

HSZ China Fund



Annual Report 2007

(November 17, 2006 to December 31, 2007)

HSZ China Fund

Mutual fund under Swiss law (category "other funds")

Content

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The HSZ China Fund was launched for HSZ Limited, British Virgin Island by AIG Fund Management (Switzerland) Ltd. as fund manager and AIG Private Bank Ltd. as custodian.

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The performances shown in this report refer to the past. Historic developments are no guarantee for future performances. The value of a unit can rise and fall any time. The performance data does not include the costs and commissions, which are charged when units were issued or redeemed.

Report of the auditors

Report of the Auditors for the accounting year 2007 of the HSZ China Fund

As statutory auditors, we have examined the accounting records and the annual report (consisting of the annual accounts and further indications according to Art. 89 para. 1 lit. a - h of the collective investment schemes act) of the HSZ China Fund for the fiscal year ending on December 31, 2007.

The fund manager is responsible for the annual report, while our duties consist of auditing and giving an opinion on it. We confirm that we fulfil the legal requirements in respect of qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards, according to which the audit must be planned and conducted in such way as to identify with a proper degree of certainty material erroneous information in the annual report. We have also audited the items and information in

the annual report by means of analysis and inquiries based on sample audits. We have also assessed the application of the relevant accounting principles, the material valuation decisions and the presentation of the annual report as a whole. We consider that our audit provides an adequate basis for our opinion.

In our opinion, the annual report is in conformity with the regulations of the Swiss collective investment schemes act, the relevant ordinances as well as the collective investment contract and the prospectus.

Zurich, March 31, 2008
PricewaterhouseCoopers AG

A. Schönenberger S. Bradtke

Facts & Figures

Characteristics of the Fund

At least two thirds of the assets of the total portfolio (after deduction of cash holdings) are invested in equity-related securities and security rights of selected issuers, which are domiciled or conduct their principal business in the People's Republic of China or in holding companies, whose participations are primarily companies, which are domiciled in the People's Republic of China. Up to one third of the fund's total assets, after deduction of cash holdings can be invested in equity-related securities and security rights and money market instruments of global issuers.

The net income of the fund is distributed to the unit holders once a year at the end of April.

From the management fees there are remittances to be effected for the distribution of the mutual fund (retrocommission on unitholdings) to distributors and portfolio managers. Institutional investors who hold units of the mutual fund for third parties are entitled to receive a reimbursement from the management fees.

Organization

Fund Management

AIG Fund Management (Switzerland) Ltd.
Hochbordstrasse 3, CH-8600 Dubendorf-Zurich

Custodian and Paying Office

AIG Private Bank Ltd.
Pelikanstrasse 37, CH-8001 Zurich
www.aigprivatebank.com

Auditor

PricewaterhouseCoopers Ltd.
Birchstrasse 160, CH-8050 Zurich

Paying Office

AIG Private Bank Ltd.
Pelikanstrasse 37, CH-8001 Zurich

Investment Decisions

Investment decisions are delegated to HSZ Limited (Woodbourne Hall, P.O. Box 3162, Road Town, Tortola, British Virgin Islands, www.hsz-group.com).

Securities Code

2682803 (Class USD)
2682806 (Class CHF)
2682809 (Class EUR)

Remarks

The prospectus with the integrated fund regulations can be ordered any time and free of charge from the fund management company.

The German text is the sole basis for the authentic interpretation of the report.

A variable commission up to 5% of the net asset value was charged at issuance (can vary depending on the distribution channel).

Amendment of the conducting persons

Sascha Zeitz joined the management board on December 1, 2006 and took on the lead on November 1, 2007. He replaces Stefan K. Kräuchi who left the fund management company at the end of October 2007. Stéphane Julien left the management board as well.

