fee
Valuation Day”

the last Business Day of each calendar year

“PRC”

the People’s Republic of China

“QIBs”

qualified institutional buyers as defined in Rule 144A

“Qualified Purchasers”

qualified purchasers as defined in the Investment Company Act

Value Partners China Greenchip Fund Limited

“Recognised Futures Exchange”	an international futures exchange which is recognised by the SFC or which is approved by the Directors and the Manager
“Recognised Stock Exchange”	an international stock exchange which is recognised by the SFC or which is approved by the Directors and the Manager
“Redeemable Class A Shares”	Shares which are redeemable at the option of the Shareholder in accordance with the Articles
“Regulation S”	Regulation S under the Securities Act
“Relevant Performance Period”	initially means the period between the day on which dealings in Shares commence and 31 December 2007 (both dates inclusive), following 31 December 2007 the term means the period commencing 1 January to 31 December (both dates inclusive) in each successive calendar year
“Renminbi”	the lawful currency for the time being and from time to time of the PRC
“Rule 144A”	Rule 144A under the Securities Act
“Securities”	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):

Value Partners China Greenchip Fund Limited

- (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);
- (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

“Securities Act”

United States Securities Act of 1933, as amended

“Securities and Futures Ordinance”

the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified, re-enacted or replaced from time to time

“SFC”

the Securities and Futures Commission of Hong Kong

“Shareholder(s)”

registered holders of the Shares from time to time

Value Partners China Greenchip Fund Limited

“Share”	share in the capital of the Fund of a nominal or par value of HK\$0.10 and includes a fraction of any such Share. Shares may be divided into classes in the discretion of the Directors and shall be designated as Redeemable Class A Shares or Non-redeemable Class N Shares in accordance with the provisions of the Articles and, except where otherwise expressly stated, the term “Share” shall include all such classes of Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taiwan”	Taiwan, the Republic of China
“United States” or “US”	the United States of America, as defined in Regulation S
“US Person”	has the meaning given to it in Regulation S
“United States dollars” or “US\$”	the lawful currency for the time being and from time to time of the United States
“Valuation Day”	the last Business Day of each calendar month, and/or such Business Day or Business Days as the Manager may from time to time determine with the approval of the Custodian and one month’s prior written notice to Shareholders, provided always that there will be at least one Valuation Day in each calendar month
“Valuation Point”	the official close of trading on the Market on each Valuation Day on which any Security, commodity or Futures Contract comprised in the Fund’s portfolio is traded and, if assets comprising the Fund’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 Valuation Day

“%”

per cent.

INFORMATION ON THE FUND

INTRODUCTION

The Fund was incorporated with limited liability as an exempted company in the Cayman Islands on 16 January 2002. The Fund is an open-ended mutual fund corporation and will be principally engaged in investments in listed and unlisted companies related to Greater China.

Prior to 26 March 2007, the Fund was a close-ended investment company and its Shares were listed on the Stock Exchange. As approved by the Shareholders on 19 March 2007, the Fund was converted from a close-ended investment company into an open-ended mutual fund corporation and the Shares of the Fund were delisted from the Stock Exchange on 26 March 2007.

INVESTMENT OBJECTIVE, APPROACH AND RESTRICTIONS

Investment objective

The investment objective of the Fund 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 in, or trade with, Greater China. This includes companies incorporated and/or listed outside Greater China.

Investment approach

A substantial portion of investment is made in listed and unlisted companies related to Greater China, which includes the People's Republic of China, Taiwan and Hong Kong but excludes Macau.

Investment is normally made in the form of equity or debt related Securities.

The Fund seeks to invest primarily in companies, typically with a small market capitalisation expected to be below US\$200 million or its equivalent. The Manager typically performs its own investment research, including but not limited to frequent company visits, and focuses on companies that do not attract research coverage by major international institutional investors.

The Investments are intended to be held for medium to long-term (i.e. one to five years) capital appreciation. The actual holding period will be dependent on the return from the Investments and the potential of listing of such Investments on the Stock Exchange or other Recognised Stock Exchanges.

Any cash of the Fund not invested in Securities is deposited with the Custodian and/or other banks where accounts have been opened by the Fund.

Investment restrictions

The investment restrictions of the Fund are summarised below:

- (1) not more than 10% of the Fund's latest available Net Asset Value may be invested in Securities (other than Government and other public Securities) issued by any single issuer;
- (2) the Fund may not hold more than 10% of any ordinary shares issued by any single issuer;
- (3) not more than 15% of the Fund's latest available Net Asset Value may be invested in Securities which are neither listed nor quoted on a stock exchange, over-the-counter market or other organized securities market which is open to the international public and on which such Securities are regularly traded;
- (4) not more than 30% of the Fund's latest available Net Asset Value may be invested in Government and other public Securities of a single issue (save that the Fund may invest all of its assets in Government and other public Securities in at least six different issues);
- (5) not more than 20% of the Fund's latest available Net Asset Value may be invested in (i) commodities (including physical commodities, forward and futures contracts in respect of commodities, options on commodities, options on futures contracts in respect of commodities, and other commodity-based investments and excluding, for this purpose, Securities of companies engaged in the production, processing or trading of commodities) and (ii) futures contracts on an unhedged basis (by reference to the net aggregate value of contract prices, whether payable to or by the Fund);

Value Partners China Greenchip Fund Limited

- (6) the value of the Fund's total holding of warrants and options in terms of the total amount of premium paid (other than for hedging purposes) may not exceed 15% of its latest available Net Asset Value;
- (7) the value of the Fund's total holding of units or shares in other collective investment schemes may not exceed 10% of its latest available Net Asset Value. In addition, the objective of the underlying collective investment scheme may not be to invest primarily in any investment prohibited by the other investment restrictions, and where that underlying collective investment scheme's objective is to invest primarily in investments restricted by the other investment restrictions, such holdings may not be in contravention of the relevant limitation;
- (8) the Fund may not invest in a unit trust, mutual fund corporation or other collective investment scheme which is managed by the Manager or any of its Connected Persons which would result in an increase in the overall total of initial charges, Manager's annual fee, or any other costs and charges payable to the Manager or any of its Connected Persons borne by the Shareholders or by the Fund;
- (9) in addition, the Manager shall not on behalf of the Fund:
 - (i) invest in a Security of any class in any company or body if directors and officers of the Manager individually own more than 0.5% of the total nominal amount of all the issued Securities of that class or collectively own more than 5% of those Securities;
 - (ii) invest in any type of real estate (including buildings) or interests in real estate (including options or rights but excluding shares/interests or derivative interests thereon in real estate companies and SFC authorised/permitted real estate investment trusts (REITs));
 - (iii) make short sales if as a consequence the liability of the Fund to deliver Securities would exceed 10% of its latest available Net Asset Value (and for this purpose Securities sold short must be actively traded on a market where short selling is permitted);

Value Partners China Greenchip Fund Limited

- (iv) grant options over or in respect of any Security except, in the case of call options, where the option is covered by Securities and, in the case of put options, where the option is covered by cash or near cash in each case held by the Fund throughout the period from the grant of the option to the exercise of the option;
- (v) grant call options over investments held by the Fund the total value of which, in terms of the prices at which all such options may be exercised, exceeds 25% of its latest available Net Asset Value;
- (vi) make a loan out of the Fund without the prior written consent of both the Custodian and the Board except to the extent that the acquisition of an investment or the making of a deposit might constitute a loan;
- (vii) assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in respect of borrowed money without the prior written consent of both the Custodian and Board;
- (viii) acquire any asset for the Fund which involves the assumption of any liability which is unlimited; or
- (ix) apply any part of the Fund in the acquisition of any investments which are for the time being nil paid or partly paid in respect of which a call is due to be made unless such call could be met in full out of cash or near cash forming part of the Fund which has not been appropriated and set aside for any other purposes and shall not be entitled without the consent of the Manager or the Board to apply any part of the Fund in the acquisition of any other investment which is in the opinion of the Manager or the Board likely to involve the Fund in any liability (contingent or otherwise).

Value Partners China Greenchip Fund Limited

The Fund may engage in foreign currency transactions for hedging purposes only. For a discussion of foreign exchange controls in the PRC, please refer to the sub-section headed “Risks relating to the PRC” in the “Risk factors” section of this explanatory memorandum.

Borrowing Restrictions

The Manager may borrow up to 25% of the latest available Net Asset Value of the Fund to acquire investments or for liquidity purposes to meet redemptions and other expenses of the Fund. For the purposes of such restriction, back-to-back loans shall not be regarded as borrowing.

Security lending

The Fund may, at the request of the Manager, engage in security lending, in respect of any securities through the agency of or directly with any person including the Manager or the Custodian or any Connected Person of either of them, and such person shall be entitled to retain for its own use and benefit any fee it receives on a commercial basis in connection with such arrangement provided always that:

- (a) any security lending agreement is entered into only if (i) the relevant securities lent are fully paid-up securities listed or quoted on any stock exchange, over-the-counter market or other organised securities market that is open to the international public and on which such securities are regularly traded; (ii) the amount of the consideration (including the value of any collateral) given for the relevant securities exceeds the value of such securities at any one time based on daily marked to market values; (iii) the counterparts' financial standings are equivalent to at least A2/P2 (either based upon reputable credit rating agencies or in the reasonable opinion of the Manager); and (iv) the Fund is entitled at any time to terminate the agreement and demand the immediate return of all securities lent;
- (b) any security lending agreement is entered into only if collateral in such amount and in such form as prescribed by the Manager from time to time has been provided. Unless otherwise agreed to by the Manager,

collateral for securities lent may take the form of government stock, government treasury bills, banker's acceptances, certificates of deposit, bonds, equities, letters of credit or cash collateral;

- (c) the value of the securities to be loaned, together with the value of all other securities which are the subject of a loan by the Fund does not exceed 10% of the latest available Net Asset Value of the Fund; and
- (d) no more than 50% of securities of the same issue, or of the same kind (by value), held in respect of the Fund is the subject of security lending agreements at any one time.

Any incremental income earned from any security lending agreement may be split between the Fund and any security lending agent in such proportion as the Manager may determine in each case, provided that the amount payable to any security lending agent should not exceed 30% of such incremental income.

If any of the above investment or stock lending limitations and prohibitions (for which a waiver has not been obtained) is breached (as a result of price fluctuations or otherwise), the Manager will make it a priority objective to take all steps necessary to remedy the situation within a reasonable time, taking into account the interests of all Shareholders.

DETERMINATION OF NET ASSET VALUE

The Net Asset Value of the Fund is determined by valuing the Investments and deducting the Fund's liabilities in accordance with the terms of the Articles as at the Valuation Point (or at such other time as the Manager and the Directors determine). The Administrator is responsible for calculating the Net Asset Value.

The Articles provide, among other things, that for the purpose of calculating the Net Asset Value:

- (a) Unless the Manager (with the consent of the Directors) determines that some other method of valuation is more appropriate in relation to the Investments, the value of any Security or Commodity which is

listed or quoted on a Market (and includes any Security in respect of which application has been made for listing, quotation or permission to deal on a Market and the subscription or purchase of such Security by the Manager is conditional on the granting of such listing, quotation or permission to deal (respectively, a “Quoted Security” and a “Quoted Commodity”)) shall be calculated by reference to the price appearing to the Manager to be the closing price on the Market on which the relevant Security or Commodity (or, in the case of any Security which consists of a warrant or purchase option, the underlying Security that such warrant or option relates to) is quoted, listed or ordinarily dealt in for such amount or quantity of such Security or Commodity (or, in the case of any Security which consists of a warrant or purchase option, the amount or quantity of the underlying Security that such warrant or option relates to) as the Manager may consider in the circumstances to provide fair criterion, provided that:

- (i) if any Quoted Security or any Quoted Commodity or (as the case may be) any underlying Security is quoted, listed or normally dealt in on more than one Market, the Manager shall adopt the price quoted on the Market which, in its opinion, provides the principal market for such Security or Commodity or (as the case may be) such underlying Security;
- (ii) in the case of any Quoted Security or any Quoted Commodity or (as the case may be) any underlying Security which is quoted, listed or normally dealt in on a Market but in respect of which, for any reason, prices on that Market may not be available at any relevant time, the value thereof shall be certified by such firm or institution making a market in such investment as may be appointed for such purpose by the Manager or, if the Directors so require, by the Manager after consultation with the Directors;
- (iii) there shall be taken into account interest accrued on interest-bearing Securities up to (and including) the date as at which the valuation is made, unless such interest is included in the quoted or listed price; and

- (iv) for the purpose of the foregoing provisions, the Manager (with the approval of the Directors, such approval not to be unreasonably withheld) shall be entitled to use and rely upon electronically transmitted information from such source or sources as they may from time to time think fit with regard to the pricing of Securities or Commodities on any Market notwithstanding that the prices so used are not the closing prices.
- (b) The value of any Security which is not a Quoted Security or any Commodity which is not a Quoted Commodity (respectively an “Unquoted Security” and an “Unquoted Commodity”) shall be its initial value ascertained in accordance with paragraph (i) below or its value according to the latest revaluation thereof made in accordance with paragraph (ii) below.
- (i) The initial value of an Unquoted Security or an Unquoted Commodity shall be the amount expended by the Fund in the acquisition thereof (including in each case the amount of the stamp duties, commissions and other expenses incurred in the acquisition thereof and the vesting thereof in the Custodian for the purposes of the Investments).
 - (ii) The Manager may at any time with the approval of the Directors and shall at such times or at such intervals as the Directors may request cause a revaluation to be made of any Unquoted Security or Unquoted Commodity by a professional person approved by the Directors as qualified to carry out such revaluation (and such professional person may be, if the Directors agree, the Manager itself).
 - (iii) Paragraph (d) shall apply to shares in any corporation which is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in Securities or other investments and which is offering for sale or has outstanding redeemable shares of which it is the issuer or in respect of any such corporation with more than one class of shares (each representing a separate portfolio investing

Value Partners China Greenchip Fund Limited

as aforesaid), each such class of shares (a “Mutual Fund Corporation”) and units in any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever or, in respect of any such arrangement which offers more than one class of units to participating persons (each representing a separate portfolio acquiring, holding, managing or disposing as aforesaid), each such class of units (a “Unit Trust”) other than a Unit Trust which does not provide for units therein to be realised at the option of their holders and a Mutual Fund Corporation whose shares are redeemable only at the option of its manager or upon the occurrence of certain specified events.

