

Figures as of January 31, 2012
 Net Asset Value USD 107.58, CHF 76.44, EUR 104.90
 Fund Size USD 110.5 million
 Inception Date* May 27, 2003
 Cumulative Return 205.9% in USD
 Annualized Return 13.7% in USD

* The track record is the combination of two consecutive track records of China Investment Corporation (CIC) and HSZ China Fund (HCF). From May 27, 2003 to November 17, 2006 it is the performance of CIC, a trust account managed by HSZ (Hong Kong) Limited for listed Chinese equities. Since the launch of HCF on November 17, 2006 it is the performance of HCF.

Net Asset Value (Monthly)



Performance

| | January | YTD | 1 Year | Nov 17, 06 |
|-----------|---------|------|---------|------------|
| USD Class | 7.8% | 7.8% | (19.4%) | 7.6% |
| CHF Class | 4.7% | 4.7% | (23.8%) | (23.6%) |
| EUR Class | 5.7% | 5.7% | (16.9%) | 4.9% |

Largest Holdings

| | | |
|----------------------|------|----------------------|
| AAC Technologies | 6.4% | ████████████████████ |
| Ping An Insurance | 6.0% | ████████████████████ |
| China Merchants Bank | 5.9% | ████████████████████ |
| Wharf (Holdings) Ltd | 5.8% | ████████████████████ |
| China Shenhua Energy | 5.1% | ████████████████████ |
| Belle International | 5.0% | ████████████████████ |

Exposure

| | | |
|------------------------|-------|------------------------------------------|
| Consumer Discretionary | 28.1% | ████████████████████████████████████████ |
| Financials | 25.5% | ████████████████████████████████████████ |
| Industrials | 21.0% | ████████████████████████████████████████ |
| Consumer Staples | 11.6% | ████████████████████████████████████████ |
| Energy | 5.1% | ████████████████████████████████████████ |
| Cash | 8.7% | ████████████████████████████████████████ |

Newsletter January 2012

- China sees strong new year holiday sales
- Intime registers 17 percent SSSG during Chinese New Year
- Shui On Land beats its own full-year sales target
- Daphne's SSSG accelerates in fourth quarter

MSCI China index had a strong start in the new year of 2012 on better than expected macro numbers, strong retail sales during the Chinese New Year and anticipation of further monetary easing. GDP growth has continued its stable and downward trend, reading 8.9 percent year on year in the fourth quarter of 2011, 0.2 percentage points lower than the preceding period. During the Lunar New Year holiday, retail sales remained strong, growing at 16 percent from last year. The official PMI rose a tad to 50.5 in January, the second consecutive month above the expansion threshold of 50. The macro numbers came in better than expected, alleviating concerns of hard landing in China.

Intime achieved an impressive retail sales growth of 26 percent during the Chinese New Year, driven by a robust same store sales growth (SSSG) of 17 percent, which is better than the SSSG of 15 percent in the fourth quarter of 2011. The company recently opened 4 new stores in Hefei, Ningbo Cixi, Xian and Beijing, with gross floor area (GFA) per store between 50'000 square meters (sqm) and 100'000 sqm. Post the opening of the new stores, Intime now operates 26 stores in China with total GFA increased 30 percent to 1'130'000 sqm.

Shui On Land's contracted sales grew 114 percent year over year to CNY 10.7 billion in 2011, which exceeded its sales target of CNY 10.0 billion by 7 percent. The company sold a total GFA of 527'000 sqm in 2011 with an average selling price of CNY 20'200 per sqm, which were up 94 percent and 10 percent year over year respectively. The company has just completed the offering of SGD 250 million senior notes, which was higher than the original target of SGD 225 million. The continuous support from the capital market would mitigate the refinancing risk in the near term and provide the company with sufficient capital for development.

Daphne reported SSSG of 26 percent in the fourth quarter of 2011 and 21 percent for the whole year, which was better than the management's full year guidance of 16 percent. The strong performance was backed by the solid growth in volume and continuous improvement in supply chain, product design and pricing strategy. Daphne added 700 stores in 2011 and the total number of stores in China grew 14 percent year over year to 5'602. We continue to like Daphne for its improving store profitability and mass market position which would benefit from faster than average income rise of low- to mid-income group.

General Information

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|--------|--------------------------------------------------------------------|
| Name | HSZ China Fund |
| Theme | Entrepreneurial China |
| Nature | Long-only equity fund, actively managed for absolute return |
| Focus | Listed Chinese equities focusing on privately controlled companies |

| | |
|------------------|---------------------------------------------------------|
| Structure | Swiss investment fund, regulated by FINMA, open-ended |
| Distributions | Income annually |
| Fiscal Year End | December 31 |
| Reporting | Semi-annually in USD |
| Currency Classes | USD, CHF, EUR (all unhedged) |
| Trading | Daily issuance and redemption, based on net asset value |

| | |
|--------------------|----------------------------------------------|
| Fund Manager | Swiss Investment Company SIC Ltd., Zurich |
| Custodian Bank | Clariden Leu Ltd., Zurich |
| Investment Manager | HSZ (Hong Kong) Limited, Hong Kong |
| Auditors | KPMG Ltd. |
| Management Fee | 1.5% annually |
| Performance Fee | 10% above hurdle rate of 5%, high water mark |
| Issuance Fee | Maximum 5% |
| Redemption Fee | None |

| | |
|------------------|---------------------------------------------------------------------------------------------------------------------|
| USD Class | ISIN CH0026828035, Valor 2682803 WKN A0LC13 Bloomberg HSZCHID SW Equity |
| CHF Class | ISIN CH0026828068, Valor 2682806 WKN A0LC15 Bloomberg HSZCFCH SW Equity |
| EUR Class | ISIN CH0026828092, Valor 2682809 WKN A0LC14 Bloomberg HSZCHEU SW Equity |
| Orders via Banks | Clariden Leu Ltd., Bahnhofstrasse 32 8001 Zurich, Switzerland Tel: +41 58 205 2121 Fax: +41 58 205 2191 |

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|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Investment Opportunity

Once the world's largest trading power, China's gradual decline during the second millennium culminated in the Maoist purgatory. However, since the 1980s economic development has taken center stage. China has become the engine of the fastest growing region in the world attracting substantial foreign investments and developing into the world's manufacturing hub. Furthermore, an increasing middle class is fuelling demand for consumer products. The growth momentum is set to continue as China strives to catch up with mature economies, producing attractive investment opportunities.

Investment Strategy

The objective of HSZ China Fund is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that are rooted in China. At least two-thirds of the total assets are to be invested in companies which are domiciled in China or participate as holding companies in enterprises domiciled there. At most one-third of the total fund volume can be invested in equity oriented stocks and money market instruments of issuers worldwide. Based on fundamental analysis and a bottom up approach, investment opportunities are identified that are assessed to provide above-average return on invested capital, have strong earnings per share growth and are priced attractively.

Risk Management

The Chinese stock market has many of the particular risks and characteristics of emerging markets. HSZ (Hong Kong) Limited exerts itself for reducing specific risks by accurately screening and monitoring high quality assets. That is why the long-lived experience of its specialists based locally is invaluable for investors. The fund is well diversified to avoid concentration risk. The weight of each position in the portfolio is subject to a maximum limit of 15%. No portfolio leverage is employed. The fact that HSZ China Fund invests in listed equity provides the investor with a reasonable degree of liquidity.

Investment Manager

HSZ (Hong Kong) Limited is a Hong Kong based independent investment management company. Its investment team has been managing Asian equity portfolios since 1994.