Key Data

	31.12.07
Net Fund Asset in Mio. USD	166.65
Units Outstanding Class USD	1 117 800.9600
Units Outstanding Class CHF	151 841.3170
Units Outstanding Class EUR	38 909.4970
Net Asset Value per Unit Class USD	129.25
Net Asset Value per Unit Class CHF	116.56
Net Asset Value per Unit Class EUR	112.51
Performance Class USD according to the SFA guideline*	29.25%
Performance Class CHF according to the SFA guideline*	16.56%
Performance Class EUR according to the SFA guideline*	12.51%

*Since launch

Annual Report

Review 2007

The Chinese economy continued to expand at a rapid pace. In the third quarter of 2007, real GDP exceeded its previous year's level by 11.5 percent, after 11.9 percent in the preceding period. Exports continue to be strong, imports increased less strongly. To reduce the balance of payments surplus, the People's Bank of China (PBOC) encouraged capital outflows by extending the scope for domestic residents to purchase foreign assets through the Qualified Domestic Institutional Investor (QDII) program. However, growth in money supply M2 is still high at 18.5 percent in November. Inflationary pressures continued throughout the year. The November CPI rose to 6.9 percent year-on-year from 2.2 percent year-on-year in January due to a pick-up in food prices inflation and a 10 percent hike in oil production prices. To tame inflation and cool the economy, the government announced a number of monetary and fiscal measures. The PBOC raised benchmark interest rate to 7.29 percent and carried out its tenth reserve requirement ratio rate by 1 percent to a record 14.5 percent.

In order to curtail speculative buying of properties, the government initiated a Land Appreciation Tax (LAT) settlement at the beginning of the year. This is essentially a tax on revenue received by property developers. The government also embarked on a program of "home ownership for every family" to make affordable houses available to the masses. This means that greater supply of small scale homes will be provided, thereby addressing the needs of the low-income population.

On the political front, the new leadership line-up announced at the 17th Party Congress in October strengthened the hands of President Hu Jintao and Premier Wen Jiabao. The two new stalwarts added are well-liked leaders who will give President Hu solid support and are known to be pro-business.

Stock Market and Investment Policy

In line with the strong economic performance, the Chinese stock market staged an impressive rally during the year. The Shanghai share index went up more than 100 percent and the MSCI China index by more than 50 percent. After the Chinese government announced its QDII and through-train program (allowing mainland Chinese to buy Hong Kong listed China shares), the large valuation gap between China's A-share market and Hong Kong's H-shares narrowed to about 40 percent from the peak of over 80 percent. However, due to the strong inflow of money into the H-shares and the nascent development of the through-train concept, Premier Wen delayed the program leading to a fall in the stock market. During the year, large caps outperformed mid caps as investors moved into more liquid names. The re-rating of Chinese large caps such as China Mobile, Ping An and China Merchants Bank were also attributable to the strong earnings growth as announced in the quarterly and half-yearly results. Telecom and Basic Materials outperformed MSCI China, whilst broad financials and consumer non-cyclical underperformed. As a whole, property stocks underperformed on the

back of the government's tightening measures on property lending by banks.

Stocks in the HSZ China Fund had benefited from the rally in the first half of the year, gaining 28 percent against MSCI China of 20 percent. However, as investors became more risk averse in the light of the US subprime woes, liquid large caps outperformed. The fund's core holdings in consumer sector, e.g. Fu Ji Food & Catering, environmental plays, e.g. Epure International and infrastructure, e.g. China Infrastructure Machinery Holdings are long-term quality companies delivering above market returns on reasonable valuations.

Due to rising pork and vegetable prices, Fu Ji Food's gross margins were indeed affected. However, their ability to change the constituents of the meal sets enabled them to see gross margins fall only slightly from 60 percent in the first quarter of 2007 to 57 percent in the second quarter. Revenue grew by 46 percent during the first six months of the fiscal year.

Epure International, a company in the water treatment business continues to gain contracts in the building of wastewater treatment systems in China. This is a growing industry where the Government is placing emphasis on, which will benefit companies with strong technical capabilities such as Epure.