- (c) The value of any Futures Contract shall be calculated on the following basis:
- (i) For the purpose of the formulae set out in paragraphs (ii) and (iii) below:
- A = the full amount expressed in the Futures Contract as being due to be paid or received by the holder of such Futures Contract upon settlement thereof or (as the case may be) upon delivery of the subject matter of such Futures Contract (the “Contract Value”) of the relevant Futures Contract (“the Open Contract”);
- B = the amount determined by the Manager to be the Contract Value of the Futures Contract which the Manager would need to enter into on behalf of the Fund in order to close the Open Contract, such determination to be made by reference to the latest available price or (if bid and offered quotations are made) the latest available middle market quotation on the date as at which the valuation is to be made on the Market in which the Open Contract was entered into on behalf of the Fund; and

C = the amount expended out of the Fund in entering into the Open Contract, including the amount of all stamp duties, commissions and other expenses but excluding any deposit or margin provided in connection therewith.

- (ii) The value of a Futures Contract under which the Fund is the seller of the relevant Commodity, share price index or other subject matter of such Futures Contract, shall be the positive or negative amount given by the formula:

$$A - (B + C)$$

- (iii) The value of a Futures Contract under which the Fund is the buyer of the relevant Commodity, share price index or other subject-matter of such Futures Contract, shall be the positive or negative amount produced by applying the following formula:

$$B - (A + C)$$

- (d) Subject to paragraph (b)(iii) above, the value of any holding in any Mutual Fund Corporation or Unit Trust shall be calculated on the following basis:

- (i) The value of any unit in any Unit Trust and any share in any Mutual Fund Corporation (other than a unit in a Unit Trust which does not provide for units therein to be realised at the option of their holders and a share in a Mutual Fund Corporation whose shares are redeemable only at the option of its manager or upon the occurrence of certain specified events) shall be the latest available net asset value per unit in such Unit Trust or per share in such Mutual Fund Corporation or (if such net asset value is not available or not considered by the Manager to be appropriate) a price calculated by aggregating the latest available bid price for such a unit or share and the latest available offer price therefor and dividing the resulting sum by two, unless in any case the Manager considers that the latest available bid price is a more appropriate method of valuation.

Value Partners China Greenchip Fund Limited

- (ii) For the purpose of this paragraph (d), references to the “latest available” net asset value, bid price or offer price, as the case may be, means any of (a) the latest published net asset value, bid price or offer price; or (b) a net asset value, bid price or offer price which has been calculated but not yet published; or (c) a net asset value, bid price or offer price which will be determined as at a time on, before or after the relevant Valuation Point, whichever the Manager considers to be most appropriate in the relevant circumstances.
- (e) Cash, deposits and similar property shall be valued at their face value (together with accrued interest) unless, in the opinion of the Manager, any adjustment should be made to reflect the value thereof.
- (f) Notwithstanding paragraphs (a) to (e) above, the Manager may adjust the value of any Security, Commodity, Futures Contract or other property if, having regard to currency, applicable rate of interest, maturity, marketability or any other considerations it considers relevant, it determines that such adjustment is required to reflect more fairly the value thereof.
- (g) Where the current price of a Quoted Security or (as the case may be) underlying Security is quoted “ex” any dividend (including stock dividend), interest or other rights to which the Fund is entitled but such dividend, interest or the property or cash to which such rights relate has not been received and is not otherwise taken into account, the amount of such dividend, interest, property or cash shall be included in the Investments.

Under IFRS, investors should note that investments should be valued at fair value, and that the bid and offer pricing is considered to be representative of fair value for listed investments. However, under the valuation basis described above, listed investments are expected to be valued at the closing price which may lead to a different valuation had the valuation been performed in accordance with IFRS. The Directors have considered the impact of such non-compliance and does not expect this issue to materially affect the results and Net Asset Value of the Fund.

Value Partners China Greenchip Fund Limited

The Directors may declare a suspension of the determination of the Net Asset Value on any Business Day (and hence the Net Asset Value per Share) during:

- (i) any period (other than ordinary holiday or customary weekend closings) when any Market is closed which is the main market for a substantial part of the Investments, or when trading thereon is restricted or suspended;
- (ii) any period when any emergency exists as a result of which disposal by the Fund of Investments which constitute a substantial portion of its assets is not practically feasible;
- (iii) any period when for any reason the prices of a substantial portion of the Investments cannot be reasonably, promptly or accurately ascertained by the Fund;
- (iv) any period when remittance of monies which will, or may be, involved in the realisation of, or in the payment for, Investments cannot, in the opinion of the Directors, be carried out at normal rates of exchange;
- (v) any period when proceeds of the sale or redemption of the Shares cannot be transmitted to or from the Fund's account; or
- (vi) any period when, for any other reason, the value of any of the Investments cannot reasonably or fairly be ascertained.

Whenever the Directors declare such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in the South China Morning Post and the Hong Kong Economic Times or such other English and Chinese language newspapers published daily and circulating generally in Hong Kong stating that such declaration has been made.

No Shares will be issued or redeemed on any Business Day when the determination of the Net Asset Value is suspended. Where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

Value Partners China Greenchip Fund Limited

If the Net Asset Value of the Fund at any time falls below HK\$80,000,000 and remains below that level for 30 or more consecutive Business Days, the Directors may, having consulted the Manager, convene a general meeting of Shareholders to determine by way of Shareholders' resolution whether the Fund shall continue in operation or be wound up. The Fund will only continue in operation if approved by an ordinary resolution passed by Shareholders at that meeting.

NET ASSET VALUE PUBLICATION

The Fund publishes monthly the Net Asset Value per Share in the South China Morning Post and the Hong Kong Economic Times or such other English and Chinese language newspapers published daily and circulating generally in Hong Kong. Prior notification will be given to Shareholders if the Manager decides to change the newspaper on which the Net Asset Value per Share will be published.

RESTRICTIONS ON SHAREHOLDERS

Every person purchasing the Shares will be deemed to have represented, agreed and acknowledged that it is not a Non-eligible Investor.

Under the Articles, the Directors have the power to impose such restrictions as they may think necessary for the purpose of ensuring that none of the Shares are acquired or held by a Non-eligible Investor. Upon notice that any of the Shares are so held, the Directors may require such holders to redeem or transfer their Shares in accordance with the provisions of the Articles.

Compulsory redemption

Under the Articles, the Directors have the power to redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect. No Shareholders' resolution will be required in the event that the Directors decide to exercise their powers under the Articles to redeem compulsorily any Shares held by a Non-eligible Investor. Such compulsory redemption of Shares held by Non-eligible Investors will be effected in accordance with the Articles.

Any Shares redeemed compulsorily will be treated as cancelled on redemption and the amount of the Fund's issued share capital will be diminished by the nominal value of those Shares accordingly. Where Shares are redeemed compulsorily, the Fund will comply with the applicable rules and regulations.

Payment of the redemption proceeds will be made in Hong Kong dollars and will be remitted by wire transfer to the account designated by the Shareholder concerned. No interest will accrue on the redemption proceeds pending payment.

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Class A Shares".

Compulsory transfer

Under the Articles, upon notice that any of the Shares are held by a Non-eligible Investor, the Directors may by notice require such holder to transfer his Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles. A summary of the provisions of the Articles on transfer of Shares is set out in the subsection headed "Transfer of Shares" in the "Subscription, Redemption and Transfer of Shares" of this explanatory memorandum.

If the holder does not subsequently transfer his Shares within 30 days after such notice, the Directors will be entitled to compulsorily redeem such Shares in accordance with the Articles.

DISTRIBUTION

The Fund's financial year is the twelve-month period from 1 January to 31 December of each calendar year. In view of the Fund's investment objective to achieve capital growth, it is not envisaged that any income or gains derived from the Investments will be distributed by way of dividends or other distributions. This does not preclude the Directors, having consulted and agreed with the Manager, from declaring a dividend or making a distribution at any time in the future if they consider it to be appropriate.

Value Partners China Greenchip Fund Limited

REPORTS AND ACCOUNTS

The financial year-end of the Fund is on 31 December of every year. Audited accounts are to be prepared and sent to Shareholders within four months of each financial year-end. Half-yearly unaudited reports are also to be prepared up to the last Business Day in June of each year and sent to Shareholders within two months of such date. The reports will provide details of the Investments and the Manager's statement on transactions during the period under review.

The audited accounts are to be prepared according to IFRS. The rules of valuation of Investments contained in the Articles and which are applied in the day to day valuation of the Fund provide that Investments quoted or listed on any securities market are made by reference to the closing price, a price which is easily available to the Manager. The IFRS however require such Investments to be fair valued and this is normally by reference to the bid and offer price. Accordingly, such Investments are valued in the accounts and reports by reference to the bid price. The discrepancy between the Net Asset Values arrived at through the application of the two valuation methods may or may not be material and the accounts and reports will contain a reconciliation of the Net Asset Values.

DIRECTORS

The Directors are responsible for the overall management and control of the Fund in accordance with the Articles. The names of the Directors and their past experience are set out below:

Executive Directors

Mr. Cheah Cheng Hye, was appointed as an executive Director on 16 January 2002. He co-founded Value Partners Limited with Mr. V-Nee Yeh in February 1993 and is currently the Chief Investment Officer of Value Partners. He has been in charge of the China/Hong Kong equities portfolio that has won several performance awards since its launch in 1993. Mr. Cheah was formerly an executive director in the Hong Kong unit of Morgan Grenfell. He founded Morgan Grenfell's Hong Kong equities research department in 1989 where he served as the head of research and a proprietary trader. He pioneered research into locally listed smaller companies. Before joining Morgan Grenfell, Mr. Cheah worked as a financial journalist for eleven years in a number of

Value Partners China Greenchip Fund Limited

Asian cities for The Asian Wall Street Journal and the Far Eastern Economic Review Ltd. Mr. Cheah is considered an authority on stock markets in China and Hong Kong and is frequently quoted in both the domestic and international media as an expert on China/Hong Kong stock markets. Under his stewardship, Value Partners recently won the Enterprise Award – Hong Kong Business Award 2005.

Mr. Ngan Wai Wah, Franco, was appointed as an executive Director on 26 March 2004. He is the Chief Executive Officer of Value Partners Limited and is responsible for the business management of Value Partners. Mr. Ngan is also the Chairman of Development Partners Limited, a joint venture between Value Partners and the development bank of the Netherlands (FMO), which manages mezzanine capital funds focusing on the Chinese market. Prior to joining Value Partners, he worked for Manulife Asset Management (Hong Kong) since 1997, where he served as a director in charge of sales and distribution and was responsible for both the institutional and the retail business. Before joining Manulife, Mr. Ngan was associated with Altamira Investment Services Inc. (Canada). Mr. Ngan is a graduate of the University of British Columbia with a major in Finance and is a Chartered Financial Analyst charterholder.

