



FALCON FUND MANAGEMENT

Falcon Fund Management (Switzerland) Ltd.
for

HSZ China Fund

Annual Report 2009 HSZ China Fund

Mutual fund under Swiss law (category "other fund for traditional investments")

CONTENT

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

Short-form report of the statutory auditor in accordance with CISA to HSZ China Fund

Short-form report of the statutory auditor in accordance with CISA on the annual report

As a statutory auditor in accordance with CISA (Kollektivanlagengesetz, Swiss Collective Investment Schemes Act), we have examined the annual report of the investment fund HSZ China Fund, consisting of the financial statements and further information as per Art. 89, para 1 a-h CISA, for the financial year ended 31 December 2009.

Responsibility of the Board of Directors

The Board of Directors of the Fund Manager is responsible for drawing up the annual report in compliance with the provisions of CISA. Furthermore, the Board of Directors is responsible for the selection and application of proper accounting methods and for making appropriate estimates.

Responsibility of the auditor

Our responsibility is to issue an audit opinion on the annual report based on our audit. We conducted our audit in compliance with Swiss law and Swiss auditing standards. On the basis of these

standards, audits are to be planned and performed in such a way that material misstatements in the annual report are reasonably certain to be recognized.

An audit includes the performance of audit activities to obtain audit evidence for the valuations contained in the annual report and other information. The choice of audit activities is a matter for the dutiful discretion of the auditor. This incorporates an assessment of the risks of material misstatements in the annual report as a result of violations or errors. The audit also incorporates an assessment of the appropriateness of the accounting methods used, the plausibility of the estimates made and an evaluation of the overall picture presented by the annual report. We are of the view that the audit evidence obtained by us provides a sufficient and appropriate basis for our audit opinion.

Audit opinion

In our view, the annual report for the financial year ended 31 December 2009 complies with the Swiss Collective Investment Schemes Act (CISA), the associated ordinances, the fund contract and the prospectus.

Reporting due to additional statutory regulations

We confirm that we meet the statutory requirements in respect of authorisation according to the Federal Act on Licensing and Oversight of Auditors (RAG) and in respect of independence (Art. 127 CISA and Art. 11 RAG) and that there are no circumstances to compromise our independence.

Zurich, 31 March 2010
PricewaterhouseCoopers AG

Thomas Romer
Audit specialist

Simon Bandi
Audit specialist
Lead Auditor

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

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

Custodian and Paying Office

Falcon Private Bank Ltd.
Pelikanstrasse 37, CH-8021 Zurich
www.falconpb.com

Auditor

PricewaterhouseCoopers Ltd.
Birchstrasse 160, CH-8050 Zurich

Paying Office

Falcon Private Bank Ltd.
Pelikanstrasse 37, CH-8021 Zurich

Investment Decisions

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

Securities Code

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

Remarks

The prospectus with the integrated fund contract 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).

Change of Name

In April 2009 AIG Fund Management (Switzerland) Ltd. changed its name to Falcon Fund Management (Switzerland) Ltd. as the Fund Management Company and AIG Private Bank Ltd. changed its name to Falcon Private Bank Ltd. as the Custodian.

Key Data

	31.12.09	31.12.08	31.12.07
Total Net Asset Value in Mio. USD	86.53	40.84	166.65
Units Outstanding Class USD	621 015.8980	625 418.9040	1 117 800.9600
Units Outstanding Class CHF	109 104.5610	116 971.6140	151 841.3170
Units Outstanding Class EUR	2 235.0000	2 491.0000	38 909.4970
Net Asset Value per Unit Class USD	121.62	56.53	129.25
Net Asset Value per Unit Class CHF	100.79	47.85	116.56
Net Asset Value per Unit Class EUR	108.70	51.69	112.51
Performance Class USD according to the SFA guideline	118.67%	-56.26%	29.25%
MSCI Emerging Markets China USD (PI)	58.80%	-51.94%	63.10%
Performance Class CHF according to the SFA guideline	113.81%	-58.95%	16.56%
MSCI Emerging Markets China USD (PI)	54.33%	-54.50%	50.40%
Performance Class EUR according to the SFA guideline	110.29%	-54.06%	12.51%
MSCI Emerging Markets China USD (PI)	54.85%	-49.38%	46.31%

