CIC
China Investment Corporation

Newsletter October 2005

- China shares follow downturn in Asian markets
- Tong Ren Tang reports lower than expected earnings
- Wei Fu earnings dragged lower by new joint venture
- Leading property developer Shui On Construction added to portfolio
- Fast growing handset speaker manufacturer AAC added to portfolio

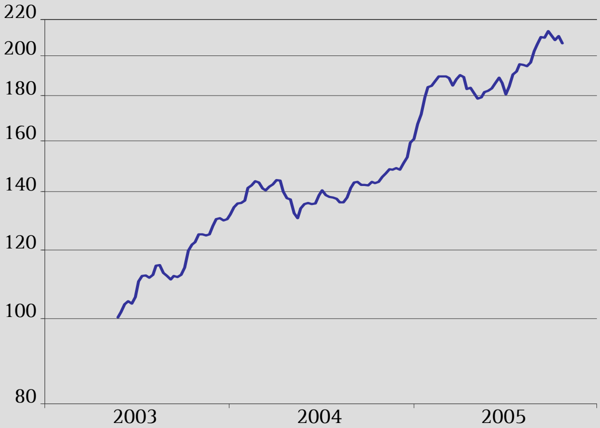
Figures as of October 31, 2005

Net Asset Value

Per Share: USD 206.69

Market Capitalization: USD 12.4 million

Share Price in USD since May 27, 03



Performance

Oct	YTD	1 Y	May 27, 03
(3.5%)	30.0%	44.0%	106.7%

Largest Holdings

Fu Ji Food	13.5%
Lung Kee	11.6%
Ports Design	11.0%
Hopewell Highway	7.5%
China Fire Safety	6.1%
Shui On Construction	5.9%

Exposure

Consumer Discretionary	21.9%
Other	21.3%
Industrials	20.3%
Consumer Staples	13.5%
Materials	5.9%
Health Care	2.7%
Cash	14.4%

China shares corrected sharply in October as the benchmark for Hong Kong traded China shares showed a massive decline of 11.5 percent. Although China is rightly being identified as the originating country of the bird flu virus, having experienced the SARS outbreak in 2003 in Hong Kong, we think that the anxiety over bird flu is overblown and the market impact is likely to be more dramatic than the economic impact. While the volatile commodity sector is not part of the CIC portfolio and despite uninspiring earnings reports from two of our smaller holdings, the consumer sector seems to be doing well and we see some cautious optimism returning to the property sector. During the month, we added two new positions remaining confident on the outlook for our core holdings.

Tong Ren Tang reported lower than expected results during the 9 months ended September 30, 2005, impacted by the warmer than usual summer. Sales were CNY 915 million, 12 percent higher year-on-year. The operating margin declined to 21.1 percent from 21.8 percent on rising distribution costs. Net profit was up 8 percent to CNY 176 million due to higher finance costs.

Weifu High-Technology's earnings were dragged lower by its new joint venture despite a surge in turnover. For the nine months ended September 30, 2005, turnover was up 71 percent year-on-year to CNY 2.3 billion as diesel-engine nozzle sales continued to power ahead. The gross margin was down 4 percentage points to 21.4 percent due to higher raw material costs. Net profit increased 2 percent to CNY 175 million, mainly due to the start-up loss from the Euro III standard joint venture expansion initiated last year.

Shui On Construction, a reputable property developer and city planner in China, was added to the portfolio during the month. Run by its Hong Kong management team, the company has built its reputation on the landmark project Xintiandi in Shanghai which has given the company a preferred status in mainland property transactions. Through its 21 percent owned associate, Shui On Land, the group now focuses on two mega sites in Chongqing and Wuhan with over 4 million square meters floor area planned. Shui On Construction is also a market leader in the cement industry in central China and has a joint venture with the French cement company Lafarge.

AAC Acoustic, a fast growing manufacturer of handset speakers, is another addition to the portfolio during the month. Leveraging its stringent cost controls and advanced product development, the company became a qualified vendor for Motorola and is a key supplier to Motorola's various products including the best seller RAZR V3. The company is set to rise with and contribute to the strong momentum of Motorola's business.

Legal Nature	Trust account, CSPB Singapore
Security	Phantom shares
Bloomberg	CHININC SP <Equity>

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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General Information

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.