

China Investment Corporation | Annual Report 2009

MESSAGE FROM THE CHAIRMAN & CEO



MESSAGE FROM THE CHAIRMAN & CEO



Lou Jiwei
Chairman & CEO

2009 was a challenging and rewarding year for China Investment Corporation. In spite of the adverse circumstances caused by the global financial crisis, CIC continued to build its organization and capabilities and remained steadfast in its commitment to its mandate, core values and the principles underlying its investment activities. During 2009 CIC deployed significant capital into markets around the world and earned a satisfactory return for its shareholder while effectively managing the risk profile of its invested portfolio. We are pleased to share our progress with you in our second annual report.

To better understand our achievements in 2009, it is useful to put the year in context. CIC was created in September, 2007 to diversify China's foreign exchange holdings and obtain higher risk-adjusted returns. We showed prudence in investing and managing our assets in 2008 as the global economy deteriorated. As a result we entered 2009 with substantial capital to deploy.

The global financial crisis continued into the spring of 2009. However, the proactive actions of national governments around the world, including China's, to stabilize the global financial system, strengthen domestic financial institutions and stimulate economic growth began to have an impact during the first quarter of the year. CIC accelerated its investment activities starting from May 2009 as economies around the world began to show signs of recovery. We adhered to the basic principles underlying our investment approach and strategy, investing on a commercial basis and seeking long-term sustainable risk-adjusted financial return for our shareholder. We had confidence that the investments we made in our institutional capacity, infrastructure and the quality of our people had developed our capabilities to the point where we could measure up to the challenge.

The result of our efforts was that CIC invested about USD 58 billion globally in 2009 and

significantly diversified our portfolio with an emphasis on publicly traded equities and debt securities in markets around the world. Moreover, we made a series of direct investments in high quality companies, including investments in the infrastructure and clean and renewable energy sectors. The return on our global investment portfolio was 11.7%. Combined with the results of Central Huijin, the CIC's subsidiary which invests exclusively in China's domestic financial institutions, CIC provided its shareholder with an overall return on registered capital of 12.9%.

The key to our investment results in 2009 was based on the actions we took in 2008 and 2009 to strengthen our governance, significantly enhance our investment management infrastructure and platform, improve our investment and risk management capabilities and continue to grow our organization and develop our people. We share the details of these important accomplishments with you in this report.

We continued to grow our staff and invest in the continued development of our people. By the end of 2009, CIC had grown to nearly 250 team members, with over 80% having advanced degrees and over 50% having international work or educational experience. It is a truly talented and capable group. They are responsible for the success of CIC in 2009.

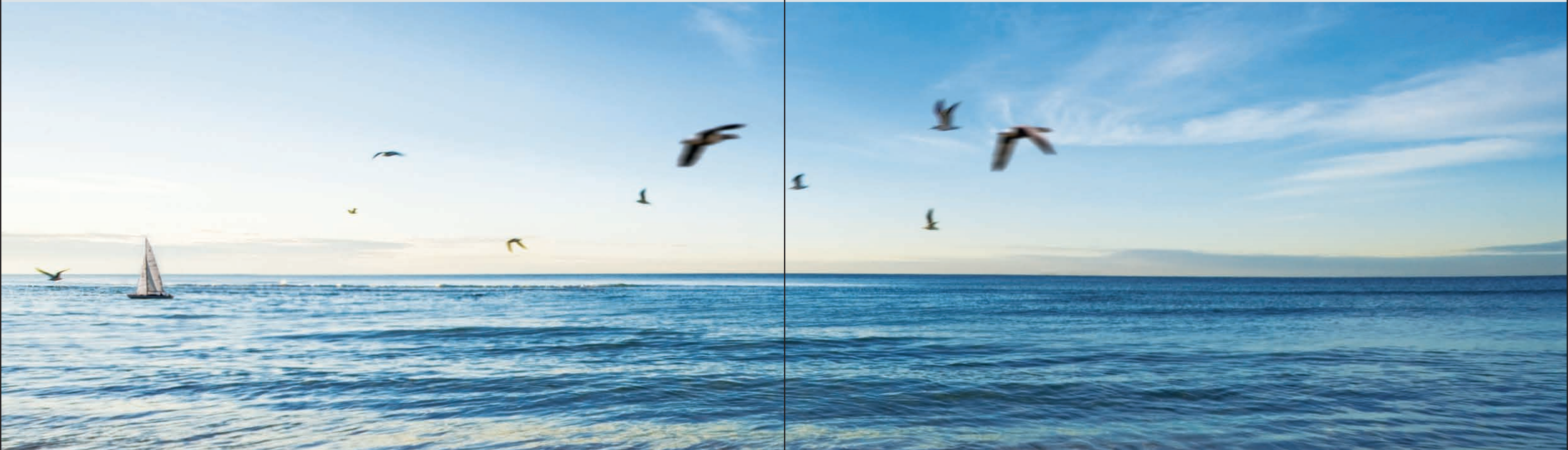
In 2009 we redoubled our efforts to demonstrate our adherence to the spirit of the Santiago Principles. CIC is an important participant in the International Forum of Sovereign Wealth Funds and will host its next meeting in Beijing in April, 2011. In addition, CIC participated in a host of multilateral and bilateral forums and meetings to discuss investment environment and regulatory issues. These various meetings with supranational and national government and regulatory leaders

are aimed at contributing to further development of open, fair and non-discriminatory access to capital markets and cross-border investment flows. CIC, as a long-term financial investor, invests on a solely commercial basis and remains committed to being a responsible investor, following the laws and regulations of the countries in which we invest. CIC has built a significant track record which, we are confident, demonstrates our commitment to these principles. CIC commits itself to be a welcomed investor throughout the world.

Looking forward, it is clear that 2010 will continue to present a challenging investment environment. The condition of the global economy is by no means certain and markets remain volatile. However, we are a long-term investor with a positive long-term view. While CIC, like all investors, measures and reviews its annual results, they are milestones on a longer journey. We will adhere to our principles and core values, continue to build our team and capabilities, increase our participation in the global economic and investment dialog, diligently monitor the global investment environment and adjust our asset allocation accordingly, maintain our strong focus on risk management and prudently invest and manage our portfolio in a balanced manner. If we do these things consistently well, we are confident we will achieve our long-term financial objectives and continue to demonstrate we are a responsible global citizen and valued partner.

Lou Jiwei
Chairman & CEO
July, 2010

CONTENTS



08 - 09	Overview
10 - 11	Culture and Core Values
12 - 25	Corporate Governance
26 - 39	Investment Strategy and Management
40 - 43	Risk Management
44 - 49	Human Resources
50 - 53	Outreach Activities
54 - 61	2009 Financials

OVERVIEW



Headquartered in Beijing, China Investment Corporation (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 improve risk-adjusted returns on its investments in the context of China's macro economic requirements and further reform of its financial system.

CIC was initially 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 Investment Ltd. (Central Huijin), a state-owned investment company which holds controlling stakes in key state-owned financial institutions in China. Central Huijin also recapitalized selected domestic financial institutions. Though Central Huijin is not involved in the operations of its invested companies, it exercises its shareholder rights and performs its obligations to achieve the goals of improving governance and preserving and enhancing the value of state-owned financial assets.

Of the USD 200 billion in registered capital, slightly over 50% was allocated to global investment. The balance is invested in domestic financial institutions by Central Huijin. The global investment activities of CIC and the domestic investment activities of Central Huijin are completely separate.

As of December 31, 2009 CIC had an invested global portfolio of about USD 81.1 billion, including investments in both developed and emerging economies. Investments have been made on a direct basis by CIC and through mandates with internationally recognized investment management companies and private equity firms.

