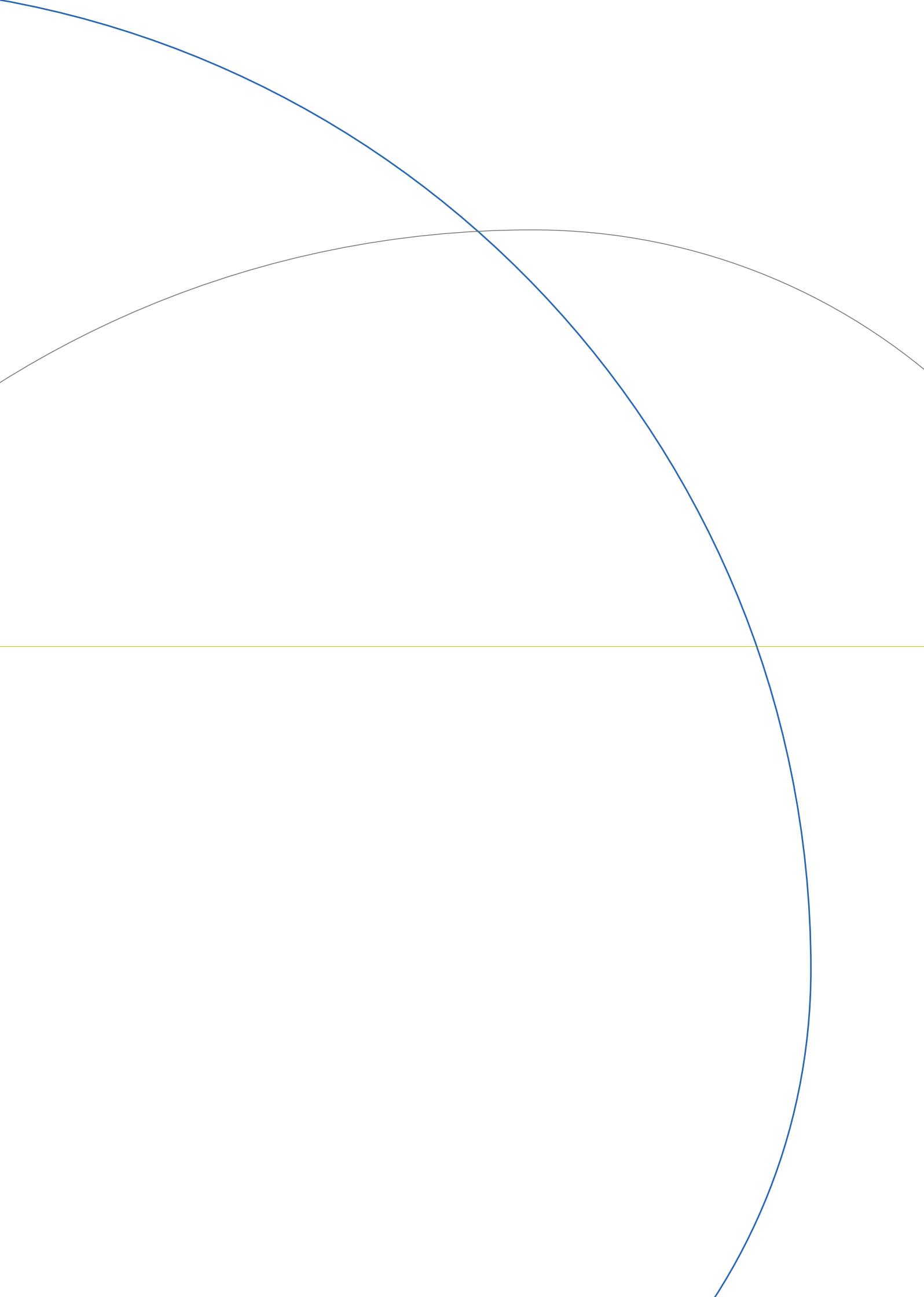




2015

**CHINA INVESTMENT CORPORATION
ANNUAL REPORT**



Contents

MESSAGE FROM THE CHAIRMAN AND CEO	3
CORPORATE REVIEW	7
Overview	7
Landmarks	8
Culture and Core Values	9
Corporate Governance	11
INVESTMENT AND MANAGEMENT REVIEW	23
Investment Strategy and Management	23
Risk Management	37
Human Resources	40
Global Outreach	43
2015 FINANCIALS	45



Ding Xuedong
Chairman and CEO

MESSAGE FROM THE CHAIRMAN AND CEO

2015 was a challenging year for both the global economy and China Investment Corporation (CIC). The economic recovery continued on a sluggish path, big fluctuations reverberated in the international financial market, and competition in the investment industry became ever fiercer. Against this backdrop, CIC prudently coped with challenges by exploring new business opportunities and refining its corporate governance, thereby renewing progress in overseas investment and management.

During 2015, the global economy recovered at a slower pace than expected. Though higher than other developed economies, US economic growth was lower than expected because of a strong dollar and weak external demand. The euro area witnessed a moderate recovery thanks to quantitative easing, low oil price, and neutral fiscal policies. Nonetheless, investments remained anemic and were associated with weak endogenous momentum. Japan saw a technical recession. Its core consumer price index slid again into negative territory. Emerging economies were depressed, and some were mired in a downturn. China was faced with economic distress and a slowdown. Global stocks, commodity prices, and non-US dollar currencies tumbled, introducing enormous risks and challenges to global investment. Due to volatilities in international financial markets and foreign exchange losses triggered by an appreciating US dollar, CIC's overseas investments generated a dollar-denominated net return of -2.96% in 2015 and a net cumulative annualized return of 4.58% since CIC's inception. By the end of 2015, CIC's total assets had exceeded \$810 billion, and the annualized growth rate of state-owned capital had reached 15.30% since CIC's inception.

Given the lower asset yield expectations worldwide and the growing downside risks in the investment environment, we braced ourselves for the challenges with initiative, adaptation, and, most importantly, commitment. We conducted well-timed adjustments in our investment strategies, optimized our investment platforms, and raised operation and management standards. We remained a responsible investor, kept a clear sight on our long-term development goals, and addressed difficulties and challenges in the evolving investment environment in a proactive, steady, and orderly manner.

Investment Structure : We established a direct investment arm and continued to streamline the structure of our investments and to revamp our internal management framework with a modern corporate governance system. In 2015, we launched our specialized direct investment platform, CIC Capital Corporation (CIC Capital). CIC's overseas investment businesses are now undertaken by CIC International and CIC Capital, while Central Huijin makes equity investments in key state-owned financial institutions in China as authorized. Independent internal decision-making and management systems were built inside the three subsidiaries to ensure a more clear-cut, professional and targeted division of labor.

In addition, we closed the Toronto Representative Office and set up the New York Representative Office to optimize our overseas presence.

Investment Management : We acted more cautiously in managing our investments, adjusted our asset allocation model, optimized the composition of our overall portfolio, and strengthened in-house management capabilities. CIC assigns priority to constructing a simple, transparent, and resilient portfolio. To this end, we introduced into the allocation framework the Reference Portfolio, which has provided clearer guidance for portfolio construction.

For public market investment, we regularly improved our in-house investment platforms and capabilities. Our quantitative in-house investment platform was built, and a number of internally managed portfolios posted a desirable performance.

For long-term asset investment, we ramped up investments in assets that generate stable returns such as real estate and infrastructure.

Moreover, we constantly strengthened the post-investment management of direct investment projects and prudently reduced or exited investments in some projects. In the meantime, we continued to explore investment opportunities from a Chinese angle and established a presence in emerging industries. We also tapped into our private equity fund network to identify opportunities for investment cooperation.

Investment Support : We provided better investment support by improving our investment management system, deepening comprehensive risk control, and enhancing corporate management. In 2015, we revised and rationalized our investment decision-making and management system. We improved our comprehensive risk management system and strengthened risk warning and monitoring. Specifically, we enhanced project valuation, attribution analysis, and quantitative risk analysis. Moreover, we evaluated our operational risk more effectively and enforced rigorously project due diligence and the Investment Manager Accountability System.

Meanwhile, we replenished our talent pool for investment departments and strived to build a team of high-caliber professionals by conducting over a hundred training programs on professional expertise and management skills and advancing the Position Mapping Program, the Competency Model, and the Career Planning Program. We also established the Cost Accounting and Payment Management System, which covers the entire financial management process. This has enhanced the enforcement, monitoring, and management of our budget. Likewise we continued to strengthen the operational system and optimize the information technology system.



Given the lower asset yield expectations worldwide and the growing downside risks in the investment environment, we braced ourselves for the challenges with initiative, adaptation, and, most importantly, commitment.





In the year ahead, we will remain true to our mission and will forge ahead with greater passion, professionalism, dedication, and synergy to make new progress towards becoming a world-class and respected sovereign wealth fund.



Investment Cooperation : We deepened our investment partnerships by tapping into our professional platform and promoting cooperation between the real economy and the financial sector and between domestic and international entities. As a sovereign wealth fund (SWF), CIC actively leveraged its global networks and professional platforms to expand investment cooperation. Through industry review and analysis, visits to enterprises, and field investigations, CIC established contacts with more than 100 domestic and overseas enterprises that have cross-border investment plans. Moreover, we carried out over 10 cooperation projects with leading enterprises in key industries and actively developed new ways to promote cooperation between the real economy and the financial sector. Guided by market demands and driven by research and projects, we conducted prudent and well-organized direct investments overseas, which mainly involved equity investments on a commercial basis focused on key industries, countries, and regions. This cooperation strategy was fostered over time, which not only reaped good returns for CIC, but also lent vigorous support to domestic and overseas enterprises in their global development.

Currently, the world economy is undergoing profound adjustment in the wake of the financial crisis. Given uncertainties like the Fed's fickleness on raising rates, Brexit and fluctuations of major currencies, 2016 is likely to be another year of sluggish growth, coupled with subdued inflation, low productivity, and lackluster trade. Policies in major economies may continue to diverge. Such a macroeconomic environment betokens declining returns on asset investment and increasing volatilities, making long-term return objectives more difficult to meet for institutional investors.

However, it is noteworthy that major developed economies have recently achieved moderate growth or recovery, and a few emerging markets, including China, enjoy sound prospects. Global outbound direct investment has soared, and cross-border mergers and acquisitions have been growing by leaps and bounds. Infrastructure, innovative industries, healthcare, and advanced manufacturing are emerging as hotspots for global investment; international cooperation on production capacity is set to become the new driver for the global economy and for reshaping international industry systems and may serve as a powerful engine for cross-border investments. Against this backdrop, CIC stands ready to join hands with competitive domestic and overseas enterprises to explore and seize quality investment opportunities globally. We will actively explore cross-border investment models that are based on complementarity and win-win cooperation.

According to a Chinese poem, "Honing gives a sharp edge to the sword, Bitter cold adds fragrance to the plum blossom." The world is in flux and full of complexities and challenges. However, we at CIC remain adamant in our commitment to seeking maximum returns for our shareholder and to diversifying China's foreign exchange holdings. In the year ahead, we will remain true to our mission and will forge ahead with greater passion, professionalism, dedication, and synergy to make new progress towards becoming a world-class and respected sovereign wealth fund.

Ding Xuedong
Chairman and CEO



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Headquartered in Beijing, China Investment Corporation (CIC) was incorporated on September 29, 2007, as a wholly state-owned company under the Company Law of China.

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CORPORATE REVIEW

Overview

Headquartered in Beijing, China Investment Corporation (CIC) was incorporated on September 29, 2007, as a wholly state-owned company under the Company Law of China, with a registered capital of \$200 billion. The company was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance. By the end of 2015, the total assets of CIC had exceeded \$810 billion.

CIC has three subsidiaries, CIC International Co., Ltd. (CIC International), CIC Capital Corporation (CIC Capital), and Central Huijin Investment Ltd. (Central Huijin).

CIC International was established in September 2011 with a mandate to invest and manage overseas assets. It took over the entire portfolio and the mandate for overseas investment from CIC then. CIC Capital was incorporated in January 2015. The overseas investment and management activities of CIC are now undertaken by CIC International and CIC Capital. CIC International conducts public market equity and bond investments, hedge fund and real estate investments, private equity fund investments, co-investments, and minority investments as a financial investor. CIC Capital is mandated to make direct investments and manage bilateral, multilateral and platform fund investments to maximize returns and promote international investment cooperation. Both CIC International and CIC Capital are market-oriented commercial entities with a specialized mandate and global reach.

CIC International (Hong Kong) Co., Ltd. (CIC International (Hong Kong)) was established in November 2010 to cover global investment-grade corporate bonds and H-shares. In December 2015, CIC opened the New York Office to conduct research on the regional economy and financial market and support communications and cooperation with local peer institutions. In addition, the Toronto Representative Office was closed to meet corporate administrative adjustment needs.

Central Huijin undertakes equity investments in key state-owned financial institutions in China. Without interfering with the day-to-day operations of investee institutions, Central Huijin exercises its shareholder rights and performs its obligations to the extent of its capital contribution to preserve and enhance the value of state-owned financial assets.

A strict operational firewall exists between the overseas business run by CIC International and CIC Capital and the domestic business run by Central Huijin.

Landmarks

2015	<p><i>December</i> CIC opened the New York Representative Office.</p> <p><i>January</i> CIC Capital was established.</p>
2014	<p><i>December</i> CIC launched the China-Mexico Investment Fund.</p> <p><i>January</i> CIC launched the Fengye System (the Risk and Performance Analysis System) to improve data analysis and CIC operational capability.</p>
2013	<p><i>July</i> Mr. Ding Xuedong took office as CIC Chairman and CEO.</p> <p><i>March</i> Mr. Lou Jiwei no longer served as CIC Chairman and Chief Executive Officer (CEO).</p>
2012	<p><i>July</i> CIC launched CIC Culture Consensus as part of its culture-building scheme.</p> <p><i>June</i> CIC set up the Russia-China Investment Fund with Russia Direct Investment Fund.</p> <p><i>February</i> CIC approved the 2012–2016 Strategic Plan of Development.</p>
2011	<p><i>December</i> CIC invested \$3.15 billion in GDF Suez Exploration & Production International.</p> <p><i>September</i> CIC International was established.</p> <p><i>May</i> CIC hosted the 3rd Annual Meeting of the International Forum of Sovereign Wealth Funds.</p> <p><i>January</i> CIC opened the Toronto Representative Office.</p> <p><i>January</i> The Board extended the investment horizon to 10 years.</p>
2010	<p><i>November</i> CIC International (Hong Kong) was incorporated.</p> <p><i>March</i> CIC invested \$1.6 billion in AES.</p>
2009	<p><i>July</i> CIC inaugurated the International Advisory Council.</p> <p><i>July</i> CIC invested \$1.5 billion in Teck Resources.</p>
2008	<p><i>September</i> CIC launched its official website.</p> <p><i>April–October</i> CIC became a member of the International Working Group of Sovereign Wealth Funds and co-drafted and signed the Santiago Principles.</p> <p><i>January</i> CIC set up the Investment Committee and the Risk Management Committee.</p>
2007	<p><i>December</i> CIC invested \$5.6 billion in Morgan Stanley.</p> <p><i>September</i> CIC was established in Beijing, China.</p>

Culture and Core Values

Building on its heritage and experience, CIC has developed a complete framework of corporate culture. Its mission, vision, and core values were crystallized in the CIC Culture Consensus released in 2012.

Mission: CIC is committed to diversifying China's foreign exchange investment portfolio and seeking maximum returns for its shareholder within acceptable risk tolerance.