Mr. So Chun Ki Louis, was appointed as an executive Director on 22 March 2005. He is the Senior Fund Manager of Value Partners Limited and is involved in all aspects of Value Partners' investment process. He graduated from the University of Auckland with a degree in Commerce and from the University of New South Wales with a Master degree in Commerce.

TERMINATION OF THE FUND

The Fund may be wound up by a special resolution of Shareholders. On a winding up, the Shares carry a right to share, *pari passu inter se*, in surplus assets of the Fund remaining.

If the Net Asset Value of the Fund at any time falls below HK\$80,000,000 and remains below that level for 30 or more consecutive Business Days, the Directors may, having consulted the Manager, convene a general meeting of Shareholders to determine by way of Shareholders' resolution whether the Fund shall continue in operation or be wound up. The Fund will only continue in operation if approved by an ordinary resolution passed by Shareholders at that meeting.

INVESTMENT MANAGEMENT

THE MANAGER

The Manager is a company incorporated with limited liability in the British Virgin Islands on 9 October 1991 and is licensed by the SFC pursuant to the SFO to carry on types 1, 4, 5 and 9 regulated activities.

The Manager's role

Pursuant to the Investment Management Agreement, the Manager was appointed as an investment manager to provide investment management services to the Fund, subject to the overall control and supervision of the Directors.

The Manager manages and supervises the Investments and provides various administrative services to the Fund in accordance with the Investment Management Agreement. More information on the Investment Management Agreement may be found in the sub-section headed "Material contracts" of this explanatory memorandum.

Appointment of investment adviser

Subject to the prior approval by the SFC, the Manager is authorised under the Investment Management Agreement to appoint one or more investment advisers to manage and invest the Fund on a discretionary basis. The Manager will exercise reasonable skill, care and diligence in the selection of any such investment advisers and will be responsible to the Fund for satisfying itself as to the ongoing suitability of such investment advisers to perform the investment advisory functions. The Manager will be responsible for the payment of the fees of the investment advisers.

The Manager's experience in investment management

The Manager is a specialist in the Greater China equity markets. Using a bottom-up value approach, its funds have generated consistent returns with much lower volatility than the general market. The firm's business commenced in Hong Kong in 1993 by Mr. Cheah and Mr. V-Nee Yeh. Subsequently, Mr. Cheah and Mr. Yeh brought two prestigious US investors into the firm as shareholders, namely Value Holdings LLC and JH Whitney III, LP.

Value Holdings LLC is part of the Holding Capital Group. The Holding Capital Group, founded in 1975 by Mr. Sash Spencer, is a private equity group with offices in New York and Florida, the United States. The group has arranged and acted as principal in more than 200 acquisitions and other investments totalling more than US\$3 billion in value.

JH Whitney III, LP is an affiliate of Whitney & Co., LLC. Whitney & Co., LLC helped pioneer the venture capital business and has evolved into a leading manager of alternative assets, including private and public equity, and private and public debt. Founded in 1946 by noted industrialist, financier and philanthropist John Hay “Jock” Whitney, the firm, as of 31 December 2001, successfully manages approximately US\$5 billion in assets for some of the world’s most respected institutional and high-net-worth investors. Whitney & Co., LLC sets itself apart by emphasising a tradition of innovative investing, executing a distinctive investment model and cultivating a unique organisation and culture.

The Manager’s directors

The Manager’s directors are:

Executive directors

Mr. Cheah Cheng Hye, was appointed as a director of the Manager on 1 February 1993. Mr. Cheah is also a Director of the Fund. Details relating to Mr. Cheah are set out in the section headed “Information on the Fund” of this explanatory memorandum.

Mr. Ho Man Kei, was appointed as a director of the Manager on 18 July 1997. Mr. Ho is the Senior Fund Manager of Value Partners Limited and holds a leadership role in Value Partners’ investment process, including a high degree of responsibility for portfolio management. He joined Value Partners in 1995. He was a broker with Dao Heng Securities from 1992 and prior to that was an accountant with Ernst & Young. Mr. Ho is a graduate of the University of Hong Kong, where he received a Bachelor of Social Science majoring in Management Studies. He is a Chartered Financial Analyst.

Value Partners China Greenchip Fund Limited

Mr. Ngan Wai Wah, Franco, was appointed as a director of the Manager on 25 March 2004. Mr. Ngan is also a Director of the Fund. Details relating to Mr. Ngan are set out in the sub-section headed “Directors” of this explanatory memorandum.

Non-executive directors

Mr. V-Nee Yeh, was appointed as a director of the Manager on 23 December 1991. Mr. Yeh is a graduate of Williams College (B.A. magna cum laude, 1981) and Columbia University School of Law (J.D., 1984 and Harlan Fiske Stone Scholar) and is also a member of the California Bar Association. Before founding Value Partners Limited, he was a partner at Lazard Brothers Capital Markets in London. Mr. Yeh is on the board of several listed companies. He was a Council Member of the Stock Exchange until its merger into the Hong Kong Exchanges and Clearing Limited. He remains a member of the Listing Committee of the Stock Exchange. He used to be a member of the Listing Committee of the China Securities Regulatory Commission but retired at the end of 2003.

Mr. Brian Joseph Doyle, was appointed as a director of the Manager on 17 May 2000. Mr. Doyle is a graduate of Miami University, with a degree of Bachelor of Science, and the Harvard University Graduate School of Business Administration, with a master’s degree in business administration. He is a managing director of Provident Investment Management Ltd., a private capital management firm based in Hong Kong. Prior to forming Provident Investment Management Ltd., he was with Whitney & Co., LLC and Morgan Stanley & Co.

THE CUSTODIAN AND ADMINISTRATOR’S AGENT

HSBC Institutional Trust Services (Asia) Limited has been appointed by the Fund as the Custodian of the investments and uninvested cash of the Fund, which are held either directly by the Custodian or through its sub-custodians, nominees, agents or delegates pursuant to a custodian agreement between the Fund and the Custodian dated 26 March 2007 (the “Custodian Agreement”). The appointment of the Custodian may be terminated by either the Custodian or the Fund giving to the other not less than 90 days’ notice in writing; the Custodian Agreement may also be terminated in certain other circumstances described therein.

The Custodian is entitled to receive the fees described in the sub-section headed “Custodian and Administrator fees” below.

More information on the Custodian Agreement may be found in the sub-section headed “Material contracts” of this explanatory memorandum.

THE ADMINISTRATOR

Bank of Bermuda (Cayman) Limited has been appointed by the Fund as its Administrator. The Administrator was appointed pursuant to an administration agreement between the Fund and the Administrator dated 26 March 2007 (the “Administration Agreement”). The appointment of the Administrator may be terminated by either the Administrator or the Fund giving to the other not less than 90 days’ notice in writing.

Bank of Bermuda (Cayman) Limited was incorporated in the Cayman Islands on 21 June 1988 and is a licensed trust company under the Banks and Trust Companies Law (2007 Revision), as amended, and a licensed mutual fund administrator pursuant to the Mutual Funds Law (2007 Revision).

The Administrator is responsible for the general administration of the Fund which includes keeping the register of Shareholders, arranging for the issue and redemption of Shares, calculation of asset valuations and fees, and administration of uninvested cash.

The Administrator has delegated certain of its functions and duties to the Administrator’s Agent in Hong Kong, however the principal register will be maintained by the Administrator in the Cayman Islands.

Both the Administrator and the Administrator’s Agent are indirect wholly owned subsidiaries of HSBC Holdings plc, a public company incorporated in England and Wales. The HSBC Group is one of the largest banking and financial services organisation in the world with well-established businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

The Fund reserves the right to change the administrative arrangements described above by agreement with the Administrator and/or to appoint an alternative Administrator.

Value Partners China Greenchip Fund Limited

The Administrator is entitled to receive the fees described in the sub-section headed “Custodian and Administrator fees” below.

More information on the Administration Agreement may be found in the sub-section headed “Material contracts” of this explanatory memorandum.

POTENTIAL CONFLICTS OF INTERESTS

It is possible that the Manager or other investment advisers as may be appointed by the Manager from time to time pursuant to the Investment Management Agreement, may, in the course of their business, have potential conflicts of interests in relation to the Fund. For instance, associated companies or directors of the Manager or other investment advisers may act as underwriter(s) for Securities sold to the Fund or provide investment management and/or advisory services to other clients (including other funds). Pursuant to the Investment Management Agreement, the Manager or its Connected Persons will be free to render services similar to those which the Manager is providing to the Fund to other clients (including other funds) so long as the Manager’s services to the Fund are not thereby materially impaired. Further, the Manager or its Connected Persons may receive commission, brokerage and other charges in relation to the sale or purchase of any investment by the Fund.

At present, the Manager is also the investment manager of several funds whose investment objectives, investment approach and investment restrictions are similar to those of the Fund. The Manager or any of its Connected Persons may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Fund. Neither the Manager nor its Connected Persons is under any obligation to offer investment opportunities of which any of them become aware to the Fund or to account to the Fund in respect of (or share with the Fund or to inform the Fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients.

The Manager reserves the right for itself and its Connected Persons to co-invest on its own or for other funds and/or clients with the Fund, although any such co-investment must be made on terms no better than those in which the Fund is investing. Further, the Manager and any of its Connected Persons may hold and deal in Shares or in investments held by the Fund either for their own account or for the account of their clients.

Subject to restrictions and requirements applicable from time to time, the Manager or any of its Connected Persons may enter into investments for the Fund as agent for the Fund and may deal with the Fund as principal provided that, in both cases, dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. Any transactions between the Fund and the Manager, investment adviser, the Directors or any of their Connected Persons as principal may only be made with the prior written consent of the Custodian. All such transactions must be disclosed in the Fund's annual report.

The Manager or any of its Connected Persons may have banking or other financial relationships with any company or party which is the issuer of Securities, financial instruments or investment products held by the Fund.

Neither the Manager nor any of its Connected Persons may retain cash or other rebates from a broker or dealer in consideration of directing transactions to them. The Manager is authorised to receive and retain soft commission from brokers, dealers, agents, investment advisers or other persons in consideration of directing transactions in relation to the assets and investments of the Fund to these persons provided that those services comprised in such soft commission are of demonstrable benefit to the Fund, the transaction execution is consistent with best execution standards and the amounts of brokerage on service fees payable to the said persons are not in excess of customary rates. Goods and services which a broker or a dealer may provide to the Manager include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the foregoing; clearing and custodian services and investment related publications. The goods and services which the Manager is permitted to receive may not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries, or direct money payments or any other

Value Partners China Greenchip Fund Limited

goods and services as may be prescribed from time to time in any code or guideline issued by the SFC.

The Custodian or its Connected Persons may provide banking facilities to the Fund or enter into foreign exchange transactions with the Fund provided that they do so on the same or better terms to the Fund than those obtainable from any other party. The Custodian and its Connected Persons may, in all other cases, contract with or enter into any transaction with the Fund in the ordinary course of banking activities provided that such contract or transaction is on the best terms reasonably obtainable having regard to the interests of the Fund.

FEES AND EXPENSES

Initial charge

An initial charge of up to 5% in respect of the relevant issue price per Share may be made and retained by the Manager for its own use and benefit. The Manager may in its absolute discretion reduce the amount of the initial charge payable by an applicant in addition to the relevant issue price per Share on any Valuation Day.

Initial charge will be waived for any Shares issued on or before 31 May 2007 pursuant to an exchange from Non-redeemable Class N Shares. For the avoidance of doubt, existing Shareholders who subscribe additional Shares on or after 26 March 2007 will be subject to an initial charge.

For the purposes of this section, references to “Shares” shall be construed as references to “Redeemable Class A Shares”.

Redemption charge

A redemption charge of up to 5% of the redemption price per Share may also be imposed and retained by the Manager for its own use and benefit. The charge is levied on a sliding scale of 5% of the redemption price per Share for Shares redeemed within 1 year of their issuance and 3% of the redemption price per Share for Shares redeemed within 1 year thereafter. The Manager may in its absolute discretion reduce the amount of the redemption charge payable by a Shareholder on a Valuation Day. No redemption charge will be payable on redemptions of Shares which have been held for more than 2 years or which were issued on or before 31 May 2007 pursuant to an exchange from Non-redeemable Class N Shares.

More information on the redemption charge may be found in the sub-section headed “Redemption of Shares” of this explanatory memorandum.

For the purposes of this section, references to “Shares” shall be construed as references to “Redeemable Class A Shares”.

Processing fee for transfer

The maximum processing fee payable to the Manager for transfer of Shares is HK\$500.

