





Integrity
Commitment
Prudence
Learning
Professionalism
Teamwork

MESSAGE FROM THE CHAIRMAN & CEO

MESSAGE FROM THE CHAIRMAN & CEO

China Investment Corporation (CIC) was established by the government of the People's Republic of China in September, 2007 to diversify the country's foreign exchange holdings and obtain higher long-term risk-adjusted returns on those holdings. Though CIC is a young organization – less than two years old – it has made substantial progress in implementing the development strategy set by the Board of Directors and coping with a once-in-a-century global financial crisis, while at the same time recruiting a highly qualified domestic and international staff, developing operating plans and strategies, building its organization and making its first investments. We are pleased to share our progress with you in this first annual report to our stakeholders.

Our mission is to make long-term investments that maximize risk-adjusted financial returns for the benefit of the State, our shareholder. Our legal framework and governance model require us to operate as an independent commercial entity in an environment of sound corporate governance. We are committed to maintaining excellent professional and ethical standards in corporate governance, transparency and accountability. We have the full support of our shareholder to achieve our mission and attain these goals.

Our legal framework and governance model require us to operate as an independent commercial entity in an environment of sound corporate governance. We are committed to maintaining excellent professional and ethical standards in corporate governance, transparency and accountability.

CIC is a portfolio investor. We will develop an investment portfolio appropriately diversified by sector, region and asset class to ensure high, risk-adjusted returns. CIC is a long-term financial investor, committed to working with our partners and not seeking to control entities or sectors. While we will exercise our rights and obligations as a shareholder, we aim to be a welcomed partner and abide by local laws and regulations in the countries where we invest. Although we have only a limited investment history to date, we believe our activities have been in line with this approach.

CIC comprises two distinct elements; the investment management operation of CIC, which makes non-RMB investments globally, and Central Huijin Investment Ltd. (Central Huijin), a wholly owned subsidiary. Central Huijin was established to invest exclusively in domestic state-owned financial institutions on



Lou Jiwei
Chairman & CEO

behalf of the state in order to improve governance and preserve and enhance the value of state-owned financial assets. This report focuses mainly on the global investment operations of CIC.

During 2008, we were busy building our organization, infrastructure and capabilities, while gradually starting our investment activities. As the year unfolded, we made the decision to reduce the pace of our investing even further. At the same time, Central Huijin experienced substantial growth in the value of its investments in China's financial institutions. We are pleased that in the difficult global economic environment of 2008, CIC was able to keep the rate of return on our global portfolio at -2.1%. Combined with Central Huijin's excellent performance, CIC provided its shareholder with an overall return on registered capital of 6.8%.



CIC was an active member of the International Working Group responsible for developing the generally accepted principles and practices for sovereign wealth funds, having participated in their drafting. We look forward to participating in the newly formed International Forum of Sovereign Wealth Funds.

We face 2009 and the future with confidence. We have attracted about 200 highly talented individuals to our global investment team, with almost half having education and work experience internationally and the balance having experience domestically in areas of investment, risk management, research, finance and operations. We are confident we are building a strong foundation to support our future growth and development. In this regard, we recently established our International Advisory Council consisting of 14 well-known and internationally respected experts who are working with us to provide advice and counsel on global economic issues, CIC's governance, and our investment and risk management strategies, policies and processes.



CIC is a new, major sovereign wealth fund which invests on commercial basis. We are confident that, over time, our actions will demonstrate we are a prudent long-term investor, responsible global citizen and valued partner.

We are proud to share our accomplishments with you.

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Lou Jiwei
Chairman & CEO
July, 2009



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BACKGROUND



Headquartered in Beijing, CIC was founded on September 29, 2007, as a wholly state-owned company incorporated in accordance with China's Company Law. The company was created as a vehicle to diversify China's foreign exchange holdings and increase risk-adjusted returns on those assets in the context of China's macro economic requirements and further reform of its financial system.

CIC was capitalized with USD 200 billion in reserves, purchased from the People's Bank of China (China's central bank) in exchange for RMB 1,550 billion in government bonds issued by the Ministry of Finance. Income from CIC's investments is expected to provide dividend income to the shareholder to service the debt issued.

The company purchased Central Huijin, a state-owned investment company which invests in key state-owned financial institutions in China. Central Huijin also recapitalized selected domestic financial institutions. While Central Huijin is not involved in the day-to-day operations of its

invested companies, it exercises its rights and performs its obligations as an investor to achieve the goals of improving governance and preserving and enhancing the value of state-owned financial assets.

The USD 200 billion in registered capital has been allocated slightly over 50% for global investment and the balance for investment in domestic financial institutions by Central Huijin. The global investment activities of CIC and the domestic investment activities of Central Huijin are completely separate.

CIC's initial international investments included minority stakes (under 10%) in U.S. firms Morgan Stanley and the Blackstone Group. Subsequent investment activity has included limited portfolio investment, largely through internationally recognized investment management firms, in-house management and commitments to a small number of private equity firms. CIC is well positioned for 2009 and beyond with significant capital available for investment.

CULTURE AND CORE VALUES



No system of governance can be effective without a strong corporate culture. As a young organization, CIC is building its corporate culture and has given a great deal of thought to the values that should underpin it:

- **Integrity:** Integrity is paramount among all our staff and the basis for everything we do in work and life. In our business we extol integrity and honesty. We operate in accordance with the laws and regulations of each country and region that we invest in.
- **Commitment:** CIC and our staff are fully committed to managing our business and portfolio successfully. CIC, together with each member of our team, assumes full accountability, endeavor to maximize risk-adjusted returns, and act in the best interest of our shareholder.
- **Prudence:** We exercise care, prudence, and diligence and take a measured approach to managing risks in every investment we undertake. We are always conscious of our fiduciary responsibility. As an institution and as individuals, we always seek to work diligently and to conduct business in good faith.

- **Learning:** The constant pursuit of new knowledge and the adoption of best practices are a driving force for our success and future growth. We seek to foster an institution in which each member of our team has the support, infrastructure, and encouragement to learn new practices, skills, and approaches to achieving excellence.
- **Professionalism:** We aim high, are relentless in our pursuit of excellence and pride ourselves in the quality of our work. We adhere to the

highest standards of professionalism in the way we conduct our business.

- **Teamwork:** We promote teamwork and encourage close collaboration between all our staff and departments to guarantee operational efficiency and achievement of CIC's stated objectives.



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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Leadership and direction of CIC, set as a wholly state-owned company, is vested by its shareholder, the State Council of the PRC, in three governing bodies; the Board of Directors and the Board of Supervisors, both required under China's Company Law, and the Executive Committee.

