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ANNUAL REPORT



ANNUAL REPORT 2017
CHINA INVESTMENT CORPORATION

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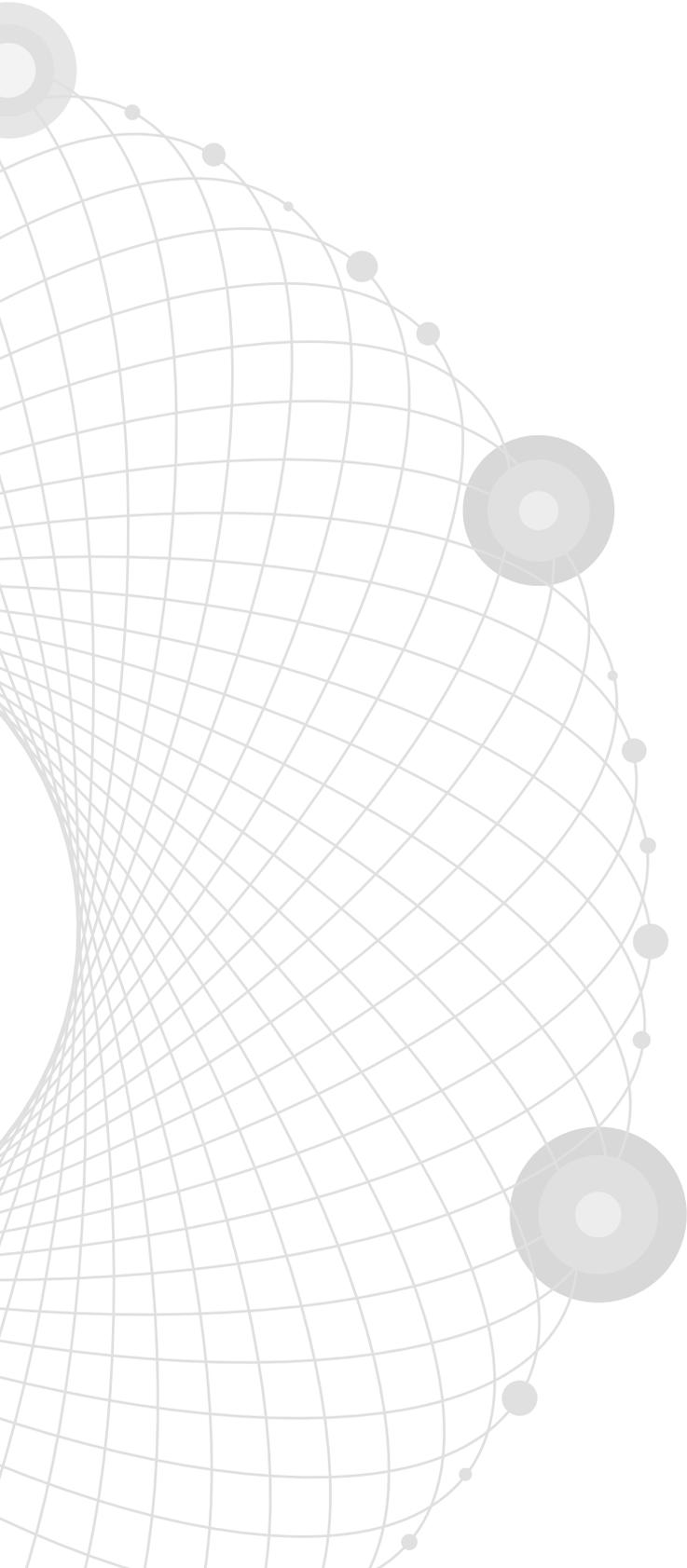
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MESSAGE

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





Message

2017 marked the 10th anniversary of the China Investment Corporation (CIC). Over the past decade, we have remained true to our original aspirations, pursued them with zeal, and achieved satisfactory results. Entering our second decade is a historic turning point.

Last year, the world economy saw improved growth, with the recovery from the financial crisis spreading to all sectors and the international financial market continuing its rebound. Grasping opportunities through rigorous research and prudent investments, CIC scored brilliantly, posting a record high of 17.59% net return on overseas investment. By the end of 2017, CIC's total assets had exceeded \$940 billion, the annualized growth rate of state-owned capital had reached 14.51%, and overseas investments had generated a net cumulative annualized return of 5.94%.

More than a decade ago, in order to serve the economic development and deepen financial reforms, CIC was established to diversify the investment of the State's foreign exchange assets. The company's history since then describes a journey of development, reform, and innovation. CIC has continued to pursue creative solutions, innovative ideas, and path breaking practices.

Continuing to Improve Asset Allocation and Optimize Investment Strategy

In 2017, we continued to improve our asset allocation based on the Reference Portfolio framework and optimized our strategy and benchmark selection. We reviewed asset pricing and reconfigured the Annual Policy Portfolio. We rebalanced the total portfolio to maintain optimal overall exposure and pursued tactical asset allocation to reap short- to medium-term returns. We also invested in multi-asset strategic partnerships to increase knowledge sharing and investment capabilities. And we created a currency overlay portfolio to manage foreign exchange risks.

Refining Investment Management and Seeking New Ways for Outbound Investment

In 2017, we intensified our detail-oriented management of public market investment for higher excess returns,

improved procedures for investment decisions, developed new mechanisms for managing private equity fund accounts, and established deep working relationships with a select few managers. We continued to develop our professional platform for direct investments, optimized our decision system for overseas investments, and aligned our investments and services with the Belt and Road Initiative. We actively sought innovative approaches and facilitated the creation of a trans-border investment platform to leverage our unique advantages in capital, business networks, and Chinese perspective for value creation. We improved our risk management and internal control systems to create a robust long-term mechanism for risk mitigation, and to adapt to new approaches for outbound investment.

Progressively Institutionalizing Investment Support and Facilitating Investment Operations

In 2017, continuing to advance our research-driven investment philosophy and work toward an integrated research and investment system, we launched the CIC big data platform to develop new-generation information sharing and a smart financial ecosystem. We refined financial management, enhanced budget management, and expanded our financing channels. With 10 years of experience, we reviewed lessons and practices and compiled an investment casebook to unify our investment philosophy and fine-tune our investment logic.

Intensifying Investment Cooperation and Multidimensional Outreach and Engagement

In 2017, we actively engaged in international dialogues and communication. To deepen trade and investment cooperation between China and the United States, we worked with Goldman Sachs to create the China-US Industrial Cooperation Fund. To facilitate cooperation, promote the Chinese perspective, and capitalize on Chinese opportunities, we organized the CIC Forum 2017—Belt and Road and Cross-Border Investment CEO Summit; the third meeting of the China-Russia Business Advisory Committee; and the China-US Governors Forum. We represented China's position on many occasions, protected investor rights and interests, and contributed to building an open, equal, and non-discriminatory international investment environment.

Developing a More Effective Huijin Model and Actively Managing State-Owned Capital

In 2017, Central Huijin, focused on strengthening its domestic equity management. It guided its holding companies to serve the real economy, prevent or control financial risks, and deepen financial reforms. Central Huijin successfully completed its first credit bond issuance, ensured the smooth operations of Central Huijin Asset Management Ltd., and facilitated the restructuring and reform of its holding companies.

As an investor in major state-owned financial institutions on behalf of the State, Central Huijin recapitalizes key financial institutions and helps them improve their corporate governance. After many years of experience, it has developed a unique market-oriented management model for state-owned financial capital that encompasses three platforms: one to reform and inject capital into state-owned financial institutions, a second to invest and operate state-owned financial capital, and a third to manage state-owned financial equity. Together, the three platforms preserve and enhance the value of state-owned capital.

With global protectionism and anti-globalization sentiments on the rise, political and policy uncertainties will test the investment and risk management capabilities of sovereign wealth funds. The year 2018 will be the 40th since China embarked on its economic program of “reform and

opening-up.” For CIC, it will be the juncture for journeying into its second decade. To thrive and prosper, CIC will advance new development plans, build institutional capacity, and implement new ways for outbound investment and state-owned financial capital management.

As a Chinese poem goes, the river travels and perseveres through mountains and canyons to form a waterfall whose magnificent spray can be viewed only from a distance. For CIC, the road may be tedious and treacherous, but we persevere, and our accomplishments will stand out among those of our international peers. Innovating and developing to fulfill its vision, CIC will remain true to its mission, united in strength and commitment. It will continue to develop as a prudent, professional, responsible investor operating globally with a good reputation.



Tu Guangshao
Vice Chairman and President



CORPORATE REVIEW

CIC was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance.





Overview



Headquartered in Beijing, China Investment Corporation (CIC) was incorporated on September 29, 2007, under the Company Law of China, with a registered capital of \$200 billion raised with the proceeds of the government bond issued by the Ministry of Finance in the amount of RMB 1,550 billion. By the end of 2017, the total assets of CIC had exceeded \$940 billion.

CIC was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance. 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 and CIC Capital was incorporated in January 2015. The overseas investment and management activities of CIC are undertaken by CIC International and CIC Capital. CIC International conducts public equity and bond investments, hedge fund, multi-asset and real estate investments, private equity (including private credit) 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 funds. Both CIC International and CIC Capital are market-oriented, commercial and professional entities with a global reach.

CIC International (Hong Kong) Co., Ltd. (CIC International (Hong Kong)) was established in November 2010. In May 2017, CIC Representative Office in New York came into operation.

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.

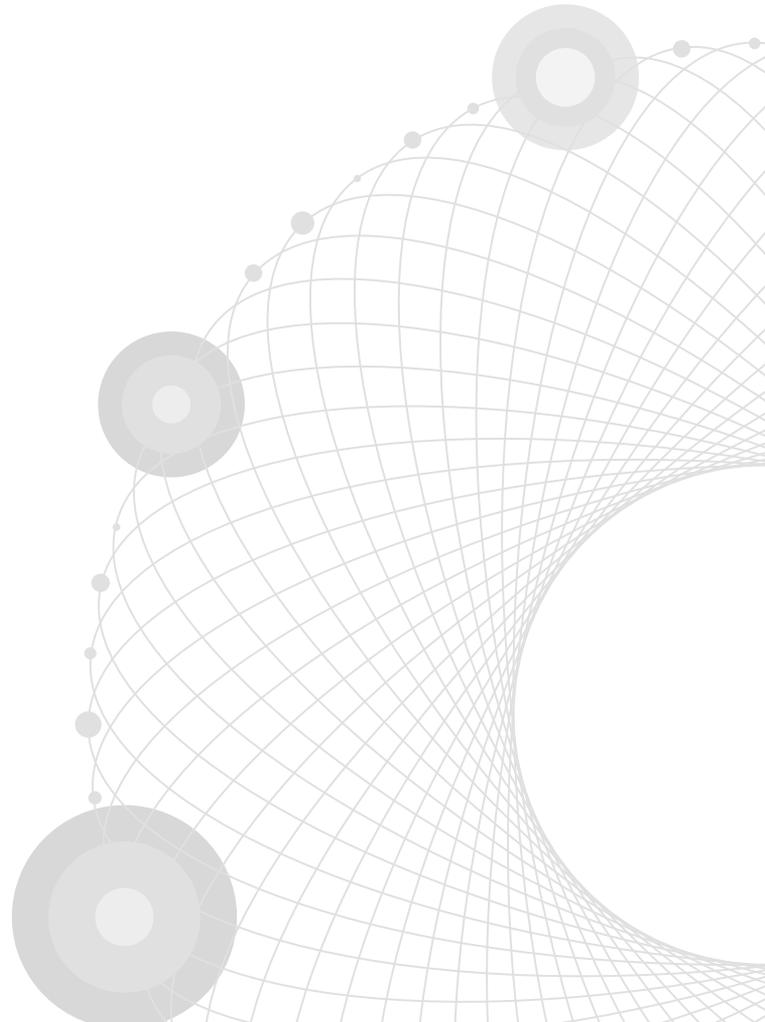
Strict operational firewalls exist between the overseas investments conducted by CIC International and CIC Capital and the domestic investments undertaken by Central Huijin.

Corporate Governance

Corporate governance is critical for efficient operations and for achieving corporate goals. It also paves the way for sustainable development.