Vision: We aim to grow into a world-class and respected sovereign wealth fund.

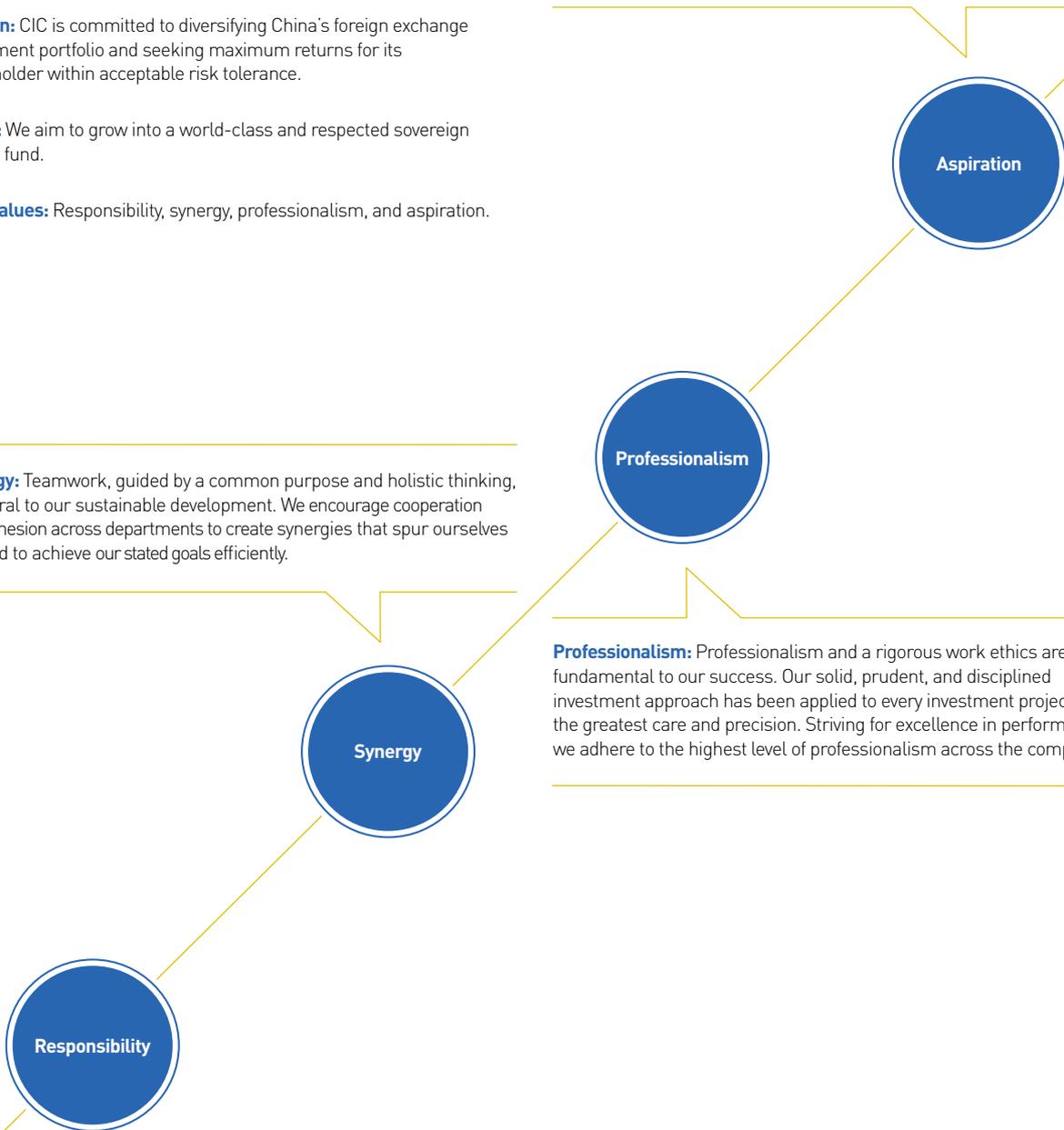
Core values: Responsibility, synergy, professionalism, and aspiration.

Aspiration: Aspiring to excellence drives us forward and guarantees sustained and greater success. Committed to building a learning enterprise, We encourage best practices and constant self-improvement across the company for greater achievement.

Synergy: Teamwork, guided by a common purpose and holistic thinking, is central to our sustainable development. We encourage cooperation and cohesion across departments to create synergies that spur ourselves forward to achieve our stated goals efficiently.

Professionalism: Professionalism and a rigorous work ethics are fundamental to our success. Our solid, prudent, and disciplined investment approach has been applied to every investment project with the greatest care and precision. Striving for excellence in performance, we adhere to the highest level of professionalism across the company.

Responsibility: We are committed to fulfilling our mandate with a strong sense of conscientiousness. Fundamental to our responsibilities and the commitment of every member of the company is managing assets effectively and making every investment a success. We honor these responsibilities, follow the most rigorous work ethic, observe integrity and honesty, comply with applicable laws and regulations of China and recipient countries or regions, and strive for maximum returns within acceptable risk tolerance for our shareholder.

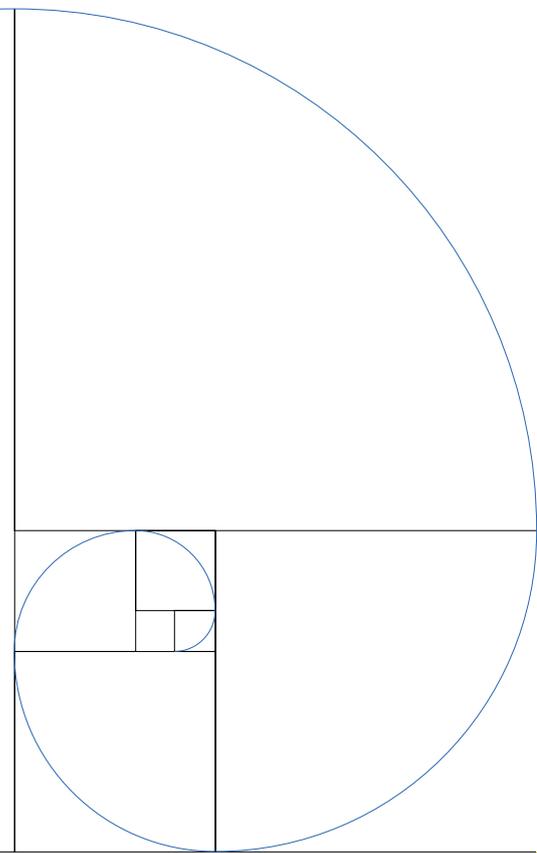


CIC is committed to a zero-tolerance approach to corruption and bribery. CIC has issued and published on its website its Code of Conduct and Guidelines on Preventing Conflicts of Interest, which include anti-corruption and anti-bribery policies applicable to all CIC employees. CIC also expects its business partners, counterparties, service providers, and agents to acknowledge and implement its anti-corruption and anti-bribery policies in their dealings with CIC.

In 2015, CIC implemented a program on Professionalism based on its strategic development and business needs. The sense of professionalism was promoted among and practiced by CIC employees through active education, in-depth study, the selection of teams, independent professional training, and fostering corporate culture.

Representative experts in various fields were invited to share their perspectives with CIC employees at the CIC Forum to help the employees expand their horizons, improve their expertise in investment, advocate for innovation, and build the CIC brand. Through three streams in this program (the CIC Employee, the CIC Team, and the CIC Image), the sense of mission, responsibility, and professionalism among employees was enhanced, making CIC more cohesive.

In addition, as a responsible investor, CIC adheres to embedding corporate social responsibility into its business activities. In its overseas investments, CIC strictly complies with the laws and regulations and respects social opinions of recipient localities. By consolidating existing resources, and working in partnership with other organizations, CIC actively engaged in the promotion and innovation of social work and reflected a sound corporate image (see Box1).



Box 1. Corporate Social Responsibility

[Poverty reduction] CIC helped promote the development of tourism in Shibing County, Guizhou Province, by inviting top-notch design institutions to draft tourism development plans tailored to local conditions and by steadily advancing the renovation project in the tourist area of Shanmu River. CIC also helped build a modern high-technology demonstration apple orchard in Jingning County, Gansu Province, and provided support for comprehensive development projects in Sifu Village in Jiesshipu Town, Gansu Province.

[Educational assistance] CIC completed the construction of three classroom buildings for Shibing County Secondary Vocational School in Guizhou Province. In Xunhua County, Qinghai Province, CIC invested in stipends for college students from humble backgrounds. In primary schools, CIC subsidized nutritious meal programs, built reading rooms, replaced desks and chairs with new ones, and set up multimedia classrooms. In Jingning County, Gansu Province, CIC offered support to establish pilot primary schools and teaching staff centers and encouraged its employees to participate in a one-on-one assistance program. In Huining County, Gansu Province, CIC funded students in need, sponsored summer camps, and provided assistance to Wenchang Middle School.

Corporate Governance

Pursuant to the Company Law of China, CIC established the Board of Directors and the Board of Supervisors, and it created the Executive Committee to enforce the resolutions of the Board of Directors. CIC assigned well-defined responsibilities and effective checks and balances among the three.

CIC improved its organizational and functional structure, as well as company rules and workstream standards. CIC also established a mechanism for scientific decision-making and authorization, put in place a comprehensive risk management system, and developed a sophisticated and diversified investment platform. CIC built on its governance model by adopting a scientific development outlook and improving its management and operational efficiency.

The Board of Directors is authorized to oversee the company's operations, evaluate its overall performance, and make decisions on important matters in accord with the Articles of Association. Based on objectives and principles stipulated by the State Council, the Board reviews and approves the company's development strategies, operational guidelines, and investment plans. It also decides on matters related to the implementation of corporate strategies, identifies major issues to report to the shareholder, appoints and removes senior executives, and decides on or authorizes the establishment of management bodies as necessary. The Remuneration Committee, which formulates and reviews the compensation policies for senior executives and oversees the execution of these policies, is organized under the Board of Directors. In 2015, the Board of Directors played a strategic and leading role by following the domestic and international macroeconomic landscape more closely, carefully formulating annual operation plans and budgets, and improving the asset allocation framework. The Board also dealt with key issues, including risk management, budget and budget resolution, and the performance review. As a result, CIC's management and investment capabilities were continuously reinforced.

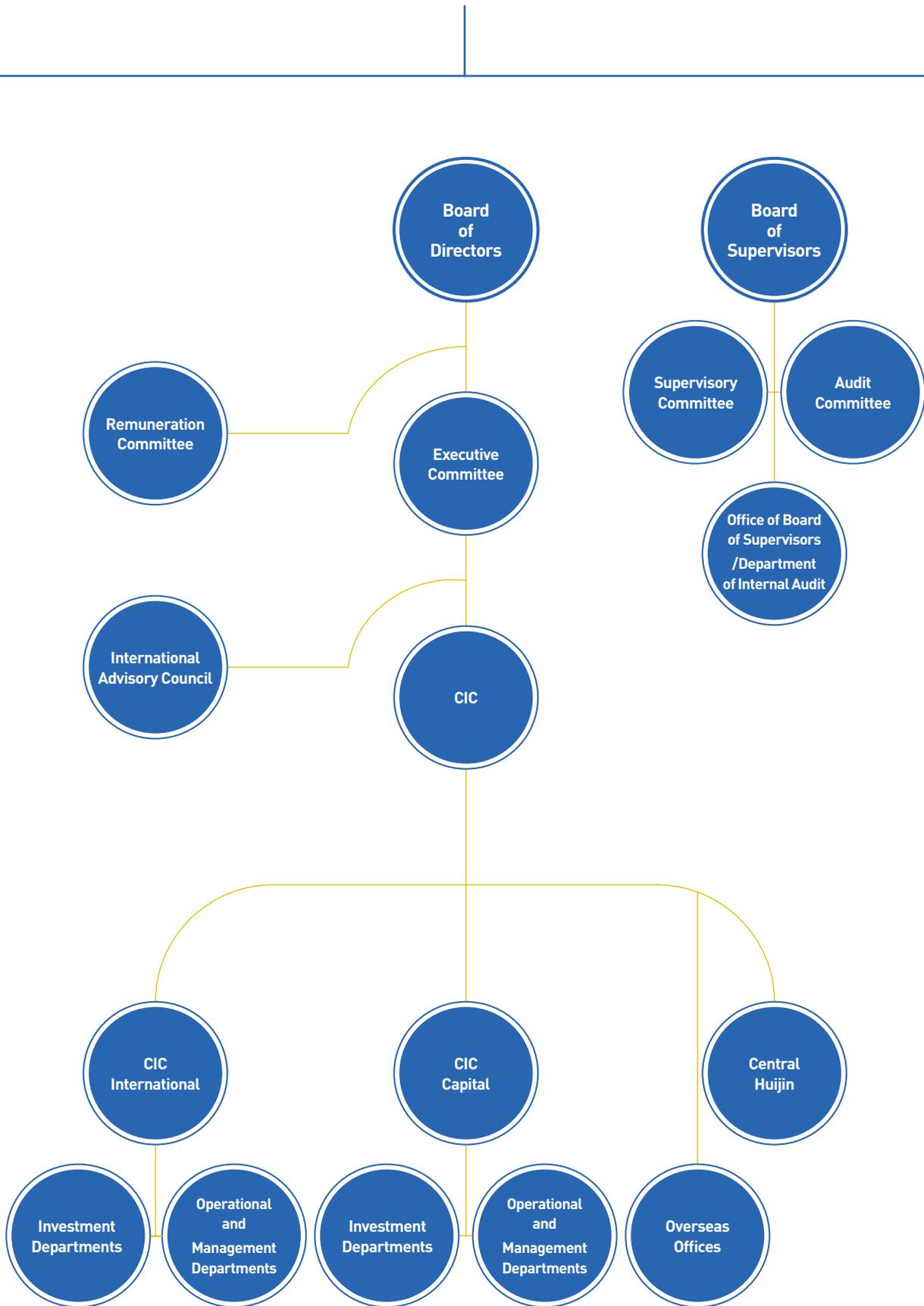
The Board of Supervisors is responsible for monitoring the performance of directors and executives in the execution of their duties as well as the effectiveness of supervisory procedures within the company. Also in charge of the Department of Internal Audit, the Board of Supervisors selects external auditors and monitors CIC's accounting and financial functions. In 2015, the Board of Supervisors enhanced the supervisory system and better monitored the fulfillment of duties of directors and senior executives. By conducting auditing investigations on investment management, economic responsibility, and shareholding, it improved overseas investment management and operations.

In association with the Board of Directors, CIC's Executive Committee translates the guidance of the Board of Directors into detailed strategies and oversees CIC's day-to-day operations. It has the authority to make required operating decisions, including decisions on basic rules, institutional adjustments, operating mechanisms, performance evaluations, and remuneration. In 2015, the Executive Committee developed strategic issues for the company, established the direct investment platforms for CIC Capital, and opened the New York Representative Office. It strengthened the policies and procedures of the company to ensure sophisticated management on all fronts, reviewed and revised the investment decision-making system, and further strengthened cost-benefit management and basic financial management. It also continued to promote the corporate culture to facilitate the improvement of the human resource management system.

The CIC International Advisory Council comprises world-renowned experts. It provides an international perspective on CIC's major development strategies, overseas investments, and significant decisions in the context of the global economy, investment opportunities, and regulatory issues. In September 2015, CIC convened the 7th annual meeting in Beijing.