CHANGES TO THE FUND REGULATIONS (now known as the Fund Contract)

The proposed amendments to the Fund Regulations were published in «Finanz und Wirtschaft» and in the «Swiss Official Gazette of Commerce» on 3 December 2008. On 22 April 2009, the Federal Financial Market Supervisory Authority FINMA implemented the approved changes to the Fund Regulations and authorized publication of the following wording in the annual report.

Swiss Federal Act on Collective Investment Schemes (CISA) of 23 June 2006, Art. 27 para. 2 CISA

HSZ China Fund

in the "other funds for traditional investments" category ("the Fund")

AIG Fund Management (Switzerland) Ltd., as Fund Manager, and AIG Private Bank Ltd., Zurich, as Custodian, propose to amend the contract pertaining to the aforementioned fund. The proposed amendments relate in particular to the Fund's compliance with the Swiss Federal Act on Collective Investment Schemes (CISA) and the corresponding model documents. The following amendments in particular should be noted:

- The option of pooling the Fund's assets is suspended (§ 3 prov. 6 of the Fund Contract).
- The Fund Manager is now obliged to make an enforced redemption of units if this is necessary to safeguard the reputation of the financial market or if an investor no longer meets the statutory or contractual requirements (§ 5 prov. 6 of the Fund Contract).
- The Fund Manager may redeem the units of an investor, in particular if the economic interests of the other investors might otherwise be impaired or in the event of market timing (§ 5 prov. 7 of the Fund Contract).
- The Fund's units are no longer evidenced by certificate (§ 6 prov. 5 of the Fund Contract).
- The Fund Manager may now acquire all types of derivatives (including structured products and exotic derivatives) on equity-linked securities (§ 8 prov. 2 of the Fund Contract).
- The Fund Manager may now invest up to one-third of the Fund's assets (after deduction of the liquid assets) in (i) equity instruments and rights of companies which in respect of their registered office and commercial activity do not fulfil the aforementioned requirements, (ii) bonds, convertible bonds, convertible notes, warrant bonds and notes as well as other fixed or variable-interest debt instruments and rights of private and public-sector borrowers worldwide, denominated in a freely convertible currency, (iii) money market instruments of domestic and foreign issuers, denominated in a freely convertible currency, (iv) derivatives (including warrants) on the above investments and (v) units of other collective investment schemes (§ 8 prov. 2b of the Fund Contract).
- The use of derivatives now follows the Commitment Approach II as laid down in the laws on capital investment. When taking into account the

possibility of temporary borrowing amounting to no more than 10% of the Fund's net assets, the overall exposure may not exceed 210% of the Fund's total net assets (§ 12 of the Fund Contract).

- Upon the redemption of units, a redemption fee of up to 0.5% of the net asset value may, but need not, be charged (§ 18 prov. 2 of the Fund Contract in conjunction with prov. 6.3 of the prospectus). Information on the rate actually applied can be found in the annual and semi-annual reports.
- The management fee is calculated each time the net asset value is calculated and levied at the end of every quarter. It remains a maximum of 1.50% p.a. (§ 20 prov. 1 of the Fund Contract).
- The custodian bank fee amounts to 0.15% p.a. of the Fund's net asset value. It is calculated each time the net asset value is calculated and levied at the end of every quarter (§ 20 prov. 3 of the Fund Contract).
- The media of record are the Swiss Official Gazette of Commerce (SHAB) and electronic platform of Swiss Fund Data AG (www.swissfunddata.ch; § 23 prov. 1 of the Fund Contract in conjunction with prov. 6.4 of the prospectus).
- A new medium in which prices are published is the electronic platform of Swiss Fund Data AG (www.swissfunddata.ch). Prices are published exclusive of fees (§ 23 prov. 3 of the Fund Contract in conjunction with prov. 6.4 of the prospectus).