Management and performance fees

The maximum management fee and maximum performance fee payable to the Manager are 2% per annum of the Net Asset Value of the Fund and 15% of the appreciation in the Net Asset Value per Share (as defined below) respectively.

The Fund pays a management fee to the Manager of 1.5% per annum of the Net Asset Value of the Fund, calculated and accrued daily and payable in arrears to the Manager at the end of each calendar month.

The Manager is also entitled to receive a performance fee from the Fund calculated by reference to the increase in the Net Asset Value per Share (as defined below) as at the relevant Performance Fee Valuation Day.

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 15% of the appreciation in the Net Asset Value per Share (as defined below), calculated as at the Valuation Point on

Value Partners China Greenchip Fund Limited

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 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 Fund on the Stock Exchange commences (which is HK\$10) 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 Valuation Day of the Relevant Performance Period.

“D” is 15% 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 Valuation Days in the Relevant Performance Period.

Any performance fee payable shall be paid as soon as practicable after the end of the Relevant Performance Period. The performance fee shall be deemed to accrue daily throughout the Relevant Performance Period. In the event that:

- (i) the Fund is placed into liquidation; or
- (ii) the Investment Management Agreement is terminated

on a day other than a Performance Fee Valuation Day, then an amount equivalent to the performance fee deemed to accrue on that day (if any) shall be payable to the Manager.

For Shares subscribing or redeeming during the Relevant Performance Period, they will be based on the Net Asset Value per Share (after accrual of performance fee as calculated in accordance with the above) and there is no adjustment. Depending upon the performance of the Fund during the year, the price at which Shareholders subscribe or redeem Shares at different times will be affected by performance of the Fund and this could have a positive or negative effect on the performance fee borne by them.

The Manager may, in its absolute discretion, share, waive, reduce or rebate all or any portion of the initial charge, redemption charge, Management Fee and Performance Fee to any person.

Custodian and Administrator fees

The Administrator and Custodian will together receive fees for providing administration and custody services to the Fund. The fees are calculated as a percentage of the Net Asset Value, calculated and payable monthly in arrears subject to a monthly minimum of US\$5,000. The percentage rates are 0.19% for the first US\$100 million, 0.17% for the next US\$100 million and 0.16% for anything above US\$200 million.

Value Partners China Greenchip Fund Limited

The Administrator and Custodian will each also be entitled to principal office fee, corporate secretarial fee, certain transaction fees and all reasonable out-of-pocket expenses incurred in the course of its duties. The Administrator will be responsible for paying the fees of the Administrator's Agent at its own expense.

Directors' Remuneration

The Articles provide that the remuneration of the Directors in respect of services rendered or to be rendered to the Fund shall be determined by the Shareholders at a general meeting. The estimated aggregate amount of Directors' remuneration in any one year is no more than HK\$500,000.

The Directors shall also be entitled to be paid all expenses, including hotel and travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Fund or in the discharge of their duties as Directors.

Preliminary Expenses

The costs and expenses of incorporation and listing of the Fund were approximately US\$5,000, equivalent to approximately HK\$39,000 at the exchange rate of HK\$7.80: US\$1.00. These costs and expenses were borne by the Fund and expensed in 2002.

Conversion Expenses

The Fund incurred and paid expenses incurred for the conversion of the Fund from a close-ended investment company to an SFC authorised open-ended mutual fund corporation. Such expenses are approximately US\$512,820, equivalent to approximately HK\$4,000,000 at the exchange rate of HK\$7.80: US\$1.00.

These costs and expenses were borne by the Fund and expensed as incurred.

Other fees and expenses

The Fund pays the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Fund including (a) the charges and expenses of legal advisers, auditors and other professionals; (b) the charges and expenses of any other service provider appointed by the Fund, including, without limitation, the Administrator, Custodian, Administrator's Agent and Manager; (c) brokers' commissions (if any) and any issue or transfer taxes chargeable and other costs and expenses payable in connection with any Securities transactions; (d) all taxes and corporate fees payable to governments or agencies; (e) Directors' fees and expenses (if any); (f) interest on borrowings; (g) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents; (h) the expenses of publishing the Net Asset Value of the Fund; (i) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business, and (j) all other organisational and operating expenses.

Increase in fees

Any proposal to increase the current level of fees to the maximum level of fees permitted under the constitutive documents will require at least three months' prior notice be given to Shareholders.

SUBSCRIPTION, REDEMPTION AND TRANSFER OF SHARES

Reference should be made to the sub-section headed “Restrictions on distribution” in the “Preliminary” section of this explanatory memorandum for guidance on the offer of the Shares in jurisdictions other than Hong Kong.

SUBSCRIPTION OF SHARES

The minimum initial subscription for Shares (inclusive of the initial charge) is HK\$80,000 or such other minimum holding specified by the Manager from time to time and the minimum subsequent subscription (inclusive of the initial charge) is HK\$40,000. An initial charge of up to 5% in respect of the relevant issue price per Share may be made and retained by the Manager for its own use and benefit. For details, please refer to the sub-section headed “Initial charge” of this explanatory memorandum.

In determining the issue price of Shares, the Manager is entitled to add to the Net Asset Value per Share, for the account of the Fund, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Share) for fiscal and purchase charges incurred or which would be incurred by the Fund in investing subscription monies, but it is not the present intention of the Manager to add any such amount except in the case of applications for an unusually large number of Shares where the subscription amount is in excess of HK\$15,600,000.

The Manager has the absolute discretion to decide whether to accept or reject in whole or in part any application for subscription. Applications for subscription (whether by post or by fax) must be received by the Manager by 5:00 p.m. (Hong Kong time) on the Valuation Day which coincides with the last Business Day of any Dealing Period in order to be dealt with by reference to that Valuation Day. Subscription money in cleared funds must also be received by the Administrator’s Agent by such deadline. However, the Manager may by notice to Shareholders or addendum to this explanatory memorandum require application for subscription be received on such prior Business Day as it may determine in order to be accepted for the next following Valuation Day. Valid applications for subscription received (whether by post or by fax) by the Manager after 5:00 p.m. (Hong Kong time) on the Business

Value Partners China Greenchip Fund Limited

Day coinciding with such Valuation Day will be deemed to have been received, and will be dealt with, in the next Dealing Period with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period. **All applications by prospective investors for an initial subscription of Shares which are sent by fax to the Manager must be followed by the duly signed original application.** The Manager may, in its absolute discretion, determine whether or not duly signed original applications are also required in respect of subsequent applications for subscription sent by fax by Shareholders.

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance.

Shares were issued on 30 April 2007 or 31 May 2007 (as the case may be) to Shareholders who exchanged their Non-redeemable Class N Shares of the Fund for Redeemable Class A Shares at an issue price equivalent to the Net Asset Value as at that date.

The issue price per Share at which investors may subscribe for Shares is the Net Asset Value per Share calculated on the relevant Valuation Day plus all appropriate allowance not exceeding 1% of such Net Asset Value per Share (if any) and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Fund.

Payment of subscription monies can be made in US dollars (which will be converted into HK dollars at the prevailing exchange rate on the close of the Dealing Period). The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s)) or HK dollars and must be received in full and cleared funds together with such applications. Please note that, for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the relevant Valuation Day payment by telegraphic transfer must be made for value at least one

Value Partners China Greenchip Fund Limited

business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before such Valuation Day. Shares of the Fund are denominated in Hong Kong dollars.

The Manager may agree to reserve capacity for subscription in an agreed amount in the Fund over a certain period of time.

For the purposes of this section, references to “Shares” shall be construed as references to “Redeemable Class A Shares”.

REDEMPTION OF SHARES

Requests for the redemption of Shares in the Fund must be received (whether by post or by fax) by the Manager on or before 5:00 p.m. (Hong Kong time) on a Business Day which falls within the period from the 10th to 15th day of each calendar month (or such other days as the Manager may permit at its discretion) to be dealt with by reference to the Valuation Day (which coincides with the close of that Dealing Period) in that calendar month.

If a request (whether sent by post or by fax) is received before the 10th day of a calendar month, it will be deemed to have been received on the 10th day of that calendar month (or if that day is not a Business Day, the next following Business Day) and will be dealt with in the same Dealing Period and with reference to the Valuation Day coinciding with the close of such Dealing Period.

If a request (whether sent by post or by fax) is received after the 15th day of a calendar month, it will be deemed to have been received on the 10th day of the next calendar month (or if that day is not a Business Day, the next following Business Day) and will be dealt with in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

The original signed redemption request (duly completed) and all other supporting documents, if any are required, must be received by the Manager before redemption proceeds will be paid to the relevant Shareholder. No redemption proceeds will be paid to third parties.

A redemption charge of up to 5% of the redemption price per Share may also be imposed and retained by the Manager for its own use and benefit. The charge is levied on a sliding scale of 5% of the redemption price per Share for Shares redeemed within 1 year of their issuance and 3% of the redemption price per Share for Shares redeemed within 1 year thereafter. The Manager may in its absolute discretion reduce the amount of the redemption charge payable by a Shareholder on a Valuation Day. No redemption charge will be payable on redemptions of Shares which have been held for more than 2 years or which were issued on or before 31 May 2007 pursuant to an exchange from Non-redeemable Class N Shares.

For the purposes of determining the amount of redemption charge, if any, payable by a redeeming Shareholder in respect of a redemption of all or some of his Shares, (a) where a Shareholder is effecting a partial redemption of Shares, the Shares being redeemed will be treated on a “first in – first out” basis (unless specified by the Shareholder in the redemption request); and (b) where a Shareholder is redeeming Shares which have been transferred to that Shareholder, the relevant date for the purpose of determining any such charge will be the date of transfer, and not the date of subscription, of the relevant Shares.

In determining the redemption price, the Manager is entitled to deduct from the Net Asset Value per Share for the account of the Fund, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Share) for fiscal and sale charges incurred or which would be incurred by the Fund in realising assets to provide sufficient redemption proceeds, but it is not the present intention of the Manager to make any deduction except in the case of abnormally large redemptions of Shares where the redemption proceeds are in excess of HK\$15,600,000.

The Fund shall redeem Shares at a price being an amount equal to the Net Asset Value per Share calculated on the relevant Valuation Day, minus all applicable allowance and redemption charge (if any) and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Fund.

Value Partners China Greenchip Fund Limited

Redemption proceeds will normally be paid in Hong Kong dollars by telegraphic transfer according to instructions given by the relevant Shareholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled thereto to the registered address of the Shareholder or (in the case of joint Shareholders) the first named joint Shareholder appearing on the register of Shareholders. If there is no delay in submitting all duly completed redemption documentation and the determination of the Net Asset Value or dealing in Shares is not suspended, the interval between the receipt or deemed receipt (as the case may be) of a properly documented request for redemption of Shares and payment of redemption proceeds to the Shareholders may not exceed one calendar month.

Where redemption proceeds are to be paid to a bank account in the State of New York or Hong Kong (other than that notified to the Administrator's Agent at the time of subscription), the Administrator's Agent will require the signature of the Shareholder on the relevant redemption request to be independently verified to its satisfaction.

All bank charges and administrative costs incurred in settling redemption proceeds to the Shareholder(s) will be borne by the relevant Shareholder(s) and deducted from the redemption proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Shareholders.

With the prior consent of the Manager, arrangements can be made for redemption proceeds to be paid in any major currency other than Hong Kong dollars. Such alternative settlement instructions should be specified in the redemption request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s).

With a view to protecting the interests of Shareholders, the Manager may limit the total number of Redeemable Class A Shares redeemed and Non-redeemable Class N Shares repurchased during any Dealing Period to 10% in aggregate of the total number of Redeemable Class A Shares and Non-redeemable Class N Shares in issue of the Fund. Such limitation will be applied pro rata to all Shareholders who have requested such redemption or

repurchase. If the total redemption and repurchase requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions and/or repurchases which, in aggregate, amount to 10% of the total Redeemable Class A Shares and Non-redeemable Class N Shares in issue at the relevant time. Redemption requests for Redeemable Class A Shares which are not redeemed and repurchase requests for Non-redeemable Class N Shares which are not repurchased but which would otherwise have been redeemed or repurchased will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Redeemable Class A Shares and Non-redeemable Class N Shares in issue) in priority to later redemption and repurchase requests.

Partial redemptions may be effected. However, if a redemption request will result in a Shareholder having a residual holding of less than HK\$80,000, or such other minimum holding prescribed by the Manager from time to time in respect of the Shares, the Manager may deem such redemption request to have been made in respect of all the Shares held by that Shareholder.

