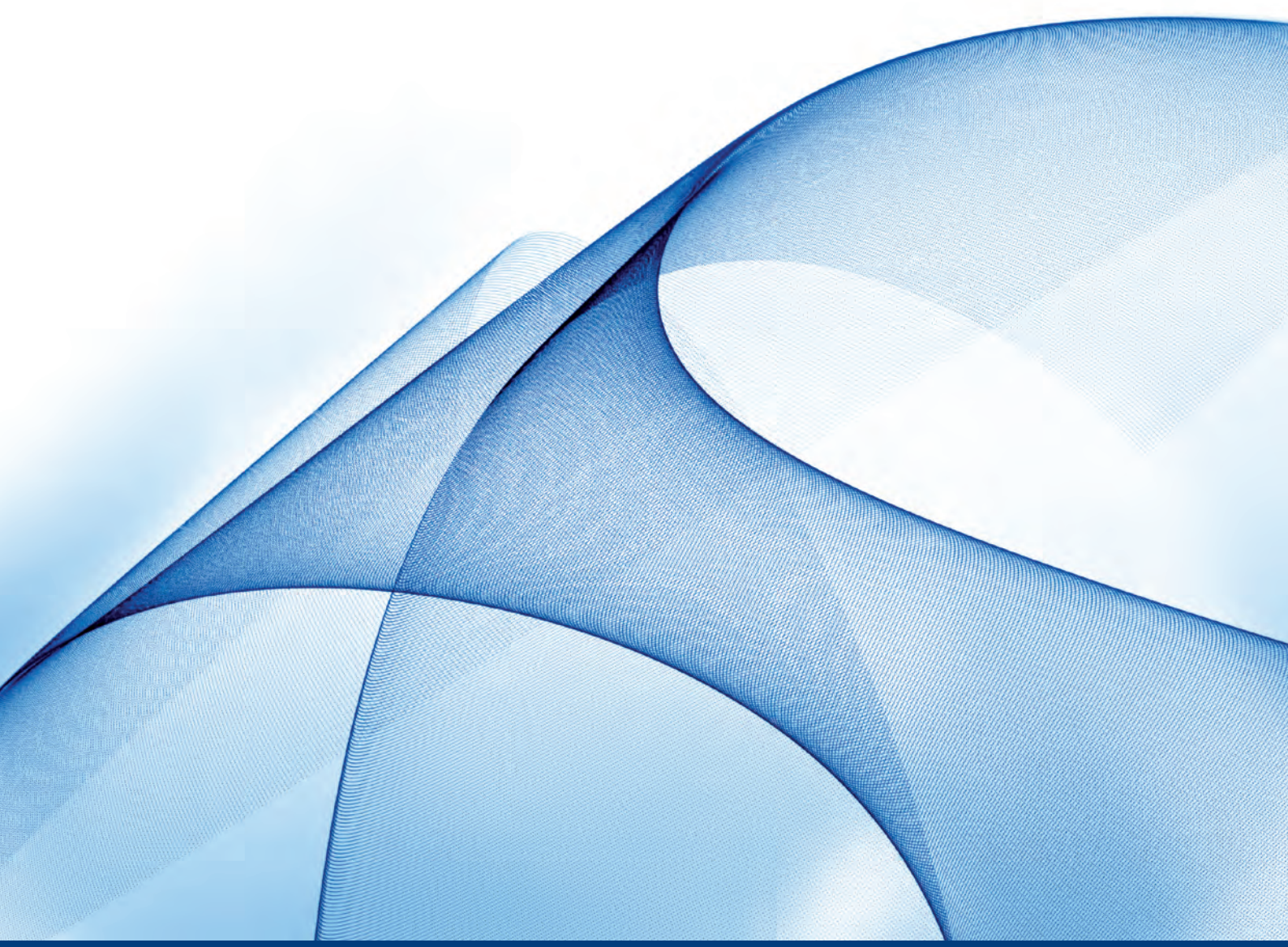


HSZ China Fund



# Annual Report 2008

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 2008 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, 2008.

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 20, 2009  
PricewaterhouseCoopers AG

C. Herzog                      S. Bandi

## 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-8021 Zurich  
www.aigprivatebank.com

#### Auditor

PricewaterhouseCoopers Ltd.  
Birchstrasse 160, CH-8050 Zurich

#### Paying Office

AIG 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.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

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

## Annual Report

### Review 2008

2008 has been an unforgettable year in the history of financial markets. The unprecedented stresses in the credit market, provoked by the downturn in the US housing market and the failure of complex financial products, have led to the demise of several large financial institutions and a sharp fall in global equity prices.