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.

In its practice, CIC constantly refined management, improved efficiency and based on its business needs, 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.



Board of Directors

The Board of Directors (the Board) is CIC's power center. It discharges its responsibilities as specified by China's Company Law. Comprising executive directors, independent directors, non-executive directors, and staff directors, it 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 Board reviews the compensation policies for senior executives and oversees the execution of these policies through the Remuneration Committee organized under the Board.

The Board has guided and overseen CIC's development since it was established a decade ago. Through innovation and improved operations and management approaches, it has successfully preserved and enhanced the value of state-owned assets.

During CIC's initial years, the Board focused on crafting development strategies and drawing up operational guidelines and investment principles and approaches to systematically guide CIC's business development. In 2011, it decided to extend the investment horizon to 10

years and to take annualized rolling return as a key indicator for evaluating investment performance. This enabled CIC's portfolio to withstand bigger short-term fluctuations and leverage its advantages as a long-term investor. As CIC's investment expanded, the Board revamped the management framework and department structures, and optimized asset allocation and the risk management system. It also continued to improve the company's investment capabilities and level of refined management. Going forward, the Board remains responsive to international economic and financial developments in reviewing and approving the company's annual business plan and budget and formulating appraisal and incentive measures.

Under the Board's leadership, CIC's total assets have increased by 300 percent over 10 years. By the end of 2017, CIC's cumulative profit turned over and tax paid had exceeded RMB 1 trillion, which contributed to China's fiscal strength and to supporting the country's economic and social development.

In 2017, at CIC's 10th anniversary, as the company exceeded its 10-year investment performance targets, the Board reviewed CIC's overall operation and management experience and mapped out the company's long-term development goals and strategies for its next chapter.

The Board was founded in September 2007 and was re-elected in 2011 and 2014.



01

Tu Guangshao

Vice Chairman & President

Mr. Tu Guangshao is Vice Chairman and President of CIC. Immediately prior to this, he served as Executive Vice Mayor and 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, and 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 is accorded Senior Economist by the Ministry of Human Resources and Social Security.

02

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 the 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 the State Planning Commission.

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

03

Zhang Xiaoqiang

Independent Director

Mr. Zhang Xiaoqiang, an Independent Director of CIC, is Permanent Vice Chairman of China Center for International Economic Exchanges. He served as Vice Chairman of the National Development and Reform Commission (NDRC), Secretary General of the State Development & Planning Commission (SDPC), a predecessor to the NDRC, Director General of the Department of Foreign Investment at the State Planning Commission, a predecessor to the SDPC, and an Economic Counselor at the Chinese Embassy in the United States. He 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.

05

Shi Yaobin

Non-Executive Director

Mr. Shi Yaobin, a Non-Executive Director of CIC, was 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 the Ministry of Finance.

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

04

Hu Zucai

Non-Executive Director

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

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

06

Zhang Xiangchen

Non-Executive Director

Mr. Zhang Xiangchen is a Non-Executive Director of CIC. Previously, he served as Deputy China International Trade Representative, Assistant Minister of the Ministry of Commerce (MOFCOM), Director General of the Department of Policy Research of MOFCOM, Deputy Representative and Minister (DG-level) of China's Permanent Mission to the WTO, Director General of the Department of WTO Affairs and the China WTO Notification and Inquiry Center, 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 Ph.D. in international politics from Peking University.

07

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 Ltd., 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, Director of General Office of the Board of Directors, General Manager of Financial Planning, 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, Vice President of Shenzhen Branch and Deputy General Manager of Human Resources.

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

09

Fan Yong

Employee Director

Mr. Fan Yong, an Employee Director, is Head of Human Resources of CIC. Immediately prior to this, he served as Director of Human Resources, Deputy Head and Head of Institutional Integrity of CIC. In his earlier career, Mr. Fan served as Deputy General Manager of Human Resources of China Galaxy Securities Co., Ltd., Deputy General Manager of Investment Management, Deputy Director General of President's Office and Head of Human Resources of China Economic Development Trust & Investment Company, and Principal Staff of Fiscal and Financial Department at the State Planning Commission.

Mr. Fan, born in 1961, holds a bachelor's degree in economics from Zhongnan University of Economics and Law.

08

Fang Shangpu

Non-Executive Director

Mr. Fang Shangpu is a Non-Executive Director of CIC. He previously served as Deputy Administrator of the State Administration of Foreign Exchange (SAFE), Chief Accountant of SAFE and Deputy Administrator of SAFE Shanghai Branch. He also served as Vice President of 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.

Former Director (leaving office from 2017 to 2018):

Ding Xuedong

Chairman and CEO, July 2013 - February 2017

Board of Supervisors



The Board of Supervisors is responsible for monitoring the directors' and executives' business practices and professional ethics to ensure the effectiveness of CIC's supervisory procedures. It is also responsible for conducting internal audits, selecting external auditors, and monitoring the company's accounting and financial functions. The Supervisory Committee and the Audit Committee report to the Board of Supervisors.

In the past decade, the Board of Supervisors has continued to optimize its internal operational mechanisms and to improve its institutions and systems based on the Company Law, CIC's Articles of Association, and other relevant regulations. It formulated the rules of supervisory procedures, work rules for special committees, and supervision evaluation guidelines to provide a regulatory and supervisory framework.

The Board of Supervisors discharges its responsibilities according to law and is continuously improving its supervision of finance, risks, and internal controls for better operations and management. It is constantly finding innovative approaches for accountability supervision and has explored the implementation of accountability checks and special interviews for identified individuals. It also initiates economic accountability and special audits by the Department of Internal Audit.

The Board of Supervisors introduced the concept of audit

by capital contributors, and actively sought to improve the operations and management of Central Huijin's holding companies to preserve and enhance the value of state-owned assets.

The Board of Supervisors explored mechanisms of guiding and supervising the boards of Central Huijin's majority-owned financial institutions. Based on extensive research and experience, it has also developed work guidelines for dispatch supervisors, guiding opinions for the boards of supervisors of direct-reporting companies, and implementation guidelines for majority-owned financial institutions to step up guidance by their boards of supervisors. The Board of Supervisors also cooperated with financial regulators to formulate guidelines for commercial banks' boards of supervisors. The above approaches and measures were instrumental in regulating the activities of the boards of supervisors of majority-owned companies and ensuring the discharge of duties of dispatch supervisors.

In 2017, the Board of Supervisors continued to improve the CIC group of companies' supervisory system and to foster internal audit and investor audit to facilitate lawful, regulation-compliant, and prudent operations.

The Board of Supervisors was founded in September 2007 and was re-elected in 2011 and 2016 respectively.

01

Zhang Tong

Supervisor

Mr. Zhang Tong, Supervisor of CIC, 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 was 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 Ph.D. in economics from Xiamen University.

02

Wang Zhaoxing

Supervisor

Mr. Wang Zhaoxing, Supervisor of CIC, is Vice Chairman of the China Banking and Insurance Regulatory Commission (CBIRC).

Previously, he served as Assistant Chairman and Director General of Banking Supervision Department III of CBRC, as well as Head of China Banking Supervision Group (Director-General-level) and Deputy Director General of Bank Supervision Department I of the People's Bank of China.

Mr. Wang, born in 1959, holds a Ph.D. in economic from Shaanxi University of Finance and Economics.

03

Jiang Yang

Supervisor

Mr. Jiang Yang is Supervisor of CIC. Previously, he served as Vice Chairman and Assistant Chairman of China Security Regulatory Commission (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 Ph.D. in economics.

04

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, holds a Ph.D. in economics from Xi'an Jiaotong University.

Former Supervisor (leaving office from 2017 to 2018):

Guo Haoda

Chairman of the Board of Supervisors, September 2014 - January 2018

Executive Committee

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 fundamental rules, institutional adjustments, operating mechanisms, performance evaluations, and remuneration.

For 10 years, while taking stock of the company's major development issues, CIC's Executive Committee has also streamlined the company's institutions and processes, and has buttressed the overall institutional development to improve the company's investment capabilities and the quality of its operations and management.

At its inception, CIC was confronted by the global financial crisis. The Executive Committee decisively took a prudent approach to investment opportunities emerging from the crisis. It developed a commercially-driven organizational structure and investment mechanism based on the long-term development goals set forth by the Board of Directors. And it decided on a long-term operational model and commercially-driven investment strategy to maximize financial returns within acceptable risk tolerance.

In 2011, when the Board of Directors decided to extend the investment horizon to 10 years and take the annualized rolling return as the key indicator for evaluating CIC's investment performance, the Executive Committee responded promptly by constantly adjusting the asset allocation, clarifying the allocation intent by improving portfolio flexibility, and by endeavoring to construct a refined, transparent and resilient portfolio. The Executive Committee also introduced the Reference Portfolio framework for asset allocation, and optimized the

rebalancing mechanism to provide clear guidance and direction for portfolio construction, as well as to ensure disciplined asset allocation and investment activities.

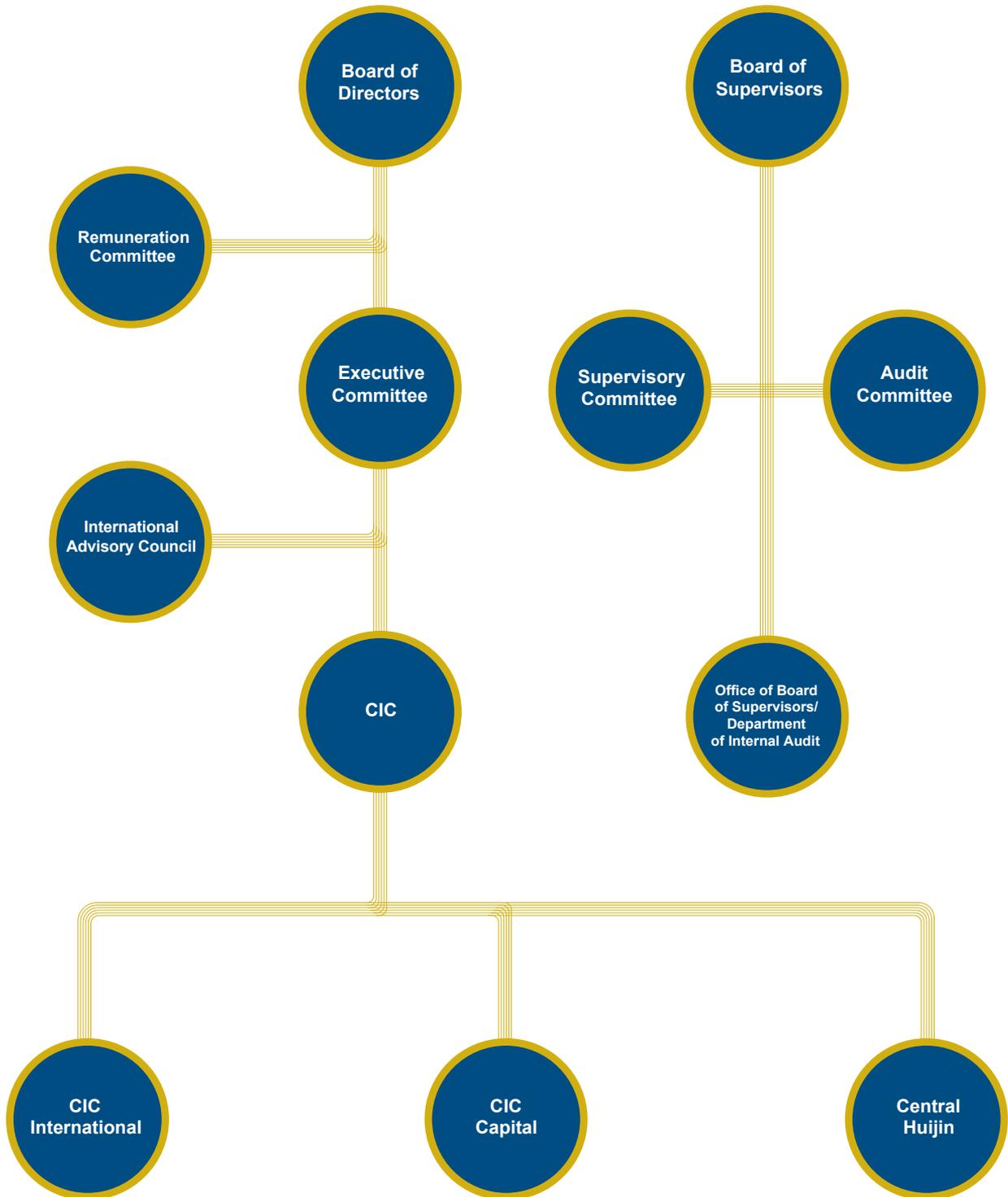
Committed to developing a comprehensive risk management system, building risk identification, evaluation, monitoring and management capabilities, it continued to improve the company's risk management system and processes.