Outlook 2008

Over the past five months, the breadth of the global credit problems has widened from the US mortgage market through to asset-backed securities and finally to money market instruments such as commercial paper. The Federal Reserve has taken action by cutting interest rates, albeit the last 25 basis point cut was seen as too little. Nevertheless, the coordinated central banks' action to ease liquidity strains in money markets is expected to ultimately have positive influences on financial markets and the economy in the long-term. Credit problems and corporate balance sheets constraints will restrain growth in the short term and global equity markets may remain volatile. Though China is less affected by the US subprime loan issue, the economy's exports are reliant on a strong US economy. Hence, any significant slowdown in the US economy will also affect China's growth to a certain degree. On consumption, China's domestic economy is still resilient, wage growth continues to be strong and the government is coming out with measures to control inflation. Fixed asset investment will continue to drive infrastructure spending.

The excessive valuations of the A-share stocks which traded to over 80 times multiples during the year were clearly not sustainable. In some cases, the listed Chinese companies' market capitalizations were higher than global peers who are of better quality and longer track record. Hence, the recent sharp correction was inevitable. Tight monetary policy is needed to contain inflation and may show growth in 2008. Careful stock selection will be the key to achieve long-term returns for investors in China.

Annual statement of accounts

Statement of Income from November 17, 2006 to December 31, 2007

	2006/7 in USD
Income	
Income from bank receivables at time	606 173.75
Shares and other equity instruments	2 609 560.24
Income from stock dividends	6 882.00
Purchase of current income on issue of units	12 973.36
Total Income	3 235 589.35
Expenses	
Interest expenses	1 257.76
Audit fees	10 974.31
Remunerations according to regulations	
– Custodian	333 379.64
– Fund manager	2 899 275.76
Performance fees	6 984 991.00
Rebooking onto realized capital gains and losses according to FTA	–6 984 991.00
Other expenses	25 759.24
Partly transfer of expenses to realized capital gains and losses	–635 712.50
Payment of current income on redemption of units	22 726.20
Total Expenses	2 657 660.41
Operating Result	577 928.94
Realized capital gains and losses	14 853 556.06
Partly transfer of expenses to realized capital gains and losses	–635 712.50
Realized Result	14 795 772.50
Not realized capital gains and losses	28 264 348.39
Total Result	43 060 120.89
TER for the units of the class USD without Performance Fees	1.86%
TER for the units of the class CHF without Performance Fees	1.87%
TER for the units of the class EUR without Performance Fees	1.86%
TER for the units of the class USD with Performance Fees	5.82%
TER for the units of the class CHF with Performance Fees	6.00%
TER for the units of the class EUR with Performance Fees	5.81%
PTR is calculated on the whole assets as PTR is not meaningful on the subfund level.	62.02%

Annual statement of accounts

Statement of Assets as of December 31

	2007 in USD
Bank receivables	
- at sight	808 277.86
- at time	12 983 395.56
Shares and other equity instruments	154 156 346.24
Other assets	62 072.01
Total Assets	168 010 091.67
Liabilities	-1 365 078.15
Net Fund Assets	166 645 013.52

	Klasse USD
Number of Units Outstanding	
Total as of November 17, 2006	0.0000
Units issued in the period under review	1 391 531.6250
Units redeemed in the period under review	-273 730.6650
Total as of December 31	1 117 800.9600
Net Asset Value of a Unit USD	129.25

	Klasse CHF
Number of Units Outstanding	
Total as of November 17, 2006	0.0000
Units issued in the period under review	229 028.0790
Units redeemed in the period under review	-77 186.7620
Total as of December 31	151 841.3170
Net Asset Value of a Unit USD	103.61
Net Asset Value of a Unit CHF	116.56

	Klasse EUR
Number of Units Outstanding	
Total as of November 17, 2006	0.0000
Units issued in the period under review	42 215.5900
Units redeemed in the period under review	-3 306.0930
Total as of December 31	38 909.4970
Net Asset Value of a Unit USD	165.51
Net Asset Value of a Unit EUR	112.51

Off-Balance Sheet Transactions as of December 31, 2007

As per key-date there are no open transactions.
No loans have been granted nor have securities been lent.