During the meeting, IAC members conducted in-depth discussions on the new world economic order, notable trends and their implications, asset allocations, the investment strategy, international financial regulatory policy, and risk management, as well as valuable insights on CIC growth. They also shared their perspectives on global economic and political dynamics and outstanding issues through regular correspondence, visits, meetings, and participation in company activities and events.

Figure 1. Organization Chart



Board of Directors

Tu Guangshao

Vice Chairman and President

Mr. Tu Guangshao is Vice Chairman and President of CIC. Prior to this post, he served as Vice Mayor and Executive Vice Mayor of Shanghai. He held several positions in China Securities Regulatory Commission, including Vice Chairman, Secretary-General, General Manager of the Shanghai Stock Exchange, Director General of The Department of Trading. He also worked as Deputy Director of the National Financial Market's Quotation and Trading Information System Center of People's Bank of China, and Director and Deputy General Manager of the China Securities Trading System Corporation.

Mr. Tu, born in 1959, holds a master's degree in economics from Peking University and was accorded Senior Economist by the Ministry of Human Resources and Social Security.



Ding Xuedong

Chairman and Chief Executive Officer

Mr. Ding Xuedong is Chairman and CEO of CIC. Prior to this post, Mr. Ding served as Deputy Secretary General of the State Council. He held several positions in the Ministry of Finance, including Vice Minister, Assistant Minister, Director General of the Department of Education, Science, and Culture, Director General of the Department of Agriculture, and Director General of the Department of State-Owned Capital Administration. In his earlier career, Mr. Ding served as Director General of the Department of Property Rights and Director General of the Department of Human Resources and Head of the General Office, State-Owned Asset Administration Bureau.

Mr. Ding, born in 1960, holds a PhD in economics from the Research Institute for Fiscal Science, Ministry of Finance.



Jiang Weixin

Independent Director

Mr. Jiang Weixin is an Independent Director of CIC. Previously, He was Minister of Housing and Urban-Rural Development and Vice Chairman of the National Development and Reform Commission. He also served as Vice Chairman and Director General of the Department of Investment at State Development and Planning Commission; Director General and Vice Director General of the Department of Key Construction, and Deputy Director of the Investment Research Institute at State Planning Commission.

Mr. Jiang, born in 1949, holds a bachelor's degree in journalism from Peking University.



Zhang Xiaoqiang

Independent Director

Mr. Zhang Xiaoqiang is an Independent Director of CIC. He currently serves as Director of the Executive Board of the Council and Executive Vice Chairman of the China Center for International Economic Exchanges. Previously, he served as Vice Chairman of the National Development and Reform Commission, Secretary General of the State Development and Planning Commission, Director General of the Department of Foreign Investment at the State Planning Commission, and as Economic Counselor at the Embassy of China in the United States. He served as a Non-Executive Director of CIC from September 2007 to July 2014.

Mr. Zhang, born in 1952, holds a bachelor's degree in economics from Peking University.



Hu Zucui

Non-Executive Director

Mr. Hu Zucui, a Non-Executive Director of CIC, is Vice Chairman of the National Development and Reform Commission. Previously, he served as Deputy Secretary General and Director General of the Department of Social Development at the National Development and Reform Commission and Deputy Director General of the Healthcare Reform Office of the State Council. He also worked as Deputy Mayor of Guiyang City in Guizhou Province and Deputy Director General of the Department of Foreign Capital and Overseas Investment at the State Development and Planning Commission.

Mr. Hu, born in 1961, holds a bachelor's degree in engineering from Zhejiang University.

Shi Yaobin

Non-Executive Director

Mr. Shi Yaobin, a Non-Executive Director of CIC, serves as Vice-Minister of Finance. Previously, he served as Director General of Hunan Provincial Finance Department, Mayor of Xiangtan City in Hunan Province and Director General and Deputy Director General of the Department of Tax Policy at Ministry of Finance.

Mr. Shi, born in 1958, holds a PhD in economics from Research Institute for Fiscal Science, Ministry of Finance.



Zhang Xiangchen

Non-Executive Director

Mr. Zhang Xiangchen, a Non-Executive Director of CIC, is Deputy China International Trade Representative. Previously, he served as Assistant Minister and Director General of the Department of Policy Research at the Ministry of Commerce, Deputy Representative and Minister of China's Permanent Mission to the World Trade Organization, Director General of the Department of World Trade Organization Affairs and the China World Trade Organization Notification and Inquiry Center, and Deputy Director General at the Department of International Trade and Economic Affairs of the Ministry of Foreign Trade and Economic Cooperation.

Mr. Zhang, born in 1965, holds a PhD in international politics from Peking University.



Pan Gongsheng

Non-Executive Director

Mr. Pan Gongsheng, a Non-Executive Director of CIC, is Deputy Governor of People's Bank of China and Administrator of State Administration of Foreign Exchange. Previously, He served as Executive Director and Vice President of the Agricultural Bank of China Limited, and Vice President of the Agricultural Bank of China. Prior to that, Mr. Pan held several positions in the Industrial and Commercial Bank of China Ltd., including General Manager of Corporate Strategy and Investor Relations Department, Director and General Office of the Board of Directors, President of Shenzhen Branch, General Manager of Financial Planning Department, the Joint-Stock Reform Office, Secretary of the Board of Directors; and several positions in Industrial and Commercial Bank of China, including General Manager and Deputy General Manager of Financial Planning Department, and Deputy General Manager of Human Resources Department.

Mr. Pan, born in 1963, holds a PhD in economics from Renmin University of China.

Fang Shangpu

Non-Executive Director

Mr. Fang Shangpu, a Non-Executive Director of CIC, is Deputy Administrator of State Administration of Foreign Exchange (SAFE). Previously, he served as Chief Accountant of SAFE and Deputy Administrator of the SAFE Shanghai Branch, Vice President of the People's Bank of China Shanghai Branch, and Vice President of Fujian Industrial Bank.

Mr. Fang, born in 1956, holds a master's degree in economics from Xiamen University.



Fan Yong

Employee Director

Mr. Fan Yong is an Employee Director and Managing Director of the Department of Human Resources of CIC. He formerly served as Principal Staff Member of the Comprehensive Financial Department of the State Planning Commission. He held several positions at China Economic Development Trust Investment Corporation, including Vice President of the Investment Management Department, Vice President of the Corporate Management Department, Deputy Director of the General Manager's Office, and General Manager of the Department of Human Resources. He served as Deputy General Manager of the Department of Human Resources at China Galaxy Securities Corporation. He also served as Senior President of the Department of Human Resources, Deputy Director of the Discipline Inspection Office, Managing Director of the Department of Institutional Integrity, and Deputy Head of the Discipline Inspection Commission of CIC.

Mr. Fan, born in 1961, holds a bachelor's degree in economics.

Former Directors:

Wang Baoan (Non-Executive Director, July 2014-January 2016)

Li Xin (Employee Director, July 2009-January 2016)

Li Keping (Executive Director, Vice President and Chief Investment Officer, July 2011-February 2014; Vice Chairman, President and Chief Investment Officer, February 2014-June 2016)

Hu Xiaolian (Non-Executive Director, September 2007-July 2016)

Board of Supervisors

Guo Haoda

Chairman of the Board of Supervisors

Mr. Guo Haoda is Chairman of the Board of Supervisors. Previously, he served as Executive Director and Executive Vice President of Agricultural Bank of China Ltd.. He held several positions during his career at the bank, including Executive Vice President of the bank and Head of Beijing Branch, Head of Jiangsu Branch, Head of Shenzhen Branch and Head of Suzhou Branch in Jiangsu Province.

Mr. Guo, born in 1957, holds a bachelor's degree and was accorded a Senior Economist by the Ministry of Human Resources and Social Security. He is an awardee of the State Council Expert Special Allowance.



Zhang Tong

Supervisor

Mr. Zhang Tong, a member of the Board of Supervisors, is a member of the CPC Leadership Group at National Audit Office and Director of Central Economic Responsibility Auditing Joint Conference's Office. Prior to this, he served as Vice-Governor of Hubei Province and held several positions at Ministry of Finance, including Assistant Minister, Director of the General Office, Director General of the Treasury Department, Deputy Director General of the Treasury Department, and Deputy Director General of the Department of Local Affairs.

Mr. Zhang, born in 1956, holds a PhD in economics from Xiamen University.

Cui Guangqing

Employee Supervisor

Mr. Cui Guangqing, an Employee Supervisor, is Deputy Head of the Discipline Inspection Commission and Head of the Supervisory Board Office/Internal Audit Department of CIC. Before 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, born in 1964, is a senior auditor and holds a PhD in economics from Xi'an Jiaotong University.



Jiang Yang

Supervisor

Mr. Jiang Yang, Supervisor of CIC, is Vice-Chairman of China Security Regulatory Commission (CSRC). Previously, he served as Assistant Chairman of CSRC; President of the Shanghai Futures Exchange; Director of Intermediary Supervision Department of CSRC; Deputy Director General of the Non-banking Financial Institutions Regulation Department and Deputy Director of the General Office at People's Bank of China.

Mr. Jiang, born in 1956, holds a PhD in economics.



Former Supervisors:

Dong Dasheng (Supervisor, May 2011-July 2016)

Zhou Mubing (Supervisor, May 2011-July 2016)

Zhuang Xinyi (Supervisor, May 2011-July 2016)

Executive Committee

- Ding Xuedong** Chairman and CEO (1)
- Tu Guangshao** Vice Chairman and President (2)
- Guo Haoda** Chairman of the Board of Supervisors (3)
- Ju Weimin** Executive Vice President (4)
- Guo Xiangjun** Executive Vice President and Deputy Chief Investment Officer (5)
- Yang Wenqing** Secretary of the Discipline Inspection Commission (6)
- Zhao Haiying** Chief Risk Officer (7)
- Li Keping** Former Vice Chairman, President and Chief Investment Officer (8)
- Liu Guiping** Former Executive Vice President (9)



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Former Members

Fan Yifei (Executive Vice President, May 2010-February 2015)

Xie Zhichun (Executive Vice President, May 2014-May 2015)

Liang Xiang (Member of the Executive Committee, September 2008-January 2012; Executive Vice President, February 2012-July 2015; Secretary of the Discipline Inspection Commission, September 2008-July 2015)

Xie Ping (Executive Vice President, September 2007-September 2015)

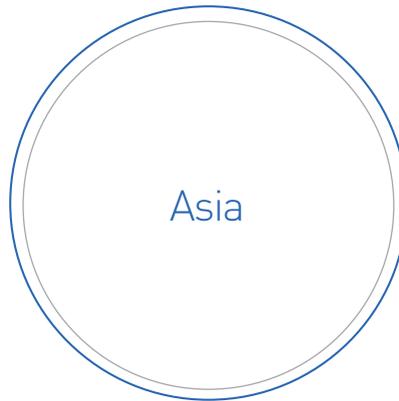
Zhou Yuan (Chief Strategy Officer, February 2012-January 2016)

Hua Hua (Chief Information Officer, February 2012-April 2016)

Li Keping (Executive Director, Vice President and Chief Investment Officer, July 2011-February 2014; Vice Chairman, President and Chief Investment Officer, February 2014-July 2016)

Liu Guiping (Executive Vice President, June 2014-July 2016)

International Advisory Council



Asia

Zeng Peiyan (China)

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

Shaukat Aziz (Pakistan)

Former Prime Minister of Pakistan; former Executive Vice President of Citibank

Justin Yifu Lin (China)

Honorary Dean and Professor, National School of Development, Peking University; former Chief Economist and Senior Vice President, World Bank

Frederick Ma (Hong Kong, China)

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

Yingyi Qian (China)

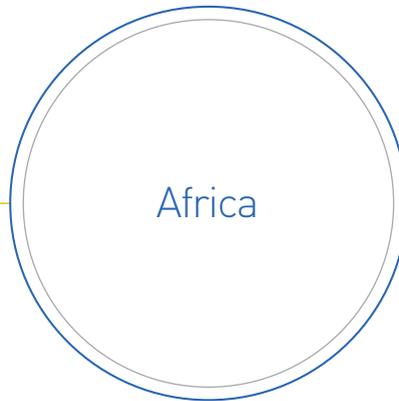
Dean and Professor, School of Economics and Management, Tsinghua University

Andrew Sheng (Malaysia)

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

Joseph Yam (Hong Kong, China)

Executive Vice President of the China Society for Finance and Banking; Distinguished Research Fellow of the Lau Chor Tak Institute of Global Economics and Finance; former Chief Executive of the Hong Kong Monetary Authority



Africa

Omari Issa (Tanzania)

Chief Executive Officer, President's Delivery Bureau, Tanzania; Chairman, International Board, AMREF Health Africa

John H. Maree (South Africa)

Chairman, Liberty Group; former CEO, Standard Bank Group

David Denison (Canada)

Former CEO, Canada Pension Plan Investment Board

Merit E. Janow (United States)

Dean, School of International and Public Affairs, and Professor of Practice, International Economic Law and International Affairs, Columbia University; former member of the Appellate Body of the World Trade Organization

Jorge Paulo Lemann (Brazil)

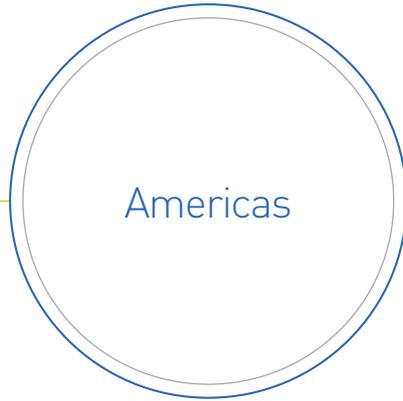
Director, Kraft Heinz Company

John J. Mack (United States)

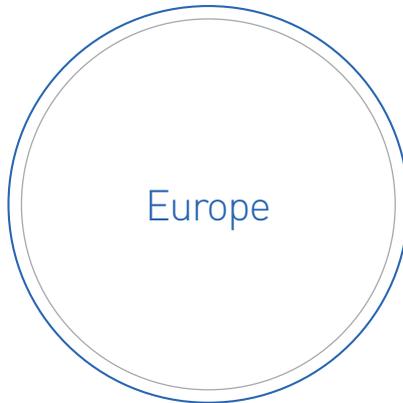
Chairman Emeritus and former CEO, Morgan Stanley

John L. Thornton (United States)

Co-Chairman, Board of Trustees of the Brookings Institution; Chairman, Barrick Gold Corporation; former President, Goldman Sachs Group



Americas



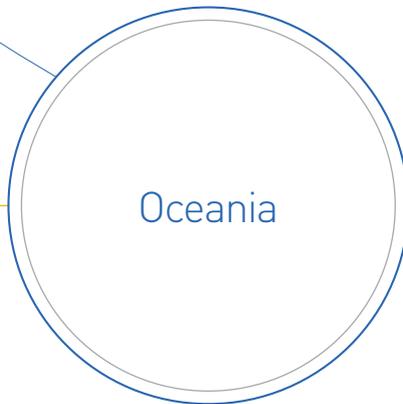
Europe

Knut N. Kjaer (Norway)

Chairman, FSN Capital Partners, Nordic, and Trient Asset Management, Norway; former CEO, Norges Bank Investment Management

Jean Lemierre (France)

Chairman, BNP Paribas; former President, European Bank for Reconstruction and Development



Oceania

Paul Costello (Australia)

Member, Payments System Board, Reserve Bank of Australia; former General Manager, Australian Future Fund; former CEO, New Zealand Superannuation Fund

Secretariat:

Liu Fangyu (China)

Head, Department of Public Relations and International Cooperation, CIC; Secretary-General, Secretariat of International Advisory Council, CIC



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CIC is committed to its role as a prudent, professional, and responsible investor operating globally with a good reputation.