CULTURE AND CORE VALUES

We believe culture underpins governance. No system of governance can be effective without a strong corporate culture. As a relatively young but highly visible organization which operates on a global basis, CIC is carefully 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, with the concerted efforts of all members of our team, assumes full accountability, endeavors to maximize risk-adjusted returns, and acts 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 is 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, and 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 among all our staff and departments to guarantee operational efficiency and achievement of CIC's stated objectives.

We believe that our culture will be determined by what we do, not by what we say. We strive to continuously demonstrate commitment to our values.

CORPORATE GOVERNANCE



“ 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. ”

CORPORATE GOVERNANCE

Leadership and direction of CIC is vested by its shareholder, the State Council of the People's Republic of China, 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 shareholder, 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. The Board creates the framework within which the Executive Committee exercises its leadership and management role.

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 is also in charge of 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. During 2009, the Board of Supervisors strengthened its supervision of

key activities of CIC, made recommendations for improvement to the investment management process and enhanced the effectiveness and efficiency of internal audit processes.

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 operating decisions. Two additional committees with policy and decision-making responsibilities were established by the Executive Committee. The role, responsibilities and membership of the Investment Committee and Risk Management Committee are discussed later in this report. In 2009 under the leadership and direction of the Board of Directors and the Executive Committee, CIC deployed a substantial portion of its investment capital, earning a return of 11.7%, reduced the risk profile of its invested global portfolio due to diversification and effective risk management, strengthened its investment and risk management platforms, and continued to grow and develop its organization.

Central Huijin has a separate Board of Directors, a separate Board of Supervisors and a separate management and organization structure. CIC maintains a strict operational firewall between its global investment activities and those of Central Huijin, which invests in key state-owned financial institutions in China.

Since its inception, CIC has been an active participant in the community of sovereign wealth funds, playing a prominent role in efforts to define and implement principles and practices that properly reflect the objectives and investment practices of sovereign wealth funds. The "Santiago

Principles", which were formally endorsed by the Chinese Government, have been implemented by CIC. CIC is a charter member of the International Forum of Sovereign Wealth Funds.

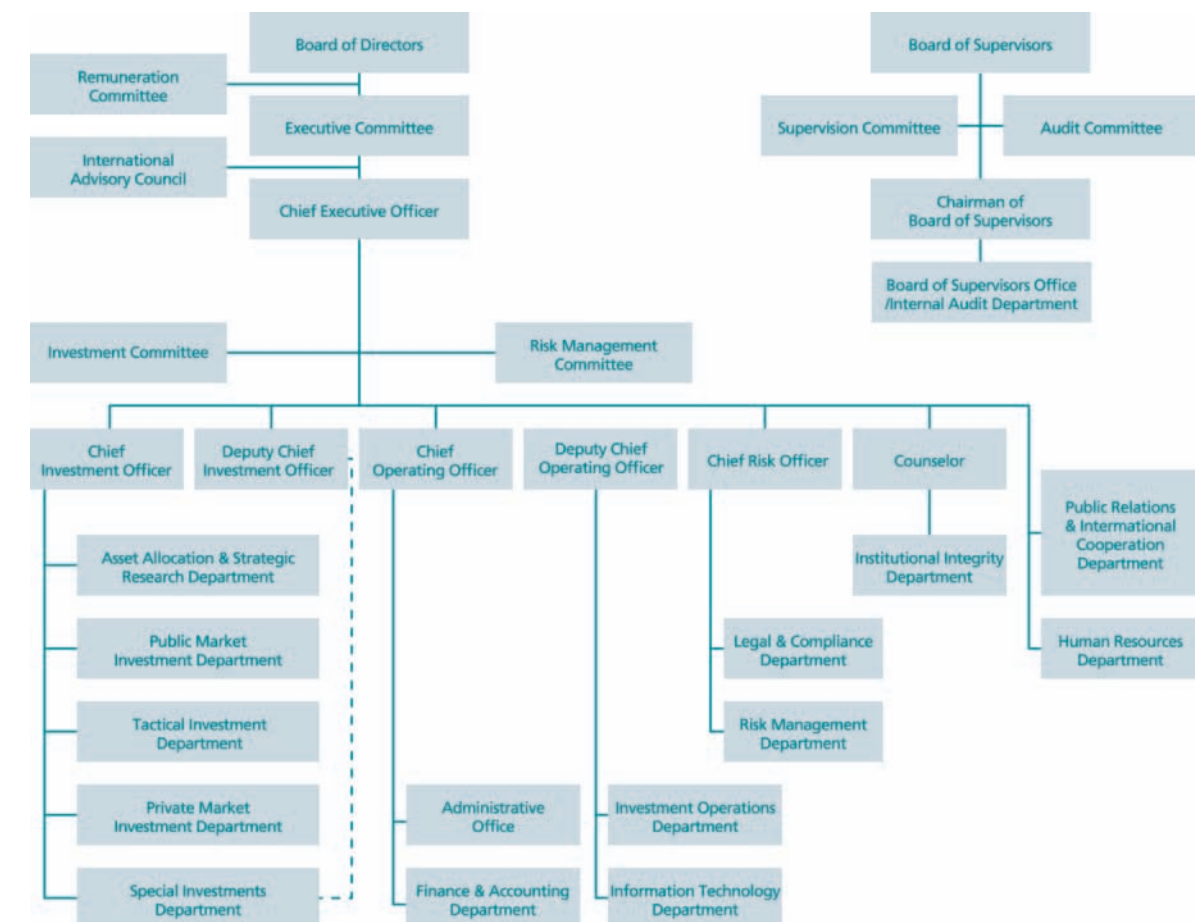
The International Advisory Council provides a global perspective to CIC. Comprised of 14 international financial experts, the Council advises CIC's senior management on issues such

as corporate governance, portfolio development strategy, investment and policy issues, macroeconomic developments and other key issues impacting CIC's business.

CIC's management organization structure is shown in the Chart below. Photos and biographical sketches of key personnel follow.

CIC Organization Chart

(Excludes independent units of Central Huijin)



BOARD OF DIRECTORS



Lou Jiwei
Chairman & Chief Executive Officer

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 served as Executive Deputy Minister of Finance, Deputy Governor of Guizhou Province, and Director General of the Macroeconomic Control Department of the State Commission for Restructuring the Economic Systems.

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



Gao Xiqing
Vice Chairman, President & Chief Investment Officer

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

Mr. Gao was born in 1953. He received a juris doctor degree from the School of Law at Duke University in the United States and a masters degree in law/economics from the University of International Business and Economics in Beijing, China.



Zhang Hongli
Executive Director, Executive Vice President & Chief Operating Officer

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

Mr. Zhang was born in 1950 and holds a Ph.D 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 Deputy 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.

He 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 Deputy Minister of Finance. Prior to this, he served as Assistant Minister of Finance, 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 China to the World Bank Group.

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



Fu Ziyang
Non-Executive Director

Mr. Fu Ziyang is Non-Executive Director of CIC. He is currently Deputy Minister at the Ministry of Commerce (MOFCOM). Prior to this, he was Assistant Minister of Commerce. Previously he served successively in a number of senior positions in the Ministry of Foreign Trade and Economic Cooperation (a predecessor to the MOFCOM) including 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 Ph.D degree in economics from the Chinese Academy of Social Sciences.

BOARD OF DIRECTORS



Hu Xiaolian

Non-Executive Director

Madam Hu Xiaolian is Non-Executive Director of CIC. She serves currently as Deputy Governor of the People’s Bank of China (PBOC). Before taking up her current position, she served as Assistant Governor of PBOC and Deputy Administrator of State Administration of Foreign Exchange (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 masters degree in economics from the Graduate School of the PBOC.



