CIC
China Investment Corporation

Newsletter February 2005

- China rally led by commodity stocks
- UTC takes 29 percent stake in China Fire Safety
- Leading property developer added to portfolio
- Hopson to benefit from growth in Guangzhou
- IDT's earnings disappoint

Figures as of February 28, 2005

Net Asset Value

Per Share: USD 189.98

Market Capitalization: USD 7.4 million

Share Price in USD Since May 27, 03

Performance

Feb	YTD	1 Y	May 27, 03
4.9%	19.5%	31.6%	89.9%

Largest Holdings

Ports Design	16.9%
Fu Ji Catering	14.4%
Lung Kee	9.9%
China Fire Safety	7.7%
Beijing Capital	7.4%
Hopewell Highway	7.3%

Exposure

Consumer Discretionary	48.2%
Industrials	17.6%
Other	7.3%
IT	5.1%
Financials	4.8%
Utilities	4.8%
Health Care	2.1%
Cash	10.1%

China shares rallied in February led by commodity related stocks. Local stocks also moved higher, with the Shanghai B share index increasing by 9.8 percent on supportive comments by officials. The Shanghai B share market has declined for three consecutive years. CIC's performance was driven by Ports and Lung Kee as well as China Fire Safety. During the month we had subscriptions of USD 3.5 million. We decided to keep the focus on the three core holdings, Ports, Fu Ji Food and Catering and Lung Kee. However, we also purchased stakes in two property related companies, Beijing Capital Land and Hopson as our recent fact finding missions suggest continuous strong demand for the sector.

United Technologies Corporation ("UTC") has taken a 29 percent stake in China Fire Safety ("CFS") through newly issued shares by CFS worth USD 61 million. After completion of the transaction, UTC will have an option to acquire additional CFS shares from CFS' founders to increase its stake to 51 percent. The acquisition by UTC should reinforce the quality and market position of CFS in China's fire prevention and fighting industry.

Beijing Capital Land ("BCL"), the leading property developer in Beijing, was added to the portfolio. BCL has a landbank of 3.67 million square meters in Beijing, 72 percent of which is for residential use and the rest for commercial use (office, shopping malls, hotels). The major shareholder is Beijing Capital Group, a Beijing municipal government-owned conglomerate, which owns 56 percent. GIC of Singapore owns 9 percent and has two property joint ventures with BCL.

Property developer Hopson, which has a strong presence in Guangzhou, is expected to benefit from the secular growth of the China property market as Guangzhou and Tianjin are expected to catch up with Shanghai and Beijing. Hopson has 40 percent of its 12 million square meters landbank in Guangzhou, while Tianjin, Beijing and Shanghai account for 35 percent, 9 percent and 8 percent respectively. Hopson's projects are primarily residential and have been well received. With its strong sales and access to the capital market, the company sees opportunities to gain market share as other smaller players are adversely affected by the credit tightening.

IDT reported disappointing results for the nine months to December 31, 2004. Turnover was 4 percent higher year-on-year to HKD 2.4 billion but the operating margin shrank to 12.4 percent from 13.5 percent, mainly due to the higher proportion of digital media products which have a lower margin on average. Net profit was flat at HKD 229 million. Although the company is guiding for a 15-20 percent sales growth for the next fiscal year, we decided to be cautious and reduced the portfolio weight to 3 percent.

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

HSZ Group	Dr. Hans-Rudolf Schmid, Zurich Pang Shun Pen, Singapore Dr. Andreas Eppenberger, Zurich Christoph Himmelstein, Hong Kong Prof. Dr. Georg Rich, Zurich (Adviser)
Custodian	Credit Suisse

HSZ Group	Woodbourne Hall P.O. Box 3162 Road Town, Tortola British Virgin Islands Tel: +1 284 494 54 14 Fax: +1 284 494 54 17 E-mail: mail@hszgroup.com
Hong Kong	Tel: +852 2179 54 01
Singapore	Tel: +65 6557 05 77
Zurich	Tel: +41 44 288 95 95

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 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.