CIC
China Investment Corporation

Newsletter August 2005

- Chinese stocks outperform in August
- Ports posts 53 percent profit growth
- Fu Ji Catering sees 79 percent increase in net profit
- China Fire Safety results show acquisition benefits
- IDS net profit increases 24 percent

Chinese stocks did better than the rest of Asia due to the large listed Chinese oil companies as well as strong results from China Mobile. Despite that fact, earnings results of several Chinese companies revealed margin pressure from rising commodity prices. However, better than expected results from our core holdings Ports Design and Fu Ji Food and Catering led to the strong share price performance of CIC in August. During the month, we added Hopewell Highway and Glorious Sun to our portfolio and took profit on some of our holdings in Hopson.

Ports Design recorded turnover of CNY 383 million, an increase of 31 percent year-on-year for the six months ended June 30, 2005. The gross margin improved 1.4 percentage points (ppt) to 65 percent. Net profit reached CNY 67 million, up 53 percent. The strong result was a function of new store openings, higher selling prices and an initial contribution from the new BMW Lifestyle segment. BMW Lifestyle exports to BMW AG increased 286 percent to CNY 27 million as the unit is increasingly getting the endorsement from BMW apparel buyers globally.

Fu Ji Food and Catering reported 82 percent and 79 percent year-on-year increases in turnover and net profit to CNY 155 million and CNY 52 million respectively for the quarter ended June 30, 2005. Sales of catering services and restaurants were up 194 percent and 12 percent respectively to 64 percent and 31 percent of total. The operating margin declined 1.8 ppt to 40.7 percent mainly due to price discounts on high-volume orders and the recruitment of new management late last year.

China Fire Safety's turnover and net profit for the six months ended June 30, 2005 increased 37 percent and 22 percent year-on-year to CNY 304 million and CNY 78 million respectively. The lower margin sales of goods business jumped 93 percent to 53 percent of total thanks to the acquisition of a fire-engine trading company last year. Slower completion progress saw revenue from installation slip 12 percent to 35 percent of total. The gross margin declined 5 ppt to 38 percent as a result.

Integrated Distribution Services (IDS) reported a net profit of USD 7.4 million for the first half of 2005, an increase of 24 percent excluding one-off items in the first half of 2004. Revenue was USD 379.3 million, an increase of 37 percent. The logistics division remains the main growth driver, with 48 percent growth in revenue and 55 percent growth in operating profit. IDS has already won 32 new customers in the first half and expects a similar level of new contracts in the second half.

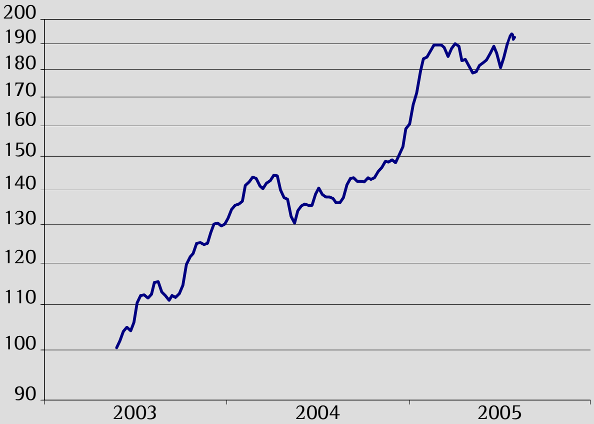
Figures as of Aug 31, 2005

Net Asset Value

Per Share: USD 196.78

Market Capitalization: USD 10.2 million

Share Price in USD since May 27, 03



Performance

Aug	YTD	1 Y	May 27, 03
2.8%	23.7%	41.6%	96.8%

Largest Holdings

Fu Ji Food	14.8%
Lung Kee	14.1%
Ports Design	13.8%
Hopewell Highway	9.6%
China Fire Safety	7.3%
Glorious Sun	7.2%

Exposure

Industrials	24.7%
Consumer Discretionary	24.3%
Other	23.9%
Consumer Staples	14.8%
Utilities	3.4%
Health Care	2.6%
Cash	6.3%

General Information

Legal Nature	Trust account, CSPB Singapore
Security	Phantom shares

Trading	Daily, based on NAV
Dilution Levy	0.7%
Trading Fee	0.5%
Management Fee	1%
Performance Fee	20% above 8% hurdle rate, high water mark

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Investment Rationale
Since Deng Xiao-ping succeeded Mao towards the end of the 1970s, economic development has taken centre stage in China. Market-oriented reforms and decentralized decision making were introduced at the Party Congress in 1978. Over the last decade the shift from communist dogmatism to economic pragmatism has become deeply entrenched. As a consequence, China has become 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. China Investment Corporation ("CIC") is managed with a view to careful selection and trading of its portfolio companies. In order to mitigate the risks invariably associated with young and fast growing economies, CIC emphasizes quality in all its aspects. CIC is designed to provide investors with a conservative and liquid equity exposure to a part of the world that is gradually gaining in importance.

The Fund
CIC is a trust account in the name of HSZ Limited with the Singapore Branch of Credit Suisse Private Banking and was set up on May 27, 2003. Phantom shares are issued and redeemed daily based on CIC's net asset value. It is planned to incorporate CIC upon reaching net assets of approximately USD 10 million.

Investment Strategy
The objective is to create sustained shareholder value by acquiring and managing equity and equity-linked investments in a select number of high-quality companies that have a significant exposure to China, regardless of the listing location. Companies with significant China exposure generate at least 50 percent of their revenues and/or have at least 50 percent of their manufacturing capacity in China. 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. Investments by CIC in any single company may not exceed 20 percent of CIC's assets upon the date of purchase and 10 percent of a company's capital. No debt financing is employed. Derivatives are used, however with moderation.

The Manager
HSZ Group is an investment management company with offices in Hong Kong, Singapore and Zurich. The company is majority owned by its four partners and employs a total staff of fifteen. The team has managed Asian equity portfolios since 1994.