



FALCON FUND MANAGEMENT

Falcon Fund Management (Switzerland) Ltd.
for

HSZ China Fund

Semi-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.

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 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

| | 30.06.09 | 31.12.08 | 31.12.07 |
|--|--------------|--------------|----------------|
| Net Fund Asset in Mio. USD | 67.64 | 40.84 | 166.65 |
| Units Outstanding Class USD | 618 576.8080 | 625 418.9040 | 1 117 800.9600 |
| Units Outstanding Class CHF | 104 766.7810 | 116 971.6140 | 151 841.3170 |
| Units Outstanding Class EUR | 2 744.0000 | 2 491.0000 | 38 909.4970 |
| Net Asset Value per Unit Class USD | 95.78 | 56.53 | 129.25 |
| Net Asset Value per Unit Class CHF | 83.22 | 47.85 | 116.56 |
| Net Asset Value per Unit Class EUR | 87.37 | 51.69 | 112.51 |
| Performance USD Class according the SFA guideline | 69.43% | -56.26% | 29.25% |
| MSCI Emerging Markets China USD (PI) | 35.10% | -51.94% | 63.10% |
| Performance CHF Class according to the SFA guideline | 73.92% | -58.95% | 16.56% |
| MSCI Emerging Markets China USD (PI) | 37.96% | -54.50% | 50.40% |
| Performance EUR Class according to the SFA guideline | 69.03% | -54.06% | 12.51% |
| MSCI Emerging Markets China USD (PI) | 34.57% | -49.38% | 46.31% |

SEMI-ANNUAL STATEMENT OF ACCOUNTS

Statement of Income from January 1 to June 30

| | 2009 in USD | 2008 in USD |
|--|----------------------|-----------------------|
| Income | | |
| Income from bank receivables at time | 1 138.78 | 102 451.85 |
| Shares and other equity instruments | 712 927.56 | 906 833.62 |
| Purchase of current income on issue of units | 15 447.74 | 6 470.33 |
| Total Income | 729 514.08 | 1 015 755.80 |
| Expenses | | |
| Interest expenses | 478.07 | 4 414.65 |
| Audit fees | 6 150.00 | 6 456.00 |
| Remunerations according to regulations | | |
| – Custodian | 43 586.16 | 84 248.32 |
| – Fund manager | 372 543.50 | 798 942.99 |
| Other expenses | 15 261.50 | 15 777.51 |
| Partly transfer of expenses to realized capital gains and losses | -68 314.43 | -124 523.78 |
| Payment of current income on redemption of units | 13 737.59 | -51 083.50 |
| Total Expenses | 383 442.39 | 734 232.19 |
| Operating Result | 346 071.69 | 281 523.61 |
| Realized capital gains and losses | -9 010 634.29 | -8 839 547.10 |
| Partly transfer of expenses to realized capital gains and losses | -68 314.43 | -124 523.78 |
| Realized Result | -8 732 877.03 | -8 682 547.27 |
| Not realized capital gains and losses | 37 150 676.22 | -35 131 600.60 |
| Total Result | 28 417 799.19 | -43 814 147.87 |
| TER class USD | 1.90% | 2.21% |
| TER class CHF | 1.90% | 2.02% |
| TER class EUR | 1.93% | 2.03% |
| Performance fees as a % of average net assets class USD | 0.00% | 0.26% |
| Performance fees as a % of average net assets class CHF | 0.00% | 0.04% |
| Performance fees as a % of average net assets class EUR | 0.00% | 0.07% |
| PTR is calculated on the whole assets as PTR is not meaningful on the subfund level. | 86.86% | 73.83% |

SEMI-ANNUAL STATEMENT OF ACCOUNTS

Statement of Assets as of June 30

| | 2009 in USD | 2008 in USD |
|-------------------------------------|----------------------|----------------------|
| Bank receivables | | |
| - at sight | 6 359 535.77 | 1 403 460.92 |
| - at time | 0.00 | 7 241 769.04 |
| Shares and other equity instruments | 58 126 199.16 | 61 497 527.26 |
| Derivative Financial Instruments | 3 190 453.24 | 2 923 428.49 |
| Other assets | 227 700.79 | 48 138.54 |
| Total Assets | 67 903 888.96 | 73 114 324.25 |
| Liabilities | -265 453.15 | -392 861.39 |
| Total Net Asset Value | 67 638 435.81 | 72 721 462.86 |