Changes of the Fund's Net Assets (Art. 75 CISO-SFBC)

	2007 in USD
Net Fund Assets as of November 17, 2006	0.00
Units issued in the period under review	168 698 450.08
Units redeemed in the period under review	-45 113 557.45
Realized capital gains and losses	14 217 843.56
Operating result	577 928.94
Unrealized capital gains and losses	28 264 348.39
Net Assets of the Fund according to Statement of Assets as of December 31, 2007	166 645 013.52
Thereof Class USD	144 473 491.64
Thereof Class CHF	15 731 426.18
Thereof Class EUR	6 440 095.70

Use of Earnings

	Class EUR	Class CHF	2007 in USD Class USD
Balance carried forward of the previous year	0.00	0.00	0.00
Total income for distribution	21 569.45	65 161.98	491 197.51
From which is retained in the reporting period	21 569.45	65 161.98	491 197.51
Designated income for distribution to the investors	0.00	0.00	0.00
Balance carried forward	21 569.45	65 161.98	491 197.51

Annual statement of accounts

Portfolio Composition as of December 31, 2007

Assets

Quantity	Name	Country	Currency	Price	Price in USD	Price in % Fund Assets
Shares and other Equity Instruments, quoted on Stock Exchange 92.51%						
Banks and other credit Institution USD 20 444 823.41 (12.27%)						
3 389 000	China Merchants Bank Co. Ltd.	China	HKD	31.85	13 835 464.47	8.30
3 120 000	China Construction Bank Corp. -H-	China	HKD	6.61	2 643 435.95	1.59
6 446 000	China Water Affairs Group Ltd.	Cayman Islands	HKD	4.80	3 965 922.99	2.38
Real Estate USD 18 280 100.08 (10.97%)						
2 570 000	China Resources Land Ltd.	Cayman Islands	HKD	17.24	5 679 147.16	3.41
5 927 500	Shui on Land Ltd.	Bermuda	HKD	9.10	6 913 941.38	4.15
420 000	China Overseas Land & Investment Ltd.	Hong Kong	HKD	16.12	867 814.83	0.52
99 420	Zhongde Waste Technology AG	Great Britain	EUR	32.95	4 819 196.71	2.89
Mechanical Engineering and Industrial Equipment USD 13 336 585.03 (8.01%)						
6 034 000	China Infrastructure Machinery Holdings Ltd.	USA	HKD	12.34	9 544 060.94	5.73
520 000	Weichai Power Co. Ltd.	Hong Kong	HKD	56.90	3 792 524.09	2.28
Energy and Water Supply USD 10 912 640.67 (6.55%)						
7 471 000	Epure International Ltd.	Singapore	SGD	2.10	10 912 640.67	6.55
Lodging and Catering Ind., Leisure Facilities USD 9 715 619.20 (5.83%)						
4 211 000	Fuji Food & Catering Services Holdings Ltd.	Cayman Islands	HKD	18.00	9 715 619.20	5.83
Building Industry and Building Materials USD 8 597 615.35 (5.16%)						
2 006 500	Shimao Property Holdings Ltd.	Bermuda	HKD	19.90	5 118 055.35	3.07
850 000	West China Cement Ltd.	Jersey	GBP	2.04	3 479 560.00	2.09
Traffic and Transportation USD 8 179 239.34 (4.90%)						
6 764 000	Cosco International Holdings Ltd.	Bermuda	HKD	7.62	6 606 498.01	3.96
600 000	China Communications Construction Co. Ltd.	China	HKD	20.45	1 572 741.33	0.94
Miscellaneous Consumer Goods USD 8 069 744.76 (4.84%)						
5 856 000	Beijing Jingkelong Co. Ltd.	Bermuda	HKD	6.84	5 134 166.02	3.08
842 000	Ports Design Ltd.	Bermuda	HKD	27.20	2 935 578.74	1.76
Textiles, Garments and Leather Goods USD 7 637 703.61 (4.59%)						
419 800	Esprit Holdings Ltd.	Bermuda	HKD	116.00	6 241 847.61	3.75
6 600 000	China Grand Forestry Resources	Cayman Islands	HKD	1.65	1 395 856.00	0.84
Financial, Investment and Other Diversified Companies USD 6 774 004.57 (4.06%)						
990 600	Bank of East Asia Ltd.	Hong Kong	HKD	53.35	6 774 004.57	4.06
Graphics, Publishing and Printing Media USD 6 356 743.61 (3.81%)						
22 854 000	Pico Far East Holdings Ltd.	Cayman Islands	HKD	2.17	6 356 743.61	3.81
Telecommunication USD 5 498 262.69 (3.30%)						
11 798 000	Comba Telecom Systems Holdings Ltd.	Cayman Islands	HKD	2.60	3 931 827.70	2.36
3 040 000	China Railway Logistics Ltd.	Hong Kong	HKD	4.02	1 566 434.99	0.94
Food and Soft Drinks USD 5 293 537.14 (3.18%)						
1 444 000	China Mengniu Dairy Company Ltd.	Cayman Islands	HKD	28.60	5 293 537.14	3.18
Forestry, Paper and Forest Products USD 4 016 258.40 (2.42%)						
1 266 000	China Everbright Ltd.	Hong Kong	HKD	24.75	4 016 258.40	2.42
Miscellaneous Trading Companies USD 3 989 148.80 (2.39%)						
988 000	Li & Fung Ltd.	Hong Kong	HKD	31.50	3 989 148.80	2.39
Mining, Coal and Steel USD 3 691 366.19 (2.22%)						
618 000	China Shenhua Energy Co. Ltd.	China	HKD	46.60	3 691 366.19	2.22