The amended version of the Fund Regulations is due to take effect on 1 February 2009.

The text will be published in the Swiss Official Gazette of Commerce (SHAB) and in Finanz und Wirtschaft on 3 December 2008.

Investors may lodge objections with the supervisory authority (Swiss Federal Banking Commission, Schwanengasse 12, P.O. Box, CH-3001 Berne) within 30 days of the last notification of the intended changes to the Fund Regulations (Art. 27 para. 3 CISA). The wording of the contractual amendments may be obtained free of charge from the Fund Manager, Custodian and all distributors. Existing investors are also entitled to request the redemption of their units within 30 days of the last notification.

Dübendorf, Zurich, December 2008

The Fund Manager:
AIG Fund Management (Switzerland) Ltd.

The Custodian:
AIG Private Bank Ltd.

ANNUAL REPORT

Review 2009

In the year of 2009, governments around the globe have pursued loose monetary policies on an unprecedented scale. US interest rates have been lowered close to zero percent. US and UK have also instigated massive quantitative easing programmes to improve the credit market liquidity. In response to this massive easing, the global economy has started to stabilize and risky assets have seen dramatic rallies after a sharp fall in prices across different asset classes in 2008.

While many leading economies have started to return to a positive growth in the third quarter, China was the first nation getting out of the slowdown. The massive stimulus package announced by the Chinese government, which has been well supported by a record level of credit expansion, has managed to revive growth while keeping its fiscal position in a good shape.

China has remained the fastest growing major economy. Its GDP grew at 6.1 percent year on year in the first quarter, during the worst of the global financial crisis. Thereafter, the growth has accelerated strongly to 7.9 percent in the second quarter and 8.9 percent in the subsequent quarter and is on track to well exceed the government's target of 8 percent for the full year.

The key drivers of the development were the strong retail sales and fixed asset investment, growing at 15.4 percent and 32.9 percent in nominal terms in the third quarter of 2009 respectively. Exports also showed signs of recovery, the decline of which has improved from minus 26.4 percent in the trough to minus 1.2 percent in November. Consumer price has turned positive to 0.6 percent in November from minus 1.8 percent in July.

The Chinese government has maintained accommodative fiscal and monetary policies throughout the year. New lending for 2009 has surged to approximately CNY 10 trillion, more than double the amount in 2008, providing a very accommodative environment for the stimulus packages focused on infrastructure spending to take hold. Private consumption was also boosted successfully through tax incentives for small engine car purchases and subsidies for rural consumption of home appliances.

Stock Market and Investment Policy

Chinese equities performed strongly in 2009. The Shanghai share index gained 80 percent in CNY and the MSCI China index appreciated 59 percent in USD in the year 2009 after a negative performance in the previous year. In 2009, consumer, banks and property outperformed MSCI China while telecom and utilities underperformed.

The HSZ China Fund was up by 115 percent in USD in the reporting period. The best performers were the diesel engine manufacturer, Weichai Power, the domestic sportswear brand, Anta Sports, and the nationwide developer, Shimao Property.

Weichai Power has benefited from the China's heavy truck sector recovery and gained 329 per-

cent. The demand recovery was on the back of the government's aggressive monetary easing and fiscal spending policies which translated into a strong fixed asset investment growth. Remarkably, strong sales of heavy trucks were recorded for the seasonally weak July, up by 86 percent compared to July 2008.

Anta Sports gained 231 percent. As highlighted in the annual report 2008, we have been positive on consumer companies such as Anta with exposure to second and third tier cities due to the improving rural household income. In particular, Anta's cooperation with the Chinese Olympic Committee as the official sportswear partner from 2009 to 2012 has drawn investors' attention to its strong brand building and management ability.