| | Class USD | Class USD |
|--|--------------|----------------|
| Number of Units Outstanding | | |
| Total as of January 1 | 625 418.9040 | 1 117 800.9600 |
| Units issued in the period under review | 21 130.8250 | 52 407.3340 |
| Units redeemed in the period under review | -27 972.9210 | -508 966.9240 |
| Total as of June 30 | 618 576.8080 | 661 241.3700 |
| Total Net Asset Value of a Unit USD | 95.78 | 92.47 |

| | Class CHF | Class CHF |
|--|--------------|--------------|
| Number of Units Outstanding | | |
| Total as of January 1 | 116 971.6140 | 151 841.3170 |
| Units issued in the period under review | 18 105.1670 | 1 703.3950 |
| Units redeemed in the period under review | -30 310.0000 | -14 152.0750 |
| Total as of June 30 | 104 766.7810 | 139 392.6370 |
| Total Net Asset Value of a Unit USD | 76.87 | 74.11 |
| Total Net Asset Value of a Unit CHF | 83.22 | 75.41 |

| | Class EUR | Class EUR |
|--|---------------|---------------|
| Number of Units Outstanding | | |
| Total as of January 1 | 2 491.0000 | 38 909.4970 |
| Units issued in the period under review | 253.0000 | 0.0000 |
| Units redeemed in the period under review | 0.0000 | -28 418.4970 |
| Total as of June 30 | 2 744.0000 | 10 491.0000 |
| Total Net Asset Value of a Unit USD | 123.08 | 118.42 |
| Total Net Asset Value of a Unit EUR | 87.37 | 74.96 |

Off-Balance Sheet Transactions as of June 30, 2009

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

| Warrants | Quantity | in USD |
|---|----------|--------------|
| Merrill Lynch on Daqin Railway Co. Ltd. | 821 800 | 1 266 475.98 |
| Merrill Lynch on Ping An In Grp. | 49 000 | 364 795.20 |
| Merrill Lynch on Qingdao Haier Co. | 797 454 | 1 559 182.06 |

| | Market Risk in USD | Net Asset Value in % | Currency Risk in USD | Net Asset Value in % |
|--|-----------------------|-------------------------|-------------------------|-------------------------|
| Total Risks of Derivative Financial Instruments | 3 190 453.24 | 4.72 | 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.

SEMI-ANNUAL STATEMENT OF ACCOUNTS

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

| | 2009 in USD |
|--|----------------------|
| Total Net Assets as of January 1 | 40 838 523.52 |
| Units issued in the period under review | 2 742 844.09 |
| Units redeemed in the period under review | -3 510 444.82 |
| Realized capital gains and losses | -9 078 948.72 |
| Distribution | -850 286.17 |
| Operating result | 346 071.69 |
| Unrealized capital gains and losses | 37 150 676.22 |
| Total Net Assets according to the Statement of Assets as of June 30 | 67 638 435.81 |
| Thereof Class USD | 59 246 869.82 |
| Thereof Class CHF | 8 053 830.12 |
| Thereof Class EUR | 337 735.87 |
| Interim balance of current year's earnings per unit of Class USD | 0.50 |
| Interim balance of current year's earnings per unit of Class CHF | 0.34 |
| Interim balance of current year's earnings per unit of Class EUR | 0.70 |

