CIC
China Investment Corporation

Newsletter January 2006

- China shares lead regional markets rally in January
- Fu Ji Food & Catering confident on expansion plans
- Ports Design sees strong demand for high-end apparel products
- Pico's earnings growth becomes less cyclical
- Hong Kong and China Gas continues to focus on distribution in China

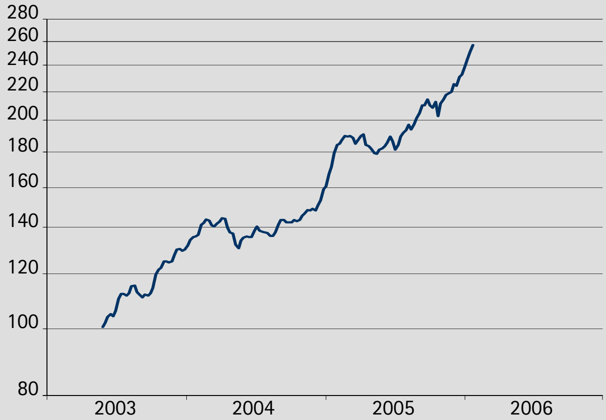
Figures as of January 31, 2006

Net Asset Value

Per Share: USD 256.61

Market Capitalization: USD 18.9 million

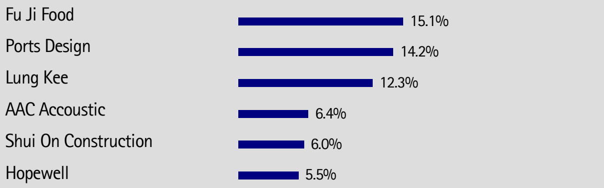
Share Price in USD since May 27, 03



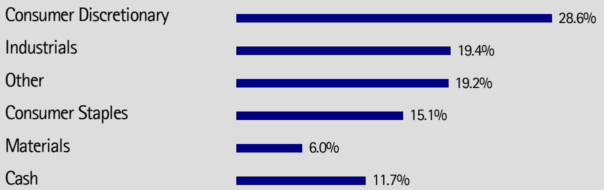
Performance

Jan	1 Y	May 27, 03
10.2%	41.6%	156.6%

Largest Holdings



Exposure



China shares led the regional share price rally in January on stronger than expected growth and expectations of an upcoming currency revaluation. The strongest gains were recorded by B shares listed in Shanghai and Shenzhen as speculation resurfaced that B shares might be merged with A shares in a not too distant future. We made no major changes to the asset allocation in January. The main performers during the month were Fu Ji Food & Catering, Ports Design, Weifu and AAC Acoustic. We sold out of our small position in Roly on doubts about management's execution capabilities.

Fu Ji Food & Catering's management remains confident of executing well on its expansion plans. Management recently communicated the roadmap for its ambitious expansion plans, whereby its capacity will almost treble to 1.3 million meals per day in 2006 from the 2004 base. After securing funding, the company has been signing up new Taiwanese manufacturing customers. The company is also venturing into the education catering sector which has not been captured by institutional catering providers so far.

Ports Design sees strong demand for high-end apparel products. After a visit to Ports Design's production base and retail shops in Xiamen, southern China, we are all the more convinced of the potential of its high-end apparel business. Management expects a continuation of the 20-30 percent same-store-sales growth, while retail outlets will grow by another 7 percent. The production lines were busy in manufacturing the high-end apparel with a skillful but highly localized staff force. This renders the Ports Design brand and BMW Lifestyle Shop business highly competitive and profitable compared to global brands like Hugo Boss and Chanel whose cost base is reportedly a multiple of Ports Design's.

Pico's earnings growth becomes less cyclical. From our recent discussions with management, we understand that the exhibition business (80 percent of turnover) is on track with mid-teen growth. The company is also making inroads into the rapidly growing event business. Beyond China, business in Hong Kong, Vietnam and India remains strong. The company remains well positioned to capture the fast growing exhibition business in Asia, while the revenue base has become more diversified.

Hong Kong and China Gas continues to focus on China. In a recent company visit, management told us that the gas distribution business in China could make up 15 percent of its net profit in 3 years' time. The company is also signing up water distribution businesses in China, providing a second growth driver. Management does not rule out the possibility of a gas tariff hike in Hong Kong in 2006 and intends to resume its share buybacks at an appropriate time. The unsuccessful privatization of its parent, Henderson Investment, by Henderson Land was a non-event to the company.

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