CIC's Board of Directors is mandated and authorized to oversee the company's operation and overall performance. Based on objectives and broad policy set by the State Council, the Board approves the investment strategy and operational guidelines. Its mandate also includes: (i) deciding how to implement such strategies; (ii) identifying major issues that need to be reported to the State Council; (iii) appointing, and if required, authorizing the removal of management; and (iv) delegating responsibilities and establishing committees as necessary.

Responsible for monitoring the ethical behavior of directors and executives as well as the effectiveness of supervisory procedures within the company, the Board of Supervisors reports directly to the shareholder. The Board also manages the Internal Audit Department, engages outside auditors and monitors CIC's accounting and financial functions. The Chairman of the Board of Supervisors is a member of the Executive Committee and sits as an observer in meetings of the Board of Directors.

CIC's Executive Committee is responsible for translating the Board of Directors' guidance into detailed strategies as well as for CIC's day-to-day operations, with authority to make required operational decisions. Two additional committees with policy and decision-making responsibilities have been established by the Executive Committee.

The role, responsibilities and membership of the Investment Committee and Risk Management Committee are discussed later in this report.

CIC maintains a strict operational firewall between its global investment activities and those of Central Huijin, which represents the State's interest in domestic, state-owned financial institutions. Central Huijin has a separate Board of Directors, a separate Board of Supervisors and a separate management and organization structure. Only two individuals, the Chairman of the Board of Directors and the Chairman of the Board of Supervisors, assume broad management and supervisory responsibility for both entities.

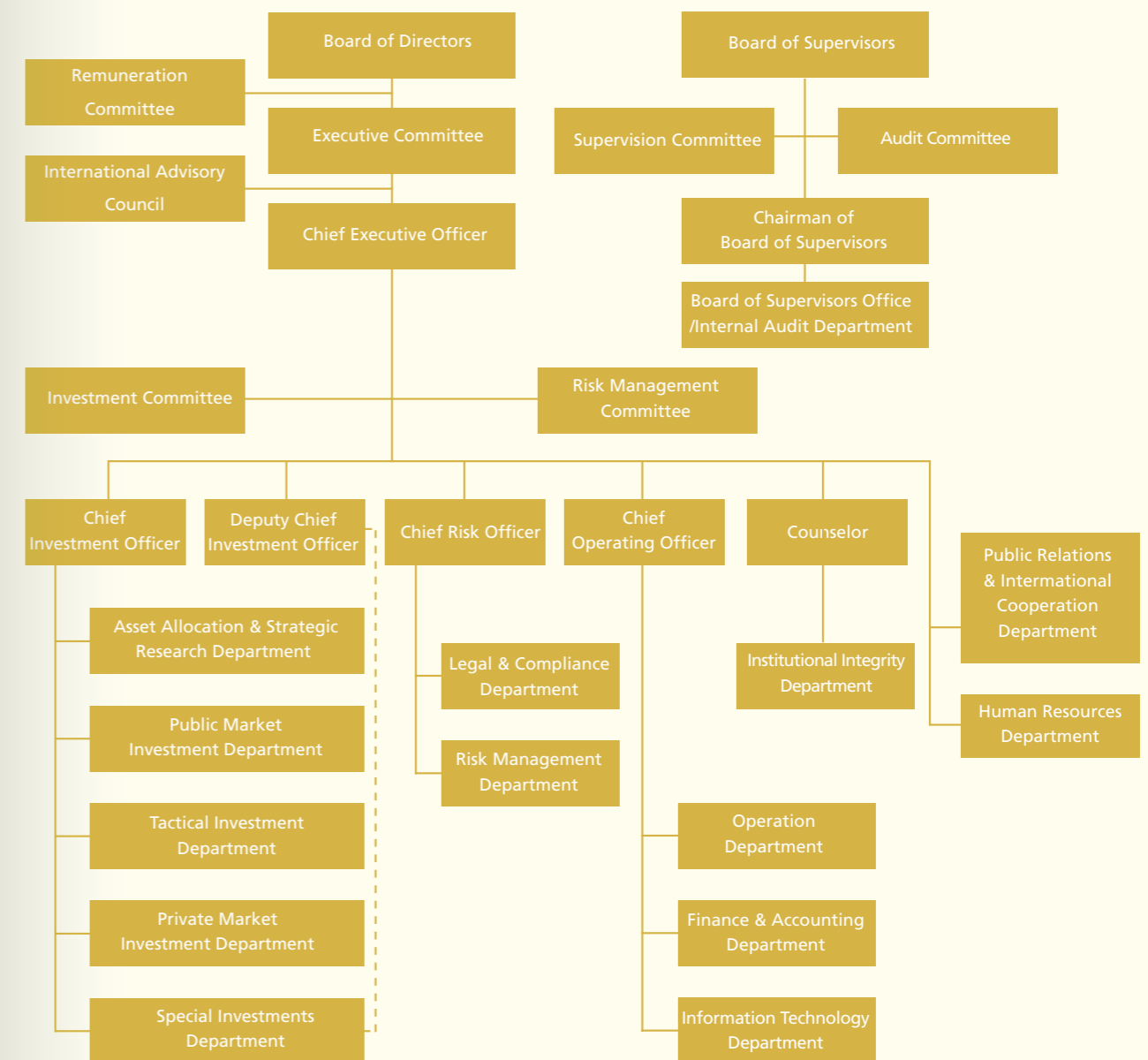
CIC has been a participant in the International Working Group of Sovereign Wealth Funds (IWG) since its first meeting April 30- May 1, 2008. The IWG was composed of 26 International Monetary Fund member countries with Sovereign Wealth Funds. The IWG's goal was to identify and draft a set of generally accepted principles and practices that properly reflects the objectives and investment practices of a sovereign wealth fund. CIC participated on the drafting group that prepared the principles which were agreed at the third meeting of the IWG in Santiago, Chile in September, 2008 and formally promulgated in October, 2008; the so-called "Santiago Principles". The Chinese Government formally endorsed the Santiago Principles. CIC will continue to participate in discussion of issues affecting sovereign wealth funds as a member of the newly formed International Forum of Sovereign Wealth Funds.

CIC has assembled 14 global financial experts for its International Advisory Council. The Council advises CIC's senior management on issues such as corporate governance, portfolio development

strategy, overseas investment and regulatory policy issues, global economics and financial developments and other key issues impacting CIC's business. CIC's global investment

management organizational structure is shown in Exhibit 1. Photos and biographical sketches of key personnel follow.

EXHIBIT 1 China Investment Corporation Organization Chart
(Excludes independent units of Central Huijin Investment Ltd.)



BOARD OF DIRECTORS



Lou Jiwei

Chairman & CEO

Mr. Lou Jiwei is the Chairman and Chief Executive Officer of CIC. Immediately prior to this, he served as Deputy Secretary General (ministerial level) of the State Council. Previously he also served as Executive Vice Minister of Finance, Vice Governor of Guizhou Province, and Director General of the Macroeconomic Control Department of the State Commission for Restructuring the Economy.

