CIC
China Investment
Corporation

Newsletter September 2005

- China shares post strong performance in September
- Lung Kee reports 14 percent profit growth
- Hopewell Highway posts 23 percent profit growth
- Glorious Sun's interim net profit rises 11 percent
- Leading sportswear brand Li Ning added

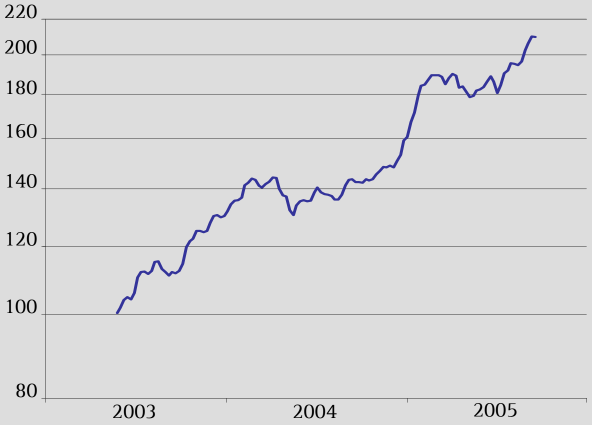
Figures as of September 30, 2005

Net Asset Value

Per Share: USD 214.17

Market Capitalization: USD 12.8 million

Share Price in USD since May 27, 03



Performance

Sep	YTD	1 Y	May 27, 03
8.8%	34.7%	50.0%	114.2%

Largest Holdings

Fu Ji Food	13.2%
Ports Design	12.8%
Lung Kee	11.5%
Hopewell Highway	8.1%
Glorious Sun	5.7%
China Fire Safety	5.4%

Exposure

Consumer Discretionary	28.6%
Industrials	19.5%
Other	17.2%
Consumer Staples	13.2%
Utilities	3.1%
Health Care	2.7%
Materials	1.8%
Cash	13.9%

China shares posted a strong performance in September, driven by China Mobile and a month-end surge in commodity shares. On September 25, the Chinese government announced the widening of the trading band of the CNY against non-US dollar currencies from 1.5 percent to 3 percent. While the move was politically motivated, as the news came out just hours before the meeting of the G7 finance officials with the Chinese governor, it underscores the country's ongoing reform of its exchange rate policies. During the month we took some profit on Ports Design, Fu Ji Food and Catering and IDS and added to our Pico Far East and Tong Ren Tang positions. We sold out of property developer Hopson on valuation grounds and added sportswear manufacturer Li Ning.

Lung Kee reported net profit of HKD 124.1 million for the first half of 2005, an increase of 13.7 percent, on the back of HKD 898.8 million in turnover, an increase of 16.6 percent. The operating profit margin declined to 17 percent from 18.5 percent last year due to expenses related to the new plant opening and higher steel prices in the first quarter.

For the year ended June 30, 2005, Hopewell Highway reported turnover of HKD 1.5 billion, up 22 percent year-on-year, on the back of 25 percent traffic growth. Guangshen Superhighway contributed 88 percent of turnover as daily traffic increased by 21 percent. Operating profit increased 28 percent to HKD 1.2 billion. Net profit increased a better than expected 23 percent to HKD 901 million.

Glorious Sun reported net profit of HKD 112.8 million for the first half of 2005, an increase of 11.0 percent. Turnover was HKD 1'762.5 million, an increase of 3.4 percent. Operating profit was HKD 146.3 million, translating into an operating profit margin of 8.3 percent vs. 9.1 percent last year. Whilst the garment manufacturing division reported a 36.7 percent decline in operating profit to HKD 32.9 million, this was more than offset by a 13.4 increase in the operating profit of the retail division to HKD 106.1 million. For the second half of 2005, the group plans to add another 10 to 12 self-managed stores to its current network of 576 self-managed stores in China. Currently the group has net cash of HKD 1.1 billion.

Li Ning, a leading local Chinese sportswear brand, was added to the portfolio during the month. Founded in 1989 by Mr. Li Ning, the "Prince of Gymnastics" in the 80s, the company was built on his reputation and has become the top local sportswear brand in China. It recently formed a joint venture with AIGLE for the exclusive right to manufacture, market, distribute and sell AIGLE registered garments and footwear for 50 years in China.

General Information

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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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.