CIC
China Investment
Corporation

Newsletter March 2006

- China shares reach 6-year high
- Ports Design's net profit growth driven by retail operation
- China Fire Safety's profit accelerates on installation turnover
- Hong Kong & China Gas' net profit surges on property gains
- GZI REIT converts office into retail space to boost rental income

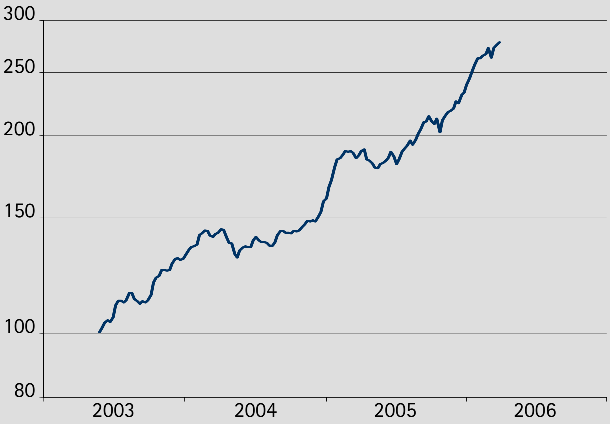
Figures as of March 31, 2006

Net Asset Value

Per Share: USD 277.96

Market Capitalization: USD 27.1 million

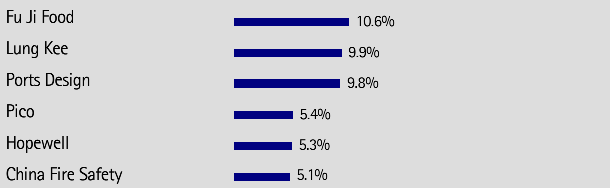
Share Price in USD since May 27, 03



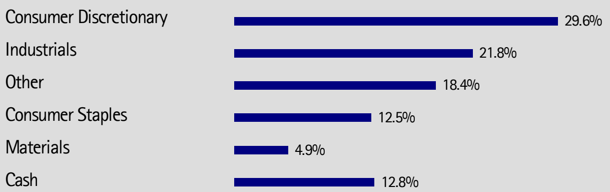
Performance

Mar	YTD	1 Y	May 27, 03
4.5%	19.3%	48.7%	178.0%

Largest Holdings



Exposure



China shares reached their highest level in six years after a further increase of 3 percent in March. Property, commodity as well as insurance stocks were the main drivers. Wage and margin pressures aside, the overall economic backdrop remains positive. The likelihood of further currency strength continues to support sentiment. Portfolio performance in March was driven by Ports Design, China Fire Safety and Pico. We retain our consumer bias in the portfolio, but have added small positions in two industrial plays.

Ports Design reported net profit of CNY 165 million for 2005, an increase of 24 percent. Turnover was CNY 852 million, an increase of 19 percent. The lower than expected turnover growth was due to the weaker than expected performance of the OEM and ODM divisions, which were negatively impacted by what should be one-off quota safeguard measures imposed by the US and EU against China in the second half of 2005. Sales for the retail operation rose 31 percent, accounting for 77 percent of total sales. The strong performance of the retail operation was driven by a 9 percent increase in retail outlets and double digit same store sales growth.

China Fire Safety reported a stronger than expected net profit of CNY 173 million for 2005, an increase of 34 percent. Turnover was CNY 830 million, an increase of 70 percent. The main growth driver was the installation division, which saw 58 and 61 percent increases in revenue and operating profit and accounted for 44 and 48 percent of revenue and operating profit respectively.

Hong Kong & China Gas (HKCG) reported net profit of HKD 5.3 billion for 2005, an increase of 61 percent, of which HKD 1'622 million was attributable to development profits and HKD 598 million came from the revaluation of investment properties. The results were in line with expectations. As at December 2005, HKCG has 31 gas projects in China, with total investments of CNY 8.8 billion, of which HKCG's share amounted to CNY 4.8 billion. It has also invested in three water supply projects in eastern China for CNY 2.8 billion. Management is targeting 6 new gas and water projects in China this year, with budgeted capital expenditure of CNY 2.5 billion.

During a recent meeting with GZI REIT, management said it was converting some of its 3'920 square meter office space at White Horse Building, which accounts for 60 percent of GZI REIT's rental income, into retail space to boost rental income. Management also mentioned that the potential acquisition of commercial properties in Guangzhou from its parent Guangzhou Investment would be in 2007 at the earliest. The profit forecast of CNY 201 million for 2005 is maintained. The expected dividend yield is around 6 percent.

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

HSZ Group	Dr. Andreas Eppenberger, Zurich
	Christoph Himmelstein, Hong Kong
	Dr. Hans-Rudolf Schmid, 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
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 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.