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Portfolio Composition as of December 31, 2007

Assets

Quantity	Name	Country	Currency	Price	Price in USD	Price in % Fund Assets
Insurance Companies USD 3 572 583.84 (2.14%)						
333 000	Ping an Insurance Group Comp. of China -H-	Hong Kong	HKD	83.70	3 572 583.84	2.14
Rubber and Tires USD 2 947 627.45 (1.77%)						
12 040 000	Xingda International Holdings Ltd.	Cayman Islands	HKD	1.91	2 947 627.45	1.77
Pharmaceuticals, Cosmetics and Med. Products USD 2 694 909.58 (1.62%)						
6 202 000	Ecogreen Fine Chemicals Group Ltd.	Cayman Islands	HKD	3.39	2 694 909.58	1.62
Internet, Software and IT Services USD 1 656 741.25 (0.99%)						
59 875	Global Sources Ltd.	Bermuda	USD	27.67	1 656 741.25	0.99
Computer Hardware and Networking USD 1 254 632.02 (0.75%)						
883 940	Quanta Computer Inc.	Taiwan	TWD	46.05	1 254 632.02	0.75
Retail Trade and Department Stores USD 849 818.67 (0.51%)						
1 000 000	Wumart Stores Inc.	Bermuda	HKD	6.63	849 818.67	0.51
Electronics and Semiconductors USD 386 640.58 (0.23%)						
2 052 000	Aupu Group Holding Co. Ltd.	Hong Kong	HKD	1.47	386 640.58	0.23
Total Shares and other Equity Instruments, quoted on Stock Exchange					154 156 346.24	92.51
Total Assets					154 156 346.24	
Bank Receivables¹ 8.28%						
- at sight			USD		808 277.86	0.49
- at time			USD		12 983 395.56	7.79
Other Assets 0.04%					USD	62 072.01
Total Assets					USD	168 010 091.67
Liabilities -0.83%					USD	-1 365 078.15
Net Fund Assets					USD	166 645 013.52

¹ Deposits are not protected by deposit insurances.

