CIC
China Investment Corporation

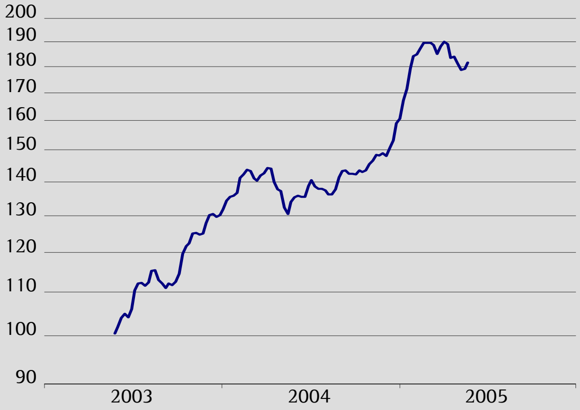
Newsletter May 2005

- Beijing's tightening measures continue to dampen investor sentiment
- Revaluation pressure on the CNY has increased further
- Tong Ren Tang reports lower turnover
- China Fire Safety's turnover increases 23 percent
- Exhibition provider Pico Far East added to portfolio

Figures as of May 31, 2005

Net Asset Value
Per Share: USD 182.08
Market Capitalization: USD 8.2 million

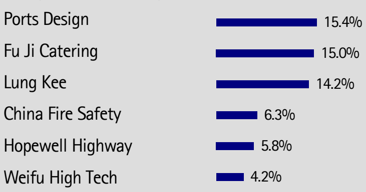
Share Price in USD Since May 27, 03



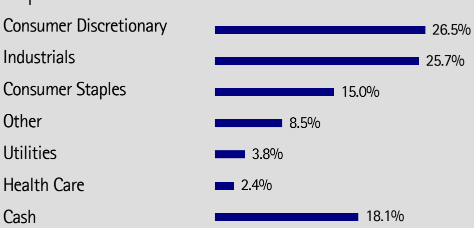
Performance

May	YTD	1 Y	May 27, 03
(1.0%)	14.5%	35.1%	82.1%

Largest Holdings



Exposure



Surging property prices led to Beijing's further tightening measures. The uncertainty over economic growth, the dispute with the U.S. and EU over textile imports from China and margin contraction on the back of higher commodity prices clouds the earnings outlook. The pilot program for selling non-tradable shares in domestically listed companies failed to turn sentiment as the domestic stock markets headed down to multi-year lows. Worries over a demand slowdown also dragged down Wei Fu's share price while renewed interest in Fu Ji Food and Catering on reports of a new contract lowered the losses of the portfolio for the month.

Revaluation pressure on the CNY has increased further as the U.S. gave China a six-month deadline to revalue its currency or face currency manipulation charges. In a further step to put pressure on China, both the U.S. and EU restored quotas on garment imports from China. China is unlikely to immediately yield to foreign demands, but a more flexible exchange rate regime with a stronger RMB remains on the cards over the next year.

Tong Ren Tang reported a 3 percent year-on-year decline in turnover to CNY 304 million during the quarter ended March 31, 2005. Gross margin was 47.3 percent, down 2 percentage points. Helped by lower administrative expenses and a lower effective tax rate, net profit increased 4 percent to CNY 61 million. No particular reason was given for the decline in sales but this was in line with management's earlier indication as the company is penetrating the hospital sector. Management is still guiding for double digit growth for the full year.

China Fire Safety reported a 23 percent year-on-year increase in turnover to CNY 118 million for the quarter ended March 31, 2005. Installation revenue dropped 8 percent due to completion timing. Sales of equipment were up 53 percent whereas provision of maintenance services was up 77 percent. Operating profit slipped 3 percent due to acquisitions made last year and losses from the start-up of a new division. Because of a lower effective tax rate, net profit was up 10 percent to CNY 34 million.

We added Pico Far East (Pico), a leading exhibition and event marketing services provider in Asia during the month. Recovering from the economic downturn in recent years, turnover increased 34 percent to HKD 1.3 billion for the year ended October 31, 2004. Turnover from the Greater China region was up 62 percent to half of total. Net profit was HKD 45 million, up 2.5 times. We believe Asia's exhibition industry is in a booming stage, especially in China. Pico's clients include Hong Kong Disneyland and McDonald's. Pico also participated in the main hall set-up at the 2004 Athens Olympic Games.

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.