Mr. Lou was born in 1950, and received a master's degree in economics from the Chinese Academy of Social Sciences and a bachelor's degree from Tsinghua University.



Gao Xiqing

Vice Chairman, President & CIO

Mr. Gao Xiqing is the Vice Chairman, President, and Chief Investment Officer of CIC. Immediately prior to this, he served as Vice Chairman of the National Council for the Social Security Fund. He also worked as Vice Chairman at the China Securities Regulatory Commission, and General Counsel and Director General of the Public Offering Supervision Department. In the 1990s, he also served as Deputy Chairman and Chief Executive Officer of the Bank of China International (Holdings) Limited.

Mr. Gao was born in 1953, and received a juris doctor degree from the School of Law of Duke University in the United States and a master's degree in law from the University of International Business and Economics in Beijing, China.



Zhang Hongli

Executive Director, Executive Vice President & COO

Mr. Zhang Hongli is Executive Director, Executive Vice President, and Chief Operating Officer of CIC. Prior to joining CIC, he worked in the Ministry of Finance where he held various senior positions, including Vice Minister of Finance, Director General of the Budget Department, and Deputy Director General of the Educational, Scientific and Cultural Department.

Mr. Zhang was born in 1950, and holds a doctor's degree in economics from Dongbei University of Finance and Economics.



Zhang Xiaoqiang

Non-Executive Director

Mr. Zhang Xiaoqiang is Non-Executive Director of CIC. He is currently Vice Chairman of the National Development and Reform Commission (NDRC). Prior to this position, he served as Secretary General of the State Development & Planning Commission (SDPC), a predecessor to the NDRC, the Director General of the Department of Foreign Investment at the State Planning Commission (a predecessor to the SDPC), and an economic counselor at the Chinese Embassy in the United States.

Mr. Zhang was born in 1952, and holds a bachelor's degree in Economics from Peking University in China.



Li Yong

Non-Executive Director

Mr. Li Yong is Non-Executive Director of CIC. He is currently Vice Minister of Finance; prior to this he served as Assistant Minister of Finance. In his career, he also served as the Secretary General of the Chinese Institute of Certified Public Accountants; Director General of the World Bank Department under the Ministry of Finance; and Executive Director of the World Bank's China Office.

Mr. Li was born in 1951, and holds a master's degree in economics from the Research Institute for Fiscal Science under the Ministry of Finance.



Fu Ziying

Non-Executive Director

Mr. Fu Ziying is Non-Executive Director of CIC. He is currently Vice Minister at the Ministry of Commerce (MOFCOM). Prior to this, he was an Assistant Minister of Commerce. Previously, he served successively in a number of senior positions in the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), the precursor to MOFCOM, including as Director General of the Department of Planning and Finance. He also served as Director of Reanda Certified Public Accountants.

Mr. Fu was born in 1957, and holds a doctor's degree in economics from the Chinese Academy of Social Sciences.



Liu Shiyu

Non-Executive Director

Mr. Liu Shiyu is Non-Executive Director. He is currently Vice Governor of the People's Bank of China (PBOC). Prior to his current post in the PBOC, Mr. Liu served as Assistant Governor of PBOC, Director General of PBOC's General Administration Department, Director General of PBOC's Banking Supervision Department, and Deputy Director General of PBOC's Banking Department. Before joining PBOC, Mr. Liu served as Deputy Director General of the Mortgage Business Department at the China Construction Bank.

Mr. Liu was born in 1961, and is a research fellow.



Hu Xiaolian

Non-Executive Director

Madam Hu Xiaolian is Non-Executive Director of CIC. She serves currently as Vice Governor of the People's Bank of China (PBOC) and concurrently as the Administrator of the State Administration of Foreign Exchange (SAFE). Before taking up her current position, she served as Assistant Governor of PBOC and Deputy Administrator of SAFE. Previously she worked in a number of departments in SAFE, serving as Director General of the Reserve Management Department, Deputy Director General of the Policy, Law, and Regulation Department, and Director of the Policy Research Office.

Madam Hu was born in 1958, and holds a master's degree in economics from the Graduate School of the People's Bank of China.



Liu Zhongli

Independent Director

Mr. Liu Zhongli is an Independent Director of CIC. He is concurrently Chair of the Chinese Institute of Certified Public Accountants. Prior to this, he served as the Chairman of the Economic Commission under the Chinese People's Political Consultative Conference (CPPCC). Previously he served as the Chairman of the National Council for Social Security Fund, Director of the Economic Restructuring Office of the State Council, Minister of Finance, Commissioner of the State Administration of Taxation, Deputy Secretary General of the State Council, and Deputy Head of the Enterprises Management Advisory Commission under the State Council. He also served as Vice Governor of Heilongjiang Province in 1980s.

Mr. Liu was born in 1934, and is a college graduate.



Wang Chunzheng

Independent Director

Mr. Wang Chunzheng is an Independent Director of CIC. Previously, he was the Head (ministerial level) of the Office of the Central Leading Group on Financial and Economic Affairs. He also served as Vice Chairman (ministerial level) of the National Development and Reform Commission (NDRC) as well as its predecessor, the State Development Planning Commission (SDPC).

Mr. Wang was born in 1938.



Yu Erniu

Employee Director

Mr. Yu Erniu is an Employee Director and the Human Resource Director of CIC. Prior to this appointment in CIC, he was Board Director and Chairman of Remuneration Committee of the Bank of China Ltd. and held multiple positions in the Ministry of Finance, including the Director General of the Personnel and Education Departments.

Mr. Yu was born in 1949, and holds a master's degree in law from the Capital University of Economics and Business in Beijing.

BOARD OF SUPERVISORS



Jin Liqun

Chairman of Board of Supervisors

Mr. Jin Liqun is the Chairman of the Board of Supervisors of CIC. Prior to this appointment, he served as the Vice President (Operations 1) of the Asian Development Bank (ADB). Before joining the ADB in August 2003, he served as Vice Minister of Finance, Director General of the World Bank Department at the Ministry of Finance, and Alternative Executive Director of China to the World Bank Group. He was a member of the Monetary Policy Committee of the People's Bank of China.

Mr. Jin was born in 1949, and holds a master's degree from Beijing Foreign Studies University and was a Hubert Humphrey Fellow in the Economics Graduate Program at Boston University.



Linghu An

Supervisor

Mr. Linghu An is a member of the Board of Supervisors of CIC. He is currently Deputy Auditor General of the National Audit Office (ministerial level). Prior to this appointment, he had held various leading positions as Secretary General of the Yunnan Provincial Committee of the Communist Party of China, Vice Minister of Labor, Commissioner of the National Commission for Economic System Reform, Vice Mayor of Dalian City, and Deputy Director of the Dalian City Commission for Economic System Reform.

