

HSZ China Fund

SEMI-ANNUAL REPORT 2006
(NOVEMBER 17 TO DECEMBER 31, 2006)
HSZ CHINA FUND

Mutual Fund under Swiss law (category "other funds")

AIG

Fund Management

A member of American International Group, Inc.

AIG Fund Management (Switzerland) Ltd.
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The HSZ China Fund was launched
for HSZ Limited, British Virgin Island
by AIG Fund Management (Switzerland) Ltd.
as fund manager and AIG Private Bank Ltd.
as custodian.

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The performances shown in this report refer to the past. Historic developments are no guarantee for future performances.
The value of a unit can rise and fall any time.
The performance data does not include the costs and commissions, which are charged when units are issued or redeemed.

FACTS & FIGURES

Characteristics of the Fund

At least two thirds of the assets of the total portfolio (after deduction of cash holdings) are invested in equity-related securities and security rights of selected issuers, which are domiciled or conduct their principal business in the People's Republic of China or in holding companies, whose participations are primarily companies, which are domiciled in the People's Republic of China. Up to one third of the fund's total assets, after deduction of cash holdings can be invested in equity-related securities and security rights and money market instruments of global issuers.

The net income of the fund is distributed to the unit holders once a year at the end of April.

From the management fees there are remittances to be effected for the distribution of the mutual fund (retrocommission on unitholdings) to distributors and portfolio managers. Institutional investors who hold units of the mutual fund for third parties are entitled to receive a reimbursement from the management fees.

Organization

Fund Management

AIG Fund Management (Switzerland) Ltd.
Hochbordstrasse 3, CH-8600 Dubendorf-Zurich

Custodian and Paying Office

AIG Private Bank Ltd.
Pelikanstrasse 37, CH-8001 Zurich
www.aigprivatebank.com

Auditor

PricewaterhouseCoopers Ltd.
Birchstrasse 160, CH-8050 Zurich

Paying Office

AIG Private Bank Ltd.
Pelikanstrasse 37, CH-8001 Zurich

Investment Decisions

Investment decisions are delegated to HSZ Limited (Woodbourne Hall, P.O. Box 3162, Road Town, Tortola, British Virgin Islands, www.hszgroup.com).

Securities Code

2682803 (Class USD)
2682806 (Class CHF)
2682809 (Class EUR)

Remarks

The prospectus with the integrated fund regulations can be ordered any time and free of charge from the fund management company.

The German text is the sole basis for the authentic interpretation of the report.

A variable commission up to 5% of the net asset value was charged at issuance (can vary depending on the distribution channel).

Depositories

Switzerland

SIS SegalInterSettle, Zurich

Hong Kong

State Street Bank & Trust Co., Hong Kong

Belgium

Euroclear, Brussels

Key Data

	31.12.06
Net Fund Asset in Mio. USD	150.59
Units Outstanding Class USD	1 190 052.75
Units Outstanding Class CHF	210 690.84
Units Outstanding Class EUR	39 300.00
Net Asset Value per Unit in Class USD	106.85
Net Asset Value per Unit in Class CHF	104.50
Net Asset Value per Unit in Class EUR	103.85

SEMI-ANNUAL REPORT**Statement of Income from November 17 to December 31**

	2006 in USD
Income	
Income from bank receivables at time	52 000.00
Shares and other equity instruments	240 096.91
Purchase of current income on issue of units	-2 805.92
Total Income	289 290.99
Expenses	
Audit fees	0.00
Remunerations according to regulations	
– Custodian*	39 687.27
– Fund manager**	261 670.57
Performance fees	874 197.01
Rebooking onto realized capital gains and losses according to ESTV	-874 197.01
Other expenses	3 397.57
Payment of current income on redemption of units	-387.26
Total Expenses	304 368.15
Operating Result	-15 077.16
Realized capital gains and losses	-900 412.34
Realized Result	-915 489.50
Not realized capital gains and losses	10 490 207.41
Total Result	9 574 717.91
TER for the units of the class USD without Performance Fees	1.24%
TER for the units of the class CHF without Performance Fees	1.31%
TER for the units of the class EUR without Performance Fees	1.24%
TER with Performance Fees***	N/A
PTR***	N/A

*The actual remuneration to the custodian bank amounts to 0.15%.

