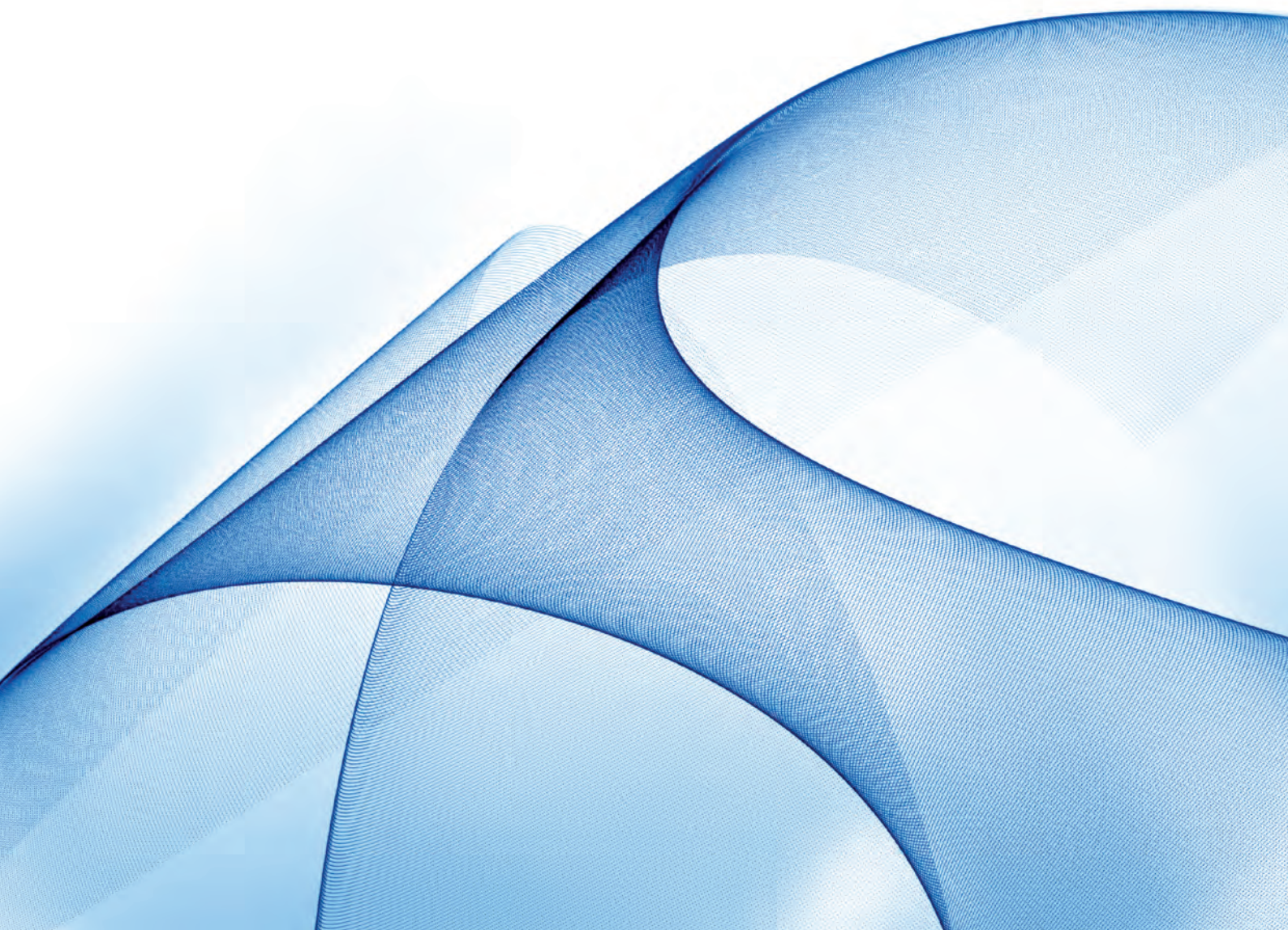


HSZ China Fund



Semi-Annual Report 2008

HSZ China Fund

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

The Swissmopolitan Way.