Mr. Linghu was born in 1946, and holds a bachelor's degree from the Beijing Engineering Institute.



Wang Huaqing

Supervisor

Mr. Wang Huaqing is a member of the Board of Supervisors of CIC. He is currently the Secretary of Discipline Inspection of the China Banking Regulatory Commission (CBRC). Before this appointment, he held a number of senior positions at CBRC, including Director General of CBRC's Shanghai office and Director General of the Formulation Committee for CBRC Shanghai office. Before joining the CBRC, he had served as the Chief Banking Supervisor and Vice President at the Shanghai branch of the People's Bank of China.

Mr. Wang was born in 1953, and holds a doctor's degree in economics from the Southwestern University of Finance and Economics.



Fan Fuchun

Supervisor

Mr. Fan Fuchun is a member of the Board of Supervisors of CIC. Previously, he served as Vice Chairman of the China Securities Regulatory Commission (CSRC), Director General of Listed Company Supervision Department of CSRC and the Deputy Director General of the Economics Department under the All China Federation of Industry and Commerce.

Mr. Fan was born in 1948, and holds a master's degree in business administration.



Cui Guangqing

Employee Supervisor

Mr. Cui Guangqing is an Employee Supervisor of CIC. He concurrently serves as the Head and Managing Director of Board of Supervisors Office/Internal Audit Department of CIC. Prior to joining CIC, he served at the National Audit Office where he held various positions including Director General of the Information and Postal Audit Office and Deputy Director General of the Department of Monetary Audit.

Mr. Cui was born in 1964, and holds a doctor's degree in economics from Xi'an Jiaotong University.

EXECUTIVE COMMITTEE

From left to right:

Wang Jianxi
Yang Qingwei
Jin Liqun
Lou Jiwei
Gao Xiqing
Zhang Hongli
Xie Ping
Liang Xiang



Lou Jiwei

Chairman & CEO

Mr. Lou Jiwei is the Chairman and Chief Executive Officer of CIC. Immediately prior to this, he served as Deputy Secretary General (ministerial level) of the State Council. Previously he also served as Executive Vice Minister of Finance, Vice Governor of Guizhou Province, and Director General of the Macroeconomic Control Department of the State Commission for Restructuring the Economy.

Mr. Lou was born in 1950, and received a master's degree in economics from the Chinese Academy of Social Sciences and a bachelor's degree from Tsinghua University.

Gao Xiqing

Vice Chairman, President & CIO

Mr. Gao Xiqing is the Vice Chairman, President, and Chief Investment Officer of CIC. Immediately prior to this, he served as Vice Chairman of the National Council for the Social Security Fund. He also worked as Vice Chairman at the China Securities Regulatory Commission, and General Counsel and Director General of the Public Offering Supervision Department. In the 1990s, he also served as Deputy

Chairman and Chief Executive Officer of the Bank of China International (Holdings) Limited.

Mr. Gao was born in 1953, and received a juris doctor degree from the School of Law of Duke University in the United States and a master's degree in law from the University of International Business and Economics in Beijing, China.

Jin Liqun

Chairman of Board of Supervisors

Mr. Jin Liqun is the Chairman of the Board of Supervisors of CIC. Prior to this appointment, he served as the Vice President (Operations 1) of the Asian Development Bank (ADB). Before joining the ADB in August 2003, he served as Vice Minister of Finance, Director General of the World Bank Department at the Ministry of Finance, and Alternative Executive Director of China to the World Bank Group. He was a member of the Monetary Policy Committee of the People's Bank of China.

Mr. Jin was born in 1949, and holds a master's degree from Beijing Foreign Studies University and was a Hubert Humphrey Fellow in the Economics Graduate Program at Boston University.

Zhang Hongli

Executive Director, Executive Vice President & COO

Mr. Zhang Hongli is Executive Director, Executive Vice President, and Chief Operating Officer of CIC. Prior to joining CIC, he worked in the Ministry of Finance where he held various senior positions, including Vice Minister of Finance, Director General of the Budget Department, and Deputy Director General of the Educational, Scientific and Cultural Department.

Mr. Zhang was born in 1950, and holds a doctor's degree in economics from Dongbei University of Finance and Economics.

Yang Qingwei

Executive Vice President & Deputy CIO

Mr. Yang Qingwei is a member of the Executive Committee, Executive Vice President, and Deputy Chief Investment Officer of CIC. Prior to joining CIC, Mr. Yang served as the Director General of the Department of Investment under the National Development and Reform Commission and its predecessor, the State Planning Commission, as well as the Director General of the Social Affairs Department of the Planning Commission.

Mr. Yang was born in 1948, and holds a bachelor's degree in education from Beijing Normal University.

Xie Ping

Executive Vice President

Mr. Xie Ping is a member of the Executive Committee and Executive Vice President of CIC. Immediately prior to joining CIC, he served as the President of Central Huijin Investment Ltd. He had also held a number of senior positions within the People's Bank of China (PBOC), including Director General of the Financial Stability Department, Director General of the Research Bureau, Governor of the Hunan branch of the PBOC, Director General of the Non-Banking Supervision Department, and Deputy Director General of the Policy Research Office.

Mr. Xie was born in 1955, and holds a master's degree in economics from Southwestern University of Finance and Economics and a doctor's degree in economics from Renmin University of China.

Wang Jianxi

Executive Vice President & CRO

Mr. Wang Jianxi is a member of the Executive Committee of CIC as well as Executive Vice President and Chief Risk Officer. Prior to joining CIC, he was Vice Chairman of Central Huijin Investment Ltd. and Chairman of China International Capital Corporation (CICC), a joint venture investment bank established between China Construction Bank and Morgan Stanley. He had also served as Assistant Chairman of China Securities Regulatory Commission, President of Bank of China International (UK), Chief Financial Officer and Executive Vice President of Bank of China International, and Chief Accountant and Director General of the International Department under China Securities Regulatory Commission.

Mr. Wang was born in 1951, and holds a doctor's degree in accounting.

Liang Xiang

Counselor

Madam Liang Xiang is a member of the Executive Committee and in charge of institutional integrity issues. Immediately prior to this, she served as the Secretary of Inspecting Discipline Commission in the Export-Import Bank of China. Previously she also served as Deputy Director of Planning Institution of Chemical Industry, Deputy Director of Planning Department in Ministry of Chemical Industry, General Manager of the Second Credit Department, the Buyer Credit Department, the Export Credit Department and Assistant President of the Export-Import Bank of China.

Madam Liang was born in 1955, and holds a bachelor's degree in Engineering from Beijing University of Chemical Technology.