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INVESTMENT AND MANAGEMENT REVIEW

Investment Strategy and Management

Investment Principles and Philosophies

CIC is committed to its role as a prudent, professional, and responsible investor operating globally with a good reputation.

Four principles underlie CIC's investment activities:

- CIC invests on a commercial basis. Its objective is to seek maximum returns for its shareholder within acceptable risk tolerance.
- CIC is a financial investor and does not seek control of the companies in its portfolio.
- CIC is a responsible investor, abiding by the laws and regulations of China and of recipient countries or regions and conscientiously fulfilling its corporate social responsibilities.
- CIC pursues investments based on in-depth research within an asset allocation framework to ensure a prudent and disciplined approach in both decision-making and investment activities.

CIC follows a set of investment philosophies based on its own characteristics and understanding of investment management:

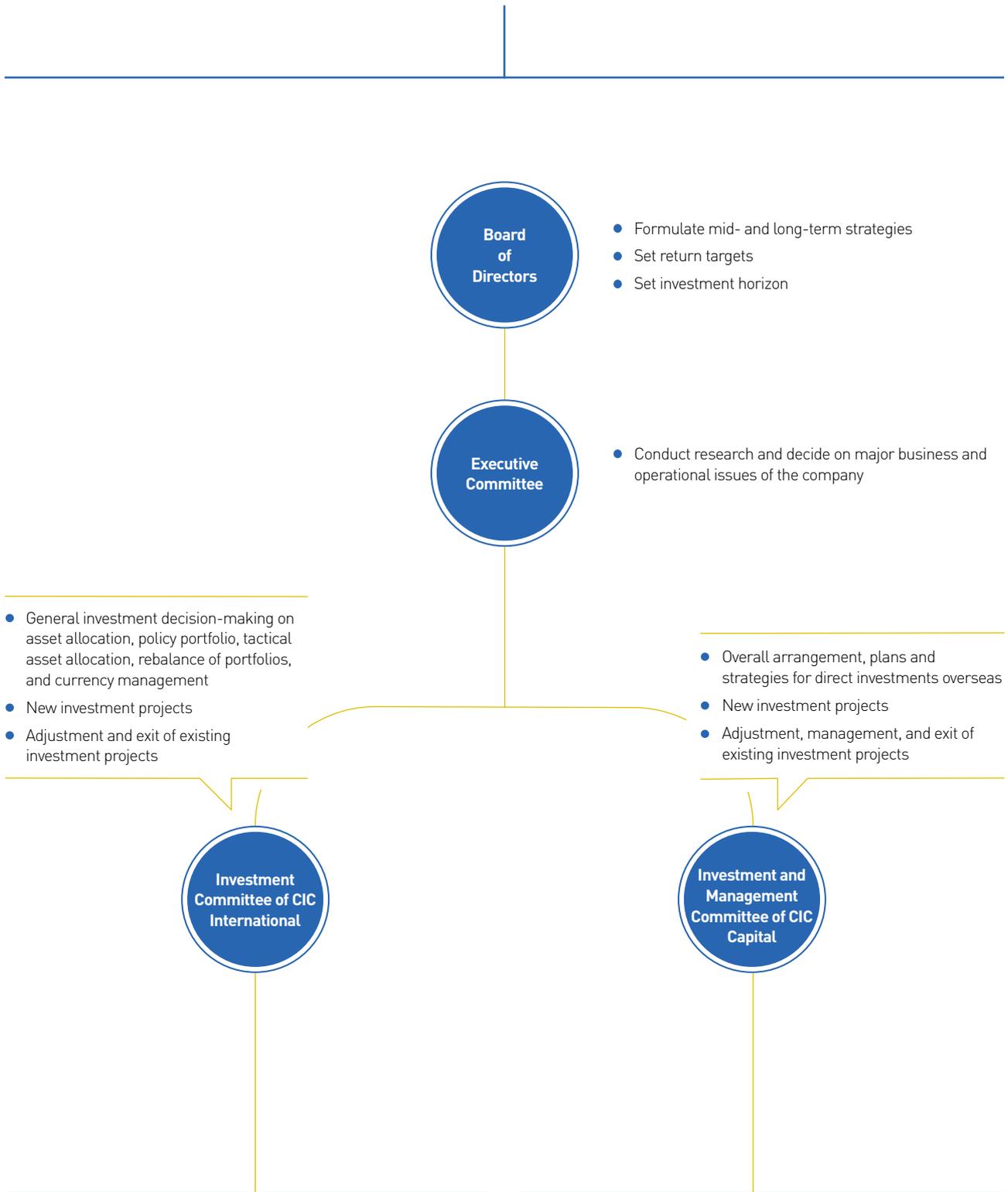
- CIC takes a holistic and disciplined approach to strategy design and portfolio construction, analysis, and management to ensure a well-disciplined portfolio with integrity and stability.
- As a long-term investor, CIC is well positioned to withstand short-term market volatilities and capture illiquidity premiums.
- CIC continues to pursue risk diversification by spreading risk factor allocation in a bid to reduce portfolio volatility and curb downside risks.

Investment Decision-Making

Since its inception, CIC has established a scientific, disciplined, and effective decision-making framework. CIC Capital was launched in 2015, and CIC's overseas investment structure was adjusted accordingly. CIC International conducts public market equity and bond investments, hedge fund and real estate investments, and private equity fund investments, co-investments, and minority investments. CIC Capital is mandated to make direct investments and manage bilateral, multilateral and platform fund investments. Based on these adjustments, the Investment Committee of CIC International (the Investment Committee) and the Investment and Management Committee of CIC Capital (the Investment and Management Committee) were established within the two arms to make investment decisions separately. In addition, to enhance the efficiency and quality of investment decision-making and to clarify project management responsibilities, investment authorization plans are formulated to grant discretionary authority to investment teams.

Formulating investment policies, strategies, and performance and risk targets in line with the guidelines defined by the Board of Directors and the Executive Committee, the Investment Committee and the Investment and Management Committee also revise or formulate their own investment policies and processes, regularly hold meetings (ad hoc sessions when necessary) to review the investment proposals submitted by investment departments and make their decisions, which are implemented by related senior executives and investment departments and teams.

Figure 2. Decision-Making Flow Chart



Department of Asset Allocation and Strategic Research
Department of Public Equity
Department of Fixed Income and Absolute Return
Department of Private Equity
Department of Real Estate

- Construct sub-strategies and manage investment portfolio within the asset allocation and risk management framework of CIC International
- Make investment decisions as authorized

Investment Department I
Investment Department II

- Construct investment strategies and manage investment portfolio within the investment planning and risk management framework of CIC Capital
- Make investment decisions as authorized

Investment Departments

CIC International

- The **Department of Asset Allocation and Strategic Research** is responsible for developing investment policies, proposing strategic asset allocation plans, managing the overall investment targets, and following developments in the world economy and the global financial market. It functions as the Secretariat for the Investment Committee and takes charge of passive asset investments. It manages the trading room as well.
- The **Department of Public Equity** is responsible for actively managing public equity investments globally.
- The **Department of Fixed Income and Absolute Return** is responsible for actively managing fixed income, absolute return, and multi-asset portfolio.
- The **Department of Private Equity** is responsible for industry-wide private equity investment through direct investments or funds in industries other than energy, resources, agriculture, forestry, husbandry, fisheries, and infrastructure. It conducts credit opportunity investment as well.
- The **Department of Real Estate** is responsible for constructing direct investment portfolio in the global real estate market and selecting and managing private equity real estate funds and co-investments.

CIC Capital

- **Investment Department I** is responsible for direct investments in infrastructure, mining, and energy (oil and gas) and for managing bilateral, multilateral, and platform fund investments, and co-investments.
- **Investment Department II** is responsible for direct investments in sectors other than agriculture and the three sectors managed by Investment Department I and for managing related bilateral, multilateral, and platform fund investments, and co-investments.

Portfolio Construction

As of the end of 2015, CIC's global portfolio consists of public equity, fixed income, absolute return, long-term investments and cash and others.

Table 1. Asset Classes (as of December 31, 2015)

Public equity	Equity investment in listed companies
Fixed income	Bonds, including sovereign, corporate, and agency bonds
Absolute return	Hedge funds and multi-asset investments
Long-term investments	Industry-wide direct investments, industry-wide private equity, resources / commodities, real estate and infrastructure
Cash and others	Cash, overnight deposits, and US Treasury bills

Table 2. Global Investment Portfolio Distribution (as of December 31, 2015)

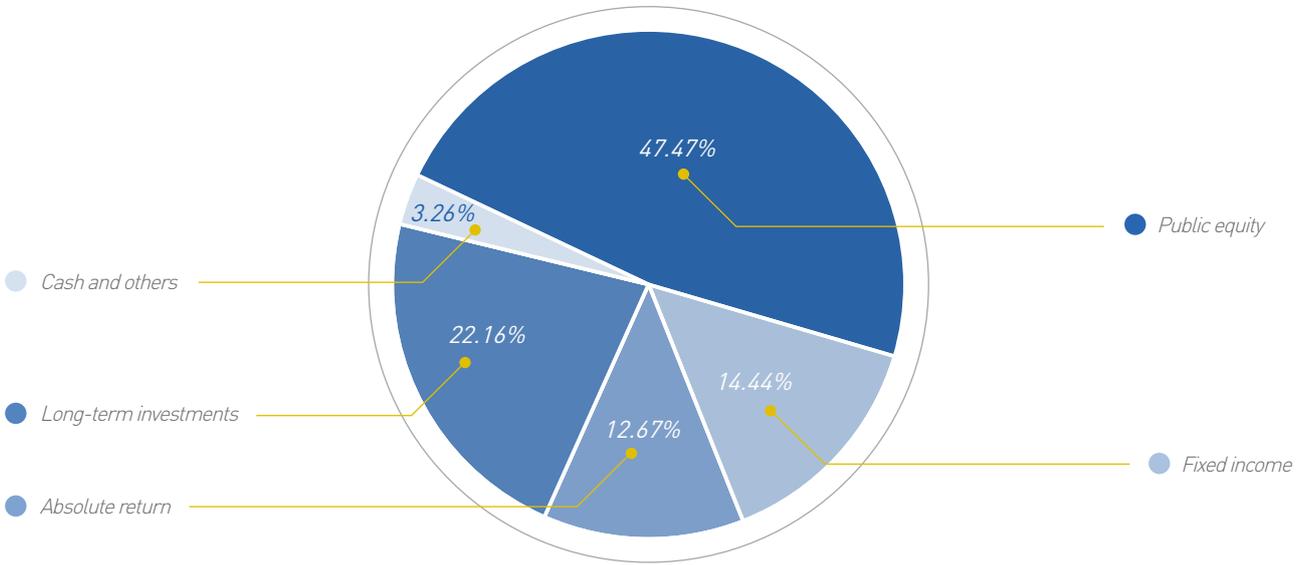
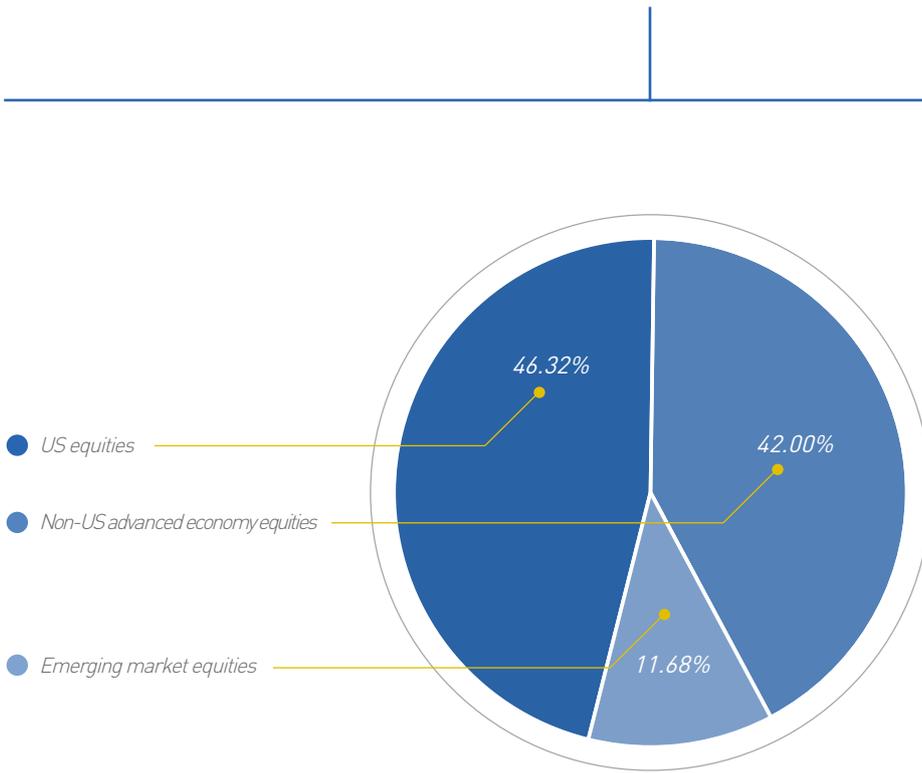
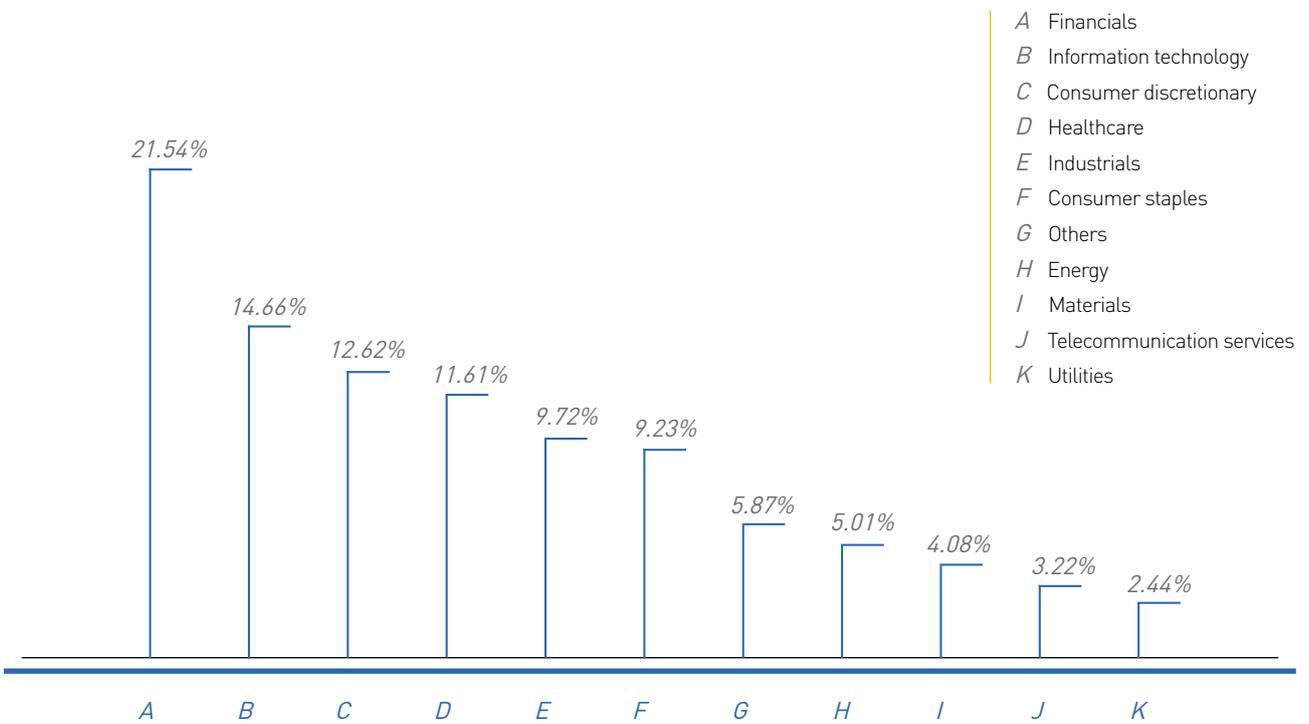