As CIC's business expanded, the Executive Committee devised mid- and long-term strategic plans, and established a governance structure for CIC as a sovereign wealth fund and a market-oriented, commercial and professional entity with a global reach. It optimized the investment decision system built mechanisms that facilitate incentive compatibility, nurtured a corporate culture and improved capacity-building.

In 2017, the Executive Committee devised and revised regulations relating to the management of CIC investment projects and promoted whole-process project management. It reviewed CIC's investment experience during the past decade and compiled two volumes of investment case studies based on asset class and investment project. It improved the fundamental accounting management operations and developed a long-run mechanism for improving cost-apportionment and control. It optimized incentives and developed a professional human resource management system. Finally, it developed new approaches for outbound investment, particularly through establishing the China-US Industrial Cooperation Fund.

The Executive Committee was founded in September 2007.

Organization Chart



The Executive Committee

Tu Guangshao: Vice Chairman and President | **Ju Weimin**: Executive Vice President

Bai Tao: Executive Vice President | **Liu Jun**: Executive Vice President

Guo Xiangjun: Executive Vice President | **Yang Wenqing**: Secretary of the Discipline Inspection Commission

Qi Bin: Executive Vice President | **Zhao Haiying**: Chief Risk Officer

Former Members (leaving office from 2017 to 2018):

Ding Xuedong (Chairman and CEO, July 2013 - February 2017)

Guo Haoda (Chairman of the Board of Supervisors, September 2014 - January 2018)



From left to right: Qi Bin | Guo Xiangjun | Bai Tao | Tu Guangshao | Ju Weimin | Liu Jun | Yang Wenqing | Zhao Haiying

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International Advisory Council

CIC's International Advisory Council (IAC) was formed in July 2009, comprising 14 members, including renowned experts, academics, former politicians, entrepreneurs and senior management of other financial institutions. Zeng Peiyan, former Vice Premier of the State Council of China, now Chairman of the China Centre for International Economic Exchanges, was also invited to sit on the Council.

As an internal advisory body of CIC, IAC's mandate is to advise CIC on its development strategy and planning and overseas investments. It also offers insights into financial markets, investment trends, and political and economic issues at the global level. By the end of 2017, CIC had convened nine IAC annual meetings and appointed the members of the 4th IAC. In total, 24 distinguished persons from 14 countries and regions of five continents have either served or are currently serving as IAC members.

In the past decade, IAC members leveraged their social influence, knowledge, and rich experience and dedicated themselves to serving as CIC's "International Goodwill Ambassadors" and as a think tank. They advised the company on development strategies and have become the company's closest friends. When IAC was founded, its members shared generously the experiences and practices of international counterparts; this knowledge was instrumental in helping CIC develop the needed institutions, regulations, and overseas investment strategies.

During the global financial crisis and the European debt crisis, IAC members advised CIC on the potential risks and analyzed the economic development trends and potential investment opportunities. On different occasions, they shared with the international community information about China's positive growth momentum and expressed confidence in China's economy. When CIC needed to expand its network of global partnerships, IAC members came forward to facilitate communication and dialogue between CIC and local governments and regulators, and helped the company build relationships with local business partners.

Given the warm reception of the Belt and Road Initiative by various countries, IAC members visited the ancient Chinese Silk Road to learn about its past and present, and offered insightful suggestions on implementing the vision of "collaborating, co-building and co-benefiting" from an international perspective. Through daily communication, mutual visits and by distributing their findings, IAC members also shared with CIC their insights on global political and economic trends and on major events.

CIC is proud to have our IAC members on board and is deeply appreciative of their support and assistance. As the company strives to become a world-class sovereign wealth fund, CIC will continue to increase the participation of the IAC and will ensure that IAC members maximize their role and involvement.

Asia

Member	From	Title
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, Citibank
Justin Yifu Lin	China	Dean of Institute of New Structural Economics, Dean of Institute of South-South Cooperation and Development and Professor and Honorary Dean of National School of Development, Peking University; former Chief Economist and Senior Vice President, World Bank
Frederick Ma	Hong Kong, China	Chairman, MTR Corporation Limited; Council Chairman, the Education University of Hong Kong; Honorary Professor, School of Economics and Finance, University of Hong Kong; 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

<i>Member</i>	<i>From</i>	<i>Title</i>
Omari Issa	Tanzania	CEO, Jakaya Mrisho Kikwete Foundation; Chairman, International Board, AMREF Health Africa
John H. Maree	South Africa	Chairman, Liberty Group; Deputy Chairman and former CEO, Standard Bank Group

Americas

<i>Member</i>	<i>From</i>	<i>Title</i>
David Denison	Canada	Chairman, Hydro One Limited; 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 L. Thornton	United States	Chairman, Board of Trustees of the Brookings Institution; Chairman, Barrick Gold Corporation; former President, Goldman Sachs Group

Europe

<i>Member</i>	<i>From</i>	<i>Title</i>
Dame DeAnne Julius	United Kingdom	Chair, University College London ; former Chair, Chatham House
Knut N. Kjaer	Norway	Chairman, FSN Capital Partners and Sector Asset Management, Norway; former CEO, Norges Bank Investment Management
Jean Lemierre	France	Chairman, BNP Paribas; former President, European Bank for Reconstruction and Development

Oceania

<i>Member</i>	<i>From</i>	<i>Title</i>
Paul Costello	Australia	Member, Payments System Board, Reserve Bank of Australia; Chair, Investment Committee, Qantas Superannuation Plan; Chair, Queensland Investment Corporation Infrastructure Investment Committee; former General Manager, Australian Future Fund

Secretary-General

Liu Fangyu	China	Head, Department of Public Relations and International Cooperation, CIC
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Corporate 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.

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.

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.

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.

Remaining a Responsible Investor

As a responsible investment firm, we remain committed to discharging our corporate social responsibilities. We also make sure when making investments that we comply with applicable laws and regulations of China and recipient countries or regions, and respect local social norms and public opinion.

We are committed to a zero-tolerance approach to corruption and bribery. We have issued and published on

our website the Code of Conduct and Guidelines on Preventing Conflicts of Interest, which include anti-corruption and anti-bribery policies applicable to all CIC employees. We also expect our business partners, counterparties, service providers, and agents to acknowledge and implement our anti-corruption and anti-bribery policies in their dealings with us.

Box 1: an Open and Inclusive Corporate Culture

A good company must be backed by a strong corporate culture, which is its soul, its source of competitiveness and cohesion, and the driving force for its steady and sustained long-term development.

CIC knew its national mission from the days of inception and understood the importance of its responsibility as China's sovereign wealth fund. It must excel and be forward-looking. This was CIC's culture during its early days, setting the tone for its future development.

When markets experience cyclical volatility, CIC remained committed to being a long-term institutional investor, and fostered the values of "integrity, commitment, prudence, learning, professionalism, and teamwork". "Integrity" is about complying with the laws and regulations of China and of recipient countries and regions, observing the most rigorous work ethics, and reporting the truth and being frank when expressing views. "Commitment" is about having a positive philosophy and value toward life, putting the company's interest first, fulfilling responsibilities, and managing well the assets entrusted in its hands and making successful investments. "Prudence" means to establish sound, cautious and responsible notions of operation, make cool and methodical judgements, and rigorously assess every investment decision. To be "learning" is to cultivate a mindset of lifelong learning, broaden the horizon, dare to innovate and practice to be perfect. "Professionalism" is about seeking professional excellence, aiming for the highest standards, and committing to quality and business excellence. "Teamwork" is about communicating effectively and cooperating to forge synergy.

CIC adopted a positive attitude to learning, never ceased the pursuit of excellence, and continued to explore applicable best practices. In 2012, after accumulating and distilling many years of experience and learning from practice, CIC organized a major review and extensive discussions of its corporate culture and crystallized the original value system into the CIC Culture Consensus—a new corporate culture system with a clear and comprehensive idea. The Consensus embodies the company's wisdom that accrued when it grew from strength to

strength, its innovative spirit and its steady progress. It is a consensus among all CIC employees, for their diverse backgrounds, minds and ideals to connect and harmonize. It also represents CIC's values and moral integrity pertaining to unity and sustainability.

CIC's core values are "responsibility, synergy, professionalism, and aspiration". CIC itself embodies a heavy national responsibility. Its investment must be disciplined and its employees must create synergy to maximize CIC's overall returns. CIC strives to become a leading international sovereign debt fund and achieving that requires professionalism. CIC has grown by innovating and continued to improve and to aspire high.

CIC's corporate culture is reflected in its practice. Since announcing the CIC Culture Consensus, the company has progressively developed the corporate culture by integrating corporate values with development strategies to instill the corporate culture in the company's operations and management. By nurturing the desired attributes in employees, and by developing the CIC team and creating the CIC image, the company has ensured that the CIC culture takes root in the employees' minds and is institutionalized in the management system and manifested in the employees' conduct and professional ethics. Through multi-pronged efforts, CIC is able to build corporate cultural awareness within the company. Having an underpinning common culture fosters greater cohesion and a sense of belonging and employees are highly motivated to work towards CIC's sustained development.

Corporate culture can take shape only over a long time. CIC's corporate culture has evolved from notion to action, and from divergence to convergence to reach a consensus. This process of evolution speaks for the essential qualities of CIC's open and inclusive culture to seek common ground and shelf differences. Today, after 10 years, CIC remains a young company that is constantly looking to building its self-awareness and seeking excellence. CIC believes that as long as the corporate culture and core values are ingrained in the heart of every employee, CIC will continue to flourish.

Box 2: Fulfilling Corporate Social Responsibility and Furthering Targeted Poverty Alleviation

Since 2011, CIC has followed the central government's plan and has undertaken targeted poverty alleviation in four counties, spanning three Chinese provinces: Shibing County in Guizhou Province, Xunhua County in Qinghai Province, and Jingning County and Huining County in Gansu Province. We have taken specific measures to achieve the primary goal of increasing local income. The preliminary efforts have been effective. We deployed 17 employees on attachment to the target areas and initiated poverty alleviation activities, such as organizing regular donations of computers, books, and clothing, identifying and supporting selected needy students, and organizing summer camps and other non-profit projects. We worked hard to put funding and resources to the best use to enable more people to benefit from such poverty alleviation efforts. Apart from the above counties, we also helped to combat poverty in four other counties: Guzhang County in Hunan Province, Yuexi County in Anhui Province, and Jeminay County and Makit County in Xinjiang Uygur Autonomous Region.

CIC has effective project management mechanism for targeted poverty alleviation. First, we select projects based on the availability of local resources. Poverty alleviation takes place when local resources that can give an area an advantage are used to develop unique industries, which in turn translates into economic advantage. Second, we build a competent and professional team dedicated to project management that effectively conducts on-site inspections and supervision. Third, we ensure that earmarked funds are used for their intended purposes and strictly supervise fund deployment. Fourth, we implement strict bidding procedures for engineering projects and establishing an inspection system to ensure project quality.

CIC's poverty alleviation efforts have been bearing encouraging fruits. By helping reduce poverty, CIC staff have forged close connections and strong bonds with the local people in these provinces. Targeted poverty alleviation is a constant undertaking, and CIC will continue its efforts until poverty is eradicated.