INTERNATIONAL ADVISORY COUNCIL

From left to right:

Taizo Nishimuro
 Lord Nicholas H. Stern
 Frederick Ma
 James D. Wolfensohn
 Andrew Sheng
 Zeng Peiyan
 Arminio Fraga
 Lou Jiwei
 Knut N. Kjaer
 Jean Lemierre
 David L. Emerson
 John L. Thornton
 Yingyi Qian
 Merit E. Janow



Asia

Zeng Peiyan (China)

Chairman, China Center for International Economic Exchanges; former Vice Premier of the State Council, China

Lawrence J. Lau (Hong Kong, China)

Vice Chancellor (President), Chinese University of Hong Kong

Frederick Ma (Hong Kong, China)

Honorary Professor, School of Economics and Finance at University of Hong Kong; former Secretary of Commerce and Economic Development, Government of the Hong Kong Special Administrative Region, China

Taizo Nishimuro (Japan)

Chairman, Tokyo Stock Exchange Group; former Chairman & CEO, Toshiba Corporation

Yingyi Qian (China)

Dean, School of Economics and Management at Tsinghua University; Professor of Economics, University of California at Berkeley

Andrew Sheng (Malaysia)

Chief Advisor to China Banking Regulatory Commission; former Chairman, Hong Kong Securities and Futures Commission, China

Americas

David L. Emerson (Canada)

Senior Advisor to Law Firm Farris, Vaughan, Wills & Murphy; former Minister of Foreign Affairs, former Minister of International Trade, former Minister of Industry, Canada

Arminio Fraga (Brazil)

Chairman, Board of BM&F-Bovespa; founding partner, Gavea Investimentos; former President, Central Bank of Brazil

Merit E. Janow (United States of America)

Professor of International Economic Law and International Affairs, Columbia University; Chairman, NASDAQ Stock Market LLC; former member of the Appellate Body of WTO

John L. Thornton (United States of America)

Chairman, Board of Trustees of the Brookings Institution; Non-executive Chairman, HSBC North America; former President, Goldman Sachs Group

James D. Wolfensohn (United States of America)

Chairman, Wolfensohn & Company; Chairman, Citigroup International Advisory Board; former President, World Bank Group

Europe

Knut N. Kjaer (Norway)

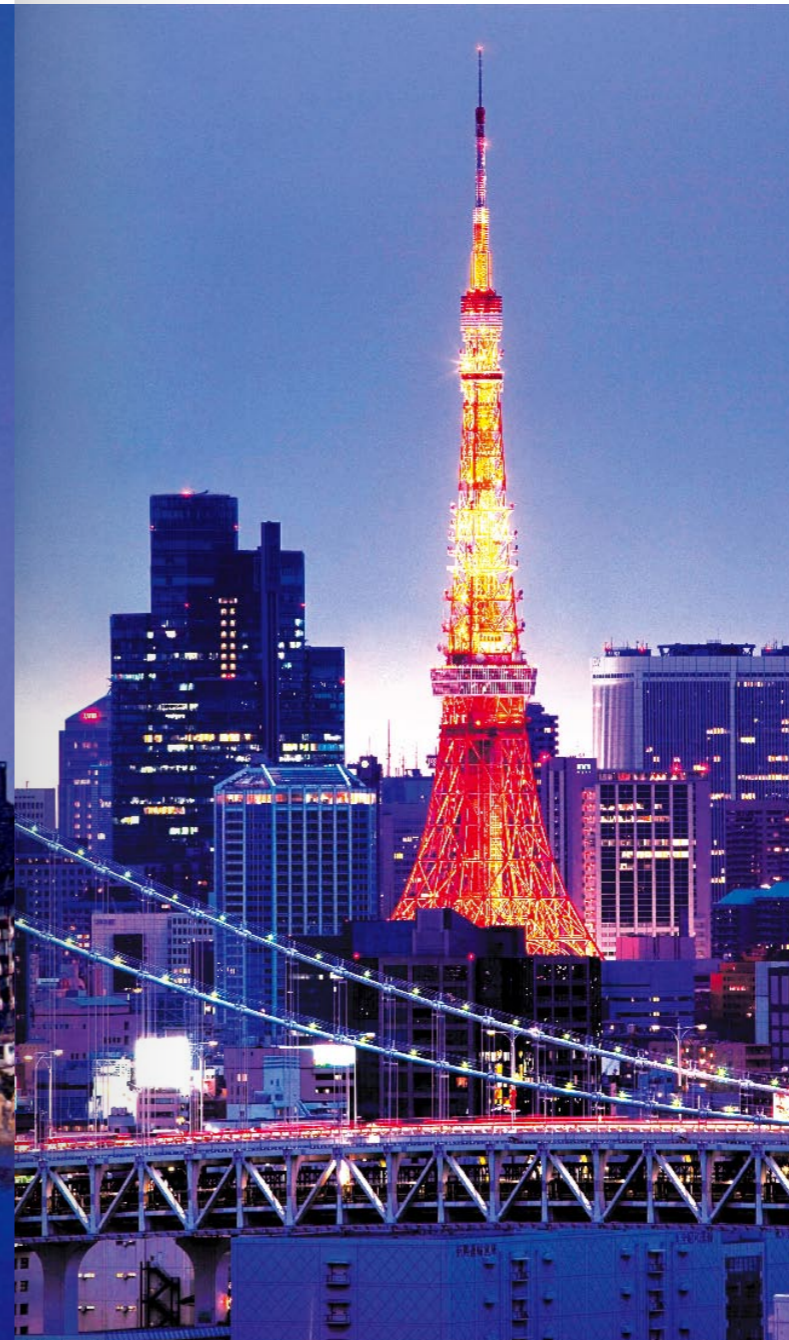
President, Riskmetrics Group; former Chief Executive Officer, Norges Bank Investment Management (NBIM)

Jean Lemierre (France)

Advisor to the Chairman of BNP Paribas; former President, European Bank for Reconstruction and Development

Lord Nicholas H. Stern (United Kingdom)

I.G. Patel Professor of Economics and Government, London School of Economics; former Chief Economist, World Bank Group



INVESTMENT STRATEGY AND MANAGEMENT

INVESTMENT STRATEGY AND MANAGEMENT

Investment Strategy and Portfolio Objectives

The objectives of CIC's global investment portfolio are to hold, invest and manage a portion of China's foreign exchange holdings as mandated by its shareholder, earning an appropriate long-term risk-adjusted returns.

CIC is a responsible investor which abides by local laws and regulations in the countries in which it invests, and takes its corporate social responsibility seriously.

Five basic principles underlie its investment approach and strategy:

- The underlying investment objective is long-term, sustainable, risk-adjusted returns for its shareholder.
- CIC is a financial investor. As such, it does not seek to control enterprises or sectors.
- CIC invests on a commercial basis.
- CIC is a responsible investor which abides by local laws and regulations in the countries in which it invests, and takes its corporate social responsibility seriously. For example, while there are no restrictions on the sectors in which it can invest, it chooses not to pursue investments in industries, such as tobacco and gaming, that would not be in keeping with its social responsibility.