Liu Shiyu

Non-Executive Director

Mr. Liu Shiyu is Non-Executive Director of CIC. He is currently Deputy Governor of the PBOC. Prior to his current post, Mr. Liu served successively in a number of senior positions in the PBOC, including Assistant Governor, Director General of the General Administration Department, Director General of the Banking Supervision Department, and Deputy Director General of the Banking Department. Before joining the 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 senior research fellow.



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. 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 Deputy 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 Deputy Chairman (ministerial level) of the National Development and Reform Commission as well as its predecessor, the State Development Planning Commission.

Mr. Wang was born in 1938.



Li Xin

Employee Director

(started to serve in July 2009 to replace Yu Erniu who retired then)

Mr. Li Xin is an Employee Director and Head of Human Resources Department of CIC. Prior to this appointment, he held various positions in the State Administration (formerly “State Commission”) of Science, Technology and Industry for National Defense, including Deputy Director General of General Office and Director General of Finance and Accounting Department. Previously he had served as engineer at the Ministry of Aerospace Industry, division chief at the Ministry of Finance and Xinhua News Agency (Hong Kong Branch).

Mr. Li was born in 1960 and holds a bachelor’s degree in engineering from Shenyang Institute of Aeronautical Engineering.



Yu Erniu

Employee Director

(served until his retirement in July 2009)

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 Deputy Minister of Finance, Director General of the World Bank Department at the Ministry of Finance, and Executive Deputy Director of China to the World Bank Group. He was a member of the Monetary Policy Committee of the People’s Bank of China. Currently he also serves as Deputy Chair of the International Forum of Sovereign Wealth Fund.

Mr. Jin was born in 1949 and holds a masters 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, Deputy Minister of Labor, Commissioner of the National Commission for Economic System Reform, Deputy Mayor of Dalian City, and Deputy Director of the Dalian City Commission for Restructuring the Economic Systems.

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 the CBRC, including Assistant Chairman of the CBRC and Director General of CBRC's Shanghai office. Before joining the CBRC, he had served as Chief Banking Supervisor and Vice President at the Shanghai branch of the PBOC.

Mr. Wang was born in 1953 and holds a Ph.D 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 Deputy Chairman of the China Securities Regulatory Commission (CSRC), Director General of the Department of Listed Company Supervision 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 masters degree in business administration.



Cui Guangqing
Employee Supervisor

Mr. Cui Guangqing is an Employee Supervisor and the Head of the Supervisory Board 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 Ph.D degree in economics from Xi'an Jiaotong University.

EXECUTIVE COMMITTEE

From left to right:

Liang Xiang
Xie Ping
Peng Chun
Jin Liqun
Lou Jiwei
Gao Xiqing
Zhang Hongli
Fan Yifei
Wang Jianxi



Lou Jiwei

Chairman & Chief Executive Officer
see Board of Directors

Gao Xiqing

Vice Chairman, President &
Chief Investment Officer
see Board of Directors

Jin Liqun

Chairman of Board of Supervisors
see Board of Supervisors

Zhang Hongli

Executive Director, Executive Vice President &
Chief Operating Officer
see Board of Directors

Peng Chun

Executive Vice President

Mr. Peng Chun joined CIC in March 2010 and is now Executive Vice President of CIC and President of Central Huijin. Immediately prior to joining CIC, he was Executive Director and Executive Vice President of the Bank of Communications. Before that, he was Assistant to the President of Bank of Communications after serving as branch president in Urumqi, Nanning and Guangzhou.

Mr. Peng was born in 1962 and holds a Ph.D degree in Economics.

Fan Yifei

Executive Vice President &
Deputy Chief Operating Officer

Mr. Fan Yifei joined CIC in March 2010 and is now Executive Vice President and Deputy Chief Operation

Officer of CIC. Prior to joining CIC, Mr. Fan was Executive Vice President of China Construction Bank (CCB). Before that, he had also served as General Manager of the Finance and Accounting Department, Planning and Finance Department and Assistant to the President of CCB.

Mr. Fan was born in 1964 and holds a Ph.D degree in Economics.

Xie Ping

Executive Vice President &
Deputy Chief Investment Officer

Mr. Xie Ping is a member of the Executive Committee of CIC, Executive Vice President and is newly appointed as Deputy Chief Investment Officer. Prior to joining CIC, he served as the President of Central Huijin and Chairman of Shenyn & Wanguo Securities Co. Ltd. He had also held a number of senior positions at the PBOC, including Director General of the Financial Stability Department, Director General of the Research Bureau, President 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 masters degree in economics from Southwestern University of Finance and Economics and a Ph.D degree in economics from Renmin University of China.

Wang Jianxi

Executive Vice President & Chief Risk Officer

Mr. Wang Jianxi is a member of the Executive Committee of CIC, Executive Vice President and Chief Risk Officer. Prior to joining CIC, he was Deputy Chairman of Central Huijin and Chairman of China International Capital Corporation. He had also served as Assistant Chairman of CSRC, President of the Bank

of China International (UK), Chief Financial Officer and Executive Vice President of the Bank of China International, and Chief Accountant and Director General of International Department at the CSRC.

Mr. Wang was born in 1951 and holds a Ph.D degree in accounting.

Liang Xiang

Counselor & Member of the Executive Committee
Madam Liang Xiang is a member of the Executive Committee of CIC. Immediately prior to this, she served as the Secretary of Discipline Inspecting 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 at the 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.

Yang Qingwei

Executive Vice President &
Deputy Chief Investment Officer
(Retired in December 2009)

INTERNATIONAL ADVISORY COUNCIL

From left to right:
Merit E. Janow
Lord Nicholas H. Stern
Taizo Nishimuro
Frederick Ma
James D. Wolfensohn
Lawrence J. Lau
Zeng Peiyan
Knut N. Kjaer
Lou Jiwei
Joseph Yam
Andrew Sheng
David L. Emerson
Yingyi Qian
Jean Lemierre
John J. Mack



Asia

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

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)
Former Chairman and Chief Executive Officer, Tokyo Stock Exchange Group; former Chairman and Chief Executive Officer, 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

Joseph Yam (Hong Kong, China)
Executive Vice President of the China Society for Finance and Banking; Distinguished Research Fellow of the Institute of Global Economics and Finance, Chinese University of Hong Kong; Chairman of Macroprudential Consultancy Limited; former Chief Executive of the Hong Kong Monetary Authority.

Lawrence J. Lau (Hong Kong, China)
(served until July 2010)
Former Vice Chancellor (President), Chinese University of Hong Kong

Americas

David L. Emerson (Canada)
Chairman, Board of Emerson Service Ltd.; former Minister of Foreign Affairs, former Minister of International Trade, former Minister of Industry, Canada

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 J. Mack (United States of America)
Chairman of the Board, Morgan Stanley; former Chairman and Chief Executive Officer, Morgan Stanley

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

Arminio Fraga (Brazil)
(served until July 2010)
Chairman, Board of BM&F-Bovespa; founding partner, Gavea Investimentos; former President, Central Bank of Brazil

Europe

Knut N. Kjaer (Norway)
Former President of RiskMetrics Group; former Chief Executive Officer, Norges Bank Investment Management

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



“ We assume full accountability, endeavor to maximize risk-adjusted returns, and act in the best interest of our shareholder. ”



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 return. Because of the global economic crisis, CIC had deployed only about USD 21 billion of its investible capital into the market

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

CIC has based its investment approach and benchmark portfolio structure on its mandate and unique circumstances, the risk tolerance of its shareholder, its assessment of market conditions and polices established by its Board of Directors. In addition, CIC also has learned from the experience of other sovereign wealth funds, university endowment funds and pension funds, and consults with investment professionals globally. The structure of CIC’s benchmark portfolio is shown in Table 1.