AIG Fund Management

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.

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).

Key Data

	30.06.08	31.12.07
Net Fund Asset in Mio. USD	72.72	166.65
Units Outstanding Class USD	661 241.3700	1 117 800.9600
Units Outstanding Class CHF	139 392.6370	151 841.3170
Units Outstanding Class EUR	10 491.0000	38 909.4970
Net Asset Value per Unit Class USD	92.47	129.25
Net Asset Value per Unit Class CHF	75.41	116.56
Net Asset Value per Unit Class EUR	74.96	112.51

Semi-Annual statement of accounts

Statement of Income from January 1 to June 30, 2008

	2008 in USD	2007 [*] in USD
Income		
Income from bank receivables at time	102 451.85	1 608 107.11
Shares and other equity instruments	906 833.62	404 387.11
Purchase of current income on issue of units	6 470.33	4 522.66
Total Income	1 015 755.80	2 017 016.88
Expenses		
Interest expenses	4 414.65	348.80
Audit fees	6 456.00	5 248.50
Remunerations according to regulations		
– Fund manager	84 248.32	179 153.78
– Custodian	798 942.99	1 512 950.18
Performance fees	0.00	4 775 637.44
Rebooking onto realized capital gains and losses according to FTA	0.00	-4 775 637.44
Other expenses	15 777.51	16 053.85
Partly transfer of expenses to realized capital gains and losses	-124 523.78	-191 999.36
Payment of current income on redemption of units	-51 083.50	15 746.38
Total Expenses	734 232.19	1 537 502.13
Operating Result	281 523.61	479 514.75
Realized capital gains and losses	-8 839 547.10	-133 837.93
Partly transfer of expenses to realized capital gains and losses	-124 523.78	-191 999.36
Realized Result	-8 682 547.27	153 677.46
Not realized capital gains and losses	-35 131 600.60	51 359 930.89
Total Result	-43 814 147.87	51 513 608.35

*from November 17, 2006 to June 30, 2007

TER class USD	2.21%	4.59%
TER class CHF	2.02%	4.63%
TER class EUR	2.03%	4.58%
Performance fees as a % of average net assets class USD	0.26%	2.90%
Performance fees as a % of average net assets class CHF	0.04%	2.92%
Performance fees as a % of average net assets class EUR	0.07%	2.90%
PTR is calculated on the whole assets as PTR is not meaningful on the subfund level.	73.83%	18.80%

Semi-Annual statement of accounts

Statement of Assets as of June 30, 2008

	2008 in USD	2007 in USD
Bank receivables		
- at sight	1 403 460.92	8 650 455.37
- at time	7 241 769.04	9 114 807.30
Shares and other Equity Instruments	61 497 527.26	167 960 141.00
Derivative Financial Instruments	2 923 428.49	3 442 910.67
Other assets	48 138.54	260 636.82
Total Assets	73 114 324.25	189 428 951.16
Liabilities	-392 861.39	-3 389 984.90
Net Fund Assets	72 721 462.86	186 038 966.26

Number of Units Outstanding	Class USD	Class USD
Total as of January 1	1 117 800.9600	0.0000
Units issued in the period under review	52 407.3340	1 294 005.2660
Units redeemed in the period under review	-508 966.9240	-137 569.9050
Total as of June 30	661 241.3700	1 156 435.3610
Net Asset Value of a Unit USD	92.47	136.84

Number of Units Outstanding	Class CHF	Class CHF
Total as of January 1	151 841.3170	0.0000
Units issued in the period under review	1 703.3950	221 512.8990
Units redeemed in the period under review	-14 152.0750	-29 641.3100
Total as of June 30	139 392.6370	191 871.5890
Net Asset Value of a Unit USD	74.11	109.69
Net Asset Value of a Unit CHF	75.41	135.19