An applicant is entitled to withdraw a redemption request duly made in accordance with the Articles provided that the notice of withdrawal is received prior to the deadline for receiving redemption requests as set out above.

Notwithstanding any provisions of the Articles, the Fund may, in the absolute discretion of the Directors, refuse to make a redemption payment to a Shareholder if the Directors suspect or are advised that the payment of any redemption proceeds to such Shareholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction, or if such refusal is necessary to ensure compliance by the Shareholder, the Directors or the Administrator with any anti-money laundering law in any relevant jurisdiction.

The Directors may also in their absolute discretion, redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect. No Shareholders' resolution is required. Any Shares redeemed compulsorily under

Value Partners China Greenchip Fund Limited

the Articles shall be treated as cancelled on redemption and the amount of the Fund's issued share capital shall be diminished by the nominal value of those Shares accordingly.

Prospective investors should note that the Shares may not be suitable for investors with a short-term investment horizon in view of the relatively high redemption charges currently proposed to be levied on redemption of Shares held for less than 2 years from the date of their subscription (as described above).

For the purposes of this section, references to "Shares" shall be construed as references to "Redeemable Class A Shares".

Procedures for repurchase of Non-redeemable Class N Shares are set out in the sub-section headed "Non-redeemable Class N Shares" in the "Further information about the Fund" section of this explanatory memorandum.

TRANSFER OF SHARES

Transfers of Shares may be effected by an instrument of transfer in such other form as the Board may from time to time prescribe and payment of a processing fee by the transferor to the Manager. The maximum of such processing fee is HK\$500.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Fund in respect thereof. All instruments of transfer shall be retained by the Fund. All forms for the transfer of Shares sent by fax to the Fund must be followed by the duly signed original forms and the transfer of Shares will only be effected upon receipt of the original executed transfer forms.

No transfer will be accepted if, as a result of such transfer, the value of Shares held by either the transferor or the transferee is less than HK\$80,000 or such other minimum holding specified by the Manager from time to time or Shares are acquired or held by a Non-eligible Investor.

Value Partners China Greenchip Fund Limited

The Board may, in its absolute discretion, and without assigning any reasons refuse to register any transfer of any Share which is not fully paid up or on which the Fund has a lien. The Board may also decline to register any transfer of any Shares unless:

- (A) the instrument of transfer is lodged with the Fund accompanied by the certificate (if any) for the Shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and/or with regard to whether or not the transfer would result in any contravention of the restrictions (if any) on the holding of Shares imposed by the Board pursuant to the Articles;
- (B) the instrument of transfer is in respect of only one class of Share;
- (C) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (D) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four; and
- (E) the Shares concerned are free of any lien in favour of the Fund.

If the Board refuses to register a transfer of any Share, it shall, within one month after the date on which the instrument of transfer was lodged with the Fund, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on fourteen days' notice being given to Shareholders, be suspended and the register of members of the Fund closed at such times for such periods as the Board may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Fund may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Value Partners China Greenchip Fund Limited

The Board shall have power to impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by a Non-eligible Investor.

If it shall come to the notice of the Board that any Shares are owned directly or beneficially by a Non-eligible Investor in contravention of any such restrictions, the Board may give notice to such person requiring him to transfer such Shares to a person who would not thereby be in contravention of any such restrictions. If any person upon whom such a notice is served does not within 30 days after such notice transfer such Shares or establish to the satisfaction of the Board (whose judgment shall be final and binding) that such Shares are not held in contravention of any such restrictions, the Directors shall be entitled to redeem such Shares compulsorily.

FAX INSTRUCTIONS

All instructions received by fax from Shareholders in respect of the subscription or redemption of Shares (whether or not the duly signed original applications or requests are also required by the Manager to follow such faxed instructions) will generally be acted upon by the Manager subject to its absolute discretion not to, and instructing the Administrator's Agent not to, do so until the original written instructions are received. All Shareholders who wish to give instructions relating to subscription or redemption of Shares by fax must provide to the Manager an original fax indemnity in the form prescribed by the Manager from time to time.

Neither the Manager nor the Administrator's Agent nor any of their agents, employees or delegates will be liable for any loss which the relevant Shareholder may suffer arising from (a) either the Manager or the Administrator's Agent or any of their agents, employees or delegates acting on any faxed instructions which purport to be (and which they believe in good faith to be) from the relevant Shareholder; or (b) the Manager exercising its absolute discretion not to, and instructing the Administrator's Agent or any of their agents, employees or delegates not to, act on such faxed instructions; or (c) any faxed instructions which are illegible; or (d) any faxed instructions which are not received by the Manager or the Administrator's Agent. Moreover, without written confirmation of receipt by the Manager or the Administrator's Agent, a transmission report produced

by the originator of the facsimile transmission disclosing the transmission was sent shall not be sufficient proof of receipt thereof by the Manager or the Administrator's Agent.

FORM OF SHARES

A contract note will normally be issued by the Administrator's Agent as soon as practicable after the relevant Valuation Day upon acceptance of an application for subscription of Shares. Certificates for Shares will, however, not normally be issued. The number of Shares to be issued pursuant to any application for subscription will be rounded down to two decimal places and any monies representing any lesser fraction of a Share shall be retained for the benefit of the Fund.

RISK FACTORS

Prospective investors should carefully consider the risk factors described below together with all of the other information included in this explanatory memorandum before deciding whether or not to invest in the Shares.

RISKS RELATING TO THE FUND

Risks associated with the Fund's investments

The Fund invests in listed and unlisted Securities principally in Greater China. There are risks inherent in all kinds of investments. Listed investments are subject to market fluctuations. Investors should also be aware that the Fund's income and its Net Asset Value might be adversely affected by external factors beyond the control of the Fund. As a result, the Fund's income and its Net Asset Value may go down as well as up, subject to, among other things, the prevailing market conditions.

The Fund may not be able to achieve its objective

There is no assurance that the Fund's investment objective will be met. The level of fees and expenses payable by the Fund will fluctuate as a result of changes in the Net Asset Value. Although the amounts of certain ordinary expenses of the Fund may be estimated, the growth rate of the Fund, and hence its Net Asset Value, cannot be anticipated. Accordingly, no assurance can be given as to the performance of the Fund or the actual level of its expenses.

Active investment management

The Fund's investments do not track a particular share index or other pre-determined benchmarks. Instead, the Fund's assets is actively managed by the Manager, based on the expertise of individual fund managers, who will have discretion (subject to the Fund's investment restrictions) to invest the Fund's assets in investments that it considers will enable the Fund to achieve its investment objective. There is no guarantee that the Fund's investment objective will be achieved based on the investments selected.

Potential conflicts of interests of the Manager

It is possible that the Manager or other investment advisers as may be appointed by the Manager from time to time pursuant to the Investment Management Agreement, may, in the course of their business, have potential conflicts of interests in relation to the Fund. For instance, associated companies or directors of the Manager or other investment advisers may act as underwriter(s) for Securities sold to the Fund or provide investment management and/or advisory services to other clients (including other funds). Pursuant to the Investment Management Agreement, the Manager or its associated companies or any of its directors will be free to render services similar to those which the Manager is providing to the Fund to other clients (including other funds) so long as the Manager's services to the Fund are not thereby impaired. Further, the Manager or its associated companies or any director or chief executive of the Manager or such associated companies may receive commission, brokerage and other charges in relation to the sale or purchase of any investment by the Fund.

At present, the Manager is also the investment manager of several funds whose investment objectives, investment approach and investment restrictions are similar to those of the Fund.

Potential investors should refer to the sub-section headed "Potential conflicts of interests" in the "Investment management" section of this explanatory memorandum for further information in relation to potential conflicts of interests of the Manager.

The Fund may be wound up if the Net Asset Value falls below HK\$80,000,000

The Administrator calculates the Net Asset Value by valuing the Investments and deducting the Fund's liabilities in accordance with the Articles as at the Valuation Point (or at such other time as the Manager and the Directors may determine). For further information on the determination of Net Asset Value, please refer to the sub-section headed "Determination of Net Asset Value" in the "Information on the Fund" section of this explanatory memorandum.

Value Partners China Greenchip Fund Limited

If the Net Asset Value of the Fund at any time falls below HK\$80,000,000 and remains below that level for 30 or more consecutive Business Days, the Directors may, having consulted the Manager, convene a general meeting of Shareholders to determine by way of Shareholders' resolution whether the Fund should continue in operation or be wound up. The Fund will only continue in operation if approved by an ordinary resolution passed by Shareholders at that meeting.

No comparable market values of the shares of the investee companies

As the Fund may invest in unlisted companies, comparable market values of the shares of the investee companies may not be available. The Directors or the Manager (as the case may be) will make reference to, if available, the latest financial information of such companies and the industrial statistics of the relevant businesses. To a large extent, the Fund has to rely on the judgement and experience of its Directors or the Manager (as the case may be) in assessing the values of the investee companies to determine the basis of consideration for such acquisitions or disposals (as the case may be) and there can be no assurance that the assessment of the Directors or the Manager will prove accurate.

Compulsory redemption and compulsory transfer

Under the Articles, the Directors have the power to redeem compulsorily any Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such redemption is to take effect.

No Shareholders' resolution will be required in the event that the Directors decide to exercise their powers under the Articles to redeem compulsorily any Shares held by a Non-eligible Investor. Such compulsory redemption of Shares will be conducted in accordance with the Articles. Accordingly, the Directors may redeem Shares held by an investor in the event that the Directors consider such investor to be a Non-eligible Investor.

Pursuant to the Articles, upon notice that any of the Shares are held by a Non-eligible Investor, the Directors may also require such holder to transfer his Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles. A summary

of the provisions of the Articles on transfer of Shares is set out in the subsection headed “Transfer of Shares” in the section headed “Subscription, Redemption and Transfer of Shares” of this explanatory memorandum.

For the purposes of this section, references to “Shares” shall be construed as references to “Redeemable Class A Shares”.

Market risk

The Net Asset Value of the Shares will change with changes in the market value of the Investments. The price of Shares may go down as well as up. Investors should note that the Fund does not currently propose to declare dividends or make distributions to investors.

Asset class risk

Although the Manager is responsible for the continuous supervision of the investment portfolio of the Fund, the returns from the types of Securities in which the Fund invests may underperform returns from other securities markets or from investment in other assets. Different types of Securities tend to go through cycles of out-performance and underperformance when compared with other general securities markets.

Concentration

Although the Fund is required under the Code to limit investments in the Securities of any single issuer to no more than 10% of its Net Asset Value, the Fund’s investments may be subject to greater risk and market fluctuation than a company that has investments representing a broader range of investment alternatives.

Liquidity

The trading volumes of some of the markets through which the Fund may invest might be substantially lower than those on the Stock Exchange or other leading stock exchanges. This means that the Fund may experience difficulty in investing in Securities which trade exclusively on an exchange with a low turnover and/or may experience difficulty realising the value of such investments. Low turnovers may also lead to increased price volatility.

Value Partners China Greenchip Fund Limited

Further, the Fund may invest up to 15% of its Net Asset Value in unlisted Securities for which there may be no ready market through which to realise such investments.

Futures options and other derivatives

A derivative is a financial instrument the value of which depends on, or is derived from, the value of an underlying asset such as a security or an index. The Fund may invest in derivative instruments such as stock index futures contracts and other derivative products. Compared to conventional securities, derivative instruments can be more sensitive to changes in interest rates or to sudden fluctuations in market prices due to both the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in the value of the underlying asset of a derivative instrument may result in immediate and substantial loss (or gain) to the Fund. Thus the Fund's losses may be greater if it invests in derivative instruments than if it invests only in conventional securities such as shares and debt securities.

Emerging market risk

Some markets in which the Fund may invest are considered to be emerging market countries. Investment in these countries subjects the Fund to a greater risk of loss than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Foreign exchange risk

If the Fund's assets are generally invested in Securities denominated in currencies other than Hong Kong dollars, and if a substantial portion of its revenue and income is received in a currency other than Hong Kong dollars, any fluctuation in the exchange rate of the Hong Kong dollar relative to the relevant foreign currency will affect the Net Asset Value of the Shares regardless of the performance of the Fund's underlying portfolio. As the Fund's Net Asset Value is determined on the basis of Hong Kong dollars, investors

may lose money if the local currency of a foreign market depreciates against the Hong Kong dollar, even if the local currency value of the Fund's holdings increases.

Foreign exchange transaction risk

Foreign exchange transactions involve a significant degree of risk, even if they are entered into for the purpose of hedging only. The markets in which foreign exchange transactions are effected are highly volatile, highly specialised and highly technical. Significant changes, including changes in liquidity, may occur in such markets within very short periods of time, often within minutes. Foreign exchange transaction risks include, but are not limited to:

- exchange rate risk;
- maturity gaps;
- interest rate risk; and
- potential interference by government intervention through regulation of local exchange markets, foreign investment or particular transactions in foreign currency.