Table 1
Benchmark Portfolio Structure

Asset Classes
Cash Funds
Equities
Fixed Income Securities
Alternative Investments

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. Given the turbulent market conditions experienced since its inception and its objective of long-term, sustainable and risk-adjusted returns, CIC believes it can best meet its investment goals by taking advantage of special opportunities as

“The objective of CIC’s global investment is to achieve an appropriate long-term and risk-adjusted return for its shareholder.”

Four basic principles continue to underlie CIC’s investment approach and strategy:

- CIC invests on a commercial basis. The underlying investment objective is long-term, sustainable and risk-adjusted returns for its shareholder.
- CIC is a financial investor. As such, it does not seek to control any company.
- CIC is a responsible investor which abides by local laws and regulations in the countries in which it invests, and exercises its corporate social responsibility consciously.

they present themselves. Thus CIC expects, and is prepared to manage prudent variations from its benchmark portfolio distribution.

Investment Management Process

CIC’s investment management process is directed by its Investment Committee, which both sets investment strategies and policies within guidelines approved by the Board of Directors and the Executive Committee, and reviews and approves every investment proposal and

external manager’s mandate. All investments and mandates must be reviewed, deliberated on and approved by the Investment Review Committee chaired by the Chief Investment Officer before being submitted to the Investment Committee for approval. 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 Table 2.

Table 2
Investment Committee Members

Chairman	Chairman & Chief Executive Officer
Deputy Chairman	President & Chief Investment Officer
Members	EVP & Chief Operating Officer
	EVP & Deputy 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

INVESTMENT STRATEGY AND MANAGEMENT

Based on decisions made by the Investment Committee, investments and mandates are managed by four investment departments. Each formulates investment proposals based on sound research 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 investment 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. Investment activities are carried out by five teams: Developed Market Equities, Emerging Market Equities, Interest Rate and Cash Management, Credit Investment, and Commodities and FX Hedging. The Department makes extensive use of external managers which invest the majority of the portfolio. Over time, CIC expects to increase its level of internally managed portfolios to enhance investment flexibility and decrease investment costs.
- The **Tactical Investment Department** which manages proprietary portfolios and outsourced liquid absolute-return portfolios. The Department manages three global proprietary portfolios internally (a hedged global equity portfolio, a Long Only Value Style Portfolio and a Multi-Asset Portfolio) and two liquid absolute-return investment portfolios (Directional and Non-Directional) utilizing external hedge fund managers.

- The **Private Market Investment Department** which engages in private equity investment through external managers, co-investment vehicles, partnerships and separate accounts. The Department is also responsible for real estate and infrastructure investments. The Department is comprised of four investment teams. The Private Equity team invests in PE funds directly and through co-investment vehicles. The Real Estate team invests in publicly traded REITS and direct property investments. The Infrastructure team and the Credit Opportunities team invest through external managers.

- The **Special Investments Department** which makes and manages, on an in-house basis, direct large-scale investments with concentrated positions over longer time horizons. Each direct investment is unique, requiring extensive pre transaction research, analysis, deal structuring, due diligence, negotiation, consultation with local authorities and, often, regulatory approvals as well as extensive post transaction follow-up and monitoring. The Department has developed special procedures for monitoring its investments and managing their risks. All investments are made on a commercial basis.

The Strategic Asset Allocation plan (SAA), which establishes CIC's long-term return objectives and risk profiles, is developed by the **Asset Allocation and Strategic Research Department**, reviewed by the Executive Committee and approved by the Board of Directors. The SAA provides consistent and stable guidelines that govern CIC's investment practices.

The Tactical Asset Allocation plan (TAA) is developed by the Asset Allocation and Strategic Research Department and reviewed and revised quarterly by the Executive Committee. The TAA seeks to strike a balance between absolute return and relative return objectives, taking into consideration diversification requirements, risk profiles, benchmarked returns and deviations, as well as market opportunities. The TAA allocates risk, return expectation, liquidity and methodology across asset types, strategies and sub-strategies. It includes professional portfolio management techniques such as portfolio optimization and rebalancing mechanisms, as well as currency overlay strategies. Research-driven, quantitatively constructed and professionally executed, the TAA serves as the lynchpin of CIC's overall investment management scheme.

The Department also serves as the Secretariat of the Investment Committee. In addition, the Department conducts research on various issues such as strategic and policy, market and industry, and product research, as well as portfolio analysis, including performance measurement, risk/return attribution, stress testing, etc.

During 2009, CIC continued to strengthen its investment management infrastructure and platform. A senior Operations Infrastructure Development Steering Committee, chaired by the Chief Executive Officer and comprised of the Chief Operating Officer and major department heads, was formed to oversee projects to strengthen the investment management platform by standardizing processes and procedures, improving workflow, strengthening controls and

implementing appropriate technology solutions. This company-wide initiative produced several key results:

- Streamlining and strengthening the investment approval process by standardizing procedures across all investing units and creating an enhanced review process by a new Investment Review Committee chaired by the Chief Investment Officer.
- Creating an Investment Operations Department to strengthen coordination among different units along the investment process, enhance investment back-office capabilities, improve efficiency, strengthen internal control and better address pre-close and post-close compliance controls and data management issues.
- Developing CIC's proprietary trading infrastructure and better integrating the proprietary trading, investment operation and accounting, risk analytics and general ledger systems to create a more rigorous straight-through processing (STP) environment.



INVESTMENT STRATEGY AND MANAGEMENT

In addition, CIC has increased its communication with regulators and government officials of the recipient countries in order to better address their concerns, clarify CIC’s investment objectives and policies, and facilitate timely completion of investment transactions.

The Investment Management Team

Building a high quality investment team and its management capabilities remains one of CIC’s highest priorities. Since CIC invests globally, it has continued to focus on recruiting and retaining 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 continue to build a team of talented and experienced investment managers. Approximately 94% of the investment departments’ 83 professional personnel hold advanced degrees, 78% have overseas education background and 77% have overseas work experience in the investment industry.

As is standard practice in the industry, CIC makes extensive use of quality external investment managers across all asset classes wherever appropriate. CIC 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 and the Legal and Compliance Department, and review and approval by the Investment Committee. Its selection criteria include:

- Financially stable, outstanding reputation, top performance records, 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;
- Sufficient 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 penalties by regulatory bodies for the three years prior to their proposed mandate.

External managers selected for CIC’s mandates are an integral part of its investment management team.

2009 Investment Results

From its inception in September, 2007 through the end of 2008, CIC deployed about USD 21 billion into the market. The gradual deployment of capital was appropriate for a new company particularly under the turbulent market conditions. However, as CIC built its capability and the global economic and investment environment started to show signs of recovery, it significantly stepped up its investment activities, making new investments of about USD 58 billion in 2009. The return on its global portfolio in 2009 was 11.7%. Table 3 summarizes CIC’s investment performance.