**The actual remuneration to the fund management amounts to 1.50%.

***Due to the fact that the figures are not meaningful yet, no reasonable TER/PTR can be calculated and published.

SEMI-ANNUAL REPORT**Statement of Assets as of December 31**

	2006 in USD
Bank receivables	
– at sight	36 926 760.72
– at time	15 000 000.00
Shares and other equity instruments	99 241 478.37
Other assets	292 788.34
Total Assets	151 461 027.43
Liabilities	–874 197.01
Net Fund Assets	150 586 830.42
Number of Units Outstanding	Class USD
Total as of November 17	0.0000
Units issued in the period under review	1 194 246.4640
Units redeemed in the period under review	4 193.7110
Total as of December 31	1 190 052.7530
Net Asset Value of a Unit	106.85
Number of Units Outstanding	Class CHF
Total as of November 17	0.0000
Units issued in the period under review	211 091.8370
Units redeemed in the period under review	401.0000
Total as of December 31	210 690.8370
Net Asset Value of a Unit USD	85.65
Net Asset Value of a Unit CHF	104.50
Number of Units Outstanding	Class EUR
Total as of November 17	0.0000
Units issued in the period under review	39 300.0000
Units redeemed in the period under review	0.0000
Total as of December 31	39 300.0000
Net Asset Value of a Unit USD	136.83
Net Asset Value of a Unit EUR	103.85

Off-Balance Sheet Transactions as of December 31, 2006

As per key-date there are no open transactions.
No loans have been granted nor have securities been lent.

SEMI-ANNUAL REPORT**Changes of the Fund's Net Assets (Art. 71 IFO)**

	2006 in USD
Net Fund Assets as of November 17	0.00
Units issued in the period under review	141 483 032.54
Units redeemed in the period under review	-470 920.03
Realized capital gains and losses	-900 412.34
Operating result	-15 077.16
Unrealized capital gains and losses	10 490 207.41
Net Assets of the Fund according to Statement of Assets as of December 31	150 586 830.42
Thereof Class USD	127 162 532.69
Thereof Class CHF	18 046 691.25
Thereof Class EUR	5 377 606.48
Interim balance of current year's earnings per unit of Class USD	-0.01
Interim balance of current year's earnings per unit of Class CHF	-0.01
Interim balance of current year's earnings per unit of Class EUR	-0.01
Balance carried forward retained earnings	0.00

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Portfolio Composition as of December 31, 2006