Table 3. Public Equity in the Global Portfolio (as of December 31, 2015)



Distribution by Region



Distribution by Sector

Table 4. Fixed Income in the Global Portfolio (as of December 31, 2015)

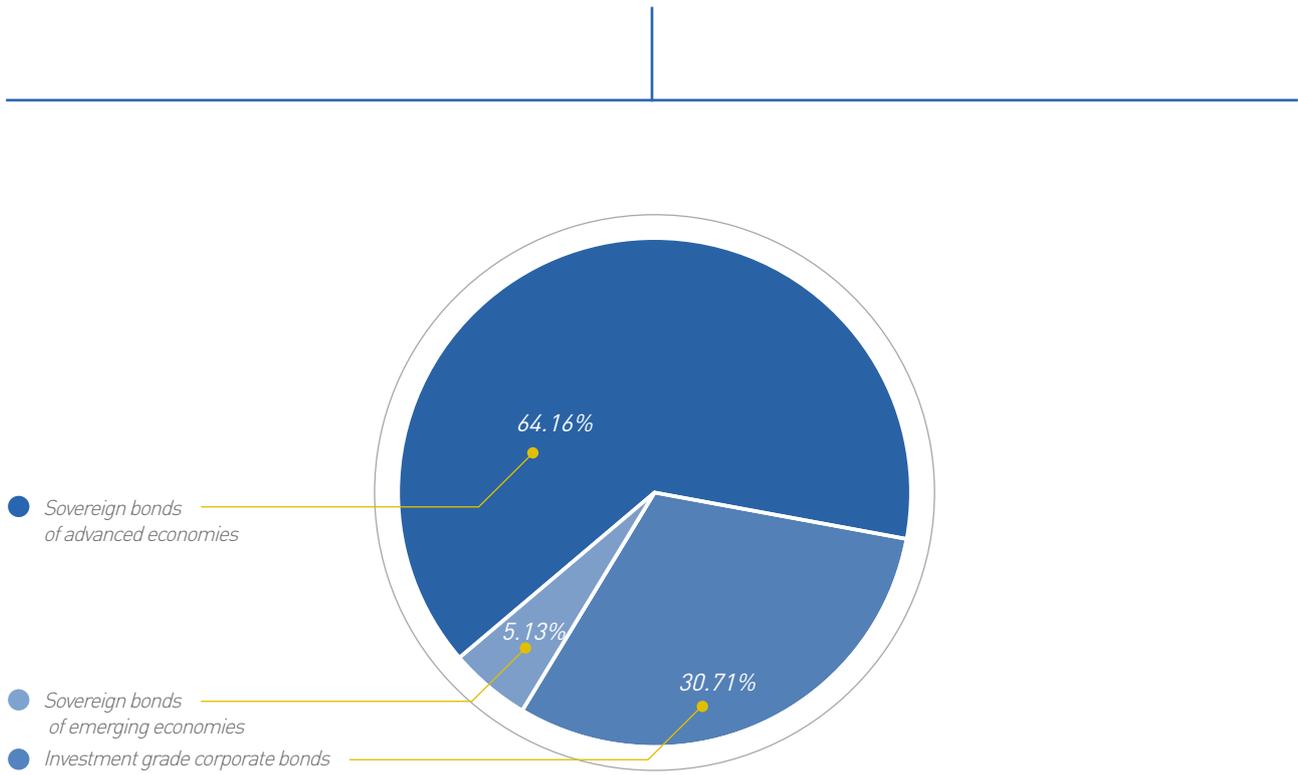
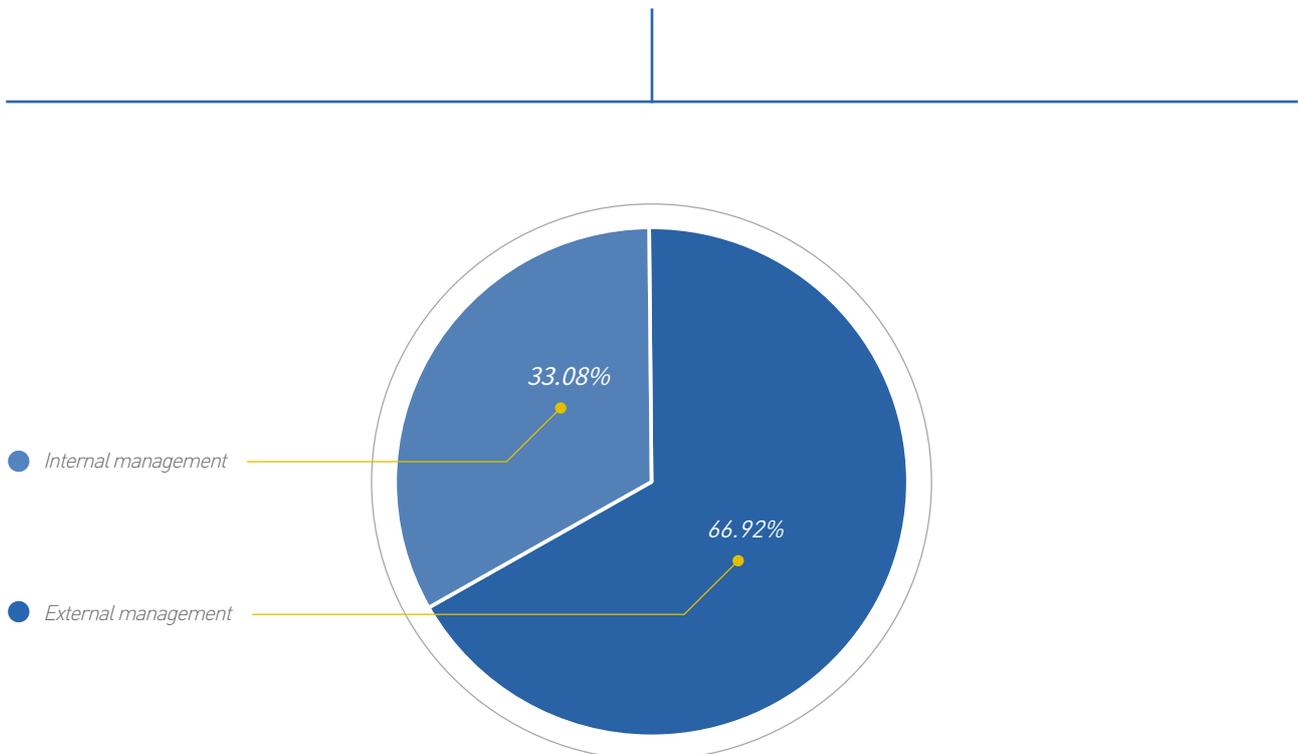


Table 5. Internally Managed Assets versus Externally Managed Assets in the Global Portfolio (as of December 31, 2015)



Investment Activities

2015 was a turbulent year for international financial markets: global stock indexes fell; commodity prices plunged, and emerging market assets tumbled. During 2015, the Morgan Stanley Capital International All Country World Index (MSCI ACWI) slid 2.36%; the Goldman Sachs Commodity Index fell 32.86%; the prices of crude oil and iron ore fell 36.28% and 37.37%, respectively; and emerging market stocks lost 14.92%, and bonds 11.15%. In addition, the US dollar appreciated 9.26%, whereas other currencies weakened notably. Against a backdrop of complicated and challenging global market conditions, CIC continued to manage its overseas investment activities prudently and proactively.

● Investment Management Activities of CIC International

For asset allocation, CIC has always attached great importance to constructing a simple, transparent, and resilient portfolio and undertaken continuous efforts to optimize asset allocation and portfolio management. In 2015, building on past practice and drawing upon the experience of peer institutions, CIC International introduced the Reference Portfolio into its allocation model (see Box 2). Its allocation framework shifted from focusing on “strategic allocation, policy portfolio, tactical allocation, and actual allocation” to focusing on “reference portfolio, three-year policy portfolio, annual policy portfolio, and actual portfolio”, providing clearer guidance for portfolio construction. The Reference Portfolio serves as an anchor for determining the risk neutral attributes of the portfolio and provides a benchmark for measuring long-term relative performance. The three-year policy portfolio is the actual neutral portfolio and spells out the asset substitution relationship and the direction of portfolio construction. The annual policy portfolio is the execution plan that defines the proper range of deviation and sets portfolio construction targets based on deviations driven by market sentiments and on the progress of alternative asset investments. Furthermore, CIC International rebalanced the portfolio to manage the actual policy portfolio deviation triggered by market fluctuations and maintained the discipline of contrarian investing and the risk-return profile of the overall portfolio. Following the adjustment to the allocation model, CIC International improved its portfolio rebalancing mechanism to ensure the smooth functioning of the new allocation framework.

For public market investment, CIC prudently analyzed and proactively coped with the drastic volatilities in global stock and bond markets in 2015. For equity investment, the organizational structure of strategy and external managers was improved, and outstanding and distinctive managers with various characteristics and skills were hired. The varied investment philosophies and styles had effectively diversified the source of excess returns. Investment costs were carefully controlled. In addition, the in-house quantitative investment platform was set up and tested. For bond and absolute return investments, portfolio composition was adjusted and optimized by reducing the exposure to emerging market treasury bonds. External managers of developed economy treasury bonds, US aggregate bonds, and agency bonds were also adjusted. Post-investment monitoring and management were enhanced, and hedge funds and portfolio funds were optimized. For internally managed investments, CIC steadily built up its internal management capabilities through an improved investment process. The internally managed portfolio complemented the externally managed portfolio, and a few internally managed portfolios had significantly outperformed the benchmarks since their inception (see Box 3).

Box 2. Reference Portfolio Allocation Structure Review

Consisting of public equities and fixed income products, the Reference Portfolio can be managed passively at low cost and therefore serves as the benchmark for measuring relative long-term performance. As the starting point for portfolio construction, the Reference Portfolio fixes the risk characteristics of a portfolio and reflects an institution's risk budget and return expectations. The Reference Portfolio is also the anchor for portfolio construction. It optimizes portfolio characteristics and maximizes returns by diversifying risks with other assets. In the construction of the portfolio, alternative assets such as hedge funds, private equity, and real estate are swapped with equities and bonds in the Reference Portfolio based on the risk-matching principle and a clearly defined substitution relationship with assets in the Reference Portfolio. This optimizes the portfolio by decreasing the share of Reference Portfolio assets and adding other asset classes, while keeping the risk level unchanged. Many sovereign wealth funds, pension funds, and other international peer institutions use the Reference Portfolio approach in portfolio construction.

Box 3. The Internally Managed Portfolio

The Internally Managed Global Large-Cap Value Equity Portfolio

In April 2013, after a successful test run, the internally managed global large-cap value equity portfolio was officially launched as a sub-strategy within the global active equity strategy. The portfolio adopts the philosophy of long-term value investment and is driven by fundamental research and bottom-up stock selection. The primary investment objective of the portfolio is to generate returns in excess of the MSCI ACWI.

The internally managed large-cap value equity portfolio sticks to the following investment principles:

- A value-based approach that emphasizes reasonable price and margin of safety.
- A preference for high-quality companies.
- Investing with a long-term view, an emphasis on the sustainable growth of intrinsic value, and willingness to tolerate short-term volatilities.
- An emphasis on risk analysis and control.

The portfolio's excess return and information ratio exceed the benchmark for CIC's global active equity strategy. Compared with international peers, the three-year excess return of this portfolio (as of the end of 2015) ranked among the top 10%, and the information ratio among the top 5%.

The Internally Managed Risk Allocation Portfolio

Risk parity is a frontier approach to asset allocation and portfolio construction. It aims to achieve a well-balanced portfolio based on risk measures of constituent asset classes (or risk factors). In theory, if the long-term Sharpe ratio of each asset class (or risk factor) is identical, a risk parity approach produces the highest strategic Sharpe ratio.

As an industry pioneer, CIC applies this approach to its internal absolute return investment. CIC set up its in-house global allocation portfolio in 2011. The portfolio has the following features:

- Consistency with a long-term investment allocation philosophy. Through balanced allocation, the portfolio is empowered by diversification and the effective capture of risk premiums of various assets to ensure reasonable returns irrespective of economic and market conditions.
- High scalability and liquidity via investment in liquid financial instruments such as public market futures and bonds.
- Backed by in-depth research and analysis, the portfolio follows a 100% quantitative approach. Investment models and databases are shared on a company-wide basis.

Launched in 2011, the Internally Managed Risk Allocation Portfolio had successfully met its long-term return target by the end of 2015.

For long-term asset management, CIC responded to lower expectations on global asset returns and ever-growing downside risks in the investment environment in the following ways:

- Increasing investments in real estate and other assets that deliver stable returns: In 2015, CIC set up the Department of Real Estate (see Box 4) that focused on large-scale direct investment projects in developed economies. In 2015, a total of nine investments were completed, all major real estate transactions in the recipient areas.
- Further tapping into investment projects from a Chinese angle: Leveraging its unique insight into China's economy and the rapid growth of the overseas investments of Chinese enterprises, CIC explored project opportunities from a Chinese angle and made a foray into promising emerging industries.
- Fully utilizing the private equity funds network to carry out investments: CIC continued to optimize the composition of its private equity fund portfolio by renewing or adding high-performing funds. It sought to establish strategic partnership accounts with a few outstanding managers to deepen win-win cooperation. Private equity credit was identified as an active independent strategy to capture market opportunities. In addition, CIC strengthened communication and engagements with managers and peer institutions to open up cooperation opportunities. The share of club deals and co-investments was thereby increased.
- Continuously strengthening post-investment management for direct investment projects: CIC beefed up its involvement and initiative in post-investment management, enhanced project risk control, and generated higher value through better management. CIC also prudently pared down or exited some investments and, hence, generated an inflow of approximately \$10.6 billion.

During 2015, CIC International (Hong Kong) continued to make systemic improvements, strengthen corporate management, and promote business innovation. In addition to the prudent management of its entrusted global investment-grade corporate bond strategy portfolio and China-Hong Kong equity strategy portfolio, CIC International (Hong Kong) launched a sub-strategy portfolio focusing on special credit opportunities among Chinese enterprises and achieved satisfactory performance. CIC International (Hong Kong) also used its geographical advantage to conduct active exchanges and interactions with peer institutions, while keeping a close watch on regional and global market dynamics, lending strong support to the company's investment research, networking, and post-investment management (see Box 5).

In accord with the organizational adjustment requirements, CIC closed its Toronto Representative Office in December 2015 and established the CIC New York Representative Office in the same month. CIC will leverage New York's position as an international financial center to keep up effectively with new developments in regional economies and financial markets and enhance the engagement and cooperation with local institutions.

Box 4. Real Estate Investment

In recent years, the global investment landscape has become increasingly complex because of intensifying market competition. Inflation-protected real asset generates stable cash flows and delivers attractive risk-adjusted returns. It has therefore become the constant focus of many long-term institutional investors.