Location	Reduced Population Living in Poverty ¹	Poverty Incidence Rate
Shibing County Guizhou Province	9.7	15.19% → 8.96%
Xunhua County Qinghai Province	4.6	3.58% → 0.03%
Jingning County Gansu Province	26.7	18.7% → 13.6%
Huining County Gansu Province	28.6	17.42% → 12.18%

1. In thousands

Global Outreach

As China's economy grows and develops, China is contributing a greater share to global economic development, and Chinese companies are engaging more actively in international trade and business cooperation. The founding of CIC was an important step in China's effort to deepen reform and open its economy, strengthen overseas exchanges and cooperation, and achieve mutual benefits that secure win-win outcomes. CIC was envisioned as a new platform to showcase the market-oriented, commercially-driven, professional and international operations of Chinese companies. Looking back at the past 10 years, CIC has indeed delivered on this promise as a showcase for the world, as well as through engagement and cooperation.

CIC made global headlines when it was inceptioned in September 2007. We believe that prudent, professional, and responsible investing is essential to winning the recognition of international peers, and that open and candid communication is the only way to gain the trust of governments and regulators in the recipient countries or regions and in the international community. On this basis, from the outset we swiftly engaged foreign stakeholders and started to form a network of global cooperation.

As a new institution, CIC abided by international norms and rules in its investment from day one. To assure countries and markets that sovereign wealth funds are economic and financial investors, sovereign wealth funds with over \$500 billion of assets came together and established the International Working Group of Sovereign Wealth Funds (IWG) in April 2008. With the support of the International Monetary Fund (IMF), they drafted the Generally Accepted Principles and Practices (Santiago Principles). CIC became an active member of the IWG. It displayed the sense of responsibility of a new sovereign wealth fund by participating in all the IWG seminars and revisions of texts. When the Santiago Principles were released in October 2008, CIC honored its commitment to the principles as a transparent and responsible long-term investor. It was also actively involved in founding the International Forum of Sovereign Wealth Funds (IFSWF).

CIC leaders have since held important positions in the IFSWF and have worked hard to promote the public's understanding of the Santiago Principles. CIC helped formulate the IFSWF's development and reform plans and shared CIC's investment management cases and experience in dealing with different risks. To further support the IFSWF's development, it also provided survey feedback, supported thematic studies, and conducted self-assessments.

In May 2011, the IFSWF's 3rd annual meeting took place in Beijing and the Beijing Declaration was released after the meeting, urging countries to work together for global economic recovery and stabilization of the financial market, and to help develop an open, fair and non-discriminatory investment environment for sovereign wealth funds. At the meeting, Mr. Jin Liquan, then CIC Chairman of the Board of Supervisors, was elected Chair of the IFSWF. In 2015, Mr. Li Keping, then CIC President, was elected board member of the IFSWF. When serving as board members of the IFSWF, CIC leaders facilitated communication, exchange, and collaboration between IFSWF members, and helped boost the understanding of and trust in sovereign wealth funds in the international community and among recipient countries or regions.

Since inception, CIC, as a market-oriented, commercial and professional entity with a global reach, has capitalized on its frontrunner position in global financial markets to participate in many high-level diplomatic events and bilateral and multilateral dialogues and mechanisms. CIC is committed to improving global governance through effective communication and open dialogue. On many occasions, we have shared the Chinese perspective and called for building an open, fair, and nondiscriminatory global investment environment that protects the legitimate rights and interests of investors.

During the past 10 years, CIC attended multilateral events such as the G20 Summit, B20 Summit, and the International Chamber of Commerce conferences. It also participated in bilateral discussions and meetings between

China and the United States, Russia, the United Kingdom, France, Japan, India, and Brazil. CIC's senior executives visited governments and regulatory authorities in major economies and recipient countries or regions. These visits enabled the senior executives to get acquainted with the local investment policies and environments, find partners, and achieve winning outcomes for every party in the investment partnership. CIC also received thousands of international delegations and discussed with the visitors about current affairs of mutual interest and potential opportunities for cooperation.

Shortly after its founding, CIC drew upon the practices of international peers and started to establish a multi-tiered communication platform comprising an official website, annual reports, company spokesperson, press releases, and social media accounts.

Through this platform, the company ensures prompt disclosure of information on organizational structure, investment objectives, corporate governance, investment strategies and philosophy, key investment projects, changes in management, operating results and profits. Our efforts at prompt and comprehensive disclosure are widely appreciated by recipient countries or regions and business partners.

CIC's senior executives have also accepted media interviews, authored articles for the press, and addressed open conferences to introduce the company's investment philosophy, principles and activities. The credible information and opinions they shared have helped to better inform people about CIC and its business. Over the years, CIC has evolved an extensive and high-level global cooperation network that brings together government agencies, financial regulators, peer companies, investment experts, and media outlets. It has established close contacts and exchanged visits with foreign political dignitaries, officials from international organizations, senior executives of business partners, peer company counterparts, and academics.

CIC puts great premium on gaining the understanding and recognition from the international community. In the past 10 years, we actively explained our financial investment philosophy and promoted the free, open, and orderly flow of cross-border capital and investments. Guided by prudence and informed professionalism, we continued to grow our international reputation as a responsible global investor and valuable business partner. CIC is indeed the exemplar of market-oriented, commercial and professional Chinese companies with a global reach.

Box 3: 10th Anniversary of the Santiago Principles

CIC commits to the international community that it will conscientiously and voluntarily observe the Santiago Principles for sovereign wealth funds.

Released in October 2008, the Santiago Principles are a framework of rigorous codes of conduct developed by the International Working Group of the Sovereign Wealth Funds (IWG) and endorsed by its members.

The Santiago Principles consists of 24 principles in three key areas: a legal framework, objectives, and alignment with macroeconomic policies; an institutional framework and governance structure; and an investment and risk management framework.

The Santiago Principles outline four objectives for sovereign wealth fund activities; help maintain a stable global financial system and free flow of capital and investment. comply with all applicable regulatory and disclosure requirements in the countries where sovereign wealth funds invest; ensure that sovereign wealth funds invest based on economic and financial risk-and-return-related considerations; ensure that sovereign wealth funds have in place a transparent and sound governance structure that provides adequate operational controls, risk management, and accountability.

In 2009, the IWG was renamed the IFSWF, with a mandate to continue promoting the Santiago Principles, strengthen exchanges and cooperation between global sovereign wealth funds, and maintain policy dialogue and communication with major investment destinations. Since inception, the IFSWF has undertaken a variety of activities, including annual conferences, seminars, thematic meetings, study of hot-spot issues, and surveys. The IFSWF assists its members in communicating with peer institutions and industry experts on issues such as development trends, risk management, investment mechanisms and investment strategies of sovereign wealth funds. It also facilitates experience-sharing on applying the Santiago Principles and helps members strengthen their relationships with recipient countries or regions, international organizations, and capital markets. These efforts will help reduce potential risks in cross-border investments and create a nondiscriminatory, constructive, and mutually beneficial investment environment.

2018 marks the 10th anniversary of the Santiago Principles. In the past 10 years, the Principles have promoted a deeper understanding of sovereign wealth fund activities, effectively eased the international community's pressure on sovereign wealth funds, and allayed skepticisms and criticism of some recipient countries or regions on sovereign wealth funds. So far, more than 30 global sovereign wealth funds have voluntarily endorsed the Santiago Principles.

Landmarks

2007

September

CIC was established in Beijing, China, and set up its Board of Directors, Board of Supervisors and Executive Committee. Mr. Lou Jiwei served as Chairman & CEO

2009

July

CIC inaugurated the International Advisory Council.

July

CIC released its first annual report.

2011

January

The Board of Directors extended the investment horizon to 10 years.

January

CIC opened the Representative Office in Toronto.

May

CIC hosted the 3rd annual meeting of the IFSWF and released the Beijing Declaration.

September

CIC International was established.

2008

January

CIC set up the Investment Committee and the Risk Management Committee.

September

CIC launched its official website.

October

The Chinese government endorsed the Santiago Principles.

2010

November

CIC International (Hong Kong) was incorporated.

2012

February

CIC approved the 2012–2016 Strategic Plan of Development.

July

CIC launched CIC Culture Consensus.

2013

July

Mr. Ding Xuedong took office as CIC Chairman and CEO.

2015

January

CIC Capital was established.

November

Central Huijin Asset Management Ltd. was incorporated.

2017

May

CIC Representative Office in New York came into operation.

December

CIC successfully exceeded its 10-year investment performance target.

2014

January

CIC launched the Risk and Performance Analysis System (the Fengye System).

2016

January

CIC adopted the Reference Portfolio framework for asset allocation.



OVERSEAS INVESTMENT AND MANAGEMENT

Both CIC International and CIC Capital are market-oriented, commercial and professional entities with a global reach.





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. The Investment Committee of CIC International (the Investment Committee) and the Investment and Management Committee of CIC Capital (the Investment and Management Committee) 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.

CIC's overseas investment and management are undertaken by CIC International and CIC Capital. 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 formulate their own investment policies and processes, regularly hold meetings (ad hoc sessions when necessary) to review investment proposals and make their decisions, which are implemented by related senior executives and investment departments and teams.

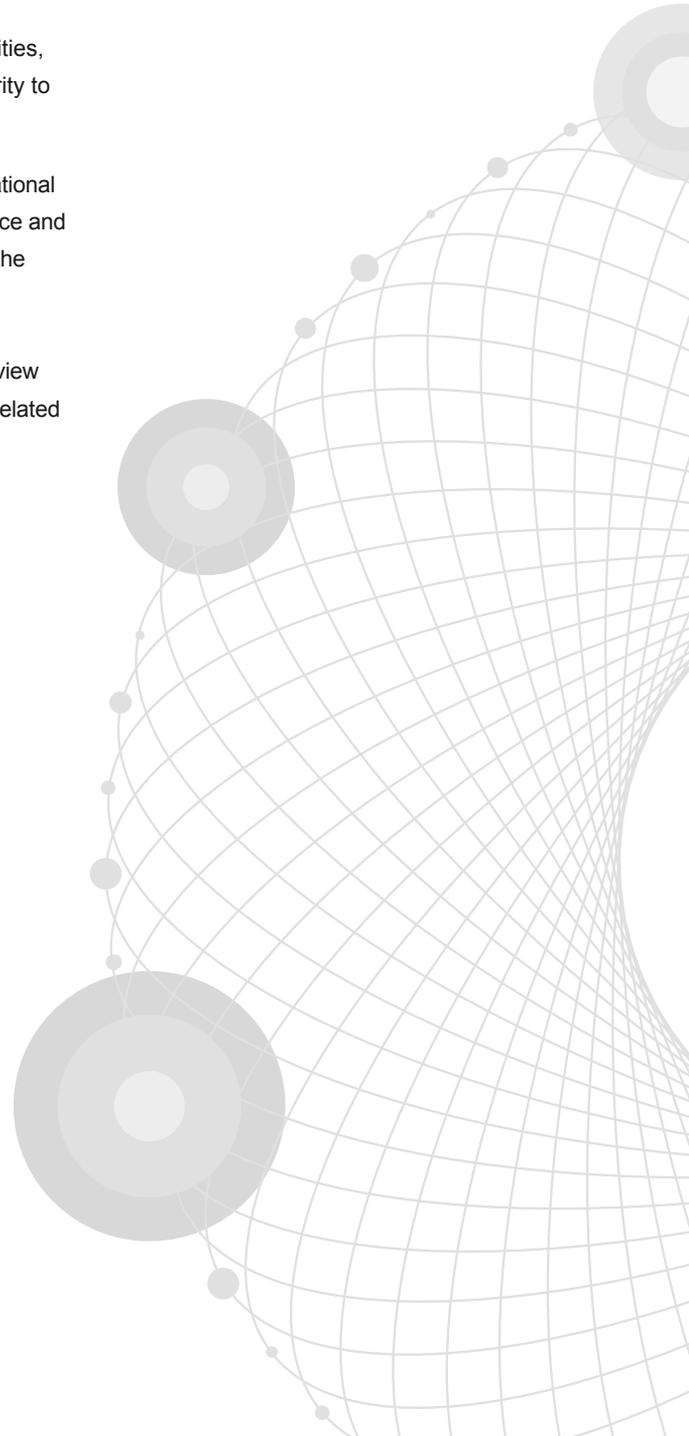


Table 1. Decision-Making Flow Chart



Investment Departments

In its early years, CIC established the Department of Equity, the Department of Fixed Income, and the Department of Alternative Investments. In April 2009, the departments were restructured as the Public Market Investment Department, Tactical Investment Department, Private Market Investment Department, and Special Investments Department. In November 2010, CIC established CIC International (Hong Kong) in the Hong Kong SAR.