	Currency	Price
Exchanges Rates to USD		
Hong Kong Dollar	HKD	0.1282
British Pound	GBP	2.0067
Singapore Dollar	SGD	0.6956
Taiwan Dollar	TWD	3.0822

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Changes in Securities Holdings from November 17, 2006 to December 31, 2007

Name	Currency	Quantity 17.11.06	Quantity Bought ²	Quantity Sold ²	Quantity 31.12.07
Bermuda					
Beijing Capital International Airport Co. Ltd.	HKD	0	2 192 000	2 192 000	0
Beijing Jingkelong Co. Ltd.	HKD	0	5 856 000	0	5 856 000
China Water Affairs Group Ltd.	HKD	0	8 090 000	1 644 000	6 446 000
Cosco International Holdings Ltd.	HKD	0	13 008 000	6 244 000	6 764 000
Esprit Holdings Ltd.	HKD	0	525 500	105 700	419 800
Global Sources Ltd.	USD	0	104 015	44 140	59 875
Li Ning Co. Ltd.	HKD	0	2 060 000	2 060 000	0
Lung Kee Holdings Ltd.	HKD	0	1 810 000	1 810 000	0
Mingyuan Medicare Development Company Ltd.	HKD	0	17 190 000	17 190 000	0
Ports Design Ltd.	HKD	0	1 322 000	480 000	842 000
Shimao Property Holdings Ltd.	HKD	0	2 406 500	400 000	2 006 500
Shui on Land Ltd.	HKD	0	9 101 000	3 173 500	5 927 500
Sinolink Worldwide Holdings Ltd.	HKD	0	14 934 375	14 934 375	0
Vtech Holdings Ltd.	USD	0	486 000	486 000	0
Wumart Stores Inc.	HKD	0	1 000 000	0	1 000 000
Zhong an Real Estate Ltd.	HKD	0	250 000	250 000	0
China					
Bank of Communications Co. Ltd.	HKD	0	1 050 000	1 050 000	0
Beijing Capital Land Ltd. -H-	HKD	0	514 000	514 000	0
China Communications Construction Co. Ltd.	HKD	0	600 000	0	600 000
China Construction Bank Corp. -H-	HKD	0	3 120 000	0	3 120 000
China Everbright Ltd.	HKD	0	400 000	400 000	0
China Merchants Bank Co. Ltd.	HKD	0	3 850 000	461 000	3 389 000
China Mobile (HK) Ltd.	HKD	0	170 000	170 000	0
China Shenhua Energy Co. Ltd.	HKD	0	678 000	60 000	618 000
Mindray Medical Intl Ltd.	USD	0	35 900	35 900	0
PetroChina Co. Ltd.	HKD	0	2 196 000	2 196 000	0
Great Britain					
Zhongde Waste Technology AG	EUR	0	99 420	0	99 420
Hong Kong					
Aac Acoustic Technologies Holdings Inc.	HKD	0	3 210 000	3 210 000	0
Aupu Group Holding Co. Ltd.	HKD	0	3 544 000	1 492 000	2 052 000
Bank of East Asia Ltd.	HKD	0	990 600	0	990 600
Bosideng International Holdings Ltd.	HKD	0	400 000	400 000	0
China Automation Group Ltd.	HKD	0	400 000	400 000	0
China Citic Bank Corporation Ltd.	HKD	0	1 000 000	1 000 000	0
China Communications Services Corp. Ltd.	HKD	0	302 000	302 000	0
China Everbright Ltd.	HKD	0	1 266 000	0	1 266 000
China Overseas Land & Investment Ltd.	HKD	0	420 000	0	420 000
China Railway Logistics Ltd.	HKD	0	3 040 000	0	3 040 000
Denway Motors Ltd.	HKD	0	1 900 000	1 900 000	0
Glorious Sun Enterprises Ltd.	HKD	0	2 088 000	2 088 000	0
Hong Kong & China Gas Co. Ltd.	HKD	0	3 360 000	3 360 000	0
Li & Fung Ltd.	HKD	0	988 000	0	988 000
Parkson Retail Group Ltd.	HKD	0	232 000	232 000	0
Ping an Insurance Group Comp. of China -H-	HKD	0	333 000	0	333 000
Proactive Technology Holdings Ltd.	HKD	0	2 720 000	2 720 000	0
Shui on Construction & Materials Ltd.	HKD	0	1 030 000	1 030 000	0
Sino-Ocean Land Holdings Ltd.	HKD	0	250 000	250 000	0
Softbank Investment International (Strategic) Ltd.	HKD	0	50 000 000	50 000 000	0
Techtronic Industries Co. Ltd.	HKD	0	680 000	680 000	0
Weichai Power Co Ltd.	HKD	0	520 000	0	520 000
Jersey					
West China Cement Ltd.	GBP	0	1 900 000	1 050 000	850 000
Cayman Islands					
Ajisen Holdings Ltd.	HKD	0	286 000	286 000	0

