CIC
China Investment Corporation

Newsletter December 2005

- Hong Kong listed Chinese shares finish year 2005 on a high note
- Fu Ji expands capacity aggressively to capture demand
- Lung Kee maintains double-digit growth target
- AAC Acoustic sees strong demand from global handset brands
- Glorious Sun's sales growth rebounds in December

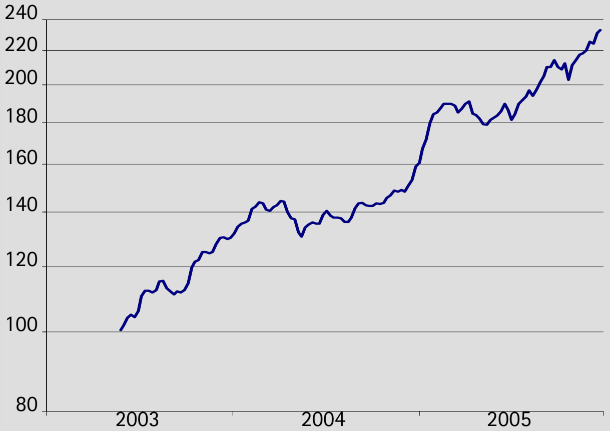
Figures as of December 31, 2005

Net Asset Value

Per Share: USD 232.93

Market Capitalization: USD 17.2 million

Share Price in USD since May 27, 03



Performance

Dec	1 Y	May 27, 03
6.3%	46.5%	132.9%

Largest Holdings

Fu Ji Food	14.8%
Lung Kee	14.2%
Ports Design	10.1%
AAC Accoustic	6.0%
Shui On Construction	6.0%
Hopewell	5.6%

Exposure

Consumer Discretionary	22.0%
Industrials	21.9%
Other	19.3%
Consumer Staples	14.8%
Materials	6.0%
Property	4.3%
Cash	11.7%

While Hong Kong listed Chinese shares recorded a 20 percent gain, Shanghai and Shenzhen listed shares finished the year 2005 with declines of 8 percent and 11 percent respectively. The Hong Kong increase was mostly due to the strong performance of China Mobile, which increased 39 percent in 2005. We made no major changes to our asset allocation as the growth outlook for our core holdings remains bright. Valuations at a weighted portfolio price/earnings ratio of 12.5 for 2006 are still undemanding.

Fu Ji Food and Catering's management is expanding capacity aggressively. In a recent meeting, the management told us that the company's production capacity has been expanded to 450'000 meals from 230'000 daily since December 2004. Meanwhile, actual outputs increased 159 percent to 220'000 meals daily. With additional capacity under construction, the company has prepared itself for the next growth leg, including the expansion into the school and railway catering segments.

Lung Kee's management said in a recent meeting with us that a slowdown in orders during September and October, which was due to customer concerns on higher oil and plastic prices, will result in mid-teen turnover growth in 2005, compared to 32 percent growth in 2004. Management emphasized that order flows have returned to normal levels since November as oil prices have stabilized. Lower steel prices during the period have helped to stabilize margins and the planned capacity expansion of 30 percent for 2006 indicates management's confidence in the growth outlook as the company is growing beyond its southern home base and is making in-roads into the auto parts sector.

AAC Acoustic (AAC)'s business sees strong momentum thanks to its exposure to global handset brands like Motorola and Sony Ericsson. Through continuous efforts in research and development, it has been staying ahead of the curve in launching new products. It is now accounting for a substantial portion of Motorola's global procurement of speakers and receivers. AAC has prevailed over the poor performance of its Chinese domestic clients this year by diligent credit policy and gaining market share from its international customers. With its gross margin stabilizing with higher-margin products, we remain optimistic of the growth potential of the company.

Management of Glorious Sun confirmed in a recent meeting that December sales have increased 40 percent month-on-month after warmer-than-expected weather led to a slowdown in October and November. Management is positive for the year 2006, expecting strong top line growth and margin improvement. It plans to add 40-60 new stores in China in 2006, compared to 60-70 in 2005, for HKD 170 million, as well as to invest up to another HKD 200 million for securing prime store locations in provincial capital cities. The company is in a net cash position of HKD 1 billion.

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

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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 fourteen. The team has managed Asian equity portfolios since 1994.