Table 3
Summary of Investment Performance

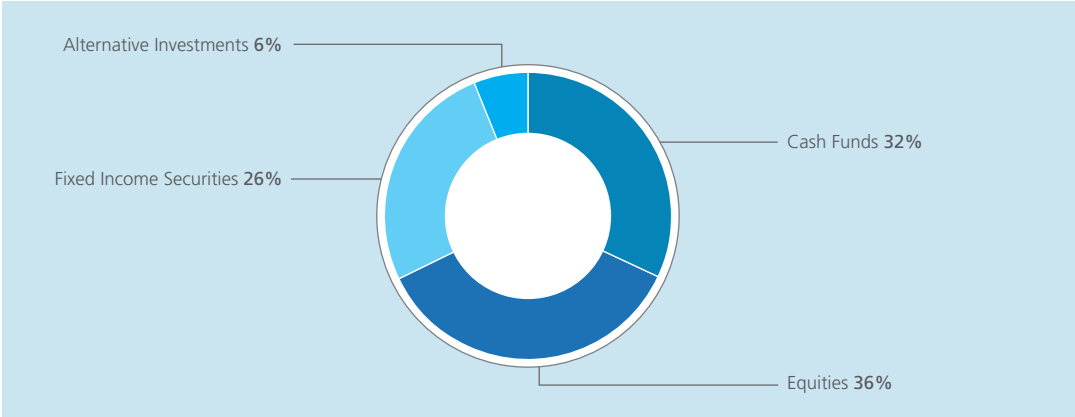
	2009	2008
Return on Capital ¹	12.9%	6.8%
Global Portfolio Return ²	11.7%	-2.1%

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 portfolio companies. The return rate is calculated based on CIC’s registered capital of USD 200 billion. 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 Central Huijin’s domestic financial institution investments.

² Global Portfolio Return is based on the annual change in the fair market value of CIC’s global investments.

Figure 1 presents the distribution of CIC’s global portfolio by asset class at the end of 2009. Figure 2 shows the distribution between diversified and direct concentrated holdings out of the invested global portfolio. Figure 3 illustrates the break-down between internally and externally managed investments out of the diversified holdings. Within the internally managed diversified holdings, fixed income investment accounts for a significant portion.

Figure 1
Global Investment Portfolio Distribution (December 31, 2009)



INVESTMENT STRATEGY AND MANAGEMENT

Figure 2
Diversified versus Direct Concentrated Holdings(excluding Cash Funds) (December 31, 2009)

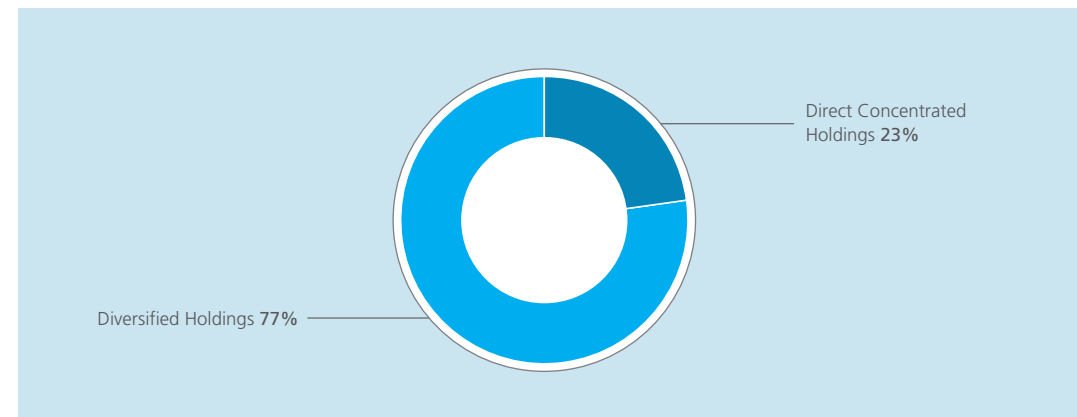
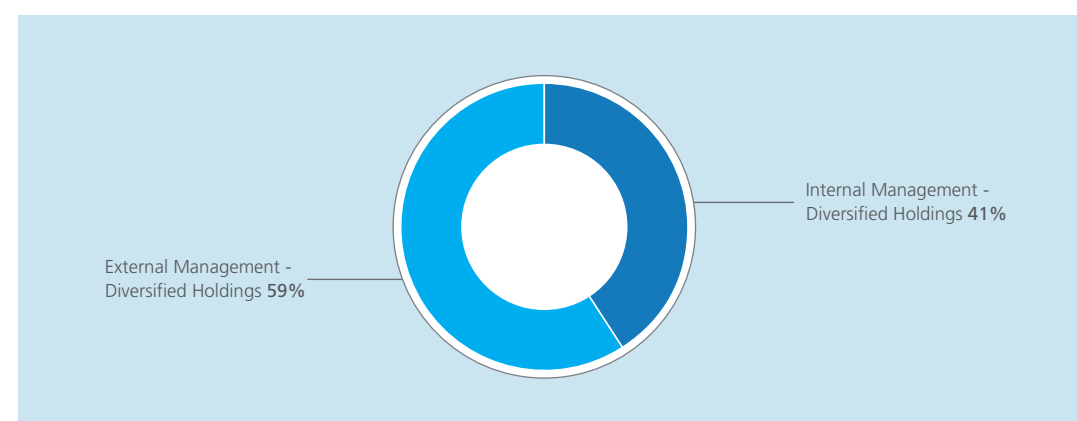


Figure 3
Internally versus Externally Managed Investments out of the Diversified Holdings (December 31, 2009)



CIC invests globally. Figure 4 shows the distribution of diversified equity investments by geographical region. Figure 5 presents the distribution of diversified fixed income securities by type.

Figure 4
Diversified Equity Investments by Region (December 31, 2009)

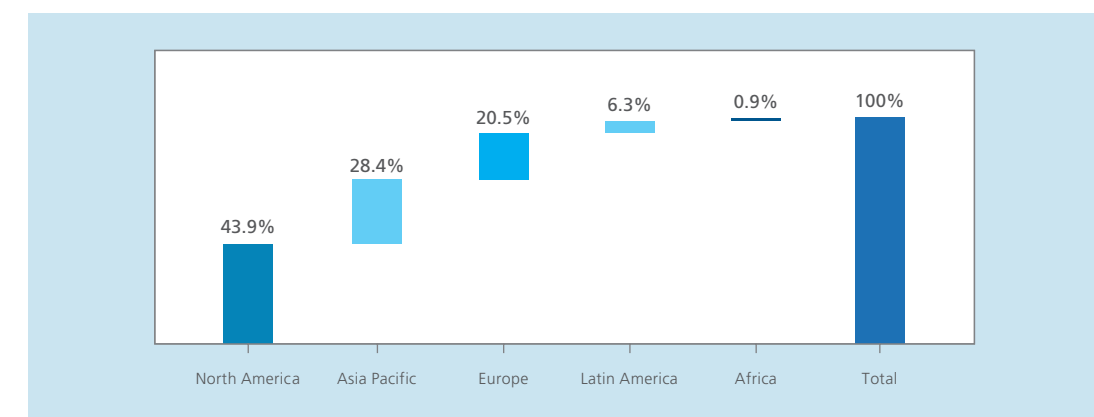
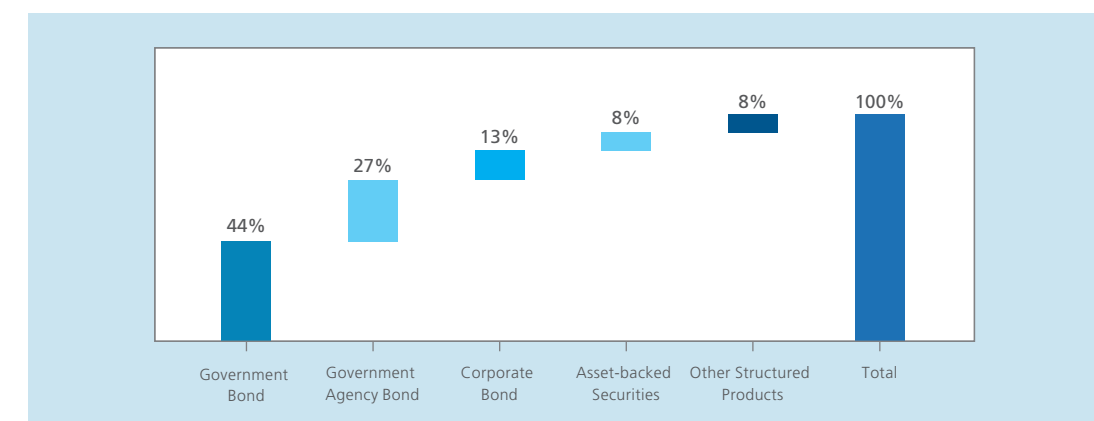