- CIC's investments are research driven to provide a basis for sound, unbiased investment decisions and allocation driven to assure a disciplined approach to investing.

In setting up its investment management strategy and approach, CIC carefully studied the investment strategies of other leading sovereign wealth funds, university endowment funds and pension funds. CIC then developed its investment approach and its benchmark portfolio based on what it learned from its studies, its unique circumstances and mandate, and the risk tolerance of the shareholder. The structure of CIC's benchmark portfolio is shown in Exhibit 2.

EXHIBIT 2 CIC Benchmark Portfolio Structure

Asset Classes
Public Equity Securities
Public Fixed Income Securities
Direct Concentrated Holdings
Alternative Products

Other than limitations defined by its benchmark portfolio distribution and prudent risk management considerations, CIC's investments are not limited to any sector, geography or asset class. CIC invests in equities, fixed income and alternative investments including, but not limited to, hedge funds, private equity, commodities and real estate.

As CIC deploys its capital into the market, it will strive to build toward its benchmark portfolio. CIC recognizes, however, that it cannot grow its portfolio in a fully proportional manner, as capital can be invested in public markets more quickly than into other sectors. CIC will not deploy capital into asset classes faster than it can build its capabilities to manage that class. Finally, given current market conditions, CIC believes it can best meet its risk-adjusted returns goals by taking advantage of unique opportunities as they present themselves. Thus CIC expects, and is prepared to manage, prudent variations from its benchmark portfolio distribution over the near term as it builds out its portfolio.

Investment Management Process

CIC's investment management process is directed by its Investment Committee, which both sets investment strategy and policy within guidelines approved by the Board of Directors and Executive Committee and reviews and approves every investment proposal and external manager mandate. The Investment Committee has the authority to make individual investment decisions independently. The Investment Committee meets weekly or more frequently when needed. Members of the Investment Committee are shown in Exhibit 3.

The Investment Committee has the authority to make individual investment independently.

EXHIBIT 3 Investment Committee Members

Chairman	Chairman & Chief Executive Officer
Deputy Chairman	President & Chief Investment Officer
Members	EVP & Chief Operating Officer
	EVP & Deputy Chief Investment Officer
	EVP & Chief Risk Officer
	Head of Asset Allocation and Strategic Research Department
	Head of Risk Management Department
	Head of Public Market Investment Department
	Head of Tactical Investment Department
	Head of Private Market Investment Department
	Head of Special Investments Department



Based on decisions made by the Investment Committee, investments and mandates are managed by four investment departments. Each performs research on its relevant markets, formulates its investment strategies within the context of the overall portfolio and risk management framework, builds and manages its portfolios and recruits, manages and evaluates external fund managers as required. The four departments are:

- The **Public Market Investment Department**, which implements traditional beta strategies in public-market equities, fixed-income products, commodities, currencies, as well as cash

management. Because CIC is a new organization, virtually all public market investments are managed by external managers.

- The **Tactical Investment Department**, which manages internally managed proprietary portfolios and liquid absolute-return investments utilizing external managers.
- The **Private Market Investment Department**, which invests in private markets through third-party managers, co-investment vehicles, partnerships and separate accounts. The department also invests in real estate and infrastructure markets.

- The **Special Investments Department**, which makes and manages, on an in-house basis, direct large-scale investments with concentrated positions over longer time horizons.

comment on every investment proposal and external manager mandate as to fit with and impact on portfolio strategy.

The Investment Management Team

As a new organization, building a high quality investment team has been among CIC's highest priorities. Since CIC invests globally, it has focused on recruiting experienced investment professionals from major financial markets around the world. Its goal has been to attract seasoned investment professionals with a firm knowledge of China. The visibility and attractiveness of CIC has allowed it to recruit a core of talented, experienced investment managers. Exhibit 4 summarizes key information on the background of the Investment Management team.

Reporting to the Investment Committee, the Asset Allocation and Strategic Research Department is responsible for the detailed formulation of CIC's investment strategy (market conditions, geographic locations, sectors and asset classes) and determination of its asset allocation strategy. In addition, it manages investment targets, compiles portfolio assessments and conducts ongoing analysis of issues in key financial markets, industries and economies around the world. The Department also serves as the secretariat of CIC's Investment Committee. The Department must review and

EXHIBIT 4 Summary of Investment Management Team Backgrounds
(Number of personnel at May 31, 2009)

Investment Department	Personnel	Advanced Degrees	Overseas Work Experience	Overseas Education	Overseas Citizenship
Asset Allocation & Strategic Research	11	10	5	5	2
Public Market Investment	14	14	10	10	1
Tactical Investment	9	9	7	9	2
Private Market Investment	17	17	12	13	5
Special Investments	16	16	13	11	—

CIC will make extensive use of quality external investment managers across all asset classes wherever appropriate. It selects external managers based on exacting qualification standards and through an extensive review and evaluation process, which includes review by the appropriate investment department, the Asset Allocation and Strategic Research Department, the Risk Management Department, the Legal and Compliance Department and review and approval by the Investment Committee. Its selection criteria include:

- Financially stable, outstanding reputation, strong governance structure and robust risk management and compliance processes;
- Processes that conform to the laws and regulations of each manager's home country or region as set forth by the appropriate regulatory bodies;

- Appropriate years of experience in the applicable asset class with demonstrated sound performance;
- Investment professionals responsible for CIC's mandates must have appropriate qualifications, licenses and certifications in their home country;
- No severe penalties by regulatory bodies for the three years prior to their proposed mandate.

External managers selected for CIC's mandates will be an integral part of its investment management team.

While CIC is proud of its progress to date, it recognizes that its continued growth depends upon its ability to continue to keep adding highly talented individuals to its team and to build its skills and capabilities. CIC is investing heavily in developing a common culture and building the skills of its people.

2008 Investment Results

As was the case for all global investors, 2008 was a very challenging year for managing its global portfolio. In understanding the 2008 investment results for the global portfolio, it is helpful to consider CIC's situation entering 2008. CIC began operations on September 29, 2007, with initial capital of USD 200 billion. By the end of 2007, CIC had made two major and well publicized investments, USD 3.0 billion in The Blackstone Group and USD 5.6 billion in Morgan Stanley as well as about USD 120 million in various small investments. The global portfolio earned a nominal 0.2% annualized return in 2007. The result was that it entered 2008 with most of its portfolio in cash and cash products.

Because it was building its organization, infrastructure and capabilities, CIC had set relatively modest goals for deploying its capital in 2008. As the year unfolded, CIC made the decision to reduce the pace of its investing even

further. The result was that during 2008, only an additional USD 4.8 billion was deployed into the market; CIC continued to hold the majority of its global portfolio in cash and cash products.