Assets

Quantity	Name	Country	Currency	Price	Price in USD	Price in % Fund Assets
Shares and other Equity Instruments, quoted on Stock Exchange 65.91%						
Energy and Water Supply 8.90%						
5 964 000	Epure International Ltd.	Singapore	SGD	1.5	5 829 565.57	3.87
3 360 000	Hong Kong & China Gas Co. Ltd.	Hong Kong	HKD	17.5	7 562 065.57	5.03
Banks and other Credit Institutions 8.64%						
920 000	Bank of East Asia Ltd.	Hong Kong	HKD	44.05	5 211 909.34	3.46
3 670 000	China Merchants Bank Co. Ltd.	China	HKD	16.48	7 778 330.36	5.18
Real Estate 8.61%						
514 000	Beijing Capital Land Ltd.	China	HKD	3.98	263 093.01	0.17
1 950 000	China Resources Land Ltd.	Cayman Islands	HKD	9.31	2 334 787.75	1.55
9 101 000	Shui on Land Ltd.	Cayman Islands	HKD	6.79	7 947 343.81	5.29
1 452 000	Yanlord Land Group Ltd.	Singapore	SGD	2.54	2 403 298.03	1.60
Mechanical Engineering and Industrial Equipment 5.66%						
6 804 000	China Infrastructure Machinery Holdings Ltd.	Cayman Islands	HKD	9.2	8 050 358.95	5.36
960 000	Lung Kee Holdings Ltd.	Bermuda	HKD	3.6	444 464.26	0.30
Lodging and Catering Ind., Leisure Facilities 5.42%						
3 160 000	Fuji Food & Catering Services Holdings Ltd.	Cayman Islands	HKD	20.1	8 168 574.10	5.42
Watch and Clock Industry, Jewellery 4.92%						
13 092 000	Eganagoldpeil Holdings Ltd.	Cayman Islands	HKD	4.4	7 408 355.02	4.92
Building Industry and Building Materials 4.39%						
1 030 000	Shui on Construction & Materials Ltd.	Bermuda	HKD	16.6	2 198 914.92	1.46
1 900 000	West China Cement Ltd.	Jersey	GBP	1.185	4 424 566.60	2.93
Pharmaceuticals, Cosmetics and Med. Products 3.68%						
1 919 000	Beauty China Holdings Ltd.	Cayman Islands	SGD	0.91	1 131 698.79	0.75
2 592 000	Ecogreen Fine Chemicals Group Ltd.	Cayman Islands	HKD	1.96	653 362.47	0.43
3 556 000	Hua Han Bio Pharmaceutical Holdings Ltd.	Cayman Islands	HKD	2.65	1 211 911.03	0.80
35 900	Mindray Medical International Ltd.	China	USD	24.74	888 166.00	0.57
17 190 000	Mingyuan Medicare Development Company Ltd.	Bermuda	HKD	0.77	1 702 274.98	1.13
Traffic and Transportation 3.06%						
13 008 000	Cosco International Holdings Ltd.	Bermuda	HKD	2.75	4 600 513.77	3.06
Graphics, Publishing and Printing Media 2.49%						
18 142 000	Pico Far East Holdings Ltd.	Cayman Islands	HKD	1.61	3 756 420.06	2.49
Petroleum 2.15%						
13 275 000	Sinolink Worldwide Holdings Ltd.	Bermuda	HKD	1.9	3 243 778.89	2.15
Food and Soft Drinks 1.96%						
1 120 000	China Mengniu Dairy Co. Ltd.	Cayman Islands	HKD	20.45	2 945 604.59	1.96

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Portfolio Composition as of December 31, 2006

Assets

Quantity	Name	Country	Currency	Price	Price in USD	Price in % Fund Assets
Telecommunication 1.95%						
6 886 000	Comba Telecom Systems Holdings Ltd.	Cayman Islands	HKD	3.31	2 931 285.54	1.95
Electronics and Semiconductors 1.94%						
2 410 000	AAC Acoustic Technology Holdings Inc.	Cayman Islands	HKD	7.38	2 287 370.51	1.52
1 744 000	Scud Group Ltd.	Cayman Islands	HKD	2.84	636 983.13	0.42
Miscellaneous Consumer Goods 1.84%						
1 270 000	Ports Design Ltd.	Bermuda	HKD	17	2 776 615.57	1.84
Rubber and Tires 0.30%						
1 100 000	Xingda International Holdings Ltd.	Cayman Islands	HKD	3.18	449 865.74	0.30
Total Shares and other Equity Instruments, quoted on Stock Exchange			USD		99 241 478.37	65.91
Total Assets			USD		99 241 478.37	
Bank Receivables¹ 34.48%						
– at sight			USD		36 926 760.72	24.52
– at time			USD		15 000 000.00	9.96
Other Assets 0.19%			USD		292 788.34	0.19
Total Assets			USD		151 461 027.43	
Liabilities –0.58%			USD		–874 197.01	–0.58
Net Fund Assets			USD		150 586 830.42	100.00

¹ Deposits are not protected by deposit insurances.