Figure 5
Diversified Fixed Income Securities by Type (December 31, 2009)



INVESTMENT STRATEGY AND MANAGEMENT

Direct investments constitute the largest individual positions in CIC’s global investment portfolio. Depending on the specific needs of individual investments, various securities structures including public equity, private equity, structured and hybrid instruments and other vehicles are flexibly applied as suited and appropriate to balance the investment requirements of CIC with the needs of the investee company, creating a “win-win” outcome. Direct investments made in 2009 were mainly in the natural resources, green fuels, infrastructure and financial services sectors. As an example of how CIC approaches its direct investments, the Box on the right describes its recent investment in AES Corporation.



CIC’s Investment in AES Corporation

On November 6, 2009 CIC agreed to make a USD 1.58 billion investment in AES Corporation, a U.S. based global power company with generation and distribution businesses, representing approximately 15% equity interest in the company. Following regulatory approvals, the transaction closed in March of 2010.

AES, with headquarters in Arlington, Virginia, owns and operates a diverse portfolio of power generation and distribution businesses in 29 countries, including a few plants in China. More than two-thirds of AES’ revenue is generated outside the United States. AES seeks to invest in high-growth areas of the power sector, including renewable energy and emerging markets. As Mr. Paul Hanrahan, President and Chief Executive Officer of AES, stated, “We see tremendous potential for growth in meeting demand for affordable and sustainable power throughout the world. Having CIC as a partner will enhance our financial flexibility, provide capital needed to move more quickly on our project development pipeline, and offer broader access to high quality

investment opportunities.” To CIC, AES provides a vast platform and global reach that represent excellent opportunities to invest in the power generation business in areas such as Asia and other emerging markets. “We liked their platform and their strategy”, said one member of the CIC team.

In May, 2009 CIC and AES had initial discussions about the potential of an investment by CIC in specific AES assets. By August, the two companies had decided they could work well together. The following months were spent jointly structuring the deal and beginning the process of discussion by AES with regulators and legislators to explain the specifics of the proposed transaction and CIC’s role and value, and to address public policy and regulatory questions and concerns that might be raised.

After the transaction was announced in November 2009, CIC and AES jointly began the formal part of the regulatory approval process. Discussions were held and filings made with the Federal Energy Regulatory Commission (FERC), the Committee on Foreign Investment

in the United States (CFIUS) and New York State Public Service Commission (NYPSC). The level of transparency and professionalism displayed by AES and CIC greatly facilitated the approval process, which was completed on an accelerated basis. All parties felt that the process had enhanced CIC’s reputation as a responsible investor in the United States.

In the press release issued at the closing of the transaction in March 2010, Paul Hanrahan, CEO of AES said “We are extremely pleased with our new partnership with CIC.”

INVESTMENT STRATEGY AND MANAGEMENT

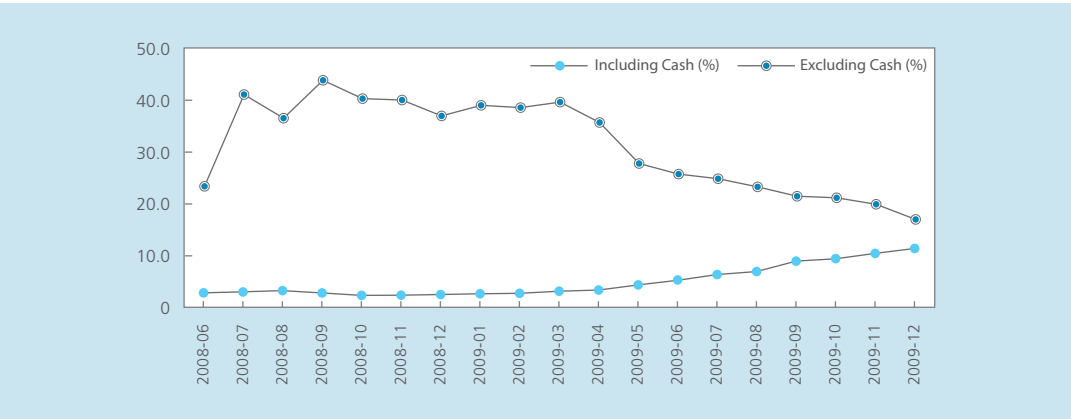
Table 4 highlights selected direct investments made in 2009.

Table 4
Highlight of Selected Direct Investments in 2009

Company	Contract Month	Amount of Investment (Million USD)	Type of Investment	Sector	Approximate Initial Ownership %
Teck Resources Limited (Canada)	July	1,500	Class B subordinate voting shares	Mining and mineral development	17.2%
JSC KazMunaiGas Exploration Production (Kazakhstan)	July	940	Global depositary receipts	Oil and gas	10.6%
Nobel Oil Group LTD (Russia)	September	270	Equity acquisition	Oil and gas	45.0%
PT Bumi Resources Tbk (Indonesia)	September	1,900	Private debt	Thermal coal production	Not Applicable
Noble Group Limited (Singapore)	September	858	Common shares	Resources	14.9% of outstanding shares on an undiluted basis
SouthGobi Energy Resources Limited (Canada)	November	500	30-year secured convertible debenture	Coal mining and exploration company	Not Applicable
AES Corporation (United States)	November	1,581	Common shares	Power generation	15.0%
GCL-Poly Energy Holdings Limited (Hong Kong)	November	717	Common shares	Renewable energy	20.1% on a fully-diluted basis

As has been noted, CIC’s invested portfolio grew rapidly during 2009. Risk has continued to be effectively managed. As shown in Figure 6, while total risk of the portfolio (including cash) increased due to the deployment of capital out of cash into overseas investments, the risk profile of the invested portfolio has declined significantly due to diversification and effective risk management.

Figure 6
Trend of Total Portfolio Risk (June 2008-December 2009)



Central Huijin’s returns were driven by profitability of the financial institutions in its portfolio. Central Huijin’s top five portfolio holdings are shown in Table 5.

Table 5
Top5 Portfolio Holdings of Central Huijin (December 31, 2009)

Financial Institution	Percentage of Ownership
China Development Bank	48.7%
Industrial and Commercial Bank of China	35.3%
Agricultural Bank of China	50.0%
Bank of China	67.5%
China Construction Bank	57.0%

RISK MANAGEMENT



“ We exercise care, prudence and diligence, and take a measured approach to managing risks in every investment we undertake. ”

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. Risk management and control were further heightened and new factors highlighted during the global financial crisis were taken into account in the course of 2009. The Risk Management Committee proactively assesses and measures the company’s portfolio risks and reviews the portfolio’s composition to ensure risk exposure is managed effectively and appropriately. The Committee meets quarterly or more frequently when needed.

The Risk Management Committee is comprised of senior executives and department heads to facilitate comprehensive and integrated oversight of strategic, financial and operating risks. The Committee’s membership is shown in Table 6. Heads of the four investment departments attend Risk Management Committee Meetings as needed.

Organizationally, the Risk Management Department and the Legal and Compliance Department report to the Chief Risk Officer. Investment risk, including credit, market, liquidity and operating risks are managed by the Risk Management Department.