Shimao Property has been trading at attractive valuation levels after the financial turmoil in 2008. Reflection of its intact business and good fundamentals in the stock performance started to kick in since the second quarter of this year. Shimao has upgraded and achieved its target contracted sales throughout the year on the back of strong sales particularly in Shanghai. Shimao has delivered satisfactory results and the stock price gained 174 percent.

The worst performer was the incineration system manufacturer, Zhongde Waste Technology, which lost 13 percent in 2009. However, the fundamentals of the company remain intact and it is trading at an attractive valuation with low price-to-book multiple.

We continue to prefer cash-rich, financially sound companies with earnings visibility and look for companies with sound long-term economic fundamentals, good management and attractive valuations.

Specifically, we remain positive on consumer companies with exposure to second and third tier cities on the back of the continuing urbanization; property companies with reasonable valuations and sound balance sheets on the long-term positive outlook of the strong housing demand; companies with exposure to alternative energy, environmental protection and medical reform on the visibility of spending in these areas.

Outlook 2010

We remain optimistic on China's growth prospects in view of its robust macro fundamentals despite the uncertainty on the recovery in the developed countries.

The Chinese economy is expected to deliver strong and more balanced growth in 2010 with benign inflation pressures, presenting a favorable condition for the Chinese equity. Fiscal and monetary policies will remain accommodative until more solid recovery of the external environment. Although loan growth is likely to be normalized after the record credit extension in 2009, credit growth in 2010 would still provide ample liquidity to the economy.

China is in the process of rebalancing its growth orientation from the external demand to the more

sustainable domestic demand. With a huge population of 1.3 billion availing of healthy household balance sheets, private consumption driven from the ongoing urbanization, rural reform and most importantly the rising consumer confidence will continue to be the key growth drivers for the economy going forward. Fixed asset investment will slow down after the strong growth in 2009 given the expected smaller dose of policy stimulus with exports remaining subject to the uncertain global recovery.

We believe China still represents an attractive investment case given its strong growth potential and robust fiscal positions. We are positive on Chinese equities given their reasonable valuation and strong long-term growth prospect. Careful stock selection remains the key to achieve long-term returns for investors in China.

ANNUAL STATEMENT OF ACCOUNTS

Statement of Income from January 1 to December 31

	2009 in USD	2008 in USD
Income		
Income from bank receivables at sight	5 057.83	0.00
Income from bank receivables at time	3 245.28	129 467.05
Shares and other equity instruments	1 057 300.68	1 518 656.55
Income from stock dividends	179 249.65	5 043.07
Purchase of current income on issue of units	34 112.61	7 947.29
Total Income	1 278 966.05	1 661 113.96
Expenses		
Interest expenses	548.15	4 241.50
Audit fees	12 912.00	12 297.14
Remunerations according to regulations		
– Fund manager*	936 832.45	1 191 055.64
– Custodian**	113 561.24	124 374.24
Other expenses	27 665.53	15 403.22
Partly transfer of expenses to realized capital gains and losses	-148 605.05	-153 283.82
Payment of current income on redemption of units	33 808.22	1 071.46
Total Expenses	976 722.54	1 195 159.38
Operating Result	302 243.51	465 954.58
Realized capital gains and losses	-2 665 330.99	-18 000 946.40
Partly transfer of expenses to realized capital gains and losses	-148 605.05	-153 283.82
Realized Result	-2 511 692.53	-17 688 275.64
Not realized capital gains and losses	48 827 253.52	-53 115 042.80
Total Result	46 315 560.99	-70 803 318.44
<p>* The actual remuneration to the fund management amounts to 1.50%</p> <p>** The actual remuneration to the custodian bank amounts to 0.15%</p>		
TER class USD	1.74%	1.69%
TER class CHF	1.74%	1.69%
TER class EUR	1.73%	1.69%
Performance fees as a percentage of the average net asset value class USD	0.00%	0.00%
Performance fees as a percentage of the average net asset value class CHF	0.00%	0.00%
Performance fees as a percentage of the average net asset value class EUR	0.00%	0.00%
PTR is calculated on total assets, since PTR on a class level is not meaningful.	104.75%	38.32%