For real estate investment, CIC gives full play to its comparative advantages of long-horizon, large-scale, and extensive network and high certainty in transactions with its priority given to direct investment projects in quality assets in advanced economies. CIC has made over 40 real estate investments in North America, Europe, Asia, and Oceania and established a satisfactory track record over the years. Some are landmark projects of the industry globally, such as the Celsius Retail Portfolio in Belgium and France, and the office property portfolio Investa in Brisbane, Melbourne, and Sydney, Australia. In particular, the Investa investment was named Deal of the Year for Asia 2015 by PERE magazine. CIC also values sustainability and views environmental protection and energy conservation as key considerations in the selection of real estate investment targets.

In 2015, based on an overall assessment of asset valuation and a risk-return profile and in line with the development strategy of the company, CIC raised the target allocation percentage of real estate investments in the portfolio to expand investments in real assets and generate stable, long-term returns. Given the prospect of expanding real estate investments, the Real Estate Department was set up to conduct research-driven investments and capture opportunities in quality assets with high growth potential. In addition, CIC enhanced its cooperation with major international institutional investors and real estate fund managers to promote co-investments and club deals so as to improve project sourcing and maximize risk-adjusted returns.

In the meantime, CIC has closely tracked the dynamics of real estate markets and captured favorable returns by exiting its investments at the appropriate time.

Box 5. CIC International (Hong Kong)

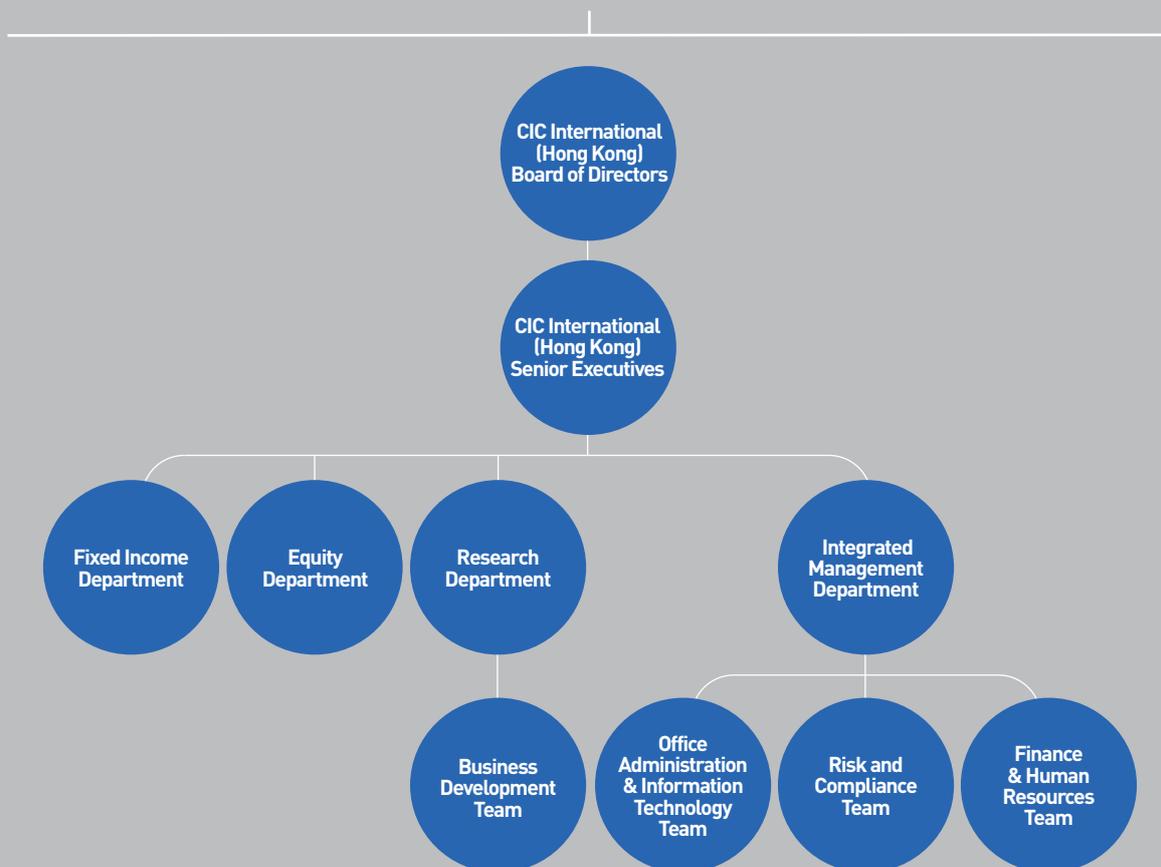
CIC International (Hong Kong) was established in November 2010 as a subsidiary of CIC. Over the past five years, it has brought into full play its geographic advantage and provided valuable support and services to CIC Headquarters through sound management and pioneering efforts.

In its corporate governance, CIC International (Hong Kong) has established a Board of Directors in accordance with modern corporate governance as an essential player in improving corporate governance. The Board has adopted a performance-oriented approach to improve internal management and has set up a sound corporate policy system. CIC International (Hong Kong) has continuously optimized its corporate organization based on the principle of building "a lean front office and a rigorous back office." Currently, it consists of Fixed Income Department, Equity Department, Integrated Management Department, and Research Department, each with clearly defined duties in two workstreams of business and management.

In its investment activities, CIC International (Hong Kong) has strictly observed the discipline and procedures of investment analysis and has actively and prudently managed the China concepts stock portfolio and investment-grade corporate bond strategy portfolio. The results have been satisfactory. In addition, in 2015, CIC International (Hong Kong) set up a sub-strategy focused on special credit opportunities among Chinese enterprises. The portfolio has outperformed other internally managed portfolio from the outset. The sub-strategy also provided credit enhancement support and financing facilitation to investee companies.

In synergy and coordination, CIC International (Hong Kong) has closely followed regional and global market dynamics and provided CIC Headquarters with strong investment analysis and deal sourcing support by harnessing Hong Kong's abundant information and resources. In 2015, CIC International (Hong Kong) set up a Business Development Team to strengthen contacts with key portfolio companies. The team has opened up new business channels and communication mechanisms, which have translated into more cooperation opportunities and stronger synergy in the company's direct investment activities.

CIC International (Hong Kong) Organization Chart



● Investment Management Activities of CIC Capital

Incorporated in January 2015, CIC Capital has already completed its internal organization and gathered a team consisting of existing business staff and new professionals from around the world. Building on its direct investment advantages in traditional sectors such as energy, mining, agriculture, and infrastructure, CIC Capital has expanded its global outreach into industry-wide sectors such as equipment manufacturing through a competitive production capacity, industrial manufacturing, healthcare, consumer services, and high technology. Based on CIC's overseas investment policies and procedures, CIC Capital has formulated investment procedures, financial management processes, risk control, and human resource systems tailored to direct investment. A standard investment decision-making mechanism that suits the particularities of direct investment has also been established to safeguard the comprehensive progress of the direct investment business.

In infrastructure, CIC Capital continued to ramp up its investments by actively participating in bidding for mature assets in developed countries and selectively considering Greenfield projects and emerging market infrastructure assets. In 2015, in partnership with other institutional and industrial investors, CIC Capital undertook a number of infrastructure investment projects. For example, CIC Capital joined a consortium of institutional investors to invest in Tank & Rast, Germany's largest owner and concessionaire of motorway service areas; together with China Merchants Holdings (International) Company Limited and COSCO Pacific Limited, it also invested in Kumport, the third largest container port in Turkey.

In energy and resource sectors, CIC Capital stuck to the strategy of value investing and focused on investing in quality assets in distress and benefit from investment opportunities in major regional markets and segments. In 2015, CIC followed and conducted some scarce resource mining projects, including investment in the convertible bonds of Paladin Energy in Australia.

In agriculture, CIC Capital actively explored overseas investment opportunities in partnership with domestic enterprises and investment institutions. It set up a dedicated team to undertake investments based on risk-return profiles and industry cycles in agricultural projects. Leveraging its long-term capital advantage, CIC Capital promoted the development of the entire industry chain and increased the effective supply of agricultural, forestry, animal husbandry, and fishery products. In addition to generating reasonable long-term returns, CIC Capital's investments created employment opportunities and boosted socioeconomic development in recipient localities. CIC Capital and COFCO Corporation also launched a joint venture, COFCO International Holdings, to build an international trade platform for agricultural products.

In other sectors, CIC Capital strengthened project development and reserve projects and aimed to build a clear, rational direct investment strategy. Contacts were established with around 200 domestic and overseas companies, and projects in reserve covered about 20 industries in over 50 countries and regions. In addition, continuous efforts were made to enhance partnership building and strengthen project sourcing. In 2015, CIC Capital also carried out a number of investments in technology, media and telecommunications, and manufacturing.

In bilateral, multilateral and platform funds, CIC Capital contributed 15% of funds to the Silk Road Fund in 2015 and was involved in communications and consultations on the European Union-China Cooperation Fund and the China-France Fund for Joint Cooperation with Third Parties.

Investment Management and Support

First, according to its business expansion needs and the adjustments among its investment divisions, CIC revised investment decision-making policies and management rules to improve investment management and decision-making efficiency. In addition, CIC emphasized the process management of each investment project and continued to improve its analysis and management skills in long-term assets.

Second, CIC emphasized the role of research and strived to put in place a multi-layered research system to provide better support for investment decision-making. CIC closely tracked international economic and market trends and analyzed major market events and pragmatic problems in investment activities. CIC also endeavored to integrate internal research resources more effectively and promote information-sharing through collaboration across departments, asset classes, and regions.

Third, CIC advanced the development of a currency overlay and conducted tests of currency hedging and portfolio replication to support overall portfolio management more effectively. It refined the management of passive portfolio, explored research on new stock market indexes, and carried out bond lending to increase the flexibility of its portfolio and reduce management costs. CIC also strengthened trade execution, cautiously engaged with more counterparties, and set up a system of quantitative transaction goals and trade execution benchmarks to control transaction costs, thus effectively exiting majority shareholdings and reconstructing externally managed portfolios.

Fourth, CIC strived to advance the operational system, with the optimization plan for the investment operation structure, the Basic Data Management Platform, and the custodian bank / settlement bank evaluation system in place. CIC continued to facilitate direct access to public market investment projects and strengthen support for whole-process operations.

Fifth, CIC formulated the Accounting Policies and Rules and established the Cost Accounting and Payment Management System, which covers the entire process of CIC's financial management. CIC strengthened budget implementation and monitoring, with emphasis on the management of key budget items. CIC set up the Treasury Management System with asset and liability management at the core and optimized its three major functions: liquidity management, liability management, and cash value preservation and appreciation. CIC constantly revamped accounting by implementing cost sharing based on cost-efficiency analysis.

Sixth, CIC provided sound information technology support for investment businesses and corporate management, optimized the in-house information technology system, and developed or improved the Portfolio Analysis and Allocation System, the Real-time Monitoring System of In-house Investments, the Public Market Transaction Direct Processing System, the Quantitative Investment R&D System, the Fengye System, and the Investment Management System. CIC also launched the construction of Offsite Data Backup Centers.

Seventh, CIC provided all-round support for investment activities on legal, compliance, and taxation matters. It closely tracked major issues in the laws and regulations of recipient countries and their influence on its business, constantly revamped the compliance monitoring system to ensure the compliance of investment activities, and made sure legal and compliance risks could be detected, evaluated, and controlled in a timely manner.

Eighth, CIC advanced the internal audit system and conducted a serious audit of the investment projects, economic responsibilities, and annual reports of CIC and special-purpose vehicles overseas. In addition, CIC strengthened the implementation of its Code of Conduct and Guidelines on Preventing Conflicts of Interest.

Investment Performance

In 2015, CIC's overseas portfolio posted a net annual return of -2.96%. The net cumulative annualized return since its inception was 4.58% (see Table 6).

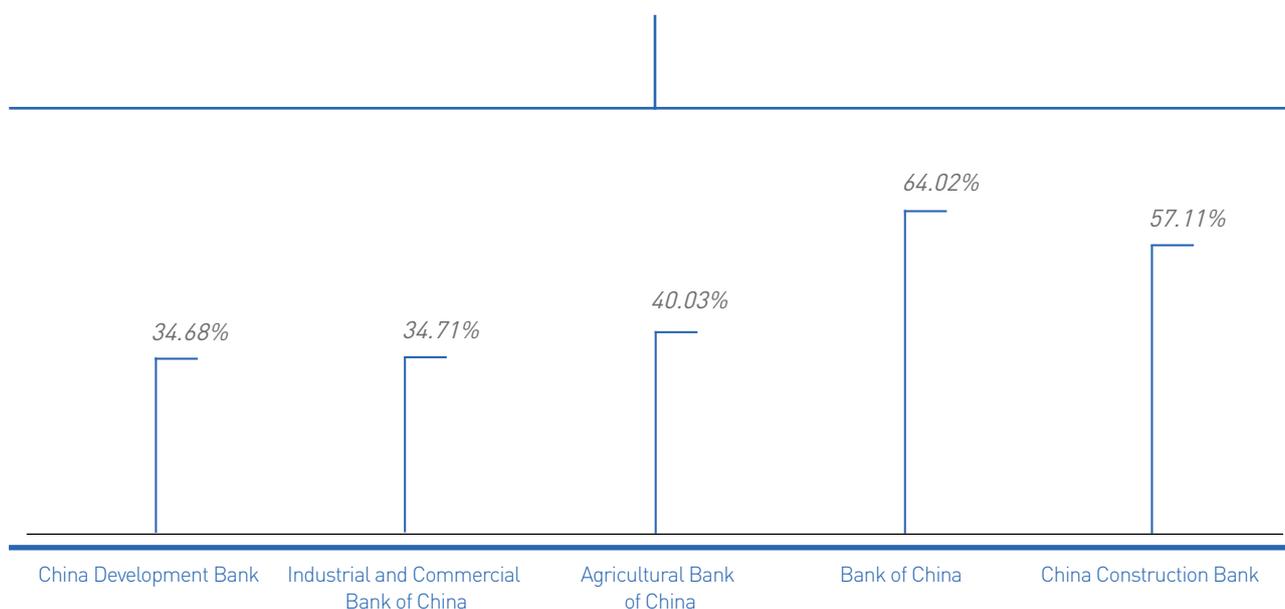
Central Huijin is a shareholder of major financial institutions in China, the returns of which account for Central Huijin's financial returns. Central Huijin's equity holdings in major financial institutions are listed in table 7.

Table 6. Investment Performance of the Global Portfolio

	<i>Net cumulative annualized return*</i>	<i>Net annual return</i>
2008	-2.1%	-2.1%
2009	4.1%	11.7%
2010	6.4%	11.7%
2011	3.8%	-4.3%
2012	5.02%	10.60%
2013	5.70%	9.33%
2014	5.66%	5.47%
2015	4.58%	-2.96%

* Net cumulative annualized returns and the net annual return for 2008 are calculated since inception on September 29, 2007.

Table 7. Major Portfolio Holdings of Central Huijin (as of December 31, 2015)



Risk Management

Objective and Approach

The objective of risk management is to put in place effective policies, mechanisms, systems, and processes for investment and operations to maximize the returns for the shareholder within an acceptable risk tolerance.

Risk management is a company-wide effort involving every business line, department, and individual. It is embedded throughout the investment life cycle, from the overall portfolio to general asset classes and to specific investment strategies and sub-strategies.

System and Mechanism

CIC has a comprehensive risk classification and management system involving the Executive Committee, Risk Management Committee, and relevant departments to manage all kinds of risks: market, credit, operational, liquidity, strategy, legal, reputational, and country risks.