Within the Legal and Compliance Department, the legal team focuses on development and review

Table 6
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 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
Head of Administrative Office

of contracts and management of legal risk. The compliance team is charged with the responsibility of ensuring that CIC complies with investment and related laws and regulations of the markets in which it invests.

Reputation risk, country risk, policy risk and other non-commercial risks are addressed by the Public Relations and International Cooperation Department.

CIC has developed a comprehensive risk control 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. Informal discussion and consultation are conducted on a more frequent basis as needed. 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 utilizes an internationally accepted risk management system as its risk analytic and reporting backbone. Positions, including positions managed by external investment managers, are monitored using this system and comprehensive risk management reports are produced weekly, monthly and quarterly for management review. As an example, Table 7 shows the Table of Contents of the standard monthly risk report.

Table 7
Contents of Standard Monthly Risk Report

1. Executive Summary
2. Composition of total portfolio and risk and return analysis
3. Comprehensive credit exposure analysis
4. Risk and return analysis of total portfolio in public equity market
5. Risk and return analysis of total portfolio in fixed income
6. Risk and return analysis of inflation-hedged portfolio
7. Risk and return analysis of absolute return portfolio
8. Private equity investment summary
9. Special (concentrated) investment summary

During 2009 CIC continued to enhance its operating risk control processes including:

- Establishing an Operating Risk Group within the Risk Management Department.
- Implementing a new internal control function throughout the organization. Every departmental unit has identified an Internal Control Representative responsible for identifying and monitoring operating risks within its department. The process is managed by the Internal Control team which is part of the Operating Risk Group within the Risk Management Department.
- Increasing the focus on managing operating and credit risk with clearing banks and custodians.

HUMAN RESOURCES



“ The constant pursuit of new knowledge and the adoption of best practices is a driving force for our success and future growth. ”



HUMAN RESOURCES

During 2009 CIC’s staff grew from 148 at the start of the year to 246 at December 31, 2009. Recruiting, developing and retaining our staff is, and will continue to be, the key to CIC’s future success.

Continuously Building the CIC Team

Investing globally, CIC recognizes it must recruit and retain excellent talent internationally and top talent domestically for many senior positions to build a strong leadership team and to support

“The commitment of its management, the expected growth of its business and CIC’s mission should keep CIC a professionally and intellectually rewarding place to be associated with.”

longer term growth of its business. The individuals CIC seeks are global talents who also understand the Chinese perspective, culture and language. CIC has no restrictions on nationality. For those it recruits internationally, CIC requires a minimum of six years of relevant

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

CIC continues to offer a compelling value proposition to many investment professionals. It is still young but is an exciting company, enjoying great latitude in its investments with

substantial investment capability, offering its people outstanding personal development and career opportunities. In 2009 CIC hired about 100 new team members from a very large pool of applicants. CIC remains 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 staff level meet individually with each member of the senior management team. Table 8 summarizes the background of the CIC staff.

Team Developing

CIC has developed a comprehensive evaluation system to both reward performance and to aid in defining training and development requirements for each employee. 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 outcome of the performance evaluation.

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, 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 departmental level and at the individual level. In addition, to build an overall understanding of CIC, staff meetings are held at which senior executives discuss topics such as the role and operations of specific departments, the Santiago Principles, technical issues such as risk management, regulatory developments and compliance, economic developments, company performance and the like. 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, some overseas programs are arranged for employees as appropriate.

In 2009 CIC implemented a new program to increase hiring of younger professionals from top Chinese and global business and professional schools. Recruits enter a two-year rotation program to allow them to better understand the entire organization, build a broad set of skills and determine where their interests lie so that they can make appropriate career choices.

Retention

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 CIC’s mission should keep CIC a professionally and intellectually rewarding place to be associated with.

CIC is committed to the policy of rewarding its people based on both their individual contributions and team work and maintaining the competitiveness of its compensation structure. In 2009, CIC adopted a new compensation system for all staff comprised of three elements: base compensation, floating or variable compensation which is based on evaluation of behaviors and adherence to CIC’s core values, and bonus which is based on results and achievements. A major objective of this system is to provide appropriate and long-term incentives and strong motivation among all its staff and promote teamwork and harmony across the organization by explicitly recognizing the importance of CIC’s values.

Table 8
Background Summary of CIC Staff (Number of personnel at December 31, 2009)

Total Number	Advanced Degrees*	Overseas Work Experience	Overseas Education	Overseas Citizenship
246	199	115	132	31

Note: * Postgraduate and higher degrees.

HUMAN RESOURCES



Liu Haoling

Liu Haoling is a director at the Legal and Compliance Department. He joined CIC in March, 2008 from Goldman Sachs, Beijing, and holds a masters degree in Finance from London Business School, UK.

"An important part of my job is to help promote and protect the integrity and reputation of CIC. If the value of our portfolio declines in a difficult market, we can earn it back but if we lose our reputation, it will be very difficult to regain it. Integrity is vital at CIC."

Yin Yanwu is a director at the Risk Management Department. He joined CIC in June, 2008 from Earnest Partners LLC (Asset Management), Atlanta, GA USA and Beijing, and holds a masters degree in Quantitative and Computational Finance from Georgia Institute of Technology.

"I joined CIC because I saw a great opportunity. It is a great place for me to learn because I am exposed to people and ideas from all over the world."



Yin Yanwu



Xu Di

Xu Di is a managing director at the Private Market Investment Department. She joined CIC in December, 2008 from UBS Securities, and holds a Ph.D degree from Massachusetts Institute of Technology.

"CIC's ultimate goal is to make a long-term, sustainable and risk-adjusted financial return for its shareholder. I take pride in working in such a great company. As an investment officer, our professionalism requires prudence, team work and commitment, and there can be no better environment for learning."

Jia Fei is a senior vice president at the Human Resources Department. He joined CIC in January, 2008 from Southwest England Development Agency, Guilford, UK, and holds a Ph.D degree from the University of Surrey, UK.

"I joined CIC because it offered great opportunity for a young person like myself to become involved in the financial world and to take on significant responsibility early. I play an important role in recruiting financial professionals. Our interview panel process is very rigorous technically. We also work hard to identify individuals who have demonstrated the spirit of teamwork and show the commitment it will take to be successful at CIC."



Jia Fei

Cliff Chau



Cliff Chau is managing director and head of the Finance Department. He joined CIC in July, 2008 from KPMG, Los Angeles, CA USA and Beijing, and holds a MBA from the State University of New York.

"Joining a new and important company like CIC was most attractive to me. I saw a very talented group of high caliber professionals working to build a great company from the ground up. We have the chance to take best practices from around the world and adapt them to our needs. I personally see the importance CIC places on prudence and integrity. As CIC is a young, growing organization, there is still quite a lot to be done; I expect to be challenged for years to come."

Wang Yan is a senior vice president at the Special Investments Department. She joined CIC in January, 2009 from the Bank of China head office, and holds a masters degree from Singapore Management University.

"CIC provides an ideal environment for my professional development. I have broadened my horizons, acquired critical skills in infrastructure investment, and made tangible contribution to the company's performance. Joining CIC turns out to be the best career decision I have made."



Wang Yan

OUTREACH ACTIVITIES



“ We adhere to the highest standards of professionalism in the way we conduct our business. ”

OUTREACH ACTIVITIES

“CIC actively contributes to the further development of open, fair and non-discriminatory access to capital markets and cross-border investment flows.”