Risk relating to war or terrorist attacks

There can be no assurance that there will not be any terrorist attacks which could have direct or indirect effect on Greater China and other markets in which the Investments may be located and the corresponding political and/or economic effects arising therefrom, if any, may in turn adversely affect the operation and profitability of the Fund.

RISKS RELATING TO THE PRC

In addition to the general risk factors set out above, investors should also note the following in relation to investments made by the Fund in the Greater China region:

Political, Economic and Social Risks

Political changes, social instability and unfavourable diplomatic developments which may take place in any part of the Greater China region could result in the imposition of additional governmental restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the investments held by the Fund in such place. Investors should also note that any change in the policies of any part of the Greater China region may impose an adverse impact on the securities markets in such place as well as the Securities of the Fund.

PRC Economic Risks

The economy in the PRC has experienced rapid growth in recent years. However, such growth may or may not continue nor apply evenly across different sectors of the PRC economy. The PRC government has also implemented various measures from time to time to prevent overheating of the economy. Furthermore, the transformation of the PRC from a socialist economy to a more market-oriented economy has led to various economic and social disruptions in the PRC and there can be no assurance that such a transformation will be continued or be successful. All these may have an adverse impact upon the performance of the investments of the Fund which are related to the PRC.

Legal System of the PRC

The legal system of the PRC is based on written laws and regulations. However, many of these laws and regulations are still untested and the enforceability of such laws and regulations remains unclear. In particular, the PRC regulations which govern currency exchange in the PRC and the investments of the Fund as a foreign investor are relatively new and their application is uncertain. Such regulations also empower the China Securities Regulatory Commission (“CSRC”) and the State Administration of Foreign Exchange (“SAFE”) to exercise discretion in their respective interpretation of the regulations, which may result in uncertainties in their application.

Potential Market Volatility

Investors should note that the stock exchanges in the PRC on which the “B” Shares are still at a developmental stage, and their respective market capitalisation and trading volume are much lower than those in more developed financial markets. Market volatility and potential lack of liquidity due to low trading volume in the “B” Share markets may result in prices of securities traded on such markets fluctuating significantly, which may result in substantial changes to the price of the shares of the Fund.

Currency Exchange Risk

As the Fund is denominated in HK dollars, the performance of the assets of the Fund will be affected by movements in the exchange rates between the currencies in which the assets are held and HK dollars, and any changes in exchange control regulations which may cause difficulties in the repatriation of funds. The Fund may, but is not obliged to seek to hedge foreign currency risks. However, even if undertaken, such hedging may be ineffective and may even be counter-productive due to the foreign exchange controls in the PRC. On the other hand, failure to hedge foreign currency risks may result in the Fund suffering from exchange rate fluctuations.

Taxation in the PRC

Various tax reform policies have been implemented by the PRC government in recent years, and existing tax laws and regulations may be revised or amended in the future. Any changes in tax policies may reduce the after-taxation profits of the companies in the PRC which the Fund invests in.

Accounting and Reporting Standards

Accounting, auditing and financial reporting standards and practices applicable to companies in some parts of the Greater China region may differ from those in countries that have more developed financial markets. These differences may lie in areas such as different valuation methods of the properties and assets, and the requirements for disclosure of information to investors.

Performance of Underlying Investments

It should be appreciated that because the value of shares in the Fund, and income from them (if any), is primarily based on investments in the Securities of China-related companies, the value of the shares in the Fund (and hence the value of the Shares) will rise or fall as a result of fluctuations in the value or performance of such underlying Securities and companies.

RISKS RELATING TO HONG KONG

Economic, political and legal developments

Part of the Fund's investments may be made in Hong Kong. Accordingly, the Fund's operational results, financial position and prospects could be affected by economic, political and legal developments in Hong Kong. On 1 July 1997, Hong Kong became a special administrative region of the PRC when the PRC resumed the exercise of sovereignty over Hong Kong. The basic policies of the PRC regarding Hong Kong are embodied in the Basic Law of Hong Kong, which provides that Hong Kong shall have a high degree of autonomy and enjoy executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems". However, there is no assurance that economic, political and legal developments in Hong Kong will not be adversely affected as a result of the exercise of sovereignty by the PRC over Hong Kong or otherwise. If there are any material adverse changes in the general economic, political and legal development in Hong Kong, the Fund's operational results, financial position and investments in Hong Kong may be adversely affected.

Devaluation of the Hong Kong dollar

The Hong Kong dollar has been pegged to the United States dollar since 1983. The Hong Kong government has repeatedly reaffirmed its commitment to this pegged exchange rate system. However, in the event this policy were to change, there is a risk that the Hong Kong dollar might devalue against other currencies relevant to the Fund's business and the Investments which would increase the Hong Kong dollar cost of the Fund's foreign currency investments.

RISKS RELATING TO TAIWAN

The Taiwan stock market

The Taiwan stock market has historically exhibited high volatility and the price of the securities listed on the Taiwan stock market may fall as well as rise. A considerable proportion of stock market activity may be said to be of a short-term speculative nature. There can be no assurance that the Taiwan stock market will not continue its historic pattern of volatility in the future.

Exchange control regulations

As the Fund will invest in Taiwanese securities, the Hong Kong dollar value of the Fund will be affected by changes in the value of the New Taiwan dollar, relative to the Hong Kong dollar. Further, the ability of the Fund to convert Hong Kong dollars into NT dollars or vice versa for the purposes of making investments or redemptions will be subject to the exchange control regulations of Taiwan and the Cayman Islands (if any).

Political change and government action

A portion of the Fund's investments may be made in Taiwan. Accordingly, the Fund's operational results, financial position and prospects could be affected by economic, political and legal developments in Taiwan. Taiwan has a unique international political status. The Taiwan government does not recognise the sovereignty of the PRC government over Taiwan, and the PRC government does not recognise the legitimacy of the Taiwan government. Although significant economic and cultural relations have been established in recent years between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may at some point use force to gain control over Taiwan. Relations between Taiwan and the PRC have been strained in recent years. Relations between Taiwan and the PRC may affect the business of the Fund, its operational results or its financial condition.

TAXATION

Prospective investors must consult their own professional advisors regarding the possible tax, exchange control or other consequences of buying, holding, selling or disposing of Shares under the laws of the jurisdictions of which they are citizens, residents or domiciliaries and in which they conduct business. The following is given by way of general summary based on the current law and practice and does not constitute legal or tax advice.

CAYMAN ISLANDS

The Fund has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from 22 January 2002, being the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Fund or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the Shares, debentures or other obligations of the Fund or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Fund to its Shareholders or a payment of principal or interest or other sums due under a debenture or other obligation of the Fund.

Although the Fund is not subject to tax in the Cayman Islands, the Fund may be liable for any taxes which may be withheld at source in other countries in respect of income or gains derived from its investments.

The Government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Fund or the Shareholders. The Cayman Islands are not party to any double taxation treaties. No stamp duty is levied in the Cayman Islands on the transfer or redemption of Shares provided that the Fund does not hold any interest in land in the Cayman Islands. An annual registration fee will be payable by the Fund in the Cayman Islands which will be calculated by reference to the nominal amount of its

authorised share capital; at current rates, the fee is approximately US\$2,400 per annum. In addition, an annual fee at the current rate of US\$3,049 is payable to the Authority.

HONG KONG

The Fund

Profits tax

The Fund has been authorised by the SFC pursuant to Section 104 of the SFO. Accordingly profits of the Fund arising from the sale or disposal of securities, net investment income received by or accruing to the Fund and other profits of the Fund are exempted from Hong Kong profits tax for so long as the Fund is so authorised.

During the period prior to the Fund becoming authorised, the Inland Revenue Department has confirmed that profits tax would not be applied for the years of assessment up to 2003/04, whereas the amount of profits tax for the years 2004/05 and 2005/06 payable by the Fund have been determined and settled. Provision for the payment of profits tax for these years in excess of the amount of profits tax payable by the Fund for these years has previously been made in the Fund's accounts.

The amount of profits tax due for the years 2006/07 and 2007/08 (up to March 2007 when the Fund was authorised) payable by the Fund have not yet been confirmed by the Inland Revenue Department because the filing of tax returns for these years are not yet due. The Directors believe that adequate provision for the payment of profits tax for these years has been made in the Fund's accounts.

Stamp duty

The sale and purchase of Hong Kong stocks by the Fund will be subject to stamp duty in Hong Kong at the current rate of HK\$2 per HK\$1,000, or part thereof, of the price or market value of the stocks whichever is higher. The Fund will be liable to one-half of such Hong Kong stamp duty.

Value Partners China Greenchip Fund Limited

The Shareholders

Profits tax

No tax will be payable by Shareholders in Hong Kong in respect of any capital gains arising on a sale, realisation, redemption or other disposal of shares in the Fund, except that Hong Kong profits tax may arise where such transactions form part of a trade, profession or business carried on in Hong Kong.

No tax should generally be payable by Shareholders in Hong Kong in respect of dividends or other income distributions of the Fund.

Stamp duty

No Hong Kong stamp duty will be payable by the Shareholders on the issue or transfer of Shares in the Fund.

THE PRC

The information below is a summary of certain areas of PRC taxation which are likely to be relevant to the Fund and the Shareholders and should not be taken as a definitive, authoritative or comprehensive statement of the relevant matter. In particular, there are various other taxes, duties, levies and charges which are generally of less significance but may nevertheless be applicable to the Fund and the Shareholders.

Income tax

The Foreign Investment Enterprise and Foreign Enterprise Income Tax Law of the PRC (“FEIT Law”) promulgated by the National People’s Congress on 9 April 1991, which came into effect on 1 July 1991, is relevant to any investment by the Fund in a foreign investment enterprise up to 31 December 2007. This law is implemented by the Detailed Implementation Rules of the Foreign Investment Enterprise and Foreign Enterprise Income Tax Law promulgated by the State Council on 30 June 1991.

After its formation, any enterprise in the form of an equity joint venture, co-operative joint venture or wholly foreign owned enterprises (collectively, “FIEs”) must pay income tax according to the FEIT Law and its implementation rules. A FIE is required to pay income tax to the local tax

authorities in the place where the enterprise is located. Provisional income tax is paid quarterly and this is reconciled on an annual basis.

Under the FEIT Law, FIEs are generally required to pay income tax at the rate of 30%, as well as a local surtax of 3% on the same taxable income, giving rise to an effective income tax rate of 33%. However, FIEs established in the Special Economic Zones (“SEZs”) are subject to income tax at a reduced rate of 15% on income arising from operation within such SEZs. In addition, depending on the industry which the FIEs are classified under and upon meeting certain conditions, these FIEs could be entitled to income tax incentives which would reduce the abovesaid income tax rates. After-tax profits or dividends paid to a foreign investor from a FIE are tentatively exempt from withholding income tax in China.

National People’s Congress announced the Income Tax Law of the PRC (“the New Income Tax Law”) on 16 March 2007 which is applicable to both FIEs and domestic enterprises. The New Income Tax Law will come into effect on 1 January 2008 and the income tax rate will be unified at 25%. FIEs incorporated before 16 March 2007 should enjoy grandfathering treatment to the tax incentives granted under the FEIT Law. In any case, the full unified rate of 25% should be applicable no later than in the year 2012. Income tax incentives should be granted under the New Income Tax Law for certain industries such as hi-tech, energy and water conservation, environmental protection, etc. The New Income Tax Law provides for withholding tax on dividend income received by foreign investors.

Withholding tax

The Directors intend that the affairs of the Fund will be conducted so that it will not have an establishment in China, although no guarantee is this regard can be given. A foreign company that does not have any establishment in the PRC but earns certain types of income (including interest, royalty, rental and capital gain) directly from sources in the PRC is liable to pay a withholding tax of its income derived from the PRC. Gains derived from the transfer of equity interests in FIEs are subject to the withholding tax on PRC sourced income but with proper structuring, this capital gain may be exempt from PRC tax by seeking tax treaty protection. Currently under the FEIT Law, after-tax or tax-exempt profits or dividends paid by FIEs to their foreign

Value Partners China Greenchip Fund Limited

investors are exempt from withholding tax while 10% withholding tax is imposed on interest, royalty, rental and capital gain to foreign companies.

However, the New Income Tax Law provides that a 20% withholding income tax should be imposed on all passive income which includes dividend, interest, royalty, rental and capital gains with the possibility to exempt or reduce the withholding income tax. Upon the approval from the State Council, the detailed tax rules to be issued in the later part of the year 2007 should shed some light on this.