In May 2011, to increase overall investment efficiency, CIC restructured the Public Market Investment Department and Tactical Investment Department to form the Department of Public Equity and the Department of Fixed Income and

Absolute Return. The Department of Public Equity implements active strategies to invest in global public market equities, and the Department of Fixed Income and Absolute Return manages all fixed-income portfolios and absolute return investments such as hedge funds and multi-asset portfolios. In January 2015, the entire Special Investments Department was merged into the new CIC Capital. In October 2015, CIC established the Department of Real Estate to expand investments in real assets for stable income.

The investment departments of CIC International and CIC Capital are as follows:

Investment Departments of CIC International

The Department of Asset Allocation is responsible for developing investment policies, proposing strategic asset allocation plans, managing exposures of the CIC overall portfolio. It functions as the Secretariat for the Investment Committee. 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. It conducts investment in real estate in public markets as well.

Investment Departments of CIC Capital

Investment Department I is responsible for direct investments in infrastructure, mining, and energy (oil and gas) and for managing related 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.

CIC Janus Asset Management Company is CIC Capital's wholly-owned subsidiary positioned to make co-investments in agriculture and to manage the China Global Agriculture Investment Fund.

CIC's Overseas Office

CIC International (Hong Kong) is responsible for the entrusted global investment-grade corporate bond strategy portfolio, China-Hong Kong equity strategy

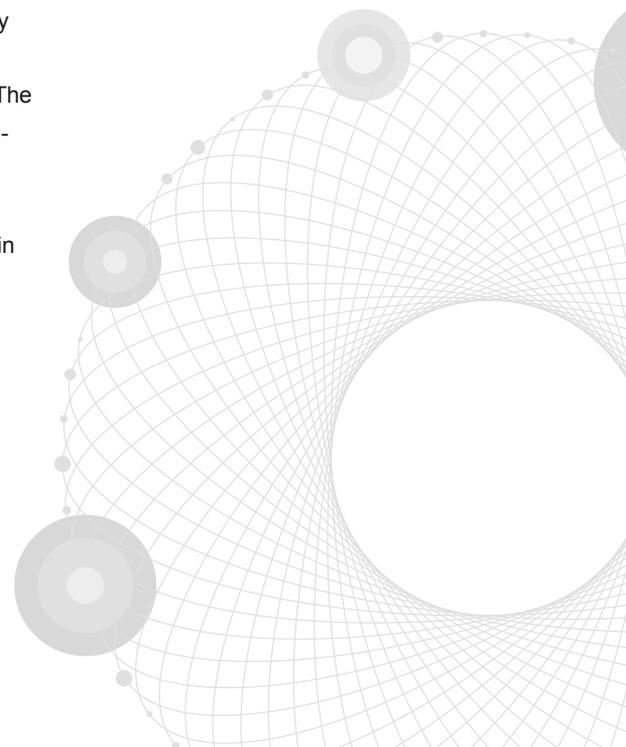
portfolio, the sub-strategy portfolio focusing on special credit opportunities among Chinese enterprises and the US high-yield bond portfolio.

Portfolio Construction

As a large, long-term institutional investor, CIC focuses on asset allocation based on four principles: (a) compliance with the long-term return objectives and risk tolerance approved by the Board of Directors; (b) alignment with CIC's characteristics and investment principles and philosophies; (c) based on academic research and the practices of other investment institutions; and (d) continuous optimization and improvement through investment practice.

In its early days, CIC implemented a traditional two-tier asset allocation framework: a Strategic Asset Allocation (SAA) and a Tactical Asset Allocation (TAA). SAA is the optimal portfolio based on long-term capital market assumptions, whereas TAA aims to dynamically allocate between asset classes to capture short- to medium-term market opportunities, based on forward-looking research. The first version of SAA in 2007 constructed a balanced target portfolio based on diversification and long-term investment, giving a relatively high target weight to alternative assets. In deploying funds, the company formulated a series of exposure management policies, including rebalancing, liquidity management, and currency management, with limits on how far the actual portfolio may deviate from the asset allocation plan. These mechanisms strengthened CIC's investment discipline. In early 2013, CIC improved its asset allocation framework by introducing the Policy Portfolio, which focuses on a medium horizon of 1–3 years, taking into account economic cycle judgments and asset valuation analysis. The Policy Portfolio also acts as an anchor for exposure management, such as rebalance.

At the end of 2015, CIC systematically reviewed and adjusted its asset allocation framework, officially adopting the Reference Portfolio framework, which consists of public market equities and fixed-income products obtained through passive low-cost products. The framework also included the Three-year Policy Portfolio, the Annual Policy Portfolio/Target Portfolio, and the Actual Portfolio. The Reference Portfolio serves as the anchor for the risk target of the overall portfolio and the benchmark for medium- to long-term relative performance. The Three-year Policy Portfolio makes allocations to other asset classes and active strategies and is expected to outperform the Reference Portfolio with a higher risk–return profile. The Annual Policy Portfolio/Target Portfolio takes into account the progress of alternative investment and short-term market views. The framework has improved the transparency and effectiveness of asset allocation and overall portfolio management. Today, many sovereign wealth funds, pension funds, and peer institutions in other countries are using the Reference Portfolio framework.



CIC's global portfolio consists of public equity, fixed income, alternative assets and cash and others.

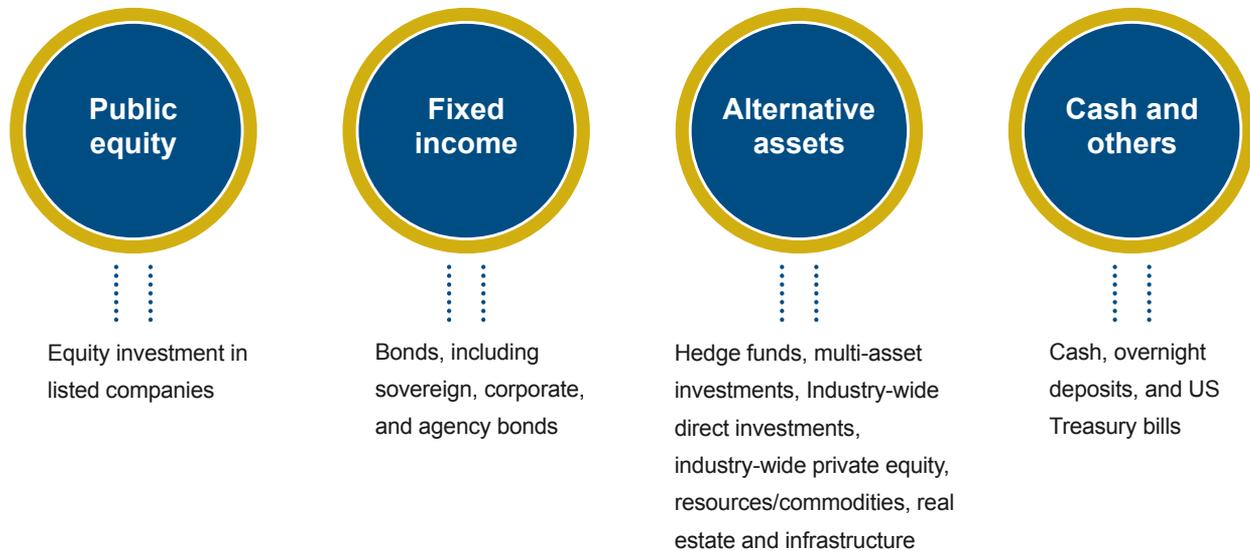


Table 2. Evolution in CIC's Actual Portfolio

2008	<i>Cash management products</i>	87.4%
	<i>Fixed income securities</i>	9.0%
	<i>Equity</i>	3.2%
	<i>Others</i>	0.4%
2011	<i>Long-term assets</i>	31%
	<i>Public equity</i>	25%
	<i>Fixed income</i>	21%
	<i>Absolute return</i>	12%
	<i>Cash funds and others</i>	11%
2017	<i>Public equity</i>	43.6%
	<i>Alternative assets¹</i>	39.3%
	<i>Fixed income</i>	15.9%
	<i>Cash and others</i>	1.2%

1.CIC Capital's loans not included

Table 3. Global Investment Portfolio Distribution (as of December 31, 2017)

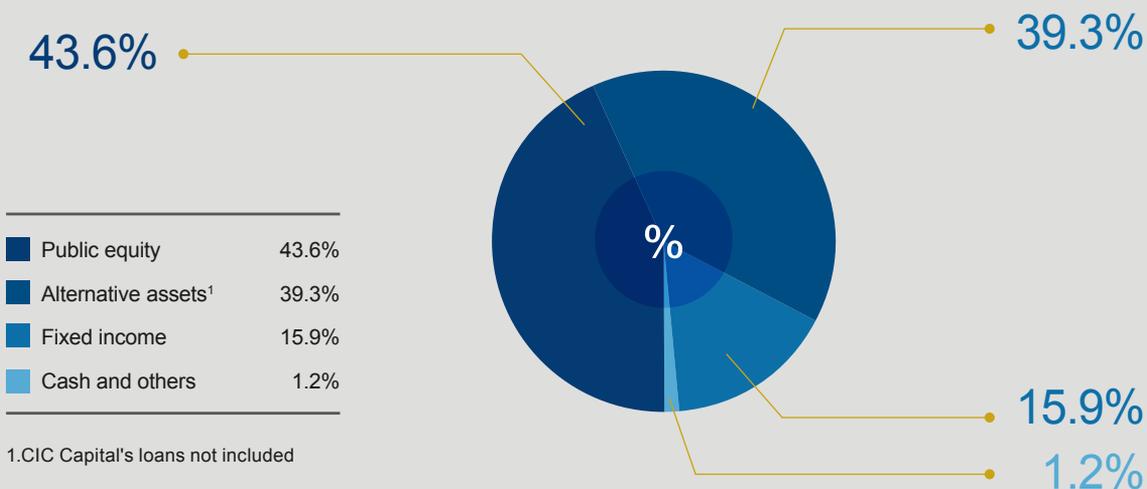
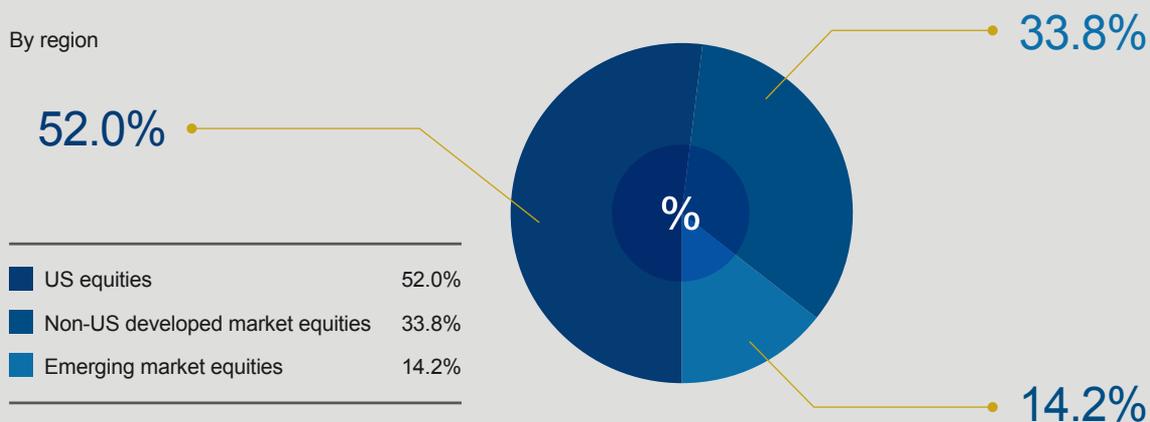


Table 4. Public Equity in the Global Portfolio (as of December 31, 2017)