As a young company with the mandate to invest in overseas markets which is still in the early stage of establishing its track record, CIC understands the importance of frequent dialog with stakeholders in the global economic community. Such dialogs are needed not only to demonstrate CIC's role as a transparent financial investor, committed to the "Santiago Principles", but also to enable CIC to better understand and address the concerns of government officials

and regulators in recipient countries and supranational agencies, learn from the experience of others and contribute to the promoting of open, fair and non-discriminatory access to capital markets globally. Members of CIC's senior executive team meet frequently with recipient countries' government policy makers and regulators and are active participants in economic forums, regulatory conferences, economic policy conferences and the like.

CIC has been an important member in formulating principles for sovereign wealth funds (SWFs) since the International Working Group of Sovereign Wealth Funds was established in May, 2008. CIC is a charter member of the IWG, participated in the meetings of the International Working Group which reviewed and debated the issues, and played a prominent role in defining and drafting the Generally Accepted Principles

and Practices for Sovereign Wealth Funds, the "Santiago Principles" which were officially promulgated in October, 2008. CIC participated in development and implementation of the permanent structure of the International Forum of Sovereign Wealth Funds in April, 2009. The Forum serves a platform for exchanging ideas and views among SWFs and on issues of their common interest, and on application of the "Santiago Principles", continuing dialog with other relevant parties, recipient countries in particular, to contribute to the development and maintenance of an open and stable investment environment. CIC is proud that the Chairman of its Board of Supervisors was elected as Deputy Chair of the Forum. CIC will host the next meeting of the Forum in Beijing in April, 2011.

Executives of CIC participate regularly in important formal discussions of economic and regulatory policy in both multilateral and bilateral meetings to discuss and exchange views on economic trends, the global investment climate and regulatory issues impacting cross-border investment and capital flows. For example, CIC participated in the OECD Freedom of Investment Roundtable which brought senior governmental, regulatory and investment company officials together to discuss regulatory issues affecting fair and non-discriminatory treatment of SWFs and other global investors. CIC officials were also invited to participate in formal bilateral discussions with government and regulatory officials of countries including the United States, the European Union, Brazil, Singapore and Australia among others. CIC conducts its own

frequent direct consultations with regulators and government officials of its countries concerned to discuss investment issues and regulations in general and in connection with specific transactions, particularly where there may be national concerns about investment in sectors such as energy. In 2009, such consultations were held with Australia, Canada, France, the United Kingdom, the United States and other countries. CIC also received a large number of international visitors at its Beijing headquarter including supranational agency officials, foreign government officials and regulators, legislators, academics, and business executives.

CIC issues frequent press releases on significant investment transactions, maintains up to date information on its organization and major transactions on its web site and publishes an annual report detailing its governance, investment and risk management policies and practices, information on its global investment portfolio and annual financial results.

CIC believes its participation in these forums and meetings is critical to improving its understanding of global and national investment environments, demonstrating its commitment to transparency and conformity with national laws and regulations of the recipient countries, and increasing the global economic community's understanding of CIC's investment policies and practices.

2009 FINANCIALS



“ We promote teamwork and encourage close collaboration to guarantee operational efficiency and achievement of CIC’s stated objectives. ”



2009 FINANCIALS

Basis of Presentation

China Investment Corporation (the “Company”)’s consolidated financial statements have been prepared in accordance with Accounting Standards for Business Enterprises issued in 2006 by the Ministry of Finance of the People’s Republic of China. The adoption of those standards has brought substantial convergence between Chinese standards and International Financial Reporting Standards. The Company’s consolidated financial statements were audited by its independent auditors with an unqualified opinion reported thereon. The Company believes that the financial statements represent a true and fair view of the Company’s financial position, results and cash flows as at and for the year ended 31 December 2009.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include valuation of financial instruments and income taxes.

Central Huijin does not consolidate any of its long-term equity investees; it accounts for its long-term equity investments using the equity or cost method.

The accounting period of the Company is from 1 January to 31 December. The Company’s reporting and functional currency is USD except for Central Huijin which utilizes RMB. Except for items classified as financial assets and liabilities at fair value through profit or loss, the financial statements are prepared on the historical cost basis.

Financial Statements

Consolidated Balance Sheets

31 December

(Amount in millions of US dollars)

	2009	2008
Assets		
Cash and deposits	18,622	47,803
Financial assets at fair value through profit or loss		
- Cash management products	20,673	45,436
- Equities	39,828	1,949
- Fixed income securities	25,383	8,312
- Alternative investments	7,430	362
Total financial assets at fair value through profit or loss	93,314	56,059
Receivables and prepayments	3,067	1,565
Held-to-maturity investments	14,424	15,189
Long-term equity investments	201,409	171,156
Deferred tax assets	962	1,765
Other assets	596	4,003
Total assets	332,394	297,540

2009 FINANCIALS

Consolidated Balance Sheets (continued)
31 December
(Amount in millions of US dollars)

	2009	2008
Liabilities		
Financial liabilities at fair value through profit or loss	4,057	5,346
Deferred tax liabilities	1,575	43
Other payables and liabilities	6,752	3,395
Total liabilities	12,384	8,784
Owner's equity		
Owner's capital	200,000	200,000
Capital reserves and others	120,010	88,756
Total owner's equity	320,010	288,756
Total liabilities and owner's equity	332,394	297,540

Consolidated Income Statements
Year ended 31 December
(Amount in millions of US dollars)

	2009	2008
Investment income		
Interest income	1,656	4,066
Dividend income	938	135
Net realized gains on investments	186	50
Investment income from long-term equity investments	31,706	26,367
Changes in unrealized gains (losses) from investments	10,318	(6,495)
Foreign exchange gains (losses)	72	(167)
Total investment income	44,876	23,956
Expense		
Investment expense	(106)	(42)
General and administrative expense	(47)	(32)
Impairment loss	-	(21)
Total expense	(153)	(95)
Operating income	44,723	23,861
Others, net	(25)	1
Income before taxes	44,698	23,862
Income taxes	(3,038)	(731)
Net income	41,660	23,131

2009 FINANCIALS

Summarized Accounting Policy of Financial Instruments

Categories of financial instruments

The Company's financial assets are classified into either financial assets at fair value through profit or loss ("FVTPL") or held-to-maturity investments. The Company's financial liabilities are classified into one of two categories: financial liabilities at FVTPL and other financial liabilities.

Financial assets and liabilities at FVTPL

Financial assets and liabilities at FVTPL include trading financial assets and liabilities and those initially designated as financial assets and liabilities at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has positive intention and ability to hold to maturity.

Other financial liabilities

Other financial liabilities exclude those that are designated initially at FVTPL. Other financial liabilities mainly include placements with financial institutions and repos.

Measurement of financial instruments

Financial instruments are initially recognized at fair value. Subsequent measurement of held-to-maturity investments are measured at amortized cost by using the effective interest method.

For financial instruments at FVTPL, gains or losses derived from movement of their fair value are recognized in profit or loss. For all other financial assets and liabilities stated at amortized cost, the gains or losses on derecognition or arising from impairment are also recognized in profit or loss.

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently measured at their fair value on each balance sheet date. The resulting gains or losses from the fair value change are recognized in profit or loss. The embedded derivative instrument shall be separated from the non-derivative instrument and treated as an independent derivative instrument.

As for the financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refer to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and etc. at a fixed term, and which represent the prices at which actually occurred market transactions are made under fair conditions. Where there is no available offer or charge for a financial instrument and there is no any significant change to the economic environment after the latest transaction day, the Company shall apply the market quoted price of the latest transaction to determine the fair value.

For financial assets that do not have a quoted market price in an active market, the fair value is determined by using valuation techniques. The valuation technique applied shall be generally accepted and can be reliably verified with references to past market price of similar recent arm's length transactions, other instruments that are substantially the same, discounted cash flow method and option pricing models. The Company periodically evaluates the valuation techniques to ensure its effectiveness.





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