China has not remained unaffected. While the global financial turmoil and deleveraging have had a limited direct impact on the balance sheets of the macro economy, banking system, government and households, China has not been immune to slowdown mainly through the effect of weakening external demand on its net exports and its austerity measures previously imposed on the property sector.

On the macroeconomic front, a range of indicators pointed to a slowdown of the economy. China's growth slowed to 9.0% year-on-year in the third quarter, from 11.9% for the whole year of 2007. Meanwhile, the consumer price index declined from a record high of 8.7% in February to 2.4% in November. Exports also turned into negative territory, falling by 2% in November. In terms of domestic demand, both retail sales and fixed asset investment have remained resilient so far, growing at 21% and 27% in the same month respectively.

Since 2007, the Chinese authorities had been tightening their policies mainly in the form of austerity measures on the property sector and tight money supply on concern over the overheating economy. However, in response to the dramatic changes in the world economic situation and the exports, policy makers have shifted the policy stance radically from tightening to pro-growth policy aimed at boosting the economy. In November, the Chinese government announced a massive fiscal stimulus package totaling CNY 4 trillion for 2009 and 2010, roughly 6.5% of GDP per year. The package is large in scale and is focused on economic housing, infrastructure, rural reform, environmental and healthcare system. In tandem with the package, the People's Bank of China has been cutting aggressively the benchmark interest rates and the required reserve ratio starting from September. The actions clearly show the determination of the central government to maintain growth and support the domestic demand through active fiscal policy and easy monetary condition.

### Stock Market and Investment Policy

Chinese equities suffered an extremely negative performance in 2008. The Shanghai share index and the MSCI China index retrenched 65% in CNY and 53% in USD respectively in the year 2008 and this marked the worst performing year for Chinese stocks in the past two decades. During the year, liquid large caps continued to outperform mid-caps. Utilities, banks and telecom outperformed MSCI China while basic materials and consumer discretionary underperformed.

The HSZ China Fund was down by 56% in USD in the reporting period. There were a few bright spots where we saw relative resilience such as the train-borne electric system manufacturer, Zhuzhou CSR Times, and the department store operator, Golden Eagle Retail. However, the fund did suffer from sell-off of mid-cap names in the industrials sector, such as the wastewater treatment company, Epure International, and the construction machinery manufacturer, Lonking Holdings. Despite this, the fundamentals of these businesses remain intact and they are trading at attractive valuation levels, say single digit price earnings ratio and some even below replacement value.

Under the current liquidity tight environment, we prefer cash-rich, financially sound companies with earning visibilities. And we continue to look for companies with sound long-term economic fundamentals, good management and attractive valuations.

Specifically, we are positive on consumer companies with exposure to second and third-tier cities on the back of improving rural household income; property companies with undemanding valuation on the long-term positive outlook of improving affordability and urbanization; highways, railways and water infrastructure companies on the visibility of government spending in these areas.

### Outlook 2009

We believe China's secular growth story remains intact and the imminent economic slowdown is more cyclical in nature than structural. China's strong fiscal position and the government's pro-growth policy stance should help China withstand severe economic hardship in the medium-term.

The Chinese economy is expected to transit from a relatively high growth, high inflation period in 2008 to a moderate growth, low inflation year in 2009. Net exports and fixed asset investment will see more deceleration before getting better when the global economic growth shows signs of stabilization and the stimulus package takes effect.

China is one of the few places globally with promising growth prospects. China is still in the early stage of transforming itself from a cyclical, export-orientated economy to a more sustainable, domestic demand driven model. The structural demand boost and wealth creation from ongoing urbanization and rural reform are likely to be the key growth engines for China going forward.

We believe China still represents an attractive investment case given its strong growth potential and robust fiscal positions and the aftermath of the current crisis would present attractive buying opportunities for long-term investment. We are positive on the Chinese equities given its compelling valuations and compressed growth expectations and most importantly its long-term growth prospects. Careful stock selection remains the key to achieve long-term returns for investors in China.

HSZ Ltd.

