

Newsletter July 2005

- Surprise revaluation of Renminbi to 8.11 from 8.28
- Ports reports encouraging first half figures
- Pico Far East posts strong set of results
- Integrated Distribution Services added to portfolio
- Increased exposure to Hopewell Highway

Figures as of July 31, 2005

Net Asset Value

Per Share: USD 191.40

Market Capitalization: USD 9.6 million

Share Price in USD since May 27, 03



Performance

Jul	YTD	1 Y	May 27, 03
2.7%	21.2%	38.9%	91.4%

Largest Holdings

Lung Kee	14.7%
Ports Design	13.6%
Fu Ji Food	13.3%
Sim Technology	10.3%
Hopewell Highway	8.8%
China Fire Safety	7.9%

Exposure

Industrials	25.9%
Consumer Discretionary	23.4%
Other	20.4%
Consumer Staples	13.3%
Telecom	10.3%
Utilities	3.7%
Health Care	2.4%
Cash	0.6%

On July 21, China revalued its currency by 2 percent and shifted its currency valuation basis from the USD peg to a basket of currencies after months of speculations. This was the first change of its currency policy since 1994. The currency will be allowed to move 0.3% against the dollar on a daily basis. The market reaction across the region was mixed. Hong Kong is set to keep its tie to the USD, while Malaysia instantly moved in line with China towards a managed float.

Ports Design's retail turnover for the six months ended June 30, 2005 is estimated at approximately CNY 284 million. This represents a percentage increase of approximately 27 percent year-on-year.

Pico Far East reported encouraging numbers for the six months ended April 30, 2005. Its turnover increased 29 percent year-on-year to HKD 752 million and net profit improved by 173 percent to HKD 52 million. Exhibition and related business increased 10 percent to 72 percent of total whereas museum interior fittings revenue surged 342 percent to 13 percent of total. The HKD 6 million gain on disposal of its Thai subsidiary last year was offset by the HKD 5 million operating loss of the museum interior fittings contracts for Disney in the same period, leading to zero net impact on this year's results. During the period, Pico completed several large projects such as the "3G World Congress 2005" in Hong Kong, the "Shanghai Auto Show 2005" in Shanghai and the construction of the Singapore Pavilion, Qatar Pavilion, Cambodia Pavilion and the Morocco Pavilion at the World Expo in Japan.

We added Integrated Distribution Services (IDS) to our portfolio during the month which is a leading provider of supply chain management and logistics services in Asia. For 2004, IDS reported a 26 percent increase in net profit to USD 10.5 million on a turnover of USD 585 million. We believe IDS to benefit from the strong trend towards outsourcing of logistics and supply chain management by consumer goods companies. Customers include Watson's, Nike, Timberland, Unilever, Gillette and Toy "R" Us.

We decided to increase our existing holdings in Hopewell Highway (Hopewell) on the back of the revaluation announcement. Hopewell's turnover is in local currency while the operations are financed with USD debt. We expect the positive spread in combination with sound fundamentals to provide further share price potential.

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