In line with policies set by the Board of Directors and the Executive Committee, the Risk Management Committee oversees CIC's risk management strategies and approaches. Its key responsibilities include the following:

- Reviewing risk management strategies, policies and procedures.
- Determining the risk budgeting and allocation plan.
- Reviewing risk management and assessment reports.
- Reviewing assessment standards, management schemes, and internal control mechanisms for major risk drivers and events as well as key business processes.
- Conducting periodic reviews of the risk profile of asset allocations and the execution of the allocated risk budgets.
- Reviewing the risk management strategy and contingency plans for major risk events.
- Reviewing other risk-related issues under the authorization of the Executive Committee.

The Risk Management Committee, which oversees the risks in CIC's investment and operations activities, is comprised of the Chairman and CEO, President, related Executive Vice Presidents, Chief Risk Officer, and the Heads of the Department of Risk Management, the Department of Law and Compliance, the Department of Public Relations and International Cooperation, the Department of Asset Allocation and Strategic Research, the Department of Investment Operations, the Department of Finance and Accounting, the Department of Internal Audit, and the General Office. Other members of senior management and the heads of the investment departments attend Risk Management Committee meetings as needed. The Operational Risk Management Committee and the Valuation Committee are two subcommittees established under the Risk Management Committee.



The objective of risk management is to put in place effective policies, mechanisms, systems, and processes for investment and operations to maximize the returns for the shareholder within an acceptable risk tolerance.

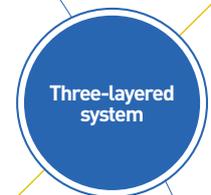


The first line of defense: investment departments remain well informed of the risks associated with the investment products within their mandate and follow CIC's risk management rules in their investment activities.

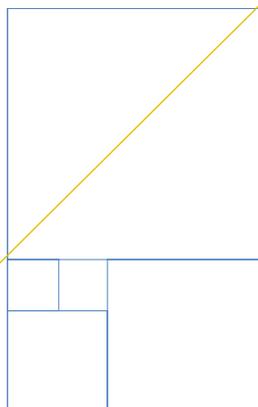
The second line of defense: the Department of Risk Management sets risk limits on various asset classes based on the risk budget; formulates the risk management framework, mechanism and processes; works with the Department of Law and Compliance and the Department of Public Relations and International Cooperation to monitor and manage risks across the board.

The third line of defense: the Department of Internal Audit and the Department of Institutional Integrity audit, supervise, and evaluate company-wide risk management to ensure procedural compliance and effectiveness in risk management and internal controls and make recommendations to redress inadequacies if these arise.

- Includes basic procedures and management approaches designated according to different types of risks and risk management guidelines.
- Provides institutional guarantees for scientific, well-defined, and orderly risk management.



- Is a company-wide, interdepartmental, and department-wide management system.
- Standardizes risk management across various operations, including investment, management, and supervision, thereby enhancing efficiency and standardization in operations and management.



Management of Multiple Types of Risks

During 2015, CIC proactively enhanced its overall capacity to prevent and manage risk by constantly making systemic improvements based on evolving business needs and reinforcing the risk management of asset allocations to make the overall risk level more manageable. CIC improved project valuation and the risk and performance attribution approach and independently developed related models. It integrated the risk factors into the Fengye System to improve quantitative risk analysis capabilities. It promptly alerted the managers of projects that triggered warnings and made sure a response was in place, resulting in a more sound risk early warning system and greater responsiveness. CIC carefully evaluated operational risks and took corrective measures against risks and unusual conditions in operations. CIC examined the due diligence on investment projects and the Investment Manager Accountability System and put forward improvement measures.

Market Risk Management

CIC invests according to an underlying principle of gaining investment returns within acceptable risk tolerance as set out in its overall business objectives.

In 2015, CIC enhanced market risk monitoring and management, remained informed of the performance of major capital markets, improved its market risk stress testing system, and closely followed the volatility indexes.

CIC looked into the relative weight of all asset classes in the overall portfolio based on strategy factors, portfolio factors, and macroeconomic factors, and strove to find ways to integrate risk factors into the Fengye System. CIC also undertook research on its hurdle rate, identified the impact of country, industry, and currency variables on the risk level of a project, and set differentiated return requirements on investment projects at various risk levels.

Credit Risk Management

The major credit risks faced by CIC investments include sovereign credit risk, counterparty credit risk, and the risk associated with invested assets.

Based on the risk exposure of its portfolio, CIC regularly published the *Sovereign Credit Risk Report* covering 110 countries and regions. It also produced occasional thematic reports on market movements. CIC conducted stress tests on sovereign credit risks and issued project-specific credit risk opinions and early warnings. CIC studied the use of internal sovereign credit ratings in investment risk management. And it continued to improve counterparty credit risk monitoring and the associated early warning system and enhanced the digitalization of the process of counterparty management with a view to making it more dynamic, timely, and transparent. In addition, CIC explored feasible ways to manage its counterparty risk tolerance.

CIC constantly tracked the credit risk profile of the invested assets and improved early warning and response. It urged investment departments to enhance post-investment management and adjust or exit projects in a timely manner.

Internal Control and Operational Risk Management

CIC improved its policies and procedures and refined its operational risk management capabilities by setting up a tailored internal control and operational risk management framework to support business development.

CIC revised and released policy management rules to coordinate corporate policies and regulate policy management more effectively. It carried out policy planning and compilation and produced and revised various risk management guidelines based on its business needs.

CIC conducted regular operational risk assessments and continued to implement the Investment Manager Accountability System. It carried out internal inspections on due diligence regarding investment projects and operations, and it tightened the monitoring of transaction and investment procedures.

CIC attaches great importance to the prevention and management of reputational risk. In selecting investment projects and partners, CIC always considers reputational risk as a major factor in decision-making. CIC also seeks to fulfill its corporate social responsibility and create a favorable image of a responsible corporate citizen and respectable partner.



CIC has fostered a suitable human resource management model to recruit, cultivate, and retain talent.



Human Resources

Review

Outstanding talent accounts for the core competitiveness of CIC and its main driving force for development. CIC adheres to a people-oriented human resource management philosophy. It attracts talent because of its success, gives full play to the abilities of talented individuals through sound mechanisms, evaluates these individuals based on scientific standards, and retains them by giving them market-based incentives. Its pool of strong talent has expanded because of its scientific, market-based, and domestic and international management philosophy.

CIC has fostered a suitable human resource management model to recruit, cultivate, and retain talent.

Recruiting Talent

As an international company undergoing rapid growth and possessing a large overseas portfolio, CIC recruits experienced professionals with international investment management experience and a good knowledge of Chinese culture and perspectives.

As China's sovereign wealth fund, CIC is highly attractive to professionals at home and abroad. CIC welcomes talented individuals with the following qualifications:

- Integrity, honesty, and a strong sense of professional ethics and morality.
- Identification with CIC's corporate culture and a strong desire to grow with the company.
- Extraordinary business competence and professional expertise.
- Passionate and innovative, ready to take on responsibilities and challenges.
- Good communication and teamwork skills.

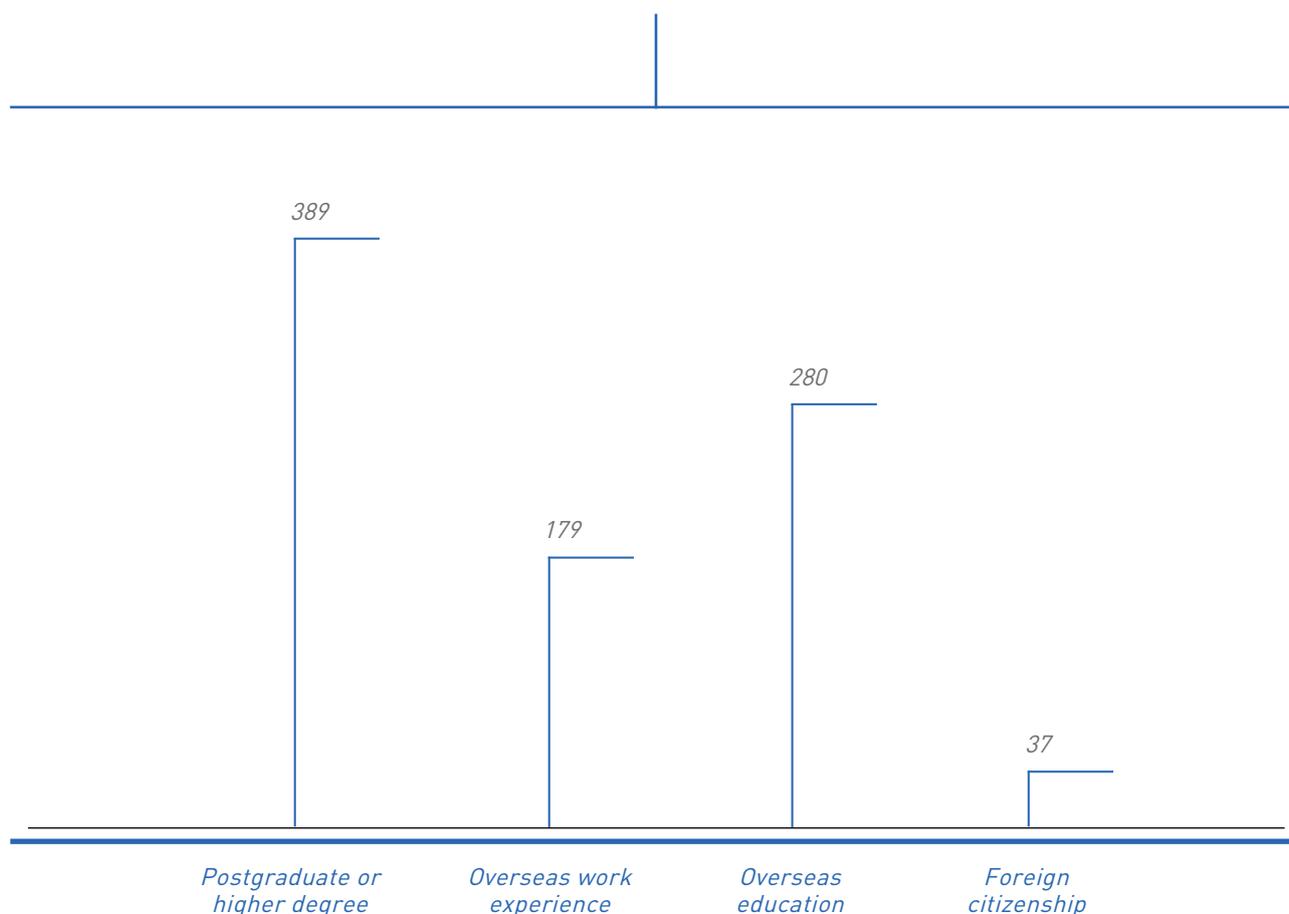
CIC operates a fair, rigorous, and transparent global recruitment process. All candidates must apply through its online recruitment system. After initial screening, candidates are invited to take an online test. Those who pass the online test are shortlisted for interviews. To enhance the rigor and fairness of the selection process, CIC applies a multidimensional assessment methodology and asks external human resource experts to participate in the interviews. Candidates applying for positions of managing director or above are interviewed by relevant senior executives.

CIC has a talent database to keep potential candidates in reserve for mid-level and senior executive positions. This allows CIC to respond quickly to demands for more targeted and professional recruitment. CIC also uses external human resource agents to search for the talent it needs.

In 2015, CIC expanded its pool of professionals by recruiting talented individuals to operation and management positions through its global recruitment and campus recruitment procedures.

As of June 30, 2016, CIC's overall staff strength was 592, including global investment staff of 466. Among global investment staff, more than 60% have overseas education or working experiences.

Table 8. Background Summary of Global Investment Staff



Developing Talent and Teams

The training and development of talent inject vigor into a company's sustainable development. CIC puts people first and highly values the training and development of its employees. In line with its growth strategies and human resource development goals, CIC offers an extraordinary international platform for professionals to thrive.

CIC has a sophisticated training system. CIC works with prestigious universities and professional institutions at home and abroad and leverages both internal and external resources. The training programs, either online or offline, emphasize both theoretical learning and hands-on practice. CIC brings in trainers from other countries and sends trainees abroad for programs featuring fresh perspectives and systemic learning for employees of varying seniority and expertise. This has enabled CIC to develop a training system tailored to its human resource development. The training programs have greatly improved the professional, management, and leadership skills of employees, laying a solid foundation for strengthening CIC operational and management capabilities.

To this end, CIC conducted 112 training programs with the participation of 854 individuals and 2,800 days of training in cumulative terms in 2015.

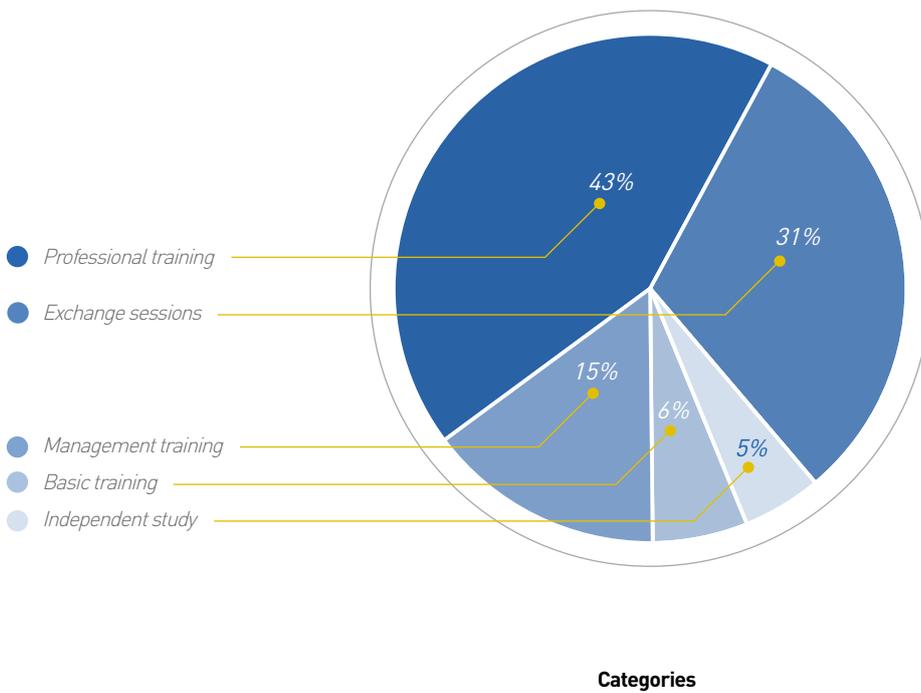
Retaining Talent

Because of its extraordinary development platform, sound corporate culture, effective recruitment model, and rewarding incentives, CIC is in a strong position to ensure a stable pool of high-caliber professionals. In 2015, CIC continued to improve its core human resource programs such as the Position Mapping Program, the Competency Model, and the Career Planning Program.

In addition, CIC continually improved and optimized its remuneration system to move to a market-oriented incentive scheme with a clear direction that suits its development strategy and culture. CIC combines performance bonuses and long-term incentives in a comprehensive incentive system. Performance bonuses are important incentives, distributed in favor of investment departments and crucial talent, while emphasizing both material and other incentives.

CIC also earnestly implemented government recommendations on reforming the remuneration system for senior executives of central state-owned enterprises and managed the remuneration of senior executives in strict accordance with government regulations.