## Annual statement of accounts

### Statement of Income from January 1 to December 31

	2008 in USD	2007 <sup>a</sup> in USD
<b>Income</b>		
Income from bank receivables at time	129 467.05	606 173.75
Shares and other equity instruments	1 518 656.55	2 609 560.24
Income from stock dividends	5 043.07	6 882.00
Purchase of current income on issue of units	7 947.29	12 973.36
<b>Total Income</b>	<b>1 661 113.96</b>	<b>3 235 589.35</b>
<b>Expenses</b>		
Interest expenses	4 241.50	1 257.76
Audit fees	12 297.14	10 974.31
Remunerations according to regulations		
– Custodian	124 374.24	333 379.64
– Fund manager	1 191 055.64	2 899 275.76
Performance fees	0.00	6 984 991.00
Reposting to realized capital gains and losses according to FTA	0.00	–6 984 991.00
Other expenses	15 403.22	25 759.24
Partly transfer of expenses to realized capital gains and losses	–153 283.82	–635 712.50
Payment of current income on redemption of units	1 071.46	22 726.20
<b>Total Expenses</b>	<b>1 195 159.38</b>	<b>2 657 660.41</b>
<b>Operating Result</b>	<b>465 954.58</b>	<b>577 928.94</b>
Realized capital gains and losses	–18 000 946.40	14 853 556.06
Partly transfer of expenses to realized capital gains and losses	–153 283.82	–635 712.50
<b>Realized Result</b>	<b>–17 688 275.64</b>	<b>14 795 772.50</b>
Not realized capital gains and losses	–53 115 042.80	28 264 348.39
<b>Total Result</b>	<b>–70 803 318.44</b>	<b>43 060 120.89</b>

<sup>a</sup>from November 17, 2006 to December 31, 2007

TER class USD	1.69%	5.82%
TER class CHF	1.69%	6.00%
TER class EUR	1.69%	5.81%
Performance fees as a % of the average net asset value class USD	0.00%	3.93%
Performance fees as a % of the average net asset value class CHF	0.00%	4.14%
Performance fees as a % of the average net asset value class EUR	0.00%	3.95%
PTR is calculated on total assets, since PTR on a class level is not meaningful.	38.32%	62.02%

## Annual statement of accounts

### Statement of Assets as of December 31

	2008 in USD	2007 in USD
<b>Bank receivables</b>		
- at sight	924.82	808 277.86
- at time	5 047 310.43	12 983 395.56
Shares and other equity instruments	33 762 717.37	154 156 346.24
Derivative financial instruments	2 198 032.96	0.00
Other assets	814.55	62 072.01
<b>Total Assets</b>	<b>41 009 800.13</b>	<b>168 010 091.67</b>
Liabilities	-171 276.61	-1 365 078.15
<b>Total Net Asset Value</b>	<b>40 838 523.52</b>	<b>166 645 013.52</b>

	Class USD	Class USD
<b>Number of Units Outstanding</b>		
Total as of January 1	1 117 800.9600	0.0000
Units issued in the period under review	56 439.1680	1 391 531.6250
Units redeemed in the period under review	-548 821.2240	-273 730.6650
Total as of December 31	625 418.9040	1 117 800.9600
<b>Net Asset Value of a Unit in USD</b>	<b>56.53</b>	<b>129.25</b>

	Class CHF	Class CHF
<b>Number of Units Outstanding</b>		
Total as of January 1	151 841.3170	0.0000
Units issued in the period under review	2 707.3430	229 028.0790
Units redeemed in the period under review	-37 577.0460	-77 186.7620
Total as of December 31	116 971.6140	151 841.3170
<b>Net Asset Value of a Unit in USD</b>	<b>45.35</b>	<b>103.61</b>
<b>Net Asset Value of a Unit in CHF</b>	<b>47.85</b>	<b>116.56</b>

	Class EUR	Class EUR
<b>Number of Units Outstanding</b>		
Total as of January 1	38 909.4970	0.0000
Units issued in the period under review	0.0000	42 215.5900
Units redeemed in the period under review	-36 418.4970	-3 306.0930
Total as of December 31	2 491.0000	38 909.4970
<b>Net Asset Value of a Unit in USD</b>	<b>72.39</b>	<b>165.51</b>
<b>Net Asset Value of a Unit in EUR</b>	<b>51.69</b>	<b>112.51</b>

During the period under review an unrealized loss of USD 1 571 668.30 resulted from derivative financial instruments (warrants).