ANNUAL STATEMENT OF ACCOUNTS

Statement of Assets as of December 31

	2009 in USD	2008 in USD
Bank receivables		
- at sight	7 154 898.21	924.82
- at time	0.00	5 047 310.43
Shares and other equity instruments	75 278 664.35	33 762 717.37
Derivative financial instruments	4 382 630.32	2 198 032.96
Other assets	52 878.65	814.55
Total Assets	86 869 071.53	41 009 800.13
Liabilities	-339 272.21	-171 276.61
Total Net Asset Value	86 529 799.32	40 838 523.52
Number of Units Outstanding	Class USD	Class USD
Total as of January 1	625 418.9040	1 117 800.9600
Units issued in the period under review	65 350.8250	56 439.1680
Units redeemed in the period under review	-69 753.8310	-548 821.2240
Total as of December 31	621 015.8980	625 418.9040
Net Asset Value of a Unit in USD	121.62	56.53
Number of Units Outstanding	Class CHF	Class CHF
Total as of January 1	116 971.6140	151 841.3170
Units issued in the period under review	33 592.9470	2 707.3430
Units redeemed in the period under review	-41 460.0000	-37 577.0460
Total as of December 31	109 104.5610	116 971.6140
Net Asset Value of a Unit in USD	97.62	45.35
Net Asset Value of a Unit in CHF	100.79	47.85
Number of Units Outstanding	Class EUR	Class EUR
Total as of January 1	2 491.0000	38 909.4970
Units issued in the period under review	1 537.0000	0.0000
Units redeemed in the period under review	-1 793.0000	-36 418.4970
Total as of December 31	2 235.0000	2 491.0000
Net Asset Value of a Unit in USD	156.61	72.39
Net Asset Value of a Unit in EUR	108.70	51.69

During the period under review an unrealized loss of USD 612 929.06 resulted from derivative financial instruments (warrants).

Off-Balance Sheet Transactions as of December 31, 2009

Details of the Volume of open Contracts for derivative Financial Instruments at the Balance Sheet's Date

Warrants	Quantity	in USD
Merrill Lynch on Daqin Railway Co. Ltd.	821 800	1 091 514.76
Merrill Lynch on Ping An In Grp.	49 000	395 400.60
Merrill Lynch on Qingdao Haier Co.	797 454	2 895 714.96

Details of the underlying Values linked with open Contracts at the Balance Sheet's Date

	Market Risk in USD	Net Asset Value in %	Currency Risk in USD	Net Asset Value in %
Total Risk of derivative Financial Instruments	4 530 889.00	5.24	0.00	0.00

Credit Risk

The investment fund does not hold investments, which contain a credit risk.

No loans have been granted nor have securities been lent.

ANNUAL STATEMENT OF ACCOUNTS

Changes of the Total Net Asset Value (Art. 75 CIS0-SFMSA)

	2009 in USD
Total Net Asset Value as of January 1	40 838 523.52
Units issued	9 435 672.10
Units redeemed	-9 209 671.12
Realized capital gains and losses	-2 813 936.04
Distribution	-850 286.17
Operating result	302 243.51
Unrealized capital gains and losses	48 827 253.52
Total Net Asset Value according to the Statement of Assets as of December 31	86 529 799.32
Thereof Class USD	75 529 333.12
Thereof Class CHF	10 650 447.61
Thereof Class EUR	350 018.59