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Changes in Securities Holdings from November 17, 2006 to December 31, 2007

Name	Currency	Quantity 17.11.06	Quantity Bought [*]	Quantity Sold [*]	Quantity 31.12.07
Beauty China Holdings Ltd.	SGD	0	1 919 000	1 919 000	0
Belle International Holdings Ltd.	HKD	0	380 000	380 000	0
Capital Retail China Trust	SGD	0	150 000	150 000	0
China Fire Safety Enterprise Group Ltd.	HKD	0	4 835 000	4 835 000	0
China Grand Forestry Resources	HKD	0	8 000 000	1 400 000	6 600 000
China Infrastructure Machinery Holdings Ltd.	HKD	0	6 804 000	6 804 000	0
China Mengniu Dairy Company Ltd.	HKD	0	1 980 000	536 000	1 444 000
China Resources Land Ltd.	HKD	0	2 850 000	280 000	2 570 000
China Water Affairs Group Ltd.	HKD	0	8 090 000	1 644 000	6 446 000
Comba Telecom Systems Holdings Ltd.	HKD	0	11 798 000	0	11 798 000
Country Garden Holdings	HKD	0	265 000	265 000	0
Dongfeng Motor Group Co. Ltd.	HKD	0	1 394 000	1 394 000	0
Ecogreen Fine Chemicals Group Ltd.	HKD	0	6 202 000	0	6 202 000
Eganagoldpfeil Holdings Ltd.	HKD	0	22 286 000	22 286 000	0
Fuji Food & Catering Services Holdings Ltd.	HKD	0	7 016 000	2 805 000	4 211 000
GST Holdings Ltd.	HKD	0	800 000	800 000	0
Hongguo International Holdings Ltd.	SGD	0	2 400 000	2 400 000	0
Hopewell Highway Infrastructure Ltd.	HKD	0	1 307 000	1 307 000	0
Hua Han Bio Pharmaceutical Holdings Ltd.	HKD	0	4 216 000	4 216 000	0
Lion Diversified Holdings BHD	MYR	0	710 200	710 200	0
Parkson Holdings	MYR	0	100 000	100 000	0
Pico Far East Holdings Ltd.	HKD	0	22 904 000	50 000	22 854 000
Scud Group Ltd.	HKD	0	12 246 000	12 246 000	0
Soho China Ltd.	HKD	0	250 000	250 000	0
Walker Group Holdings Ltd.	HKD	0	250 000	250 000	0
Xingda International Holdings Ltd.	HKD	0	13 040 000	1 000 000	12 040 000
Yanlord Land Group Ltd.	SGD	0	1 452 000	1 452 000	0
Singapore					
Epure International Ltd.	SGD	0	7 471 000	0	7 471 000
Yangzijiang Shipbuilding	SGD	0	310 000	310 000	0
South Korea					
Pyeong San Ltd.	KRW	0	25 506	25 506	0
Taiwan					
Quanta Computer Inc.	TWD	0	1 169 940	286 000	883 940
USA					
China Infrastructure Machinery Holdings Ltd.	HKD	0	6 034 000	0	6 034 000
Merrill Lynch on Daqin Railway Co. Ltd. 2006-09	USD	0	2 739 357	2 739 357	0

* Include purchases and sales as well as corporate actions.