### Off-Balance Sheet Transactions as of December 31, 2008

#### 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	959 862.40
Merrill Lynch on Ping An In Grp.	49 000	190 316.00
Merrill Lynch on Qingdao Haier Co.	797 454	1 047 854.56

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

	Number of positions	Market Value EUR	Excess EUR		
Deposited assets	1	4 083 852.35	2 198 032.96		
		Market Risk in USD	Net Asset Value in %	Currency Risk in USD	Net Asset Value in %
<b>Total Risk of Derivative Financial Instruments</b>		<b>2 251 305.28</b>	<b>5.51</b>	<b>0.00</b>	<b>0.00</b>

#### 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 CISO-SFBC)

	2008 in USD
<b>Total Net Asset Value as of January 1</b>	<b>166 645 013.52</b>
Units issued	5 907 527.60
Units redeemed	-60 910 699.16
Realized capital gains and losses	-18 154 230.22
Operating result	465 954.58
Unrealized capital gains and losses	-53 115 042.80
<b>Total Net Asset Value according to Statement of Assets as of December 31</b>	<b>40 838 523.52</b>
<b>Thereof Class USD</b>	<b>35 353 210.86</b>
<b>Thereof Class CHF</b>	<b>5 304 996.46</b>
<b>Thereof Class EUR</b>	<b>180 316.20</b>

### Use of Earnings

	Class EUR	Class CHF	Class USD
Balance carried forward of the previous year	21 569.45*	65 161.98	491 197.51
Total income for distribution	0.00	135 730.91	914 787.78
From which is retained in the reporting period	0.00	70 568.93	423 590.27
Designated income for distribution to the investors	0.00	116 971.61	750 502.68
Balance carried forward	0.00	18 759.30	164 285.10

\*The net loss of USD 28 204.62 of the Class EUR was offset against the balance of the previous year and the resulting USD 6 635.17 were charged to the account "accumulated realized capital gains".

### Distribution as of April 30, 2009

	Coupons No. 1	Coupons No. 1
Gross distribution per unit	1.00	1.20
-35% federal withholding tax	0.35	0.42
Net distribution per unit	0.65	0.78