Use of Earnings

	Class EUR	Class CHF	2009 in USD Class USD
Balance carried forward of the previous year	0.00	17 317.13	182 915.39
Total income for distribution	1 338.97	47 729.23	453 407.83
From which is retained in the reporting period	1 338.97	30 412.10	270 492.44
Designated income for distribution to the investors	0.00	0.00	0.00
Balance carried forward	1 338.97	47 729.23	453 407.83

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Portfolio Composition as of December 31, 2009

Assets

Quantity	Name	Country	Currency	Price	Value in USD	Value in % of Fund Assets
Shares and other Equity Instruments, quoted on Stock Exchange 87.00%						
Mechanical Engineering and Industrial Equipment					15 594 451.06	18.02
1 627 000	China High Speed Transmission Equipment Group Co. Ltd.	Cayman Islands	HKD	18.92	3 968 228.58	4.59
5 094 000	Lonking Holdings Ltd.	Cayman Islands	HKD	5.41	3 552 582.74	4.11
464 200	Weichai Power Co. Ltd.	China	HKD	62.75	3 754 973.37	4.34
2 107 000	Zhuzhou CSR Times Electric Co. Ltd.	China	HKD	15.90	4 318 666.37	4.98
Retail Trade and Department Stores					8 972 609.38	10.37
1 693 000	Golden Eagle Retail Group Ltd.	Cayman Islands	HKD	15.82	3 452 641.07	3.99
842 000	Li Ning Co. Ltd.	Cayman Islands	HKD	29.50	3 202 005.71	3.70
2 529 000	New World Department Store China Ltd.	Cayman Islands	HKD	7.11	2 317 962.60	2.68
Miscellaneous Consumer Goods					6 548 263.47	7.57
1 520 500	Ports Design Ltd.	Bermuda	HKD	24.20	4 743 400.40	5.48
2 541 000	Vinda International Holdings Ltd.	Cayman Islands	HKD	5.51	1 804 863.07	2.09
Real Estate					5 920 717.27	6.84
2 600 000	KWG Property Holding Ltd.	Cayman Islands	HKD	5.98	2 004 299.08	2.32
6 604 550	Shui On Land Ltd.	Cayman Islands	HKD	4.60	3 916 418.19	4.52
Food and Soft Drinks					5 548 585.14	6.41
3 367 000	Ajisen (China) Holdings Ltd.	Cayman Islands	HKD	6.64	2 882 034.60	3.33
3 629 000	Uni-President China Holdings Ltd.	Cayman Islands	HKD	5.70	2 666 550.54	3.08
Banks and other Credit Institutions					5 190 121.06	6.00
1 978 450	China Merchants Bank Co. Ltd.	China	HKD	20.35	5 190 121.06	6.00
Energy and Water Supply					5 172 300.00	5.98
9 852 000	Epure International Ltd.	Singapore	SGD	0.74	5 172 300.00	5.98
Textiles, Garments and Leather Goods					3 917 845.23	4.53
2 620 000	Anta Sports Products Ltd.	Cayman Islands	HKD	11.60	3 917 845.23	4.53
Mining, Coal and Steel					3 737 628.47	4.32
763 000	China Shenhua Energy Co. Ltd.	China	HKD	38.00	3 737 628.47	4.32
Insurance Companies					3 646 617.72	4.21
416 000	Ping An Insurance (Group) Company of China Ltd.	China	HKD	68.00	3 646 617.72	4.21
Building Industry and Building Materials					3 296 063.91	3.81
1 737 000	Shimao Property Holdings Ltd.	Cayman Islands	HKD	14.72	3 296 063.91	3.81
Pharmaceuticals, Cosmetics and med. Products					2 954 079.00	3.41
85 700	Mindray Medical Intl. Ltd.	China	USD	34.47	2 954 079.00	3.41
Electronics and Semiconductors					1 556 515.87	1.80
936 000	Aac Acoustic Technologies Holdings Inc.	Hong Kong	HKD	12.90	1 556 515.87	1.80
Internet, Softwares and IT Services					1 210 968.29	1.40
8 425 000	Inspur International Ltd.	Cayman Islands	HKD	1.12	1 210 968.29	1.40
Graphics, Publishing and Printing Media					1 038 409.62	1.20
92 798	VisionChina Media Inc.	Cayman Islands	USD	11.19	1 038 409.62	1.20
Environmental Services and Recycling					973 488.86	1.13
56 076	ZhongDe Waste Technology AG	Germany	EUR	12.05	973 488.86	1.13