By sector

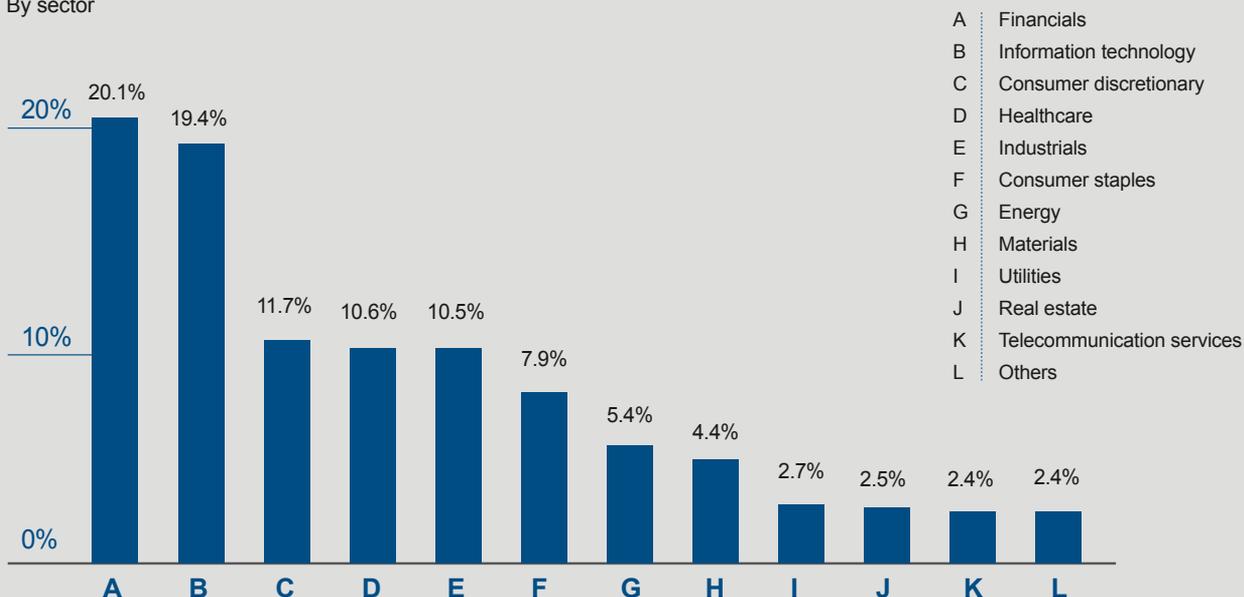


Table 5. Fixed Income in the Global Portfolio (as of December 31, 2017)

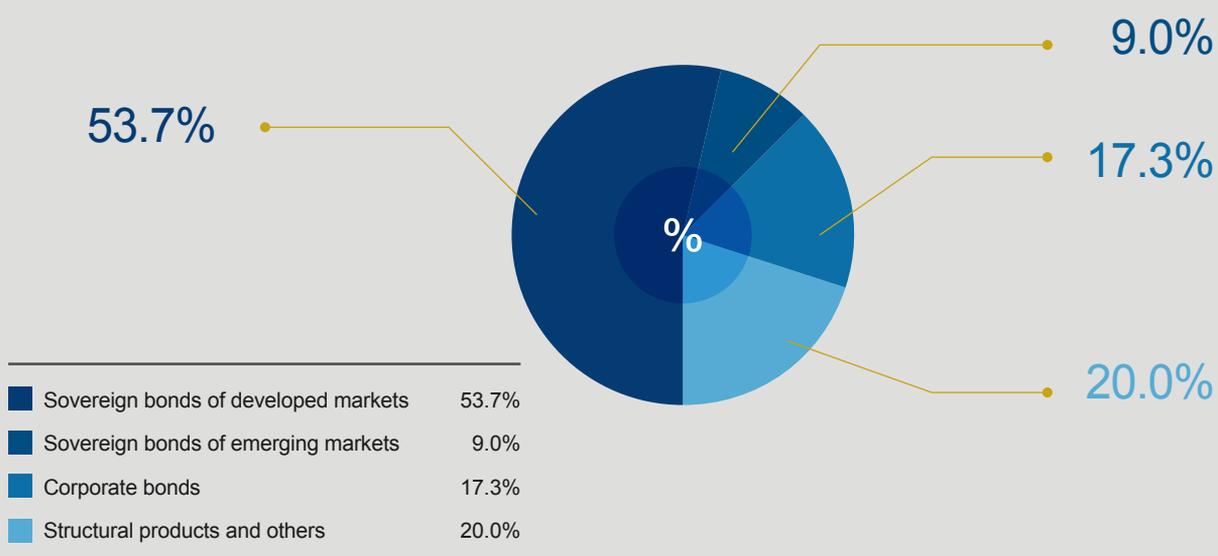
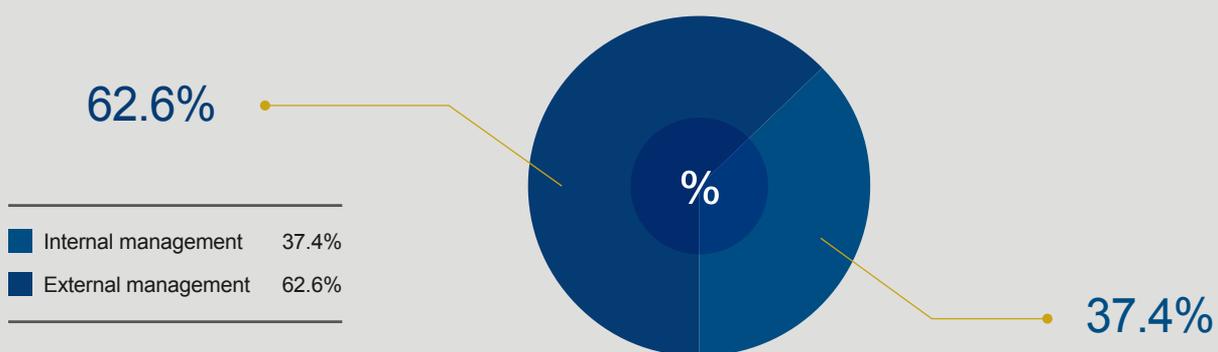


Table 6. Internally Managed Assets versus Externally Managed Assets in Global Portfolio¹ (as of December 31, 2017)



1.CIC Capital's loans not included

Investment Activities

In CIC's early years, externally managed investments were fundamental in constructing portfolios, seeking excess returns, accumulating business resources, building cooperation networks, and assimilating best practices. Today, externally managed investments continue as the bedrock for CIC as an asset owner. The company has developed methods for selecting top external managers with outstanding sustainable track records and clearly defined investment philosophies consistent with CIC's asset allocation objectives. It has also strengthened post-investment management for externally managed portfolios, maintaining long-term partnerships with outstanding external managers. CIC also continued to explore innovative models of wide and deep investment cooperation in areas beside fund investment, such as co-investment and co-sponsorship, and personnel exchanges and knowledge sharing.

CIC was fully aware that it must go beyond externally managed investment and develop in-house capabilities for public market investment and direct investment in long-term assets. This allowed the company to fully tap into its unique advantages: its long-term horizon, its large-scale capital, its Chinese perspective, and its platform of international partners.

On top of externally managed investment, CIC remained open to learning from the experience of top-tier managers, and progressively honed its investment policies and research procedures, so that strengthened in-house investment capabilities would be mutually reinforcing with externally managed investment.

Box 4: CIC's In-House and Direct Investment Models

Investment performance. *In the public market, several of CIC's internally managed portfolios have substantially outperformed their benchmarks and their peers since inception. Direct investments in long-term assets such as private equity, private credit, real estate, and infrastructure achieved stable and desirable returns, fulfilling allocation objectives. This has boosted the overall portfolio's performance.*

In-house capabilities. *CIC's internal management teams cover major public market asset classes such as stocks, bonds, as well as the multi-asset dynamic allocation strategy. CIC has kept abreast of cutting-edge investment practices. For instance, it was the first institution in China, and among the first globally, to conduct risk parity investment.*

Direct investment capabilities. *A professional and experienced CIC team undertook iconic investments in several host countries and regions. In many instances,*

CIC has demonstrated the comparative advantage of the Chinese perspective and its leading role as a large institution. CIC has also acted as a dealmaker between Chinese companies and international partners.

Team building. *CIC lets employees unleash their potential. Internal capabilities have improved, motivation has increased, and access to top managers provides learning opportunities. The environment helps CIC attract and retain high-caliber investment professionals.*

Operation management. *CIC has enhanced its investment management and operational capabilities to better support its in-house and direct investment businesses. Institutional design, risk management, research support, system development, financial management, legal compliance, auditing supervision, public relations, and international cooperation have all been bolstered.*

Box 5: Innovative Investment Cooperation Model

China's overseas investments must accommodate the evolving global and domestic landscape for economy and finance to navigate new challenges in the new phase of China's overseas investment endeavors. To strengthen the China-US trade and investment relationship, CIC and Goldman Sachs signed a memorandum of understanding in November 2017 to establish the China-US Industrial Cooperation Fund. It targets \$5 billion to invest in American companies that have or can develop a material business connection to China in the manufacturing, industrial, consumer, and healthcare industries, among others.

CIC's strategic plan will guide its overseas investments and expand channels, develop models, and improve management mechanisms and systems for its investments. The company will concentrate innovation in four areas:

It will steadily expand alternative and direct investments as signature components of CIC's portfolio.

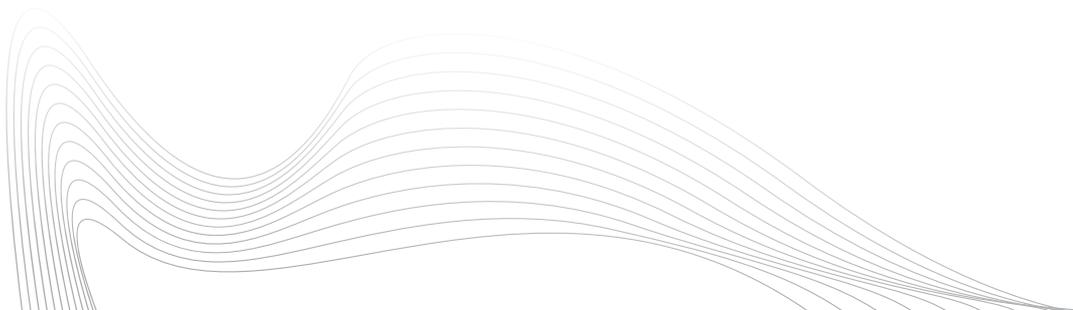
It will leverage Chinese market advantages to promote investments from the Chinese perspective, seek win-win partnerships with multiple recipient countries and regions, and recruit seasoned investment professionals for the Chinese and international markets.

It will explore new approaches to investment—launching new bilateral and multilateral and platform funds, optimizing old ones, and building cooperation platforms for two-way cross-border investment.

It will create a multidimensional cross-border ecosystem and an influential cross-border investment communication platform, and will serve as an investment advisor and intermediary for domestic and foreign companies to jointly unlock investment cooperation opportunities.

In 2017, the world economy continued positive growth, and recovery spread across regions for the first time since the global financial crisis. In major economies, unemployment rates steadily fell and monetary policies normalized. International financial markets continued to rebound, with gains in major assets such as stocks, bonds, and commodities. The

currencies of non-US developed markets and emerging markets gradually appreciated. CIC's analysis on those dynamics and prudent investment management captured opportunities and produced positive results. As of 31 December 2017, the net cumulative annualized return of CIC's overseas investments exceeded its 10-year investment performance target.



CIC International's Investment Management Activities

Asset Allocation

CIC International adopted the four-layer asset allocation framework of "Reference Portfolio-Three Year Policy Portfolio-Annual Policy Portfolio-Actual Portfolio". It continued to strengthen research and management, optimize strategy and benchmark selection, and improve effectiveness. The company comprehensively and systematically reviewed the factors that drive asset prices; buttressed the assessment of broad asset classes, benchmarks, and market trends; and reconfigured the Annual Policy Portfolio. When the rebalancing mechanism was triggered, the company conducted disciplined rebalancing operations. By actively managing the Tactical Asset Allocation Overlay Portfolio, CIC International extracted short- to medium-term absolute returns from mispriced assets to enhance portfolio performance. CIC also adopted a currency overlay program to manage currency exposure and risk at the company level.