## Annual statement of accounts

### Portfolio Composition as of December 31, 2008

#### Assets

Quantity	Name	Country	Currency	Price	Value in USD	Value in % of Fund Assets
<b>Shares and other Equity Instruments, quoted on Stock Exchange 82.68%</b>						
<b>Mechanical Engineering and Industrial Equipment</b>					<b>6 956 002.88</b>	<b>17.04</b>
5 678 000	Lonking Holdings Ltd.	Cayman Islands	HKD	3.94	2 882 343.86	7.06
781 200	Weichai Power Co. Ltd.	China	HKD	14.16	1 427 023.59	3.50
3 309 000	Zhuzhou CSR Times Electric Co. Ltd.	China	HKD	6.20	2 646 635.43	6.48
<b>Retail Trade and Department Stores</b>					<b>3 744 692.48</b>	<b>9.17</b>
2 419 000	Golden Eagle Retail Group Ltd.	Cayman Islands	HKD	5.35	1 669 534.18	4.09
743 500	Li Ning Co. Ltd.	Cayman Islands	HKD	12.02	1 152 898.58	2.82
817 500	Parkson Retail Group Ltd.	Cayman Islands	HKD	8.75	922 259.72	2.26
<b>Real Estate</b>					<b>3 153 875.62</b>	<b>7.72</b>
1 238 000	Ajisen (China) Holdings Ltd.	Cayman Islands	HKD	3.72	594 113.27	1.45
798 000	China Overseas Land & Investment Ltd.	Hong Kong	HKD	10.88	1 120 050.11	2.74
4 749 000	Shui On Land Ltd.	Cayman Islands	HKD	2.35	1 439 712.24	3.53
<b>Textiles, Garments and Leather Goods</b>					<b>2 915 083.98</b>	<b>7.14</b>
4 761 000	Anta Sports Products Ltd.	Cayman Islands	HKD	3.52	2 161 954.31	5.30
139 000	Esprit Holdings Ltd.	Bermuda	HKD	42.00	753 129.67	1.84
<b>Energy and Water Supply</b>					<b>2 814 316.07</b>	<b>6.89</b>
16 051 000	Epure International Ltd.	Singapore	SGD	0.24	2 665 531.00	6.53
610 000	Hyflux Water Trust	Singapore	SGD	0.35	148 785.07	0.36
<b>Banks and other Credit Institution</b>					<b>2 703 784.53</b>	<b>6.62</b>
1 510 000	China Merchants Bank Co. Ltd.	China	HKD	13.88	2 703 784.53	6.62
<b>Building Industry and Building Materials</b>					<b>2 493 042.39</b>	<b>6.10</b>
4 254 000	COSCO International Holdings Ltd.	Bermuda	HKD	1.65	905 497.17	2.21
2 258 000	Shimao Property Holdings Ltd.	Cayman Islands	HKD	5.45	1 587 545.22	3.89
<b>Miscellaneous Consumer Goods</b>					<b>2 345 310.03</b>	<b>5.74</b>
2 872 000	Beijing Jingkelong Co. Ltd.	China	HKD	2.75	1 018 879.43	2.50
1 160 500	Ports Design Ltd.	Bermuda	HKD	8.86	1 326 430.60	3.24
<b>Traffic and Transportation</b>					<b>1 620 309.85</b>	<b>3.97</b>
1 352 000	China Communications Construction Co. Ltd.	China	HKD	9.29	1 620 309.85	3.97
<b>Environmental Services and Recycling</b>					<b>1 378 850.95</b>	<b>3.38</b>
70 376	ZhongDe Waste Technology AG	Germany	EUR	13.99	1 378 850.95	3.38
<b>Mining, Coal and Steel</b>					<b>1 267 626.37</b>	<b>3.11</b>
618 000	China Shenhua Energy Co. Ltd.	China	HKD	15.90	1 267 626.37	3.11
<b>Pharmaceuticals, Cosmetics and Med. Products</b>					<b>941 466.27</b>	<b>2.31</b>
6 516 000	EcoGreen Fine Chemicals Group Ltd.	Cayman Islands	HKD	1.12	941 466.27	2.31
<b>Lodging and Catering Ind., Leisure Facilities</b>					<b>585 284.18</b>	<b>1.43</b>
1 123 000	Fu Ji Food and Catering Services Holdings Ltd.	Cayman Islands	HKD	4.04	585 284.18	1.43
<b>Graphics, Publishing and Printing Media</b>					<b>551 239.83</b>	<b>1.35</b>
10 422 000	Pico Far East Holdings Ltd.	Cayman Islands	HKD	0.41	551 239.83	1.35
<b>Rubber and Tires</b>					<b>291 831.94</b>	<b>0.71</b>
3 057 000	Xingda International Holdings Ltd.	Cayman Islands	HKD	0.74	291 831.94	0.71
<b>Total Shares and other Equity Instruments, quoted on Stock Exchange</b>					<b>33 762 717.37</b>	<b>82.68</b>



## Annual statement of accounts

### Portfolio Composition as of December 31, 2008

#### Assets

Quantity	Name	Country	Currency	Price	Value in USD	Value in % Fund Assets
<b>Derivative Financial Instruments 5.38%</b>						
<b>Warrants</b>						
821 800	Warrants Merrill Lynch on Daqin Railway Co. Ltd.	NLAntilles	USD	1.17	959 862.40	2.35
49 000	Warrants Merrill Lynch on Ping An In Grp.	NLAntilles	USD	3.88	190 316.00	0.47
797 454	Warrants Merrill Lynch on Qingdao Haier Co.	NLAntilles	USD	1.31	1 047 854.56	2.56
<b>Total Derivative Financial Instruments</b>					<b>2 198 032.96</b>	<b>5.38</b>
<b>Total Investments</b>			<b>USD</b>		<b>35 960 750.33</b>	<b>88.06</b>
<b>Bank Receivables<sup>1</sup></b>						
- at sight			USD		924.82	0.00
- at time			USD		5 047 310.43	12.36
<b>Other Assets</b>			<b>USD</b>		<b>814.55</b>	<b>0.00</b>
<b>Total Fund Assets</b>			<b>USD</b>		<b>41 009 800.13</b>	
<b>Liabilities</b>			<b>USD</b>		<b>-171 276.61</b>	<b>-0.42</b>
<b>Total Net Asset Value</b>			<b>USD</b>		<b>40 838 523.52</b>	<b>100.00</b>

<sup>1</sup> Deposits are not protected by deposit insurances.