ANNUAL STATEMENT OF ACCOUNTS

Portfolio Composition as of December 31, 2009

Assets

Quantity	Name	Country	Currency	Price	Value in USD	Value in % of Fund Assets
Total Shares and other Equity Instruments, quoted on Stock Exchange					75 278 664.35	87.00
Derivative Financial Instruments 5.06%						
Warrants						
821 800	Warrants Merrill Lynch on Daqin Railway Co. Ltd.	Netherlands Antilles	USD	1.33	1 091 514.76	1.26
49 000	Warrants Merrill Lynch on Ping An In Grp.	Netherlands Antilles	USD	8.07	395 400.60	0.46
797 454	Warrants Merrill Lynch on Qingdao Haier Co.	Netherlands Antilles	USD	3.63	2 895 714.96	3.34
Total Derivative Financial Instruments			USD		4 382 630.32	5.06
Total Investments			USD		79 661 294.67	92.06
Bank Receivables¹						
- at sight			USD		7 154 898.21	8.27
Other Assets			USD		52 878.65	0.06
Total Fund Assets			USD		86 869 071.53	
Liabilities			USD		-339 272.21	-0.39
Total Net Asset Value			USD		86 529 799.32	100.00

¹ Deposits are not protected by deposit insurances.

	Currency	Rate
Exchange Rates to USD		
Hong Kong Dollar	HKD	0.1289
Singapore Dollar	SGD	0.7143
Euro	EUR	1.4407