Public Market Investment

CIC International continued to advance detailed-oriented management for public market investments and to optimize portfolio structure for higher excess returns.

Public market equities. CIC International consistently monitored its existing investments and optimized their structure based on market dynamics and market views. To expand the sources of excess returns, it pursued medium- to long-term investments themes such as infrastructure, healthcare, and information technology. The company also optimized its internally managed quantitative portfolio to improve market adaptability.

Bonds and absolute returns. The current bond strategy was reviewed and asset managers were assessed to allow greater autonomy to the stronger performers. The company's hedge fund strategy focused on post-investment monitoring, and hiring additional managers and adjusting existing ones based on performance. The company increased investment in the multi-asset strategy

based on the asset allocation framework to further diversify risks.

Long-Term Asset Management

CIC focused on buttressing asset allocation, enhancing strategic research, and improving the investment performance of its long-term assets. It also combined investment decision-making and project supervision to better manage them. In 2017, the company approved or signed agreements for 49 private equity, private credit, and real estate projects, and fully or partly exited several, delivering satisfactory results.

Private equity and private credit. The company evaluated and categorized fund managers and increased, as appropriate, its commitment to funds with strong long-term performance. It adopted new methods for account management and refined decision-making to capture attractive investment opportunities and strengthen co-investment and co-sponsorship with fund managers. Building on trust and mutual benefit, the company went beyond the traditional limited partner-general partner structure and deepened its cooperation with a handful of top-tier, highly competent investment institutions.

Real estate. The company selected and invested in superior funds and renewed its commitment to high-performing fund managers. It also imposed stringent risk controls, looked for quality projects that offer platform value with an established operating model, and sought market segments and investment opportunities in less efficient markets.

Post-investment management. The company closely tracked and regularly reviewed projects it had invested in and developed project-based management plans. It also analyzed industrial cycles and regional market trends to spot opportunities and reduce or exit investments as appropriate.

Box 6: European Logistics Assets Portfolio

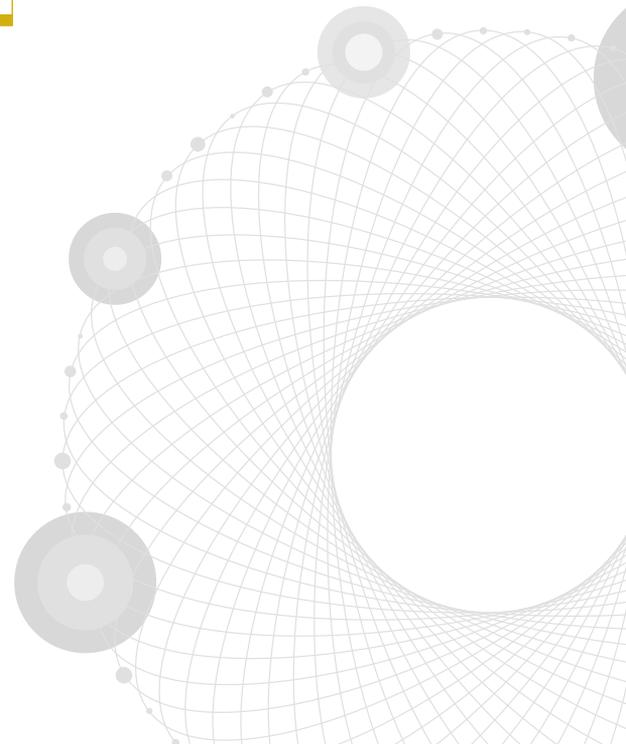
In November 2017, in an innovative approach to foreign direct investment, CIC formed a consortium of like-minded Chinese partners to acquire Logikor, which owns and operates a portfolio of high-quality European logistics assets. The key features of the Logikor deal are:

A well-established large asset base. Logikor owns more than 600 logistics facilities in Europe, spanning 17 countries in seven major regions—the United Kingdom, Germany, France, Southern Europe, the Nordic countries, Central and Eastern Europe, and Benelux. As the largest logistics asset owner in Europe, Logikor offers more than 13 million square meters of logistics space and a strong operational platform with a full spectrum of special logistics capabilities. As of today, the Logikor deal is CIC's largest direct investment in asset value.

An overseas investment by a CIC-led consortium of Chinese investors and lenders. CIC as the leading investor brought in several Chinese equity partners and obtained debt financing from a Chinese syndicate to fund the deal with a total value of €12.25 billion. The deal was successfully completed with joint efforts of all parties.

A case embodying the Belt and Road Initiative's intention to collaborate, co-create, and co-benefit. Logikor owns facilities in many Belt and Road countries, such as the Czech Republic, Hungary, Poland, Romania, Russia, and Slovakia. The proximity of most of its logistics assets to key transit routes provides the impetus for upgrading and developing them. The Logikor transaction exemplifies CIC's active participation in the Belt and Road Initiative.

The transaction clinched the 2017 PERE global award for "Deal of the Year," and CIC won the PERE Europe award for "Institutional Investor of the Year."



CIC Capital's Investment Management Activities

From the very beginning, CIC Capital developed comprehensive rules for direct investment and created mechanisms for investment decision-making befitting the peculiarities of direct investment. The rules and mechanisms provided systemic safeguards.

Governance. CIC Capital worked progressively on a top-down design and continued to optimize its departmental structures, decision processes, and incentive system as part of a continuing search for a unique direct investment model and investment strategies.

Business operations. The company leveraged its direct investment advantage in such traditional sectors as energy, mining, agriculture and infrastructure to expand cooperation to global industry-wide investment in the advanced manufacturing, healthcare, consumer services, and high-tech sectors.

Team building. CIC Capital expedited development of its internal structure and expansion of its team through the global recruitment of professionals.

The company then stepped up overseas investment cooperation and initiated several exemplary projects in the infrastructure, internet, finance, and service sectors. CIC Capital also developed post-investment management plans for existing projects depending on the market environment and project performance, actively engaging with the investee company and other shareholders for value creation and seeking opportunities to exit at the right time and reap returns.

In 2017, CIC Capital furthered its efforts in strategic planning and research by drafting and completing the "CIC Capital Corporation Business Development Outline for 2017–2026." The outline reviews the company's experience in direct investment and encourages the creative pursuit of direct investment. It also includes plans for:

- Amended investment management policies and continued improvement of procedures for legal affairs, risk management, investment decisions, financial management, and operations management.
- An optimized human resource management structure and incentive system.

- Long-term strategic partnerships with international investors and the alignment of projects and cooperative efforts with several Chinese companies.

In 2017, CIC Capital completed investment decisions for 20 projects, with a total committed investment of \$3.8 billion in the following areas:

Infrastructure. CIC Capital continued to beef up the screening and selection of infrastructure subsectors for investment and has been closely looking for opportunities in transport and energy infrastructure. The company also made forays into car parks, telecommunications, and power transmission and distribution. It sought a broad, structurally balanced basket of quality infrastructure assets spread across regions, sectors, and project phases.

Energy. By leveraging opportunities arising in industrial business cycles, CIC Capital actively managed existing investments and captured favorable exit windows while steadily increasing exposure to new energy, optimizing the current portfolio, and diversifying risks over the long term.

Industry-wide investments. To invest from the Chinese perspective, CIC Capital laid out a strategic framework for healthcare, advanced manufacturing, consumer goods and services, and technology, media, and telecommunications—and it began investments in these sectors.

Agriculture. Through CIC Janus Asset Management Company, CIC Capital continued to study, review, and develop valuable subsectors for deep cooperation with Chinese and foreign companies and investors. Investments in the agricultural sector include farmland, dairy, and fisheries. CIC Capital has actively developed a direct investment platform for specialized agricultural investment overseas.

Multilateral and bilateral funds. CIC Capital increased its capital investment in the Silk Road Fund, established the China–Ireland Technology Growth Fund II, and completed the second round of capital injection into the Russia–China Investment Fund. It also worked on China–Mexico Binational Investment Fund and Sino–French Third Countries Investment Fund.

Box 7: the U.K.'s National Grid Gas Distribution Network

In March 2017, CIC Capital joined a consortium to acquire a 61 percent share of U.K. National Grid Gas Distribution. The consortium also includes Macquarie Infrastructure and Real Assets (MIRA), Allianz Capital Partners GmbH, Qatar Investment Authority, Hermes Investment Management, Dalmore Capital, and Amber Infrastructure. CIC invested over £600 million in the project. The acquisition of the gas distribution network was on a scale rarely seen in the U.K. in recent years. The network was owned by National Grid plc, which is an international group of power and gas distribution networks headquartered in the U.K. and the

country's largest gas distributor, with pipelines accounting for more than 50 percent of U.K. market share. Indispensable in developed countries, pipelines not only provide stable revenue but possess growth potential.

The project meets CIC's investment objectives and infrastructure strategy, optimizing the structure of CIC's global infrastructure portfolio. It has also enhanced CIC's cooperation with like-minded investors. The transaction won the 2017 Best European Mid/Downstream Oil & Gas Deal award from IJGlobal.

CIC's Overseas Offices

One of CIC's development strategy is to establish overseas offices to extend its reach to different parts of the world, strengthen partnerships and enhance its investment capabilities.

CIC International (Hong Kong) is CIC's first overseas branch. In the seven years since inception, CIC International (Hong Kong)'s increasingly robust corporate governance can be seen in the well-organized corporate subsidiary structure and systems. The company continued to expand its investment business, with \$12.78 billion in total asset under management by the end of 2017 and covering various public market equity and bond portfolios. With an improved ability to synergize and coordinate, the company focuses on fully leveraging Hong Kong's information and resource advantage and closely monitors of the global and regional market movement to support the head office's investment research and project development efforts.

In 2017, CIC International (Hong Kong) adhered to the existing investment and research discipline to actively and prudently managing five portfolios: the global investment-grade corporate bond strategy portfolio, China-Hong Kong equity strategy portfolio, the internally managed Asian equity portfolio, the sub-strategy portfolio focusing on special opportunities among Chinese enterprises and the US high-yield bond portfolio. It also established the Emerging-Markets Local-Currency Bond portfolios. The company also leveraged its geographical advantage to closely monitor regional and global market dynamics and conduct active exchanges and interactions with peer institutions to buttress support for the compa-

ny's investment research and expand investor relations. CIC International (Hong Kong) made breakthroughs in identifying investment targets and provided support through post-investment management, which drives powerful two-way communication and effective synergy.

CIC Representative Office in New York was officially opened in May 2017. It provides support for headquarters by conducting research on North America's economy, financial market and regulatory policies, enhancing and developing business relationships with asset managers and other business partners, and focusing on deal sourcing in this region. The Representative Office in New York is also responsible for communicating with local government agencies and regulatory authorities to bolster CIC's reputation and image as a responsible institutional investor.

In 2017, the Representative Office in New York has leveraged on New York City's resources and position as an international financial center to expand CIC's business network and identify potential investment opportunities. The office's efforts in business network development as well as its in-depth research in the regional economy, financial markets and regulatory trends have strengthened the company's connection, communication and cooperation with local business partners, and have provided support to the company's investment activities in Americas.

Investment Management and Support

In its early days, CIC applied itself to building a lean and efficient middle and back office to serve the front office. Over the past 10 years, the company shored up and streamlined its management system, substantially improving investment support capabilities. The company's middle and back office has developed soundly and operates systematically, providing the impetus to drive investments. CIC furthered its investment and management support in these areas:

First, we revamped process design and optimized investment decision-making and investment management flexibility. We stepped up post-investment management and enforced mechanisms for regularly reviewing projects and specially reporting on important matters. We also established a multi-tier project information reporting system and promoted development of a post-investment management system to improve the whole project management process.

Second, we reinforced the concept of research-driven investment and fostered the development of an integrated research investment system. We unified internal and external resources for deep research into macro landscapes, market movements, industry trends, investment tactics, and investment strategies. We organized the CIC Forum and created online and offline international platforms connecting China and the rest of the world.