Foreign investors receiving dividends and gains from the sale of “B” shares are exempt from withholding tax provisionally according to the circular Guoshuifa [1993] No. 45 promulgated by the State Administration of Taxation on 21 July 1993. To-date there is no feedback from the State Administration of Taxation (“SAT”) that this circular will be repealed.

Business tax

A foreign company receiving interest, royalty and rental is also subject to 5% business tax in addition to the withholding tax.

Stamp tax

From 1 January 1994 all FIEs and foreign enterprises are subject to stamp tax on all taxable documents listed in the Stamp Tax Regulations. Stamp tax is levied on the execution or receipt in China of certain documents, including contracts for the transfer of equity interests in FIEs, the sale of “A” shares and “B” shares in stock exchanges, the sale of goods, the undertaking of processing work, the contracting of construction and engineering projects, leases, loans, and agency and other nontrade contracts. Stamp tax is also levied on documents effecting the transfer of property, business account books and certification in evidence of rights and licenses.

The rates of stamp tax vary. The stamp tax rate is 0.05% on the transfer of equity interests in FIEs, payable by both the transferor and the transferee. According to the PRC Finance Bureau, the stamp tax rate for the transfer of “B” shares is 0.3% (payable by both transferor and transferee) effective 30 May 2007. For loan agreement, the stamp tax rate is 0.005% and this is payable by both the lender and the borrower.

FURTHER INFORMATION ABOUT THE FUND

THE FUND

The Fund is an open-ended mutual fund corporation incorporated with limited liability in the Cayman Islands on 16 January 2002 as an exempted company under the provisions of the Companies Law. Its constitution is defined in the Memorandum and the Articles. The Fund's objects, as set out in clause 3 of the Memorandum, are unrestricted and include the carrying on of the business of an investment company. Copies of the Memorandum and the Articles and the Companies Law are available for inspection as described in the subsection headed "Documents available for inspection" below.

The Fund has established a principal place of business in Hong Kong at Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong. It has been registered as an overseas company under Part XI of the Companies Ordinance.

MUTUAL FUNDS LAW

The Fund is registered as a mutual fund under the Mutual Funds Law. Registration under the Mutual Funds Law entails the filing of prescribed details and audited accounts annually with the Authority. However, the Fund will not be subject to supervision in respect of its investment activities or the constitution of the Fund's portfolio by the Authority or any other governmental authority in the Cayman Islands, although the Authority does have power to investigate the activities of the Fund in certain circumstances. Neither the Authority nor any other governmental authority in the Cayman Islands has passed upon or approved the contents of this explanatory memorandum or assessed the merits of an investment in the Shares. There is no investment compensation scheme available to investors in the Cayman Islands.

As a regulated mutual fund the Fund is subject to the supervision of the Authority and the Authority may at any time instruct the Fund to have its accounts audited and to submit them to the Authority within such time as the Authority specifies. Failure to comply with these requests by the Authority may result in substantial fines on the part of the Directors and may result in the Authority applying to the court to have the Fund wound up.

Value Partners China Greenchip Fund Limited

The Authority may take certain actions if it is satisfied that a regulated mutual fund is or is likely to become unable to meet its obligations as they fall due or is carrying on or is attempting to carry on business or is winding up its business voluntarily in a manner that is prejudicial to its investors or creditors. The powers of the Authority include the power to require the substitution of Directors, to appoint a person to advise the Fund on the proper conduct of its affairs or to appoint a person to assume control of the affairs of the Fund. There are other remedies available to the Authority including the ability to apply to court for approval of other actions.

MEETINGS OF SHAREHOLDERS

The Articles provide for meetings of Shareholders to be convened by the Board upon at least 21 days' notice.

Notices of meetings of Shareholders will be posted to Shareholders.

Proxies may be appointed. The quorum at Shareholders' meetings is Shareholders present in person or by proxy holding not less than 10% (or, in relation to a resolution proposed as a special resolution, 25%) of Shares in issue. If a quorum is not present, the meeting will be adjourned for not less than 15 days. Separate notice of any adjourned meeting will be given, and at an adjourned meeting, Shareholders, whatever their number or the number of Shares held by them, will form a quorum.

A special resolution is required under the Articles for certain purposes and is a resolution proposed as such and passed by a majority of 75% of the total number of votes cast.

The Articles provide that at any meeting of Shareholders, a resolution put to the vote of the meeting shall be decided on poll. Every Shareholder who (being an individual) is present in person or (being a partnership or corporation) is present by an authorised representative or by proxy shall have one vote for every Share of which he is the holder.

AMENDMENT TO THE MATERIAL CONTRACTS

The constitutive documents referred to under “Material Contracts” below may only be altered by the Fund or the other parties if the Custodian certifies in writing that in its opinion the proposed alteration:

- (a) is necessary to make possible compliance with fiscal or other statutory or official requirements;
- (b) does not materially prejudice Shareholders’ interests, does not to any material extent release the Custodian or Manager from any liability to Shareholders and does not increase the cost and charges payable from the Fund; or
- (c) is necessary to correct manifest error.

In all other cases no alteration may be made except by special resolution of Shareholders or the approval of the SFC. No alteration may be made to the Articles except by special resolution of Shareholders.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Fund prior to the date of this explanatory memorandum and are, or may be, material:

(i) *Investment Management Agreement*

An Investment Management Agreement dated 26 March 2007 between the Fund and the Manager whereby the Fund appointed the Manager, subject to the control of and review by the Directors, to manage the Investments.

The Investment Management Agreement may be terminated forthwith by any party on immediate written notice if the other party commits any material breach of its obligations and fails to remedy the breach within 30 days of receipt of written notice requiring the same, or if the other party is liquidated or dissolved (except a voluntary liquidation or a voluntary dissolution for the purposes of reconstruction or

amalgamation upon terms previously approved in writing by the notifying party) or is unable to pay its debts as they fall due or commit an act of bankruptcy under the laws of any jurisdiction to which that party may be subject or if a receiver is appointed over any of its assets.

The Manager must also retire if the Directors, for good and sufficient reason, state in writing that a change in manager is desirable in the interests of the Shareholders, or when the SFC withdraws its approval of the Manager.

The Manager will not be liable for any loss suffered by the Fund in connection with the performance by the Manager of its obligations under the Investment Management Agreement in the absence of fraud, wilful default or negligence on the part of the Manager in the performance or non-performance of its obligations and duties under the Investment Management Agreement. The Fund has agreed to indemnify the Manager against all liabilities incurred by it in the performance of its obligations and duties under the Investment Management Agreement other than liabilities arising out of the fraud, wilful default or negligence on the part of the Manager in the performance or non-performance of its obligations and duties. The Manager is entitled to receive the fees described in the sub-section headed “Management and performance fees” in the “Investment management” section of this explanatory memorandum.

(ii) Custodian Agreement

A Custodian Agreement dated 26 March 2007 between the Fund and the Custodian whereby the Fund has appointed the Custodian as custodian of the Investments. Under the Custodian Agreement, the Custodian is responsible for the safekeeping of the Investments entrusted to it. The appointment of the Custodian commenced on the date of the Custodian Agreement. The Custodian Agreement may be terminated by either party on the giving of at least 90 days’ written notice to the other party (or such shorter notice as such other party may agree to accept) expiring at any time. However, each party may terminate the Custodian Agreement at any time by written notice with immediate or subsequent effect if either party goes into liquidation

(except a voluntary liquidation for the purpose of reconstruction, amalgamation or merger on terms previously approved in writing by the other party), or if a receiver is appointed to any of the assets of such other party or if either party is in breach of any material terms of the Custodian Agreement without remedying such breach within 30 days after service of notice. The Custodian is entitled to receive the fees described in the sub-section headed “Custodian and Administrator fees” in the “Investment management” section of this explanatory memorandum.

The Custodian is entitled to be indemnified from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Custodian or any agent, sub-custodian or delegate appointed by it and for which it would be liable under the custodian agreement) which may be imposed on, incurred by or asserted against the Custodian in performing its obligations or duties.

In performing its duties, the Custodian may appoint such agents, sub-custodians and delegates as it thinks fit to perform in whole or in part any of its duties and discretions (included in such appointment are powers of sub-delegation). The fees and other remuneration of any agent or delegate appointed by the Custodian including the fees of any sub-custodian appointed in respect of Hong Kong and China listed securities (excluding PRC A shares) will be paid by the Custodian. Any fees and other remuneration of any other sub-custodians shall be paid by the Fund. The Custodian will be liable for the acts of such agents, sub-custodians and delegates as if such acts were the acts of the Custodian. The Custodian will not (except in circumstances provided in the Custodian Agreement) be responsible for any loss suffered by the Fund by reason of liquidation, bankruptcy or insolvency of any agent, sub-custodian or delegate but will use reasonable endeavours to recover any property held by such person, and recover any losses or damages suffered by the Fund as a direct consequence.

The Custodian does not have sub-custodians in all markets where Securities may be traded. The Custodian will advise the Fund as to such markets from time to time and the Fund will not invest in such markets without the prior written approval of the Custodian.

(iii) Administration Agreement

An Administration Agreement dated 26 March 2007 between the Fund and the Administrator whereby the Fund has appointed the Administrator as administrator of the Fund. Under the Administration Agreement, the Administrator is responsible for providing corporate secretarial services and administrative services required in connection with the Fund's operations, calculating the Net Asset Value, the Net Asset Value per Share, the subscription price and the redemption price, providing services in connection with the issue, transfer and redemption of Shares and collecting subscription payments and disbursing redemption payments. The Administrator is also responsible for providing a principal office in the Cayman Islands for the Fund under the Administration Agreement.

The appointment of the Administrator commenced on the date of the Administration Agreement. The Administration Agreement may be terminated by either party on the giving of at least 90 days' written notice to the other party (or such shorter notice as such other party may agree to accept) expiring at any time. However, each party may terminate the Administration Agreement at any time by written notice with immediate or subsequent effect if either party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously approved in writing by the other party), or if a receiver is appointed to any of the assets of such other party or if either party is in breach of any material terms of the Administration Agreement without remedying such breach within 30 days after service of notice.

The Administrator is entitled to be indemnified by the Fund against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default

on the part of the Administrator) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties.

In calculating the Net Asset Value of the Fund or any class the Administrator may rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic processing services, brokers, market makers or intermediaries, the investment manager, and any administrator or valuations agent of other collective investments into which the Fund invests. If and to the extent that the investment manager is responsible for or otherwise involved in the pricing of any of the Fund's assets, the Administrator may accept, use and rely on such prices, without verification, in determining the Net Asset Value of the Fund and shall not be liable to the Fund, any shareholder or any other person in doing so.

The Administrator is not responsible for any failure by the Fund or the investment manager to adhere to the investment objective, policy, investment restrictions, borrowing restrictions or operating guidelines.

REGISTRATION PROCEDURES

Subject to the provisions of the Companies Law, the register of members of the Fund will be maintained outside Hong Kong by the Administrator. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by the Fund's Administrator's Agent in Hong Kong and may not be lodged in the Cayman Islands.

NON-REDEEMABLE CLASS N SHARES

Non-redeemable Class N Shares were issued by the Fund prior to their delisting from the Stock Exchange on 26 March 2007. Non-redeemable Class N Shares of the Fund are closed for subscription and not being offered for subscription pursuant to this explanatory memorandum.

Value Partners China Greenchip Fund Limited

Aside from the sections regarding subscription and redemption of Shares, other material terms of this explanatory memorandum governing the Redeemable Class A Shares also apply to the Non-redeemable Class N Shares.

Subject to the provisions of the Companies Law and the Articles, a Shareholder may request the purchase by the Fund of all or any of its Non-redeemable Class N Shares by serving a purchase notice in such form as the Board may from time to time determine on the Fund or its agent specifying the number of Non-redeemable Class N Shares to be purchased and giving payment instructions for the purchase proceeds.

Requests for the repurchase of Non-redeemable Class N Shares in the Fund must be received (whether by post or by fax) by the Manager on or before 5:00 p.m. (Hong Kong time) on a Business Day which falls within the period from the 10th to 15th day of each calendar month (or such other days as the Manager may permit at its discretion) to be dealt with by reference to the Valuation Day (which coincides with the close of that Dealing Period) in that calendar month.

If a request (whether sent by post or by fax) is received before the 10th day of a calendar month, it will be deemed to have been received on the 10th day of that calendar month (or if that day is not a Business Day, the next following Business Day) and will be dealt with in the same Dealing Period and with reference to the Valuation Day coinciding with the close of such Dealing Period.