SEMI-ANNUAL STATEMENT OF ACCOUNTS

Portfolio Composition as of June 30, 2009

Assets

| Quantity | Name | Country | Currency | Price | Value in USD | Value in % of Fund Assets |
|---|--|----------------|----------|--------|----------------------|---------------------------|
| Shares and other Equity Instruments, quoted on Stock Exchange 85.94% | | | | | | |
| Mechanical Engineering and Industrial Equipment | | | | | 13 781 482.23 | 20.38 |
| 864 000 | China High Speed Transmission Equipment Group Co. Ltd. | Cayman Islands | HKD | 15.38 | 1 713 671.57 | 2.53 |
| 1 318 000 | Dongfeng Motor Group Co. Ltd. | China | HKD | 6.58 | 1 118 404.27 | 1.65 |
| 5 562 000 | Honghua Group Ltd. | Cayman Islands | HKD | 1.76 | 1 262 412.15 | 1.87 |
| 7 987 000 | Lonking Holdings Ltd. | Cayman Islands | HKD | 3.76 | 3 872 835.43 | 5.73 |
| 654 200 | Weichai Power Co. Ltd. | China | HKD | 25.80 | 2 176 645.78 | 3.22 |
| 2 583 000 | Zhuzhou CSR Times Electric Co. Ltd. | China | HKD | 10.92 | 3 637 513.03 | 5.38 |
| Retail Trade and Department Stores | | | | | 6 736 328.68 | 9.96 |
| 2 851 000 | Golden Eagle Retail Group Ltd. | Cayman Islands | HKD | 9.00 | 3 309 003.60 | 4.89 |
| 1 155 500 | Li Ning Co. Ltd. | Cayman Islands | HKD | 23.00 | 3 427 325.08 | 5.07 |
| Banks and other Credit Institutions | | | | | 6 016 487.38 | 8.89 |
| 2 309 450 | China Merchants Bank Co. Ltd. | China | HKD | 17.68 | 5 265 605.74 | 7.78 |
| 48 200 | Hong Kong Exchanges and Clearing Ltd. | Hong Kong | HKD | 120.80 | 750 881.64 | 1.11 |
| Real Estate | | | | | 5 415 654.08 | 8.01 |
| 287 920 | China Overseas Land & Investment Ltd. | Hong Kong | HKD | 17.88 | 663 891.12 | 0.98 |
| 6 926 050 | Shui On Land Ltd. | Cayman Islands | HKD | 5.32 | 4 751 762.96 | 7.03 |
| Building Industry and Building Materials | | | | | 3 988 755.66 | 5.90 |
| 2 062 000 | Shimao Property Holdings Ltd. | Cayman Islands | HKD | 15.00 | 3 988 755.66 | 5.90 |
| Energy and Water Supply | | | | | 3 945 453.46 | 5.83 |
| 12 697 000 | Epure International Ltd. | Singapore | SGD | 0.45 | 3 945 453.46 | 5.83 |
| Miscellaneous Consumer Goods | | | | | 3 658 345.35 | 5.41 |
| 1 572 500 | Ports Design Ltd. | Bermuda | HKD | 18.04 | 3 658 345.35 | 5.41 |
| Textiles, Garments and Leather Goods | | | | | 2 762 029.52 | 4.08 |
| 2 231 000 | Anta Sports Products Ltd. | Cayman Islands | HKD | 9.60 | 2 762 029.52 | 4.08 |
| Traffic and Transportation | | | | | 2 579 279.26 | 3.81 |
| 2 210 000 | China Communications Construction Co. Ltd. | China | HKD | 9.05 | 2 579 279.26 | 3.81 |
| Mining, Coal and Steel | | | | | 2 478 793.05 | 3.66 |
| 678 000 | China Shenhua Energy Co. Ltd. | China | HKD | 28.35 | 2 478 793.05 | 3.66 |
| Food and Soft Drinks | | | | | 1 993 304.88 | 2.95 |
| 3 148 000 | Ajisen (China) Holdings Ltd. | Cayman Islands | HKD | 4.91 | 1 993 304.88 | 2.95 |
| Environmental Services and Recycling | | | | | 1 332 495.61 | 1.97 |
| 70 376 | ZhongDe Waste Technology AG | Germany | EUR | 13.44 | 1 332 495.61 | 1.97 |
| Insurance Companies | | | | | 1 068 710.54 | 1.58 |
| 158 000 | Ping An Insurance (Group) Company of China Ltd. | China | HKD | 52.45 | 1 068 710.54 | 1.58 |
| Pharmaceuticals, Cosmetics and med. Products | | | | | 2 369 079.46 | 3.51 |
| 3 558 000 | EcoGreen Fine Chemicals Group Ltd. | Cayman Islands | HKD | 1.50 | 688 263.46 | 1.02 |
| 58 200 | Mindray Medical Intl. Ltd. | China | USD | 28.88 | 1 680 816.00 | 2.49 |
| Total Shares and other Equity Instruments, quoted on Stock Exchange | | | | | 58 126 199.16 | 85.94 |