ANNUAL STATEMENT OF ACCOUNTS

Changes in Securities Holdings from January 1 to December 31, 2009

Name	Currency	Quantity 01.01.09	Quantity Bought*	Quantity Sold*	Quantity 31.12.09
Bermuda					
China Yurun Food Group Ltd.	HKD	0	934 000	934 000	0
COSCO International Holdings Ltd.	HKD	4 254 000	0	4 254 000	0
Esprit Holdings Ltd.	HKD	139 000	0	139 000	0
Ports Design Ltd.	HKD	1 160 500	1 266 000	906 000	1 520 500
Cayman Islands					
Ajisen (China) Holdings Ltd.	HKD	1 238 000	2 329 000	200 000	3 367 000
Anta Sports Products Ltd.	HKD	4 761 000	861 000	3 002 000	2 620 000
BaWang International (Group) Holdings Ltd.	HKD	0	940 000	940 000	0
China High Speed Transmission Equipment Group Co. Ltd.	HKD	0	1 758 000	131 000	1 627 000
China Zhongwang Holdings Ltd	HKD	0	698 000	698 000	0
EcoGreen Fine Chemicals Group Ltd.	HKD	6 516 000	0	6 516 000	0
Fu Ji Food and Catering Services Holdings Ltd.	HKD	1 123 000	0	1 123 000	0
Golden Eagle Retail Group Ltd.	HKD	2 419 000	1 013 000	1 739 000	1 693 000
Honghua Group Ltd.	HKD	0	6 132 000	6 132 000	0
Inspur International Ltd.	HKD	0	8 425 000	0	8 425 000
KWG Property Holding Ltd.	HKD	0	2 600 000	0	2 600 000
Li Ning Co. Ltd.	HKD	743 500	716 000	617 500	842 000
Lonking Holdings Ltd.	HKD	5 678 000	5 240 000	5 824 000	5 094 000
New World Department Store China Ltd.	HKD	0	2 529 000	0	2 529 000
Parkson Retail Group Ltd.	HKD	817 500	0	817 500	0
Pico Far East Holdings Ltd.	HKD	10 422 000	0	10 422 000	0
Shimao Property Holdings Ltd.	HKD	2 258 000	407 500	928 500	1 737 000
Shui On Land Ltd.	HKD	4 749 000	3 728 550	1 873 000	6 604 550
Uni-President China Holdings Ltd.	HKD	0	3 629 000	0	3 629 000
Vinda International Holdings Ltd.	HKD	0	2 541 000	0	2 541 000
VisionChina Media Inc.	USD	0	92 798	0	92 798
Xingda International Holdings Ltd.	HKD	3 057 000	0	3 057 000	0
China					
Beijing Jingkelong Co. Ltd.	HKD	2 872 000	0	2 872 000	0
China Communications Construction Co. Ltd.	HKD	1 352 000	1 008 000	2 360 000	0
China Merchants Bank Co. Ltd.	HKD	1 510 000	903 950	435 500	1 978 450
China MinSheng Banking Corp.	HKD	0	100 000	100 000	0
China Shenhua Energy Co. Ltd.	HKD	618 000	200 500	55 500	763 000
Dongfeng Motor Group Co. Ltd.	HKD	0	2 136 000	2 136 000	0
Mindray Medical Intl. Ltd.	USD	0	85 700	0	85 700
Ping An Insurance (Group) Company of China Ltd.	HKD	0	511 500	95 500	416 000
Sinopharm Group Co. Ltd.	HKD	0	50 000	50 000	0
Weichai Power Co. Ltd.	HKD	781 200	31 000	348 000	464 200
Zhuzhou CSR Times Electric Co. Ltd.	HKD	3 309 000	325 000	1 527 000	2 107 000
Germany					
ZhongDe Waste Technology AG	EUR	70 376	0	14 300	56 076
Hong Kong					
Aac Acoustic Technologies Holdings Inc.	HKD	0	936 000	0	936 000
Bank of East Asia Ltd.	HKD	0	162 000	162 000	0
China Overseas Land & Investment Ltd.	HKD	798 000	157 920	955 920	0
Hong Kong Exchanges and Clearing Ltd.	HKD	0	80 300	80 300	0
Singapore					
Epure International Ltd.	SGD	16 051 000	1 809 000	8 008 000	9 852 000
Hyflux Water Trust	SGD	610 000	0	610 000	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 net assets and the proportion accounted for by each individual class are calculated at current value at the end of the accounting year and on each day on which units are issued or redeemed, in USD. The fund's assets will not be calculated on days when the stock exchanges/markets in the fund's main investment countries are closed (e.g. bank and stock exchange holidays).

2. In the case of listed investments or those traded on another regulated market open to the public, the current value corresponds to the prices paid on the main market. Other investments or investments for which no current prices are obtainable shall be valued at the price that would probably be obtained upon a diligent sale at the time of appraisal. In this case the Fund Manager shall apply reasonable, recognized and auditable valuation models and principles for calculating the current value.

3. 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).

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

5. The net asset value of a unit in a particular class is obtained by calculating the share of that class in the market value of fund assets attributable to the class, subtracting any liabilities of the fund attributable to that unit class, and dividing the result by the number of units of that class in circulation. It is rounded up or down to the nearest 1/100 of the currency of account.

6. The share of the market value of the fund's net assets (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 share 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 net asset value is calculated, as part of the allocation of income or capital gains to the various unit classes, provided the income or capital gains stem from transactions made solely in the interests of one unit class or in the interests of several unit classes but disproportionately to their share of the fund's net assets.

Soft Commission Agreements

For the period of January 1, to December 31, 2009 no soft commission agreements were concluded in the name of Falcon Fund Management (Switzerland) Ltd. nor were soft commissions received.