If a request (whether sent by post or by fax) is received after the 15th day of a calendar month, it will be deemed to have been received on the 10th day of the next calendar month (or if that day is not a Business Day, the next following Business Day) and will be dealt with in the next Dealing Period and with reference to the Valuation Day coinciding with the close of such succeeding Dealing Period.

The original signed repurchase request (duly completed) and all other supporting documents, if any are required, must be received by the Manager before repurchase proceeds will be paid to the relevant Shareholder. No repurchase proceeds will be paid to third parties.

No repurchase charge will be imposed on any repurchase of Non-redeemable Class N Shares.

In determining the repurchase price, the Manager is entitled to deduct from the Net Asset Value per Share for the account of the Fund, an amount which it considers to be an appropriate allowance (not exceeding 1% of such Net Asset Value per Share) for fiscal and sale charges incurred or which would be incurred by the Fund in realising assets to provide sufficient repurchase proceeds, but it is not the present intention of the Manager to make any deduction except in the case of abnormally large repurchases of Non-redeemable Class N Shares where the repurchase proceeds are in excess of HK\$15,600,000.

The Fund shall repurchase Non-redeemable Class N Shares at a price being an amount equal to the Net Asset Value per Share calculated on the relevant Valuation Day, minus all applicable allowance (if any) and rounded the resultant amount to the nearest two decimal places and monies representing any difference between the resultant amount and the amount arrived at after the rounding exercise shall be absorbed by the Fund.

Repurchase proceeds will normally be paid in Hong Kong dollars by telegraphic transfer according to instructions given by the relevant Shareholder(s) to the Manager or by cheque made in favour of, and sent at the risk of the person(s) entitled thereto to the registered address of the Shareholder or (in the case of joint Shareholders) the first named joint Shareholder appearing on the register of Shareholders. If there is no delay in submitting all duly completed repurchase documentation and the determination of the Net Asset Value or dealing in Shares is not suspended, the interval between the receipt or deemed receipt (as the case may be) of a properly documented request for repurchase of Non-redeemable Class N Shares and payment of repurchase proceeds to the Shareholders may not exceed one calendar month.

All bank charges and administrative costs incurred in settling repurchase proceeds to the Shareholder(s) will be borne by the relevant Shareholder(s) and deducted from the repurchase proceeds. Any risks arising from delay in clearance of funds by banks or from sending out the cheque by post will be borne by the relevant Shareholders.

Value Partners China Greenchip Fund Limited

With the prior consent of the Manager, arrangements can be made for repurchase proceeds to be paid in any major currency other than Hong Kong dollars. Such alternative settlement instructions should be specified in the repurchase request. The costs of any currency conversion (to be effected at such rates as the Manager may, in its discretion, deem appropriate) and other administrative expenses will be borne by the relevant Shareholder(s).

With a view to protecting the interests of Shareholders, the Manager may limit the total number of Redeemable Class A Shares redeemed and Non-redeemable Class N Shares repurchased during any Dealing Period to 10% in aggregate of the total number of Redeemable Class A Shares and Non-redeemable Class N Shares in issue of the Fund. Such limitation will be applied pro rata to all Shareholders who have requested such redemption or repurchase. If the total redemption and repurchase requests received during any Dealing Period are in excess of this limit, the Manager will be entitled (but not obliged) to carry out only sufficient redemptions and/or repurchases which, in aggregate, amount to 10% of the total Redeemable Class A Shares and Non-redeemable Class N Shares in issue at the relevant time. Redemption requests for Redeemable Class A Shares which are not redeemed and repurchase requests for Non-redeemable Class N Shares which are not repurchased but which would otherwise have been redeemed or repurchased will be deferred until the next Dealing Period and will be dealt with (subject to further deferral if the deferred requests themselves exceed 10% of the total Redeemable Class A Shares and Non-redeemable Class N Shares in issue) in priority to later redemption and repurchase requests.

Partial repurchases may be effected. However, if a repurchase request will result in a Shareholder having a residual holding of less than HK\$80,000, or such other minimum holding prescribed by the Manager from time to time in respect of the Non-redeemable Class N Shares, the Manager may deem such repurchase request to have been made in respect of all the Non-redeemable Class N Shares held by that Shareholder.

An applicant is entitled to withdraw a repurchase request duly made in accordance with the Articles provided that the notice of withdrawal is received prior to the deadline for receiving repurchase requests as set out above.

Notwithstanding any provisions of the Articles, the Fund may, in the absolute discretion of the Directors, refuse to make a repurchase payment to a Shareholder if the Directors suspect or are advised that the payment of any repurchase proceeds to such Shareholder may result in a breach or violation of any anti-money laundering law by any person in any relevant jurisdiction, or if such refusal is necessary to ensure compliance by the Shareholder, the Directors or the Administrator with any anti-money laundering law in any relevant jurisdiction.

The Directors may also in their absolute discretion, repurchase compulsorily any Non-redeemable Class N Shares held by a Non-eligible Investor at a price equivalent to the Net Asset Value per Share as of the Valuation Point immediately prior to the date on which the Directors determine that such repurchase is to take effect. No Shareholders' resolution is required. Any Non-redeemable Class N Shares repurchased compulsorily under the Articles shall be treated as cancelled on repurchase and the amount of the Fund's issued share capital shall be diminished by the nominal value of those Non-redeemable Class N Shares accordingly.

Pursuant to the Articles, upon notice that any of the Non-redeemable Class N Shares are held by a Non-eligible Investor, the Directors may also require such holder to transfer his Non-redeemable Class N Shares to a person whose holding would be permissible as described in this explanatory memorandum and as permitted under the Articles. A summary of the provisions of the Articles on transfer of Shares is set out in the sub-section headed "Transfer of Shares" in the section headed "Subscription, Redemption and Transfer of Shares" of this explanatory memorandum.

MISCELLANEOUS

- (i) The Fund was incorporated on 16 January 2002.
- (ii) Save as disclosed herein, no commissions are payable and no discounts, brokerages or other special terms have been granted by the Fund for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares.

Value Partners China Greenchip Fund Limited

- (iii) No share or loan capital of the Fund is under option or has been agreed conditionally or unconditionally to be put under option or has been issued or is proposed to be issued for a consideration other than cash.
- (iv) There are no founder, management or deferred shares in the Fund.

CAYMAN ISLANDS ANTI-MONEY LAUNDERING REGULATIONS

In order to comply with regulations of the Cayman Islands aimed at the prevention of money laundering, the Fund will require verification of identity from all prospective investors (unless in any case the Fund is satisfied that an exemption under the Money Laundering Regulations (2006 Revision) of the Cayman Islands (“Regulations”) applies). Depending on the circumstances of each subscription, a detailed verification might not be required where:

- (i) a prospective investor makes the payment for his investment from an account held in the prospective investor’s name at a recognised financial institution; or
- (ii) the prospective investor is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction; or
- (iii) the subscription is made through an intermediary which is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognised by the Cayman Islands as having sufficient anti-money laundering regulations.

The Fund, the Custodian, the Administrator, the Administrator’s Agent and the Manager reserve the right to request such information as is necessary to verify the identity of a prospective investor. In the event of delay or failure by the prospective investor to produce any information required for

verification purposes, the Fund may refuse to accept the application and, if so, any funds received will be returned without interest to the account from which the monies were originally debited.

If any person who is resident in the Cayman Islands has a suspicion obtained in the course of business that any other person is engaged in money laundering that person is required to report such suspicion pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) of the Cayman Islands and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by any enactment or otherwise.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Manager at Level 14, Three Pacific Place, 1 Queen's Road East, Hong Kong during normal business hours on any week day (Saturdays and public holidays excepted):

- (A) the Memorandum and Articles;
- (B) the agreements referred to in the sub-section headed "Material Contracts" of this explanatory memorandum; and
- (C) the latest annual report and accounts of the Fund prepared by the Auditor.

PROCEDURE FOR APPLICATION

METHOD OF APPLICATION

Applications for Shares may be made on the Subscription Form available from the Manager. Applications should be sent by post or by fax to the Manager at the business address or fax number. **All applications by prospective investors for an initial subscription of Shares which are sent by fax to the Manager must be followed by the duly signed original applications for subscription.** The Manager may, in its absolute discretion, determine whether or not such original applications are also required in respect of subsequent applications for subscription sent by fax by Shareholders.

The Manager reserves the right to reject any application in whole or in part in which case the subscription monies will be returned (without interest) by cheque or telegraphic transfer at the cost and risk of the investor.

PAYMENT PROCEDURE

No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance. Third party cheques and cash are not accepted.

Shares will not usually be issued unless and until the signed application for subscription of Shares has been received (whether by fax or by post), and subscription monies have been received in full in cleared funds by the Administrator's Agent, in which case the relevant Shares will be issued by reference to the Net Asset Value of the Fund determined as at the close of the Dealing Period during which monies are actually received.

Value Partners China Greenchip Fund Limited

Please note that payment must be made in one of the following ways:

(a) US dollars by telegraphic transfer (**net of bank charges**) to:

Correspondent Bank : HSBC Bank New York
SWIFT Address : MRMDUS33
Account Name : HSBC Institutional Trust Services (Asia)
Limited – Value Partners Subscription Account
Account No. : 000-14165-8
For Credit To : Value Partners China Greenchip Fund Limited
DDA No. : 00548529

(b) HK dollars by telegraphic transfer (**net of bank charges**) to:

Bank : HSBC HK
Swift Address : HSBCHKHHHKH
Account Name : HSBC Institutional Trust Services (Asia)
Limited – Value Partners Subscription Account
Account No : 502-657802-001
For credit to : Value Partners China Greenchip Fund Limited
DDA No. : 00548529

In each case the remitter should instruct the remitting bank send a SWIFT advice (format MT 103) to HSBC Institutional Trust Services (Asia) Limited (SWIFT Address: BTFEHKHH) advising details of remittance, including the name of the applicants(s), for ease of identification. Subscription monies must be originated from the applicant, no third party payment shall be permitted.

Please note that for cleared funds in US dollars or HK dollars to be received in Hong Kong prior to 5:00 p.m. on the last day of the relevant Dealing Period, payment must be made for value at least one business day in New York (for US dollars) or one Business Day in Hong Kong (for Hong Kong dollars) before the last day of such Dealing Period.

[This page is intentionally left blank.]

[This page is intentionally left blank.]

[This page is intentionally left blank.]

Value Partners Limited

Level 14, Three Pacific Place,

1 Queen's Road East, Hong Kong.

Tel: (852) 2880 9263 Fax: (852) 2565 7975

Email: vpl@vp.com.hk

Web Site: www.valuepartners.com.hk

This Notice supplements and should be read together with the Explanatory Memoranda and Addendums (if applicable) of the respective Funds set forth below. These documents should be read, and together construed, as one document prior to the availability of the revised Explanatory Memoranda and Addendums (if applicable) of the respective Funds.

NOTICE TO UNITHOLDERS

Value Partners Classic Fund
Value Partners High-Dividend Stocks Fund
Value Partners Intelligent Funds – Chinese Mainland Focus Fund
Value Partners intelligent Funds – China Convergence Fund
Value Partners Intelligent Funds – JA-VP China New Century Fund
Value Partners Intelligent Funds – JA-VP Chugokutairiku Focus Fund
Value Partners China Greenchip Fund Limited
- (collectively the “Funds”)

18 May 2009

Dear Unitholders

Office Removal Notice

Please be informed that with effect from 8 June 2009, the office of the Manager will be relocated to:

**9th Floor, Nexxus Building,
41 Connaught Road Central, Hong Kong**

Telephone and facsimile numbers remain unchanged

In this respect, all references to the business address of the Manager in the Funds' Explanatory Memoranda, Addendums (if applicable), Subscription and Redemption forms and other relevant forms shall be replaced with the above address.

Please direct all correspondence to our new address. If you have any enquiries, please contact the Manager at (852) 2880 9263 or via email at vpl@vp.com.hk, or visit our website at www.valuepartners.com.hk.

Yours faithfully,

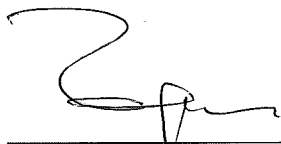
Value Partners Limited

This Notice constitutes an amendment to the Fund's EM, you should retain a copy of this Notice with the EM.

Thank you for your attention to this matter. We look forward to your continued support.

Should you have any enquiries, please do not hesitate to contact our Investment Services Department on (852) 2880 9263.

Yours faithfully,



Eugene Law
Authorized Signatory, Value Partners Limited
Investment Manager to the Fund