CIC
China Investment Corporation

Newsletter January 2005

- China shares started poorly in 2005
- China's 2004 GDP stronger than expected
- Hopewell Highway expects go ahead for major bridge project
- Guangdong Investment denies reports about tariff cuts
- Leading wine producer Dynasty with successful IPO

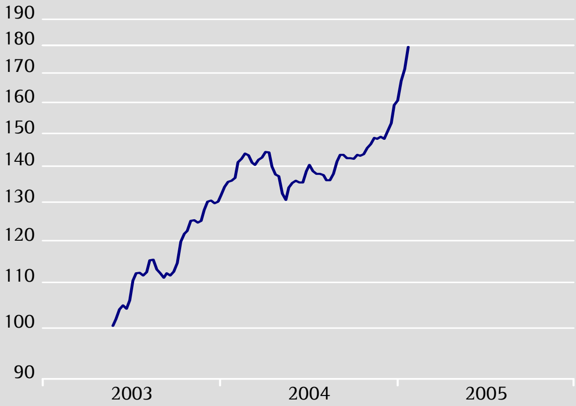
Figures as of January 31, 2005

Net Asset Value

Per Share: USD 181.18

Market Capitalization: USD 3.6 million

Share Price in USD Since May 27, 03



Performance

Jan	YTD	1 Y	May 27, 03
13.9%	13.9%	33.9%	81.2%

Largest Holdings

Fu Ji Catering	19.7%
Ports Design	13.9%
Lung Kee	11.5%
Hopewell Highway	8.1%
IDT	6.2%
Roly	6.2%

Exposure

Consumer Discretionary	43.4%
Industrials	14.6%
IT	9.9%
Other	8.1%
Health Care	4.3%
Financials	3.5%
Cash	16.2%

China shares started the year poorly. Concerns over a potential peak in the commodity cycle led to weaker performance of commodity related shares. The reversal of the USD also reduced the speculation about an imminent RMB revaluation. Furthermore, the ongoing sell-off of domestic shares dampened market sentiment. The Hang Seng Mainland Composite Index consisting of H-share and red-chip stocks listed in Hong Kong declined by 3 percent in January whereas A shares in Shanghai and Shenzhen weakened by 6 percent. During the month we reduced the portfolio's holdings in Fu Ji Food and Catering which has more than doubled since our initial purchase and participated in the IPO of Dynasty.

China's GDP rose by 9.5 percent in 2004 – higher than market expectations. Although fourth quarter data is yet to be released, rough calculations give a result of 9.3 percent year-on-year compared to consensus expectations of 8.9 percent. This would imply an accelerated 13 to 14 percent growth rate quarter-on-quarter against an 8.4 percent expansion in the third quarter. Broadly speaking, booming net exports and sales appear to have driven fourth quarter growth while investment slowed modestly. The key point is that current credit restrictions do not seem to be sufficient to slow spending as investment is still being financed outside the banking system.

Hopewell Highway's (HHI) Managing Director Thomas Wu expects the bridge project linking Hong Kong, Zhuhai and Macau to receive a go-ahead soon. His comments follow statements by Tung Chee Hwa, Chief Executive of the Hong Kong Special Administrative Region, that the bridge should be built as soon as possible. HHI has been the earliest advocate of the project and is expected to be part of the potential mega project.

Guangdong Investment has denied rumors about the possible lowering of the water tariff on the supply to Hong Kong. This has been made in response to speculation that Guangdong Province would cut the tariff on water supplied by Guangdong Investment to Hong Kong which is bound by a long term contract with fixed prices and volumes.

Wine producer Dynasty Fine Wine ("Dynasty") had a successful IPO in Hong Kong with the share price closing 39 percent above its offering price. Dynasty is the leading winery in China with a market share of 17.5 percent. It was founded in 1980 as a Sino-French joint venture. Following Dynasty's IPO that raised HKD 675 million, the major shareholders are Hong Kong listed conglomerate Tianjin Development (owned by Tianjin Municipal Government) and Remy Cointreau with 47 percent and 25 percent respectively. Current annual production capacity is at 30'000 tons but management plans to more than double capacity by 2008.

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 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.