SEMI-ANNUAL STATEMENT OF ACCOUNTS

Portfolio Composition as of June 30, 2009

Assets

| Quantity | Name | Country | Currency | Price | Value in USD | Value in % of Fund Assets | |
|---|--|----------------------|----------|-------|----------------------|---------------------------|---------------|
| Derivative Financial Instruments 4.72% | | | | | | | |
| Warrants | | | | | | | |
| 821 800 | Warrants Merrill Lynch on Daqin Railway Co. Ltd. | Netherlands Antilles | USD | 1.54 | 1 266 475.98 | 1.87 | |
| 49 000 | Warrants Merrill Lynch on Ping An In Grp. | Netherlands Antilles | USD | 7.44 | 364 795.20 | 0.54 | |
| 797 454 | Warrants Merrill Lynch on Qingdao Haier Co. | Netherlands Antilles | USD | 1.96 | 1 559 182.06 | 2.31 | |
| Total Derivative Financial Instruments | | | | | 3 190 453.24 | 4.72 | |
| Total Assets | | | | | 61 316 652.40 | 90.66 | |
| Bank Receivables¹ | | | | | | | |
| - at sight | | | USD | | 6 359 535.77 | 9.40 | |
| Other Assets | | | | | USD | 227 700.79 | 0.34 |
| Total Assets | | | | | USD | 67 903 888.96 | |
| Liabilities | | | | | USD | -265 453.15 | -0.40 |
| Total Net Asset Value | | | | | USD | 67 638 435.81 | 100.00 |

¹ Deposits are not protected by deposit insurances.

| | Currency | Price |
|------------------------------|----------|--------|
| Exchange Rates to USD | | |
| Hong Kong-Dollar | HKD | 0.1290 |
| Singapore Dollar | SGD | 0.6905 |
| Euro | EUR | 1.4088 |

SEMI-ANNUAL STATEMENT OF ACCOUNTS

Changes in Securities Holdings from January 1 to June 30, 2009

| Name | Currency | Quantity 01.01.09 | Quantity Bought* | Quantity Sold* | Quantity 30.06.09 |
|--|----------|----------------------|---------------------|-------------------|----------------------|
| 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 | 694 000 | 282 000 | 1 572 500 |
| 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 | 150 000 | 2 210 000 |
| China Merchants Bank Co. Ltd. | HKD | 1 510 000 | 870 450 | 71 000 | 2 309 450 |
| China Shenhua Energy Co. Ltd. | HKD | 618 000 | 99 000 | 39 000 | 678 000 |
| Dongfeng Motor Group Co. Ltd. | HKD | 0 | 1 318 000 | 0 | 1 318 000 |
| Mindray Medical Intl. Ltd. | USD | 0 | 58 200 | 0 | 58 200 |
| Ping An Insurance (Group) Company of China Ltd. | HKD | 0 | 235 000 | 77 000 | 158 000 |
| Weichai Power Co. Ltd. | HKD | 781 200 | 0 | 127 000 | 654 200 |
| Zhuzhou CSR Times Electric Co. Ltd. | HKD | 3 309 000 | 213 000 | 939 000 | 2 583 000 |
| Hong Kong | | | | | |
| Bank of East Asia Ltd. | HKD | 0 | 162 000 | 162 000 | 0 |
| China Overseas Land & Investment Ltd. | HKD | 798 000 | 157 920 | 668 000 | 287 920 |
| Hong Kong Exchanges and Clearing Ltd. | HKD | 0 | 80 300 | 32 100 | 48 200 |
| Cayman Islands | | | | | |
| Ajisen (China) Holdings Ltd. | HKD | 1 238 000 | 1 975 000 | 65 000 | 3 148 000 |
| Anta Sports Products Ltd. | HKD | 4 761 000 | 0 | 2 530 000 | 2 231 000 |
| China High Speed Transmission Equipment Group Co. Ltd. | HKD | 0 | 930 000 | 66 000 | 864 000 |
| EcoGreen Fine Chemicals Group Ltd. | HKD | 6 516 000 | 0 | 2 958 000 | 3 558 000 |
| 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 | 881 000 | 449 000 | 2 851 000 |
| Honghua Group Ltd. | HKD | 0 | 6 132 000 | 570 000 | 5 562 000 |
| Li Ning Co. Ltd. | HKD | 743 500 | 574 000 | 162 000 | 1 155 500 |
| Lonking Holdings Ltd. | HKD | 5 678 000 | 4 836 000 | 2 527 000 | 7 987 000 |
| 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 | 603 500 | 2 062 000 |
| Shui On Land Ltd. | HKD | 4 749 000 | 3 299 550 | 1 122 500 | 6 926 050 |
| Xingda International Holdings Ltd. | HKD | 3 057 000 | 0 | 3 057 000 | 0 |
| Singapore | | | | | |
| Epure International Ltd. | SGD | 16 051 000 | 1 104 000 | 4 458 000 | 12 697 000 |
| Hyflux Water Trust | SGD | 610 000 | 0 | 610 000 | 0 |

*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 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 June 30, 2009 no soft commission agreements were concluded in the name of Falcon Fund Management (Switzerland) Ltd. nor were soft commissions received.