Number of Units Outstanding	Class EUR	Class EUR
Total as of January 1	38 909.4970	0.0000
Units issued in the period under review	0.0000	41 005.5900
Units redeemed in the period under review	-28 418.4970	-2 500.0000
Total as of June 30	10 491.0000	38 505.5900
Net Asset Value of a Unit USD	118.42	175.23
Net Asset Value of a Unit EUR	74.96	130.30

Off-Balance Sheet Transactions as of June 30, 2008

Details of the Volume of open Contracts at the Balance Sheet's Date

Warrants	Quantity	in USD
Daqin Railway Co. Ltd.	821 800	1 608 929.00
Ping an in Group	49 000	355 250.00
Qingdao Haier Co.	797 454	816 610.00

Details of the underlying Securities linked with open Warrants at the Balance Sheet's Date

	Number of Positions	Market Value USD	Excess USD
Cash	2	7 241 769.04	4 460 980.04
Total Risks of Derivative Financial Instruments	2 780 789.00	3.82	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.

Semi-Annual statement of accounts

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

	2008 in USD
Net Fund Assets as of January 1	166 645 013.52
Units issued in the period under review	5 583 778.85
Units redeemed in the period under review	-55 693 181.64
Realized capital gains and losses	-8 964 070.88
Operating result	281 523.61
Unrealized capital gains and losses	-35 131 600.60
Net Assets of the Fund according to Statement of Assets as of June 30	72 721 462.86
Thereof Class USD	61 148 213.37
Thereof Class CHF	10 330 895.30
Thereof Class EUR	1 242 354.19
Interim balance of current year's earnings per unit of Class USD	0.36
Interim balance of current year's earnings per unit of Class CHF	0.27
Interim balance of current year's earnings per unit of Class EUR	0.58

Semi-Annual statement of accounts

Portfolio Composition as of June 30, 2008

Assets

Quantity	Name	Country	Currency	Price	Value in USD	Value in % of Fund Assets
Shares and other Equity Instruments, quoted on Stock Exchange 84.56%						
Energy and Water Supply					7 767 226.59	10.68
1 917 000	Epure International Ltd.	Singapore	SGD	0.53	7 466 389.98	10.27
600 000	Hyflux	Singapore	SGD	0.68	300 836.61	0.41
Mechanical Engineering and Industrial Equipment					6 952 825.81	9.56
4 858 000	China Infrastructure Machinery Holdings Ltd.	USA	HKD	7.25	4 517 223.83	6.21
372 000	Weichai Power Co Ltd.	Hong Kong	HKD	33.50	1 598 320.39	2.20
1 009 000	Zhuzhou CSR Times Electric Co. Ltd.	Hong Kong	HKD	6.47	837 281.59	1.15
Banks and other Credit Institutions					6 001 717.44	8.25
1 910 000	China Merchants Bank Co. Ltd.	China	HKD	24.50	6 001 717.44	8.25
Lodging and Catering Ind., Leisure Facilities					5 520 079.46	7.59
3 557 000	Fuji Food & Catering Services Holdings Ltd.	Cayman Islands	HKD	12.10	5 520 079.46	7.59
Real Estate					4 988 316.65	6.86
798 000	China Overseas Land & Investment Ltd.	Hong Kong	HKD	12.32	1 260 926.27	1.73
4 478 000	Shui on Land Ltd.	Bermuda	HKD	6.49	3 727 390.38	5.13
Miscellaneous Consumer Goods					4 383 626.46	6.03
3 442 000	Beijing Jingkelong Co. Ltd.	Bermuda	HKD	5.10	2 251 423.19	3.10
745 500	Ports Design Ltd.	Bermuda	HKD	22.30	2 132 203.27	2.93
Building Industry and Building Materials					4 228 702.76	5.82
4 304 000	Cosco International Holdings Ltd.	Bermuda	HKD	3.58	1 976 202.22	2.72
1 748 000	Shimao Property Holdings Ltd.	Bermuda	HKD	8.95	2 006 506.44	2.76
90 000	West China Cement Ltd.	Jersey	GBP	1.37	245 994.10	0.34
Graphics, Publishing and Printing Media					2 908 709.69	4.00
19 058 000	Pico Far East Holdings Ltd.	Cayman Islands	HKD	1.19	2 908 709.69	4.00
Telecommunication					2 892 014.41	3.98
7 576 000	Comba Telecom Systems Holdings Ltd.	Cayman Islands	HKD	2.10	2 040 494.15	2.81
177 520	ZTE Corp.	China	HKD	37.40	851 520.26	1.17
Environmental Services and Recycling					2 779 592.63	3.82
70 376	Zhongde Waste Technology AG	Great Britain	EUR	25.00	2 779 592.63	3.82
Mining, Coal and Steel					2 717 774.90	3.74
618 000	China Shenhua Energy Co. Ltd.	China	HKD	30.60	2 425 414.64	3.34
188 500	Parkson Holdings	Cayman Islands	MYR	5.05	292 360.26	0.40
Textiles, Garments and Leather Goods					2 638 729.24	3.63
254 000	Esprit Holdings Ltd.	Bermuda	HKD	81.00	2 638 729.24	3.63
Retail Trade and Department Stores					2 509 364.30	3.45
450 000	Li Ning Co. Ltd.	Bermuda	HKD	18.00	1 038 869.78	1.43
201 500	Parkson Retail Group Ltd.	Hong Kong	HKD	56.90	1 470 494.52	2.02
Pharmaceuticals, Cosmetics and Med. Products					2 080 925.43	2.86
6 516 000	Ecogreen Fine Chemicals Group Ltd.	Cayman Islands	HKD	2.49	2 080 925.43	2.86
Miscellaneous Trading Companies					1 181 489.93	1.62
392 000	Li & Fung Ltd.	Hong Kong	HKD	23.50	1 181 489.93	1.62
Traffic and Transportation					1 026 557.25	1.41
600 000	China Communications Construction Co. Ltd.	China	HKD	13.34	1 026 557.25	1.41