	Currency	Rate
<b>Exchange Rates to USD</b>		
Hong Kong Dollar	HKD	0.1290
Singapore Dollar	SGD	0.6919
Euro	EUR	1.4005

## Annual statement of accounts

### Changes in Securities Holdings from January 1 to December 31, 2008

Name	Currency	Quantity 01.01.08	Quantity Bought <sup>2</sup>	Quantity Sold <sup>2</sup>	Quantity 31.12.08
<b>Bermuda</b>					
COSCO International Holdings Ltd.	HKD	6 764 000	0	2 510 000	4 254 000
Esprit Holdings Ltd.	HKD	419 800	0	280 800	1 39 000
Global Sources Ltd.	USD	59 875	5 987	65 862	0
Ports Design Ltd.	HKD	842 000	615 000	296 500	1 160 500
Wumart Stores Inc.	HKD	1 000 000	0	1 000 000	0
<b>China</b>					
Beijing Jingkelong Co. Ltd.	HKD	5 856 000	0	2 984 000	2 872 000
China Communications Construction Co. Ltd.	HKD	600 000	1 002 000	250 000	1 352 000
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	1 879 000	1 510 000
Weichai Power Co. Ltd.	HKD	520 000	542 200	281 000	781 200
Zhuzhou CSR Times Electric Co. Ltd.	HKD	0	3 959 000	650 000	3 309 000
ZTE Corp.	HKD	0	177 520	177 520	0
<b>Germany</b>					
ZhongDe Waste Technology AG	EUR	99 420	0	29 044	70 376
<b>Hong Kong</b>					
Aupu Group Holding Co. Ltd.	HKD	2 052 000	0	2 052 000	0
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	1 116 000	0
Parkson Retail Group Ltd.	HKD	0	1 052 500	1 052 500	0
Ping an Insurance Group Company of China Ltd.	HKD	333 000	47 000	380 000	0
Wheelock and Company Ltd.	HKD	0	477 000	477 000	0
<b>Jersey</b>					
West China Cement Ltd.	GBP	850 000	0	850 000	0
<b>Cayman Islands</b>					
Ajisen (China) Holdings Ltd.	HKD	0	1 238 000	0	1 238 000
Anta Sports Products Ltd.	HKD	0	5 249 000	488 000	4 761 000
China Grand Forestry Resources	HKD	6 600 000	0	6 600 000	0
China Mengniu Dairy Company Ltd.	HKD	1 444 000	200 000	1 644 000	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	11 798 000	0
EcoGreen Fine Chemicals Group Ltd.	HKD	6 202 000	314 000	0	6 516 000
Fu Ji Food and Catering Services Holdings Ltd.	HKD	4 211 000	0	3 088 000	1 123 000
Golden Eagle Retail Group Ltd.	HKD	0	2 419 000	0	2 419 000
Li Ning Co. Ltd.	HKD	0	843 500	100 000	743 500
Lonking Holdings Ltd.	HKD	0	5 678 000	0	5 678 000
Parkson Holdings	MYR	0	188 500	188 500	0
Parkson Retail Group Ltd.	HKD	0	1 007 500	190 000	817 500
Pico Far East Holdings Ltd.	HKD	22 854 000	0	12 432 000	10 422 000
Shimao Property Holdings Ltd.	HKD	2 006 500	510 000	258 500	2 258 000
Shui On Land Ltd.	USD	5 927 500	1 550 000	2 728 500	4 749 000
Xingda International Holdings Ltd.	HKD	12 040 000	0	8 983 000	3 057 000
Xinyi Glass Holdings Ltd.	HKD	0	440 000	440 000	0
<b>Netherlands Antilles</b>					
Warrants Merrill Lynch on Daqin Railway Co. Ltd.	USD	0	821 800	0	821 800
Warrants Merrill Lynch on Ping An In Grp.	USD	0	49 000	0	49 000
Warrants Merrill Lynch on Qingdao Haier Co.	USD	0	797 454	0	797 454

## Annual statement of accounts

### Changes in Securities Holdings from January 1 to December 31, 2008

Name	Currency	Quantity 01.01.08	Quantity Bought*	Quantity Sold*	Quantity 31.12.08
<b>Singapore</b>					
Epure International Ltd.	SGD	7 471 000	14 622 000	6 042 000	16 051 000
Hyflux Water Trust	SGD	0	610 000	0	610 000
<b>Taiwan</b>					
Quanta Computer Inc.	TWD	883 940	0	883 940	0
<b>USA</b>					
China Infrastructure Machinery Holdings Ltd.	HKD	6 034 000	0	6 034 000	0

\* Includes 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 January 1, to December 31, 2008 no soft commission agreements were concluded in the name of AIG Fund Management (Switzerland) Ltd. nor were soft commissions received.