The return on its global portfolio in 2008 was -2.1%; performance that could be considered admirable compared to that of comparable sovereign wealth funds, university endowments and pension funds. CIC takes little pride, however, in this accomplishment. It was merely being a prudent investor and reacting to market circumstances. CIC understands that it cannot achieve its goals or the goals of its shareholder without productively deploying its capital. Exhibit 5 summarizes CIC's 2008 performance.

EXHIBIT 5 2008 Investment Performance

Return on Capital ¹	6.8%
Global Portfolio Return ²	-2.1%

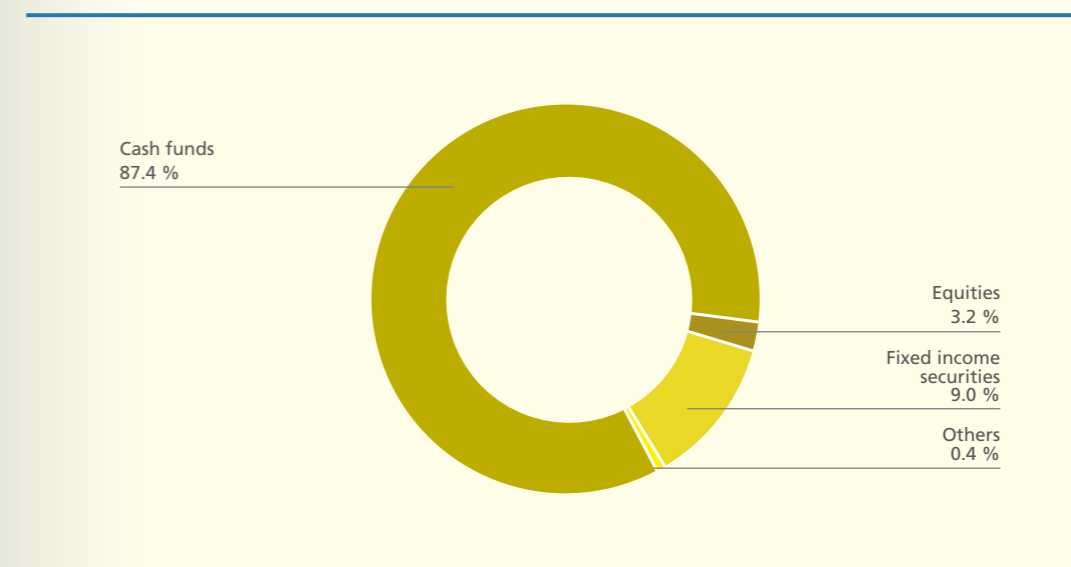
¹ Return on Capital is based on the accounting income of CIC's global portfolio, and the cash income and cash dividend declared from its domestic investments. The return rate is calculated based on CIC's registered capital of US\$200 billion. If accounting income were used for the domestic investments, the Return on Capital would have been 11.7%. Under the equity accounting method, accounting income is generally larger than the cash dividend received from the domestic portfolio companies. Since CIC's domestic investments are for long-term purposes and their disposals are under restriction, CIC believes cash returns to be more appropriate performance metrics for its domestic investments.

² Global Portfolio Return measures the total return of CIC's global portfolio, including realised return such as interests and dividends, and unrealised return from changes in the fair market value of investments.

CIC does take pride in demonstrating that it is a prudent investor with a strong commitment to risk management. CIC entered 2009 with a stronger, more experienced investment management team, confidence in its investment and risk management processes and a cash position that will allow it to take advantage of the opportunities expected to emerge in the coming months and years.

As discussed earlier, CIC invested cautiously in 2008, ending the year with about 87.4% of its assets in cash and cash products. Exhibit 6 presents the distribution by asset class of CIC's global investment portfolio at the end of 2008.

EXHIBIT 6 CIC Global Investment Portfolio Distribution (December 31, 2008)



Note: Cash funds include cash and bank deposits, money market funds and short-term notes.

Central Huijin's returns were driven by the profitability of the financial institutions in its portfolio. Central Huijin's top five portfolio holdings are shown in Exhibit 7.

EXHIBIT 7 Top 5 Portfolio Holdings of Central Huijin (December 31, 2008)

Financial Institution	Percentage of Ownership
China Development Bank	48.7%
Industrial and Commercial Bank of China	35.4%
Agricultural Bank of China	50.0%
Bank of China	67.5%
China Construction Bank	48.2%



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RISK MANAGEMENT

RISK MANAGEMENT

Based on the policies set by the Board of Directors and the Executive Committee, CIC's risk management strategy and approach is overseen by the Risk Management Committee, which is responsible for setting company-wide risk strategy, defining risk management policies, determining exposure thresholds, reviewing and finalizing reports concerning risk management and establishing risk control evaluation criteria. The Committee proactively assesses and measures the company's portfolio risks and reviews the portfolio's composition to ensure corporate risk exposure is managed appropriately. The Committee meets quarterly or more frequently when needed.

The Risk Management Committee proactively assesses and measures the company's portfolio risks to ensure corporate risk exposure is managed appropriately.

The Risk Management Committee comprises senior executives and department heads to facilitate comprehensive and integrated oversight of strategic, financial and operational risk. The Committee's membership is shown in Exhibit 8.

EXHIBIT 8 Members of the Risk Management Committee

Chairman

Chairman & Chief Executive Officer

Deputy Chairman

EVP & Chief Risk Officer

Members

EVP & Chief Operating Officer

Head of Risk Management Department

Head of Legal and Compliance Department

Head of Operation Department

Head of Asset Allocation
and Strategic Research Department

Head of Public Relations and
International Cooperation Department

Head of Finance and Accounting Department

Head of Internal Audit Department

Heads of the four investment departments attend Risk Management Committee Meetings as needed.

Organizationally, the Chief Risk Officer is in charge of the Risk Management Department and the Legal and Compliance Department. Investment risk is managed by the Risk Management Department. The department has formulated a formal Risk Management Policy which provides policy guidance for managing risk throughout CIC.

Within the Legal and Compliance Department, the legal team focuses on development and review of contracts and management of legal risk. The compliance team is charged with the responsibility of assuring that CIC complies with investment and related laws and regulations of the markets in which it invests and with internal policies.

Reputation risk and policy risk are addressed by the Public Relations and International Cooperation Department.

CIC has developed a comprehensive risk control and limit system to manage market, credit, sector, country and currency exposure. Risk indicators are also developed and monitored for each external investment manager. The Risk Management Department works closely with the Asset Allocation and Strategic Research Department in implementing CIC's risk management system. "Risk Budgets" for each asset class are developed by the Asset Allocation and Strategic Research Department. The Risk Management Department then sets appropriate risk limits based on these risk budgets. Thus CIC goes through formal allocations of both capital and risk to its investing units.