Table 9. Training Programs



Global Outreach

As a charter member of the International Forum of Sovereign Wealth Funds (Forum), CIC has implemented the Santiago Principles in good faith and actively participated in the Forum. CIC is committed to facilitating the wider acceptance of the Santiago Principles, engaging in investment and risk management cooperation among sovereign wealth funds, and contributing to the improvement of the global investment environment. At the 2015 annual meeting of the Forum held in Milan, Italy, the CIC delegation participated in decision-making on key issues related to the Forum's governance and development and played a constructive role in the sound development of the Forum. During the meeting, the then Vice Chairman, President and Chief Investment Officer of CIC, Mr. Li Keping was elected member of the new Board of Directors by members of the Forum.

From the outset, CIC has fostered a high degree of transparency, a practice appreciated by recipient countries or regions and business partners. Through its official website, annual reports, spokespersons, press releases, and other channels, CIC discloses key operational and management information on corporate governance, investment strategies and philosophies, major investment activities, executive personnel changes, investment performance, and so on. In 2015, CIC carried out a self-evaluation on the implementation of the 24 Generally Accepted Principles and Practices, known as the Santiago Principles. The evaluation results showed that CIC is characterized by openness and transparency and has honored its solemn commitment to the Santiago Principles.

CIC is committed to mitigating the negative impact of investment protectionism and fostering an open, fair, and nondiscriminatory environment for international investment through open and honest dialogues. In 2015, senior executives of CIC visited government agencies and business partners in many countries and regions and were invited to a series of important bilateral and multilateral conferences and dialogues, including the China-US Joint Commission on Commerce and Trade, the China-UK Business Summit, the China-Russia Investment Cooperation Committee, the French Strategic Investment Attractiveness Council, and the China-Japan CEO and Former Senior Officials' Dialogue. At the same time, CIC received visits by foreign political leaders, officials of international organizations, senior executives of business partners, representatives of peer institutions, and scholars in research institutes. Through these activities, CIC expounded its philosophy of long-term financial investment, introduced its investment strategies, and consolidated the relationship with its partners.

Going forward, CIC will remain committed to expanding global outreach through active and effective dialogue and cooperation. CIC will continue to observe in good faith the Santiago Principles and prove to be a reliable, professional, responsible, and respected world-class institutional investor.



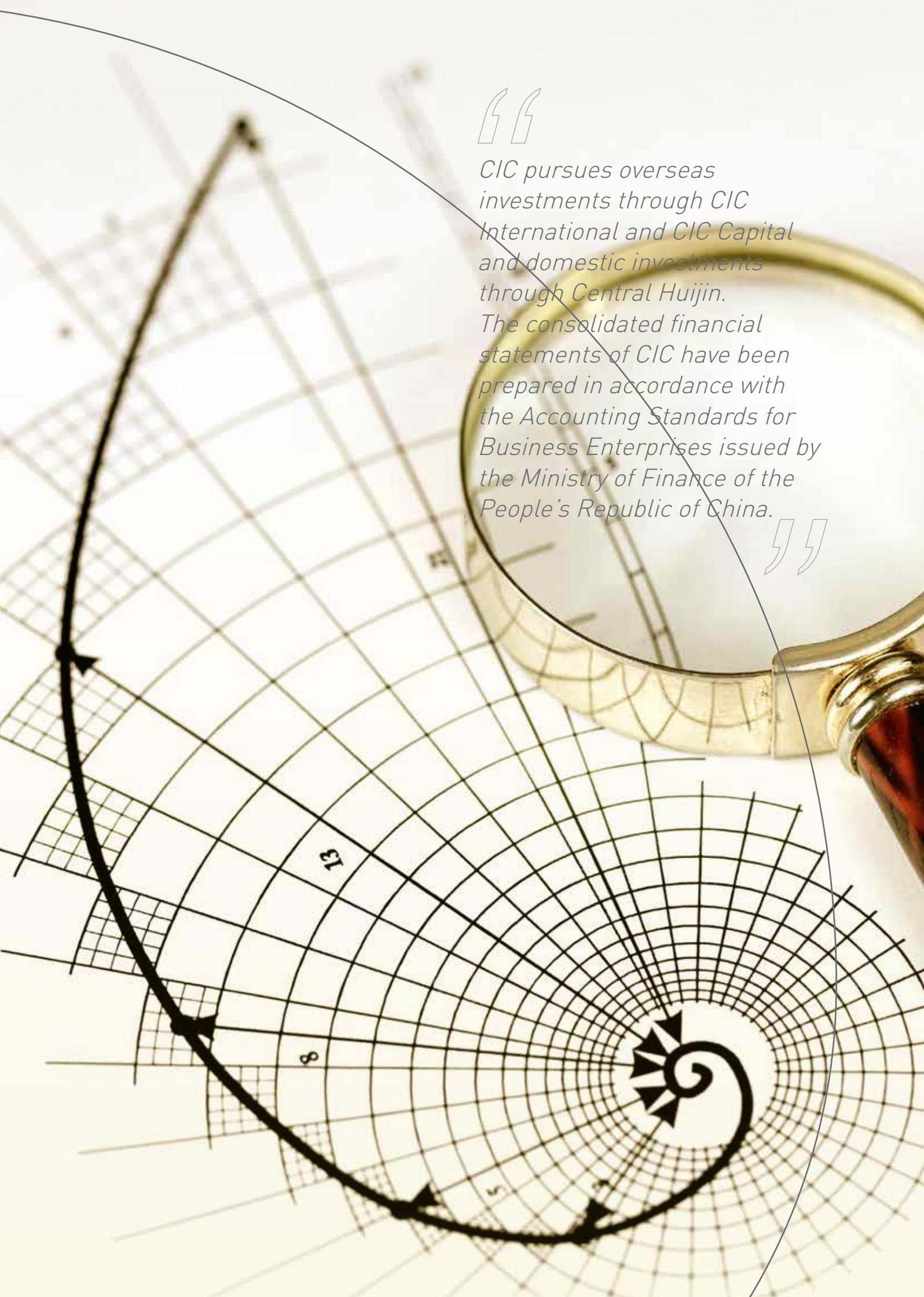
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Box 6. International Forum of Sovereign Wealth Funds

In April 2008, 26 sovereign wealth funds established the International Working Group on Sovereign Wealth Funds, which formulated the Santiago Principles. In 2009, the International Working Group on Sovereign Wealth Funds was renamed the International Forum of Sovereign Wealth Funds, which was reorganized in 2014 as the International Forum of Sovereign Wealth Funds Co., Ltd., with a secretariat based in London.

Currently, with a membership of 30, the Forum has become an important international organization with far-reaching influence and serves as a platform for communication among sovereign wealth funds across the world. Under the Forum three subcommittees oversee the implementation and promotion of the Santiago Principles, investment and risk management, and international investment environment optimization. CIC is a member of subcommittee I and subcommittee III and proactively provides support for subcommittee II. In addition, the Forum is focused on related research and releases research reports on its official website.



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CIC pursues overseas investments through CIC International and CIC Capital and domestic investments through Central Huijin. The consolidated financial statements of CIC have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

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2015 FINANCIALS

Basis of Presentation

CIC pursues overseas investments through CIC International and CIC Capital and domestic investments through Central Huijin. The consolidated financial statements of CIC have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. These accounting standards have substantially converged with the International Financial Reporting Standards. Because it is audited by independent auditors, CIC's consolidated financial statements represent a true and impartial view of the company's financial position, operating results, and cash flows for the year that ended on December 31, 2015.

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 CIC's policies. These judgments, assumptions, and estimates are applied to financial asset valuation and income tax recognition.

CIC's accounting period runs from January 1 to December 31. The reporting and functional currency of CIC and CIC International is the US dollar. The reporting and functional currency of Central Huijin is the RMB.

Central Huijin does not consolidate any financials on its long-term equity investees; it accounts for its long-term equity investments mainly using the equity method.

Financial Statements

(Amount in millions of US dollars)

Consolidated Balance Sheet (as of December 31, 2015)

	2015	2014
Assets		
Cash and deposits	19,337	23,939
Financial assets at fair value through profit or loss	209,325	225,321
Receivables and prepayments	2,211	2,877
Available-for-sale investments	1,209	668
Long-term equity investments	513,397	489,147
Deferred tax assets	2,743	1,648
Other assets	65,540	3,130
Total assets	813,762	746,730
Liabilities		
Financial liabilities at fair value through profit or loss	1,515	1,744
Bonds payables	16,952	17,990
Deferred tax liabilities	4,081	7,023
Other liabilities	66,472	10,624
Total liabilities	89,020	37,381
Owner's equity		
Owner's capital	200,000	200,000
Capital reserves and others	524,742	509,349
Total owner's equity	724,742	709,349
Total liabilities and owner's equity	813,762	746,730

Consolidated Income Statement (for the year ended December 31, 2015)

	2015	2014
Investment income		
Interest income	3,150	2,448
Dividend income	2,847	3,368
Net realized gains on investments	12,155	9,141
Unrealized gains (losses) from changes in fair value of investments	(17,645)	1,217
Investment income from long-term equity investments	79,899	79,383
Foreign exchange gains (losses)	(3,769)	(821)
Other income	100	133
Total investment income	76,737	94,869
Expenses		
Investment expense	(429)	(342)
General and administrative expense	(185)	(171)
Finance expense	(1,649)	(647)
Total expense	(2,263)	(1,160)
Operating income	74,474	93,709
Others, net	(1)	(1)
Income before taxes	74,473	93,708
Income taxes	(529)	(4,611)
Net income	73,944	89,097

Summary of Accounting

Classification of Financial Instruments

CIC financial assets are classified into financial assets at fair value through profit or loss (FVTPL) and available-for-sale (AFS) investments, loans, and receivables. CIC financial liabilities are classified into one of two categories: financial liabilities at FVTPL and other financial liabilities. Financial assets and liabilities at FVTPL include trading financial assets and liabilities and those initially designated as financial assets and liabilities at FVTPL. AFS investments are any nonderivative financial assets designated by the Company on initial recognition as available for sale. Loans and receivables refer to nonderivative financial assets on an active market that are unquoted and with fixed or determinable recovery cost. Other financial liabilities are financial liabilities other than those that are designated initially at FVTPL. Other financial liabilities mainly include bonds payable and investments payable.

Measurement of Financial Instruments

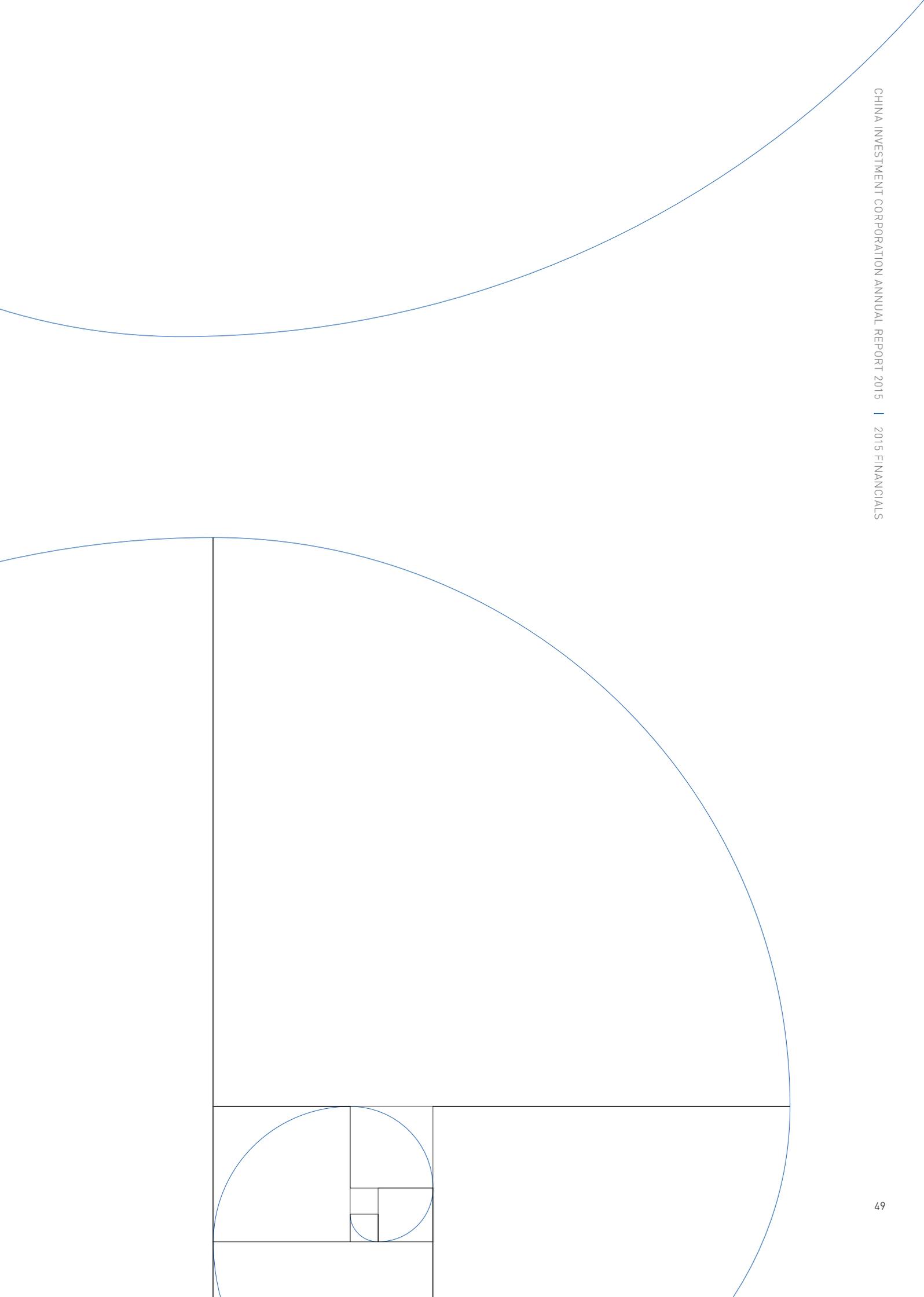
Financial instruments are initially measured at fair value. Subsequently, loans and receivables are measured at amortized cost by using the effective interest method. Other financial instruments are measured at fair value, and the future trade expense will not be deducted.

For financial instruments at FVTPL, gains or losses from a change in fair value are recognized in profit or loss. Changes in the fair value of AFS investments are recognized directly in equity through other comprehensive income, except for impairment losses and foreign exchange gains or losses, which are recognized directly in profit or loss. The cumulative gain or loss that was recorded in equity is transferred to profit or loss if an AFS investment is derecognized. For financial assets and liabilities measured at amortized cost, the gains or losses on derecognition or arising from impairment are recognized in profit or loss.

Fair value is the rational and unbiased estimate during an accounting day of an asset's price or the cost of repaying a debt. As for financial instruments for which there is an active market, the quoted prices in the active market are used to determine the fair value. For financial instruments that do not have a quoted market price in an active market, the fair value is determined through the use of valuation techniques. The valuation techniques include the market-based method, the return-based method, and the cost-based method. In the application of the valuation techniques, observable inputs—data that can be directly obtained from the market, which can reflect the estimated prices of assets and liabilities of market participants—should be chosen over unobservable ones, except when the observable inputs cannot be obtained. The Company periodically evaluates its valuation techniques to ensure their reasonableness.

Measurement of Income Tax

Income tax is measured through the balance sheet approach. It includes current and deferred taxes. Current tax refers to taxes payable for transactions and items during the past fiscal year measured in accordance with applicable tax rules. Deferred tax assets and deferred tax liabilities occur as recognition of the difference between tax value and book value.



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