Explanatory notes to the annual report

Basics for the valuation as well as for the calculation of the net asset value

1. The mutual fund's assets and the proportion of the assets accounted for by each individual class are calculated at market value at the end of the accounting year and on each day on which units are issued or redeemed ("issue", "redemption" or "valuation day").

2. Issue, redemption or valuation days are any bank working day in Zurich. No issuance, redemption or valuation of units takes place:

a) on Swiss public holidays (Eastern, Whitsuntide, Christmas, New Year, Swiss National Day, etc.); or

b) on days when the stock exchanges or markets of the main investment countries of the mutual fund are closed; or

c) if exceptional circumstances exist within the meaning of § 18 para. 4 below.

3. In the case of listed investments or those traded on another regulated market open to the public, the prices currently paid on the main market shall apply. Other assets, rights or investments for which no up-to-date prices are available shall be valued at the price which would probably have been received on judicious sale of the asset, right or investment on the date of valuation. In this case the Fund Manager shall apply reasonable, recognized and auditable valuation models and principles for calculating the market value, subject to the provision of para. 4 below.

4. The value of money market instruments which are not traded on a stock exchange or other regulated market open to the public is determined as follows: starting from the net acquisition price and keeping the investment yield (calculated therefrom) constant, the valuation price of such investments is gradually aligned with the redemption price. If there are significant changes in the market conditions, the valuation principles for the individual investments will be adjusted in line with the new market returns. If there is no current market price in such instances, the calculations are as a rule based on the valuation of money market instruments with the same characteristics (quality and domicile of the issuer, issuing currency, term to maturity).

5. Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in the market conditions, the valuation principles for time deposits will be adjusted in line with the new market returns.

6. The NAV of a unit of a given class is determined by the proportion of the total assets at market value attributable to this unit class, less any of the fund's liabilities that are attributed to this class, divided by the number of units of this class in circulation. It is rounded up or down to the nearest 1/100 of the currency of account of the relevant class.

7. The share of the market value of the fund's net assets (total assets minus liabilities) attributable to the respective classes of units is determined for the first time at the initial issue of more than one class of units (if this occurs simultaneously) or the initial issue of a further class of units. The calculation is made on the basis of the assets accruing to the fund for each class of units. The proportion is recalculated when one of the following events occurs:

a) upon the issuance and redemption of units;

b) on the key date for distributions, provided (i) such distributions relate only to individual classes of

unit (distribution classes) or provided (ii) the distributions made by various classes of unit differ with regard to the percentage of their respective net asset values or provided (iii) differing costs or commissions, calculated as a percentage of the distribution itself, are to be charged on the distributions of different classes of unit;

c) when the NAV is calculated, as part of the allocation of liabilities (including due or accrued costs and commissions) to the various classes of unit, provided that the liabilities of the various classes of unit are different when expressed as a percentage of the respective NAV, especially if (i) different commission rates are applied for the various classes of unit or if (ii) class-specific costs are charged;

d) when the NAV is calculated, as part of the allocation of income or capital gains to the various classes of unit, provided the income or capital gains stem from transactions made solely in the interests of one class of units or in the interests of several classes of units but disproportionately to their share of the fund's net assets.

Soft Commission Agreements

For the period of November 17, 2006 to December 31, 2007 no soft commission agreements were concluded in the name of AIG Fund Management (Switzerland) Ltd. nor were soft commissions received.