	Currency	Price
Exchanges Rates to USD		
Swiss Franc	CHF	1.2200
British Pound	GBP	0.5089
Hong Kong Dollar	HKD	7.7757
Singapore Dollar	SGD	1.5346

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Changes in Securities Holdings from November 17 to December 31, 2006

Name	Currency	Quantity 17.11.06	Quantity Bought	Quantity Sold	Quantity 31.12.06
Bermuda					
Cosco International Holdings Ltd.	HKD	0	13 008 000	0	13 008 000
Lung Kee Holdings Ltd.	HKD	0	1 810 000	850 000	960 000
Mingyuan Medicare Development Co. Ltd.	HKD	0	17 190 000	0	17 190 000
Ports Design Ltd.	HKD	0	1 270 000	0	1 270 000
Scud Group Ltd.	HKD	0	2 490 000	746 000	1 744 000
Shui on Construction & Materials Ltd.	HKD	0	1 030 000	0	1 030 000
Vtech Holdings Ltd.	USD	0	486 000	486 000	0
Cayman Islands					
Beauty China Holdings Ltd.	SGD	0	1 919 000	0	1 919 000
Capital Retail China Trust	SGD	0	150 000	150 000	0
China Resources Land Ltd.	HKD	0	1 950 000	0	1 950 000
China Fire Safety Enterprise Group Ltd.	HKD	0	4 835 000	4 835 000	0
China Infrastructure Machinery Holdings Ltd.	HKD	0	6 804 000	0	6 804 000
China Mengniu Dairy Ltd.	HKD	0	1 120 000	0	1 120 000
Comba Telecom Systems Holdings Ltd.	HKD	0	6 886 000	0	6 886 000
Ecogreen Fine Chemicals Group Ltd.	HKD	0	2 592 000	0	2 592 000
Eganagoldpfeil Holdings Ltd.	HKD	0	13 092 000	0	13 092 000
Fuji Food & Catering Services Holdings Ltd.	HKD	0	3 160 000	0	3 160 000
GST Holdings Ltd.	HKD	0	800 000	800 000	0
Hopewell Highway Infrastructure Ltd.	HKD	0	1 307 000	1 307 000	0
Hua Han Bio Pharmaceutical Holdings Ltd.	HKD	0	3 556 000	0	3 556 000
Pico Far East Holdings Ltd.	HKD	0	18 142 000	0	18 142 000
Shui on Land Ltd.	HKD	0	9 101 000	0	9 101 000
Xingda International Holdings Ltd.	HKD	0	2 100 000	1 000 000	1 100 000
China					
Beijing Capital Land Ltd.	HKD	0	514 000	0	514 000
Mindray Medical International Ltd.	USD	0	35 900	0	35 900
Hong Kong					
AAC Acoustic Technology Holdings Inc.	HKD	0	2 410 000	0	2 410 000
Bank of East Asia Ltd.	HKD	0	920 000	0	920 000
China Communications Services Corp. Ltd.	HKD	0	302 000	302 000	0
China Merchants Bank Co. Ltd.	HKD	0	3 670 000	0	3 670 000
Denway Motors Ltd.	HKD	0	1 900 000	1 900 000	0
Glorious Sun Enterprises Ltd.	HKD	0	2 088 000	2 088 000	0
Hong Kong & China Gas Co. Ltd.	HKD	0	3 360 000	0	3 360 000
Sinolink Worldwide Holdings Ltd.	HKD	0	13 275 000	0	13 275 000
Techtronic Industries Co. Ltd.	HKD	0	680 000	680 000	0
Jersey					
West China Cement Ltd.	GBP	0	1 900 000	0	1 900 000
Singapore					
Epure International Ltd.	SGD	0	5 964 000	0	5 964 000
Yanlord Land Group Ltd.	SGD	0	1 452 000	0	1 452 000