The Risk Management Department meets monthly with each investment department to discuss investment strategy, risk developments and other investment risk management issues. The Department reviews and comments on every investment and external manager mandate proposal. In addition it participates in the calculation of risk-adjusted performance,

assists in the evaluation of internal and external investment managers and monitors risk performance.



CIC has implemented an internationally accepted risk management system as its risk analytic and reporting backbone; positions, including positions managed by outside investment managers, are monitored using this system and a comprehensive Risk Management Report is produced monthly for management review.

Because CIC invests globally, half of the Risk Management and Legal and Compliance Departments' staff have international experience. Talented, quantitatively trained, local risk management professionals and graduates from top universities or with relevant experience have been recruited to work with the more senior staff so that CIC can develop a larger cadre of risk management professionals to support its continued growth.

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HUMAN RESOURCES

HUMAN RESOURCES

While CIC is fueled by financial capital, the quality of its human capital will ultimately determine its success. As a new organization, CIC is devoting significant effort to recruiting, developing and retaining its people.

Building the CIC Team

Investing globally, CIC recognizes it must recruit excellent talent internationally and top

CIC offers a powerful value proposition to many investment professionals. CIC is an employer of choice.

talent domestically for many senior positions to build a strong leadership team and to support the longer term growth of its business. The individuals CIC seeks are global talents who understand the Chinese perspective, culture and language. CIC has no restrictions on nationality; several key members of its senior team hold overseas citizenship. For those it recruits internationally, CIC requires a minimum of six years of relevant international experience.

EXHIBIT 9 Background Summary of CIC Staff (Number of personnel at May 31, 2009)

Personnel	Advanced Degrees	Overseas Work Experience	Overseas Education	Overseas Citizenship
194	184	73	85	18

About half its employees have overseas work or education experience or both.

CIC offers a powerful value proposition to many investment professionals. It is a new company permitted great latitude in its investments with substantial capital to deploy, offering its people outstanding personal development and career opportunities. The success of CIC is important to China and CIC is highly visible both domestically and internationally. The result has been that finding talented professionals has not been an issue; its nearly 200 employees have come from a very large pool of applicants. CIC is an employer of choice.

CIC has a rigorous selection process. All candidates must apply through its on-line application system which includes subject matter testing in Chinese. All applicants completing that process successfully are interviewed personally and candidates above the senior manager level meet individually with each member of the senior management team. Exhibit 8 summarizes the background of the CIC staff.

Developing Its Team

CIC has invested in developing a comprehensive evaluation system to both reward performance and aid in defining training and development requirements for each staff member. Staff are evaluated on a 360 degree basis, with input by peers and subordinates as well as supervisors. Evaluation is not only annual but also upon completion of major tasks and projects. Bonuses, annual pay increases and promotions are tied to the performance evaluation system.

CIC places great emphasis on the development of its people and has invested in an extensive training program. The goal of the program is to develop not only the deep skills required for an individual's assignment (which most have when they join CIC), but also a broad understanding of CIC's business across markets and products and a "sense of the market" in all its people. This is true for staff throughout the organization, not just for its investment professionals.

Each employee is required to undergo 80 hours of formal training each year. Training is conducted at three levels; company wide by the Human Resources Department, at the Department level and at the individual level. Each employee has an annual training plan which is based on a formal skill assessment as well as input from the performance evaluation system. Progress against the plan is tracked by the Human Resources Department. Extensive use is made of local universities and professional organizations. While most training takes place in China, CIC sends employees to overseas programs as appropriate.

Retaining Its People

At this point, CIC is new enough that retention has not been an issue. However, it realizes that



given the quality of the people it recruits and the experience they will gain working at CIC, its people will always be in demand. There are two major elements to CIC's retention program; first, offering a collaborative and personally fulfilling work environment with clear opportunity for continuous personal growth and development and second, a competitive compensation program under China's circumstances.

CIC will continue to build and maintain an exciting work environment. The commitment of its management, the expected growth of its business and the importance of CIC's success to China should keep CIC a professionally rewarding place to work.

CIC is committed to being able to reward its people based on both their individual and team contributions and to maintaining the competitiveness of its compensation structure.



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2008 FINANCIALS

2008 FINANCIALS

Basis of preparation

The consolidated financial statements were prepared in accordance with the requirements of the China Accounting Standards for Business Enterprises issued by the Ministry of Finance of China in 2006. The adoption of those standards has brought about substantial convergence between Chinese standards and International Financial Reporting Standards. CIC's consolidated financial statements were audited by its independent auditors with an unqualified opinion reported thereon.

When CIC was established in September 2007, the ownership structure of Central Huijin was reorganised and became a wholly-owned subsidiary of CIC. Based on accounting treatment of reorganisation among entities under common control, CIC's consolidated financial statements were prepared as if Central Huijin was part of CIC since its inception in 2003.

Central Huijin accounts for its investments in domestic financial institutions under the equity accounting method. Over the past several years, Central Huijin's long-term equity investments have grown significantly over their original costs. The growth in value reflects Central Huijin's proportional share of the net asset growth in the underlying portfolio institutions.

INCOME STATEMENT Year Ended December 31, 2008 (Millions of USD)

INVESTMENT INCOME	
Interest	4,087
Dividends	248
Net realised gains on disposals of investments	50
Income from long-term equity investments	26,253
Net unrealised changes in the fair value of investments	(6,516)
Net foreign exchange losses	(167)
TOTAL INVESTMENT INCOME	23,955
EXPENSES	
Investment expenses	23
Administrative expenses	51
Impairment loss	21
TOTAL EXPENSES	95
OPERATING INCOME	23,860
Other income, net	1
INCOME BEFORE TAXES	23,861
Income taxes	731
NET INCOME	23,130

BALANCE SHEET at December 31, 2008 (Millions of USD)

ASSETS	
Cash and bank deposits	49,177
Money market funds	33,967
Short-term notes	14,024
Financial investments at fair value	6,694
Interest receivables	1,565
Held-to-maturity investments	15,189
Long-term equity investments	171,156
Other assets	5,768
TOTAL ASSETS	297,540
LIABILITIES	
Financial liabilities at fair value	5,346
Tax payables	2,389
Other payables	1,049
TOTAL LIABILITIES	8,784
OWNER'S EQUITY	
Total registered capital	200,000
Reserves and others	88,756
TOTAL OWNER'S EQUITY	288,756
TOTAL LIABILITIES AND OWNER'S EQUITY	297,540



www.china-inv.cn

New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing, 100010

Public Affairs Tel +86 (10) 6408 6277 Fax +86 (10) 6408 6908 Email pr@china-inv.cn

Investment Tel +86 (10) 6408 6167 Fax +86 (10) 6408 6926 Email invest@china-inv.cn

Careers Tel +86 (10) 6408 6907 Fax +86 (10) 6408 6931 Email hr@china-inv.cn