CIC
China Investment
Corporation

Newsletter November 2004

- China shares benefit from RMB speculation
- China still growing
- Signs of IDT sales growth slowdown
- China Fire Safety's ongoing drive to go national
- Jeanwest brand drives Glorious Sun

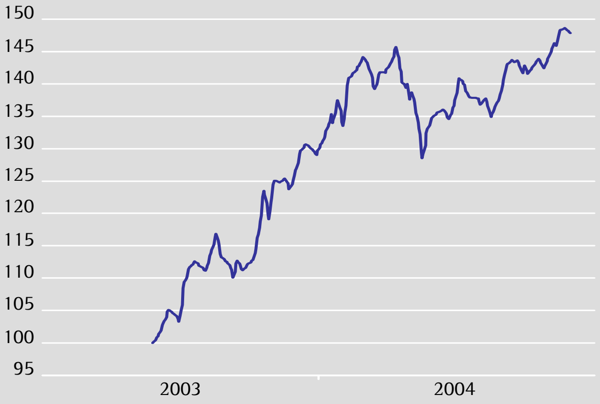
Figures as of November 30, 2004

Net Asset Value

Per Share: USD 147.85

Market Capitalization: USD 2.7 million

Share Price in USD Since May 27, 03



Performance

Nov	YTD	1 Y	May 27, 03
3.0%	13.9%	17.3%	47.9%

Largest Holdings

Ports Design	17.1%
Lung Kee	14.2%
Hopewell High	10.3%
China Netcom	8.8%
IDT	8.5%
Roly	5.9%

Exposure

Consumer Discretionary	25.1%
Industrials	16.7%
Other	12.9%
IT	12.7%
Telecom	8.8%
Health Care	4.9%
Cash	18.9%

Due to an imminent speculation on revaluation of the RMB, Chinese shares benefited during November. China raised its local USD deposit rate in a move to counter speculative pressures and will also allow individual overseas Chinese to transfer assets abroad as part of its reforms to relax capital outflows. China's central bank has already said that it plans to create a more flexible exchange-rate mechanism, responding to an IMF recommendation that the RMB peg should be relaxed. During the month, we participated in the IPO of China Netcom appreciating by 10 percent. We took profit in Fountain Set and made an initial investment in Glorious Sun.

October data confirm the trend of a slowing but still strongly growing Chinese economy. October exports rose 29 percent year-on-year, imports increased 20 percent. M2 increased 13.5 percent, staying within the government's target for a fifth straight month after credit restrictions introduced in April curbed bank lending. October retail sales rose strongly by 14.2 percent. Consumer prices increased by 4.3 percent, the slowest pace in six months as harvests improved, helping stem gains in food costs.

IDT's 6-month results to September 30 showed signs of a slowdown. Turnover was up only 4 percent year-on-year to HKD 1.3 billion due to competitive pressures and a delay in product launches. Oregon Scientific branded sales were flat at HKD 592 million. Gross profit increased by 4 percent to HKD 507 million while the gross profit margin was maintained at 38 percent. The results were slightly lower than expected. Nevertheless, we believe the company's strategy in building its Oregon Scientific brand remains intact and will pay off in the medium term.

China Fire Safety's results during the three months ended September 30 reflect the ongoing effort by the company to diversify its revenue base. Turnover increased by 53 percent year-on-year to RMB 133 million. Because of the group's willingness to accept lower margins for business outside its base in Fujian province, gross margin was down 117 basis points to 42.7 percent. As a result, net profit increased by only 2 percent to RMB 40 million. The acquisitions done during the year should provide further growth momentum in the coming year.

The Jeanwest brand is driving growth at Glorious Sun Enterprises, accounting for 62 percent of revenue and 56 percent of operating profits during the first half of 2004. A buoyant consumer market in China as well as the company's extensive sales network should bolster Glorious Sun's future growth. Currently, under the Jeanwest brand, the company has 572 self-managed outlets and 300 franchisees in China as well as 183 outlets in Australia. The company is also a major garment manufacturer, with clients including Gap, Levis, JC Penney and Target.

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

HSZ Group	Dr. Hans-Rudolf Schmid, Zurich
	Pang Shun Pen, Singapore
	Dr. Andreas Eppenberger, Zurich
	Christoph Himmelstein, 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
Singapore	Tel: +65 6557 05 77
Zurich	Tel: +41 44 288 95 95

General Information

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 gross 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.