CIC
China Investment
Corporation

Newsletter July 2006

- China shares well supported despite tightening concerns
- AAC's Chairman reduces stake in company
- Shui On Construction's net profit dented by cement business
- China Unicom subscribers reach 135 million
- HK China Gas extends gas joint ventures portfolio in China

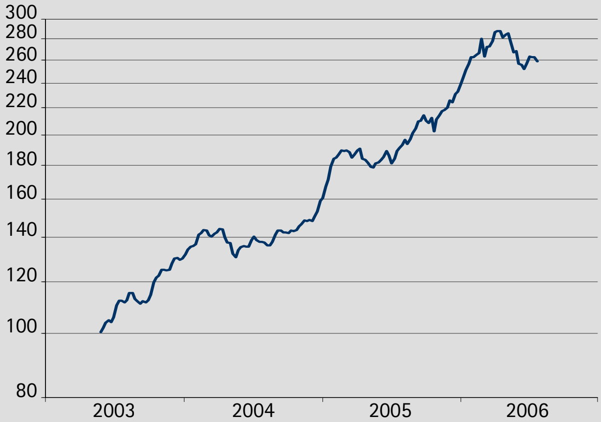
Figures as of July 31, 2006

Net Asset Value

Per Share: USD 258.01

Market Capitalization: USD 24.9 million

Share Price in USD since May 27, 03

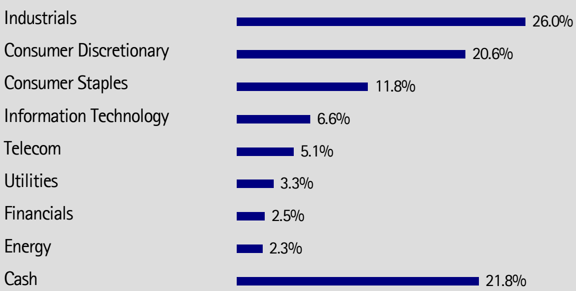


Performance

Jul	YTD	1 Y	May 27, 03
0.5%	10.8 %	34.8%	158.0%

Largest Holdings

Exposure



In line with the other regional markets, China shares found some support in July, helped by soothing comments by the US Fed. The strength in China shares was all the more comforting as the strength of economic indicators released over the last few weeks shows a quickening rather than slowing economic pace in China, suggesting that further tightening will be needed to cool the economy. During the month, we reduced the exposure in Ports Design on valuation grounds.

On July 26, 2006, AAC Acoustic's Chairman Benjamin Pan sold 4.8 percent in the company along with pre-listing investor Chengwei Venture who sold 2 percent. The placement price was HKD 7.4 or 5.7 percent lower than the prior closing. After the placement, Chairman Pan holds 46.2 percent and Chengwei Venture 1.5 percent of the company respectively. The placement was two times oversubscribed and the Chairman was reported to have done the placement for tax reasons due to his US citizenship.

For the year ended March 31, 2006, Shui On Construction reported turnover of HKD 2.4 billion, 12 percent lower than last year. Net profit was HKD 351 million, down 27 percent and below expectations. The property development division in China reported pretax profit of HKD 220 million, 179 percent higher. However, competitive pressures led to a 31 percent higher pretax loss of HKD 94 million of the cement business. Nevertheless, management expects a turnaround in the cement business. We believe there is still substantial unlocked value on the property side due to its unique partnership with local governments and sizeable landbank. On July 21, 2006, the company issued a 3-year zero coupon convertible bond, raising HKD 930 million to fund the expansion of its cement and property business in China. The conversion price was set at HKD 17.1 or 23 percent above the previous closing price.

China Unicom's subscriber base reached 135 million in June, with 100.5 million GSM and 34.5 million CDMA subscribers. The company added 1.14 million new subscribers in June, down 8 percent month-on-month or 13 percent year-on-year. GSM net adds accounted for 74 percent of the total and CDMA for the rest. GSM net adds were 8 percent below the year-to-date average of 913'000 whereas the CDMA net adds were 1 percent below. The net add was lower than expectations although monthly volatility is not unusual. Our investment case is built on improving profitability.

On July 24, 2006, Hong Kong and China Gas was reported to invest USD 100 million in a liquefied coal bed methane gas plant in China's Shanxi province. The gas distributor will partner a local coal mining company to develop the project. If confirmed, this would further enhance the company's gas joint venture portfolio which already exceeds 30 in number.

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. CIC will be converted into a mutual fund under Swiss legislation shortly.

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