CIC
China Investment Corporation

Newsletter August 2006

- China shares advance further in August
- Fu Ji Food & Catering's net profit increases 51 percent
- Retail division drives growth at Ports Design
- Hopewell Highway's traffic growth reaches 22 percent
- Techtronic's earnings advance 10 percent

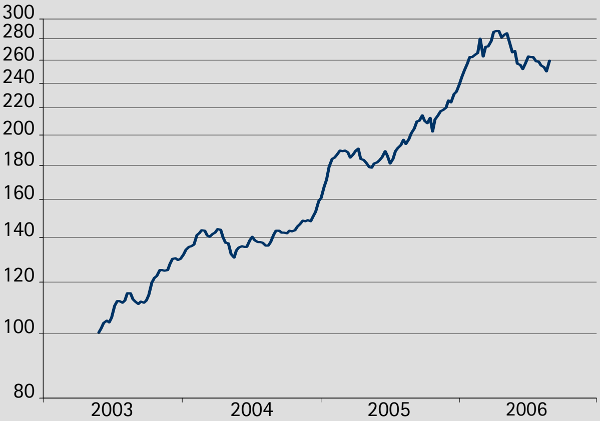
Figures as of August 31, 2006

Net Asset Value

Per Share: USD 259.69

Market Capitalization: USD 25.3 million

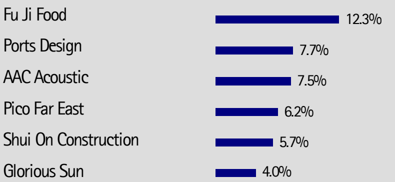
Share Price in USD since May 27, 03



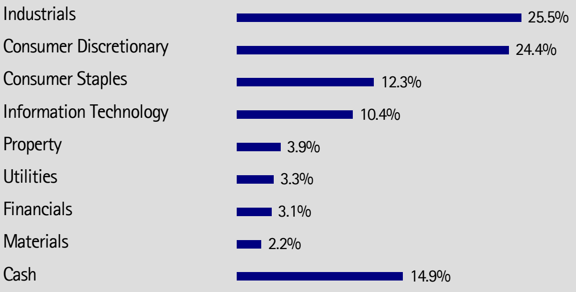
Performance

Aug	YTD	1 Y	May 27, 03
0.7%	11.5 %	32.0%	159.7%

Largest Holdings



Exposure



China shares increased further in August, helped by the US Fed's decision to keep rates unchanged, tame inflation data and continuous strength from the corporate sector. First half earnings of the major Hong Kong listed Chinese corporates mostly met or exceeded expectations. During the month, we added to our positions in Fu Ji Food & Catering, Pico and Beauty China and reduced positions in Lung Kee, China Fire Safety and Hopewell Highway Infrastructure. We took profit on Sinopec and China Unicom and added small positions in fire equipment maker GST, handset maker Foxconn, retailer Egana, refiner Sinopec Shanghai and property companies China Overseas Land and China Resources Land.

During the quarter ended June 30, 2006, Fu Ji Food & Catering's turnover was up 56 percent year-on-year to CNY 242 million and net profit was up 51 percent to CNY 77 million. The operating margin was down 4.4 percentage points year-on-year but improved sequentially by 2 percentage points to 36.4 percent. Although results were at the low end of expectations, the operating margin seems to be bottoming out and we remain optimistic on the growth potential of the company

During the six months ended June 30, 2006, Ports Design reported turnover of CNY 417 million, up 9 percent year-on-year. Retail turnover was up 28 percent to 87 percent of total while OEM and ODM turnover was down 45 and 51 percent respectively. The gross margin improved to 74.4 percent, up 9.4 percentage points as the retail gross margin expanded further. Net profit was up 51 percent to CNY 101 million. Management expects a strong second half on the back of record high July and August sales and an improving export business. Results were above expectations.

Hopewell Highway Infrastructure reported net profit of HKD 1'128 million for the year ended June 2006, an increase of 25 percent, including exchange gains of HKD 146 million, in line with expectations. Toll revenue amounted to HKD 1'735 million, an increase of 15 percent, on the back of a 22 percent increase in average daily traffic. Management recommended a final dividend of HKD 0.17 per share, bringing the annualized dividend yield to 4.9 percent based on the current share price.

During the six months ended June 30, 2006, Techtronic's turnover increased 5 percent year-on-year to HKD 10.7 billion and net profit 10 percent to HKD 504 million, in line with expectations. The core power equipment recorded revenue growth of 11 percent while floor-care product sales slid 8 percent due to weakness in the OEM business. Margin improvements in the power equipment section were partially offset by a margin contraction of floor-care products and laser & electronic products. We believe there remains room for further margin enhancement.

General Information

Legal Nature	Trust account, CSPB Singapore
Security	Phantom shares
Bloomberg	CHININC SP <Equity>
Valor	2233619

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

HSZ Group	Dr. Andreas Eppenberger, Zurich Christoph Himmelstein, Hong Kong Dr. Hans-Rudolf Schmid, Hong Kong Prof. Dr. Georg Rich, Zurich (Adviser)
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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. CIC will be converted into a mutual fund under Swiss legislation shortly.

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 and Zurich. The company is majority owned by its three partners and employs a total staff of twelve. The team has managed Asian equity portfolios since 1994.