Semi-Annual statement of accounts

Portfolio Composition as of June 30, 2008

Assets

Quantity	Name	Country	Currency	Price	Price in USD	Price in % Fund Assets
Rubber and Tires						1.25
5 069 000	Xingda International Holdings Ltd.	Cayman Islands	HKD	1.40	910 178.18	1.25
Electronics and Semiconductors						0.01
72 000	Aupu Group Holding Co. Ltd.	Hong Kong	HKD	1.05	9 696.13	0.01
Total Shares and other Equity Instruments, quoted on Stock Exchange			USD		61 497 527.26	84.56
Derivative Financial Instruments 4.01%						
Warrants						4.01
821 800	Warrants Merrill Lynch on Daqin Railway Co. Ltd.	USA	USD	1.91	1 565 529.00	2.15
49 000	Warrants on Ping an in Group	USA	USD	7.19	352 310.00	0.48
797 454	Warrants on Qingdao Haier Co.	USA	USD	1.26	1 005 589.49	1.38
Total Derivative Financial Instruments			USD		2 923 428.49	4.01
Total Assets					64 420 955.75	
Bank Receivables¹						
- at sight			USD		1 403 460.92	1.93
- at time			USD		7 241 769.04	9.96
Other Assets 0.07%			USD		48 138.54	0.07
Total Assets					73 114 324.25	
Liabilities -0.53%			USD		-392 861.39	-0.53
Net Fund Assets			USD		72 721 462.86	100.00

¹ Deposits are not protected by deposit insurances.

	Currency	Price
Exchange Rates to USD		
Singapore Dollar	SGD	0.7346
Hong Kong Dollar	HKD	0.1283
British Pound	GBP	1.9951
Euro	EUR	1.5799
Malaysian Ringgit	MYR	0.3071

