CIC
China Investment Corporation

Newsletter December 2004

- China rally stalled in December
- Money supply increase suggests policy relaxation
- Fu Ji Food and Catering IPO rallies 16 percent
- Roly's results suggest bottoming out
- Alco reports profit surge

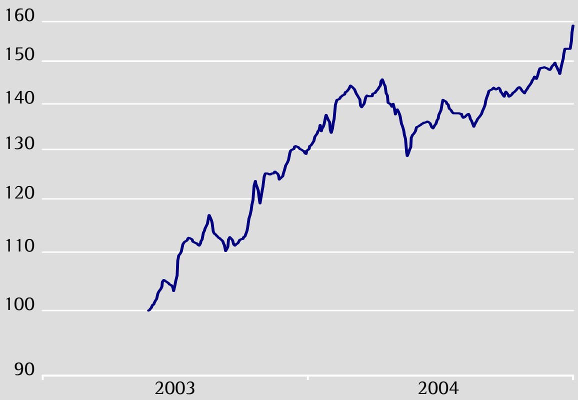
Figures as of December 31, 2004

Net Asset Value

Per Share: USD 159.05

Market Capitalization: USD 2.9 million

Share Price in USD Since May 27, 03



Performance

Dec	YTD	1 Y	May 27, 03
7.6%	22.6%	22.6%	59.1%

Largest Holdings

Ports Design	16.7%
Fu Ji Catering	16.2%
Lung Kee	13.8%
Hopewell Highway	10.7%
Roly	7.3%
IDT	6.8%

Exposure

Consumer Discretionary	42.7%
Industrials	16.3%
Other	10.9%
IT	10.7%
Health Care	4.5%
Telecom	4.5%
Cash	10.4%

The rally in China related shares stalled in December following corporate governance issues. The fraud case of Skyworth in Hong Kong as well as the trading losses of Singapore listed CAO highlight the corporate governance problems of Chinese companies. H-shares as well as the local exchanges in Shanghai and Shenzhen finished the year 2004 with losses. CIC's performance against that backdrop confirms our bottom up oriented strategy of focusing on quality companies. During the month we participated in the IPO of Fu Ji Food and Catering, which has become one of the core stocks of the portfolio as well as the IPO of Air China which was sold with an 8 percent gain.

The November increase in money supply suggests some relaxation in monetary policy. M2 rose 14 percent after the 13.5 percent gain in October. Exports rose by 46 percent, the fastest pace in five months, imports grew by 39 percent. Retail sales increased by 13.9 percent. Inflation rose by 2.8 percent, the slowest rate in nine months on moderating food prices.

Fu Ji Food and Catering rallied 16 percent in its IPO. Despite that the leading food and catering services provider is ranked among the top 100 food and beverage enterprises in the country, it has less than 1 percent market share in Shanghai, where it derives more than half of its revenue. In the catering business, it differentiates itself from its two closest competitors in adopting a vertically integrated business model, resulting in better quality control and higher profit margin. Its customers include Siemens, Panasonic and General Motors. For the year ended March 31, 2004, the company reported net profit of CNY 83 million, an increase of 127 percent year-on-year.

Roly's results for the six months ended October 31 suggest a bottoming out. Turnover was up 13 percent year-on-year to USD 81.1 million, mainly driven by Linmark. Roly China's distribution business saw a substantial improvement as turnover increased 53 percent to USD 26.6 million. Operating profit was negatively affected by higher administrative expenses as the company is expanding its China distribution business. Pretax and pre-exceptional profit increased by 4 percent to USD 8.9 million.

Alco reported a surge in profits in its six months results ended September 30. Turnover was up 63 percent to HKD 2.8 billion and net profit was up 81 percent to HKD 111 million as the operating leverage lifted the operating margin to 4.8 percent from 4.3 percent. Investments in high value added products and technologies and a change in the product mix to DVD recorders, TFT-LCD and home theatre products apparently paid off. We expect the company to continue to do well on its improved product mix and prudent execution.

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 center 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 gross 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 a global investment management company with a special interest in Asia. The company is majority owned by its four partners and employs a total staff of thirteen in Hong Kong, Singapore and Zurich. The team has managed Asian equity portfolios since 1994.