Semi-Annual statement of accounts

Changes in Securities Holdings from January 1 to June 30, 2008

Name	Currency	Quantity 01.01.08	Quantity Bought*	Quantity Sold*	Quantity 30.06.08
Bermuda					
Beijing Jingkelong Co. Ltd.	HKD	5 856 000	0	2 414 000	3 442 000
Cosco International Holdings Ltd.	HKD	6 764 000	0	2 460 000	4 304 000
Esprit Holdings Ltd.	HKD	419 800	0	165 800	254 000
Global Sources Ltd.	USD	59 875	5 987	65 862	0
Li Ning Co. Ltd.	HKD	0	550 000	100 000	450 000
Ports Design Ltd.	HKD	842 000	200 000	296 500	745 500
Shimao Property Holdings Ltd.	HKD	2 006 500	0	258 500	1 748 000
Shui on Land Ltd.	HKD	5 927 500	0	1 449 500	4 478 000
Wumart Stores Inc.	HKD	1 000 000	0	1 000 000	0
China					
China Construction Bank Corp. -H-	HKD	3 120 000	100 000	3 220 000	0
China Merchants Bank Co. Ltd.	HKD	3 389 000	0	1 479 000	1 910 000
ZTE Corp.	HKD	0	177 520	0	177 520
Great Britain					
Zhongde Waste Technology AG	EUR	99 420	0	29 044	70 376
Hong Kong					
Aupu Group Holding Co. Ltd.	HKD	2 052 000	0	1 980 000	72 000
Bank of East Asia Ltd.	HKD	990 600	0	990 600	0
China Everbright Ltd.	HKD	1 266 000	0	1 266 000	0
China Overseas Land & Investment Ltd.	HKD	420 000	378 000	0	798 000
China Railway Logistics Ltd.	HKD	3 040 000	0	3 040 000	0
Li & Fung Ltd.	HKD	988 000	128 000	724 000	392 000
Parkson Retail Group Ltd.	HKD	0	246 500	45 000	201 500
Ping an Insurance Group Comp. of China -H-	HKD	333 000	47 000	380 000	0
Weichai Power Co Ltd.	HKD	520 000	40 000	188 000	372 000
Wheelock and Company Ltd.	HKD	0	477 000	477 000	0
Zhuzhou CSR Times Electric Co. Ltd.	HKD	0	1 009 000	0	1 009 000
Jersey					
West China Cement Ltd.	GBP	850 000	0	760 000	90 000
Cayman Islands					
China Grand Forestry Resources	HKD	6 600 000	0	6 600 000	0
China Mengniu Dairy Company Ltd.	HKD	1 444 000	0	1 444 000	0
China Resources Land Ltd.	HKD	2 570 000	0	2 570 000	0
China Water Affairs Group Ltd.	HKD	6 446 000	0	6 446 000	0
Comba Telecom Systems Holdings Ltd.	HKD	11 798 000	0	4 222 000	7 576 000
Ecogreen Fine Chemicals Group Ltd.	HKD	6 202 000	314 000	0	6 516 000
Fuji Food & Catering Services Holdings Ltd.	HKD	4 211 000	0	654 000	3 557 000
Parkson Holdings	MYR	0	188 500	0	188 500
Pico Far East Holdings Ltd.	HKD	22 854 000	0	3 796 000	19 058 000
Xingda International Holdings Ltd.	HKD	12 040 000	0	6 971 000	5 069 000
Xinyi Glass Holdings Ltd.	HKD	0	440 000	440 000	0
Singapore					
Epure International Ltd.	SGD	7 471 000	14 622 000	2 917 000	19 176 000
Hyflux	SGD	0	600 000	0	600 000
Taiwan					
Quanta Computer Inc.	TWD	883 940	0	883 940	0
USA					
China Infrastructure Machinery Holdings Ltd.	HKD	6 034 000	0	1 176 000	4 858 000
Warrants on Daqin Railway Co. Ltd.	USD	0	821 800	0	821 800
Warrants on Ping an in Group	USD	0	49 000	0	49 000
Warrants on Qingdao Haier Co.	USD	0	797 454	0	797 454

* Include purchases and sales as well as corporate actions.

Explanatory notes to the semi-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 January 1, to June 30, 2008 no soft commission agreements were concluded in the name of AIG Fund Management (Switzerland) Ltd. nor were soft commissions received.