Third, we optimized the investment operations system and further standardized and digitized the support systems for public market operations and alternative asset operations. We secured the operations of the management platform for basic investment data and enhanced data accuracy and timeliness. We improved service quality, improved the settlement process to reduce costs, and strengthened the management of providers. We also reviewed post-investment management and sought avenues to add value in direct investment projects.

Fourth, we adopted stricter budget preparation, implementation, and monitoring measures, promoted the use of full cost apportionment, and deepened the use of cost-effi-

ciency analysis. We enforced accounting rules to improve financial reporting. We maintained good management of debt, liquidity, and cash value preservation and appreciation. We also established an expenditure and cost database to undergird the expenditure system, and we expanded our financing channels.

Fifth, we began developing a CIC big data platform to progressively centralize the storage and management of business data and to enable well-ordered data mining and sharing. A new-generation information-sharing platform will let CIC develop a smart finance ecosystem and ensure the general maintenance and operation of application systems and information technology infrastructure. We held contingency drills to ensure the continuity of business. We also tracked and studied technology trends, and our system development program experimented with emerging technologies.

Sixth, CIC provided all-round legal, compliance and tax support. Major regulatory developments were monitored around the world, and their implications for our businesses assessed. We also upgraded the compliance monitoring system, implementing an information barrier system so that legal and compliance risks can be promptly and properly identified, assessed and controlled.

Seventh, CIC strengthened efforts in anti-corruption and prevention of conflicts of interest and supervision of governance and audit. Conversations with department heads were held about their discharge of responsibilities, areas highly exposed to the risk of corruption were inspected, and employees were educated on compliance. The directors' and senior executives' discharge of duties were also supervised. The company assessed the accounting and financial situations and audited the investment businesses and economic responsibilities.

Investment Performance

Given that CIC is a long-term investor, in 2011 the Board of Directors extended the investment horizon to 10 years, using annualized rolling returns as a key indicator to evaluate performance.

In 2017, CIC's overseas portfolio posted a net annual return of 17.59% denominated in U.S. dollar. As of December 2017, it had exceeded its ten-year investment performance target to realize a net cumulative annualized return of 5.94%.

Table 7. Investment performance, global portfolio

<i>Year</i>	<i>Net cumulative annualized return¹</i>	<i>Net annual return</i>
2008 ¹	-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%
2016	4.76%	6.22%
2017	5.94%	17.59%

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

Risk Management

Creating a risk management team was among CIC's first actions. In January 2008, the Executive Committee established the Risk Management Committee. The Committee developed the Basic Risk Management System, which sets forth the company's overall goals and basic principles for risk management, and completed CIC's first comprehensive risk management report. In 2009, with the company focused on improving the internal management of operational risks, the Risk Management Committee developed the Basic Internal Control System. In 2010, CIC centralized the management of market, credit, and operational risks; developed systems for attribution, performance appraisal, and investment valuation; and introduced an internal control system protected by three lines of defense.

In 2011, as the European debt crisis continued, CIC found the overall portfolio's net value slipping below the early warning threshold and nearing the protection threshold. The portfolio's loss of value triggered an early warning system, and the company took decisive measures.

In 2012, the company reviewed and streamlined the structure of its overall portfolio. At the same time, it supported the development and prospective analysis of its systems. As investment management entered a new phase of precision, detail, and rigor, a comprehensive risk management system began to take shape. In 2014, CIC

implemented an investment manager accountability system and defined the accountability of investing officers. The company also developed "Guidelines for Managing Risks in Direct Investments" to take into account the greater focus on direct investments and the increasing proportion of long-term assets in the portfolio. In light of its own experience, CIC adapted industry best practices and the most advanced academic research for the first large-scale comprehensive investment management system including intellectual property rights—the Risk and Performance Analysis System ("Fengye System").

Since 2015, CIC has fostered comprehensive risk management by reviewing its system, strengthening asset allocation risk management, launching pre-investment risk identification and assessment, and launching post-investment risk monitoring and early warning. The company also established a risk factor system and improved risk management tools to raise its ability to control risk to the overall portfolio.

Given the volatile international financial market of the past 10 years, CIC honed skills while expanding its overseas investment operations. It developed a three-layered system of rules, a three-tiered management system, and three lines of defense, which together form the comprehensive risk management system.

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

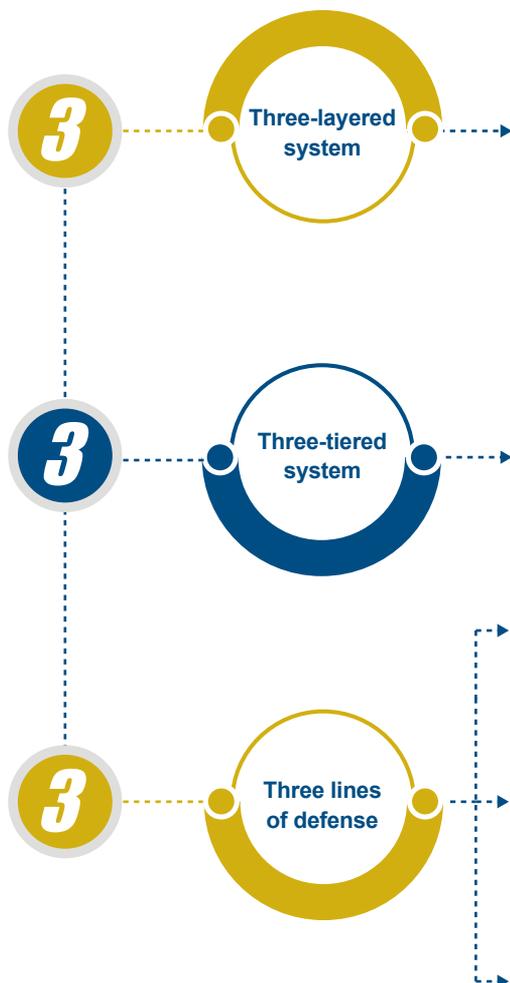
CIC has a comprehensive risk classification and management system involving the Executive Committee, Risk

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 operation 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, the Department of Investment Operations, the Department of Finance and Accounting, the Department of Internal Audit, the General Office, and the Department of Research. 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 sub-committees established under the Risk Management Committee.



It includes basic procedures and management approaches designated according to different types of risks and risk management guidelines.

It provides institutional guarantees for scientific, well-defined, and orderly risk management.

It is a company-wide, inter-department, and intra-department management system.

It standardizes risk management across various operations, including investment, management, and supervision, thereby enhancing efficiency and standardization in operations and management.

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 Committee.

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.

Management of Multiple Types of Risks

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.

The comprehensive risk monitoring system monitored risks from the macro level, to the market and to the portfolio. At the macro level, the company monitored the macroeconomic conditions of the key economies and drew up a risk heat map, showing the company changes in macroeconomic factors and transmission mechanisms. At the market level, CIC constantly monitored the relevant systemic indices and volatility index constantly and improved its stress-testing analysis. At the portfolio level, it used the Fengye System to monitor the risks and performance of the overall portfolio in a multi-dimensional and multi-perspective approach.

Credit Risk Management

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

Based on the portfolio's risk exposure, CIC regularly publishes the "Sovereign Credit Risk Report" covering 110 countries and regions. It prospectively analyzes the key factors driving macro risks for sovereign credit in the current year. CIC also publishes specific thematic reports on market movements to assess risks for sovereign credit and to give early warning. The company also strengthened counterparty risk management, evaluating the dynamic risks of counterparties based on the risk exposure of different products.

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

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

We improved the risk management and internal control systems, and long-term mechanisms for resolving different risk categories have become more robust. In 2017, CIC developed and revised 12 risk management guidelines and proposed specific opinions for 17 rules.

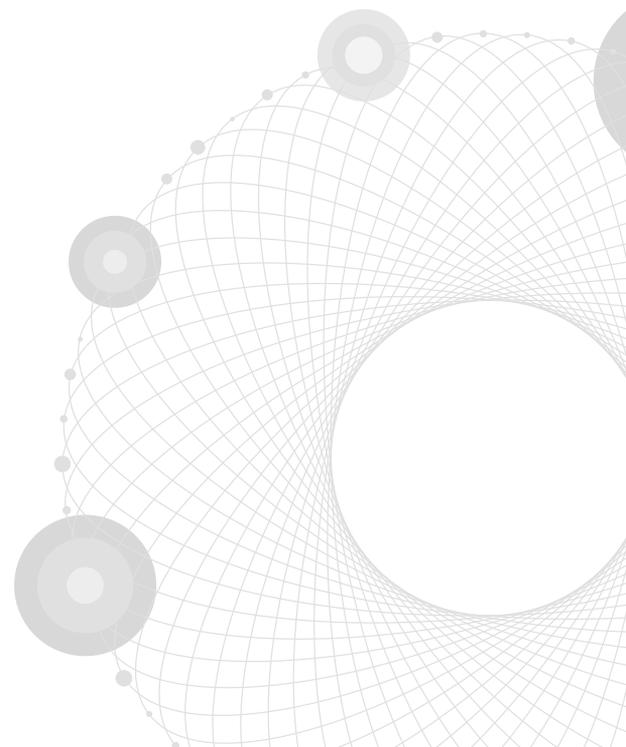
CIC buttressed operational risk management by optimizing mechanisms, developing a manual, and studying the possibility of building an operational risk tolerance system. It organized regular assessments of operational risks; inspected the points of risk and relevant control measures; and intensified the collection, analysis, and control of incidents. The company also stepped up monitoring operational risks in key business areas such as trading and investment processes. It developed a management system to ensure business continuity, with the first exercise improving emergency response capabilities.

CIC values the prevention and management of reputational risks, and has continued to do well in information disclosure and tracking public opinion to assess reputational risks. 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.

Box 8: a Decade's Experience in Investment Management

CIC rose from promise to prominence. It swiftly became a large sovereign wealth fund holding a diversified portfolio of multiple asset classes with varied investment strategies, an extensive network of partners, and balanced investments in different sectors. CIC has weathered major risks—the global financial crisis, the European debt crisis, and the end of the commodity super-cycle. It learned valuable lessons and accumulated a wealth of experience worth documenting, analyzing, recapitulating, and reviewing.

CIC greatly values reviewing investment experience. Its list of typical investment projects for case study includes both successful and failed projects. The cases cover myriad areas: asset allocation, public equity investment, fixed income investment, hedge fund investment, multi-asset (risk parity strategy) investment, private equity fund investment, real estate investment, co-investment projects, direct investment projects, and equity management of Central Huijin's holding companies. is a majority or minority shareholder. The cases also included internally managed and externally managed investment. After reviewing, examining and analyzing, crystallizing and recapitulating the cases, the company developed the "CIC: Experience and Review of Investment in Different Asset Classes" and the "Analysis of CIC Project Cases." These two compendia elaborate, evaluate, and crystallize the company's investment endeavors in the international financial market. They elevate CIC's institutional investment and management capacity, unify the company's investment philosophy, evolve a robust investment logic, and provide a clear development strategy for the future. Consolidating the lessons of its development foundation helps CIC prosper sustainably.



Human Resources

CIC has always valued people. Talent is the company's key resource and core competitive strength. The company espouses the management ideal of being "people-oriented" and sets forth the human resource management objective to "support the company's strategic development, serve the investment business, and succeed in growing the company

and its people together". CIC's human management has always been to pursue a scientific and professional approach, create a human resource management model unique to the company's specificities, and cultivate an environment conducive to the selection, appointment, training and retention of talent.

Recruiting Talent

We need top talent to produce top performance. Therefore, recruiting talent is an important CIC policy. Since inception, the company has developed a recruitment system with diversified recruitment channels, varied

publicity approaches and a multi-dimensional appraisal framework to build an experienced team of high caliber professionals with good potential and who are familiar with China's national conditions.

CIC welcomes talented individuals with the following qualifications:



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 devoted much effort to developing recruitment channels and to seek out the needed people to grow its business. In 2012, the company established a global talent database with information of high-caliber professionals across the world to enable prompt and early identification of key and much-needed talents.

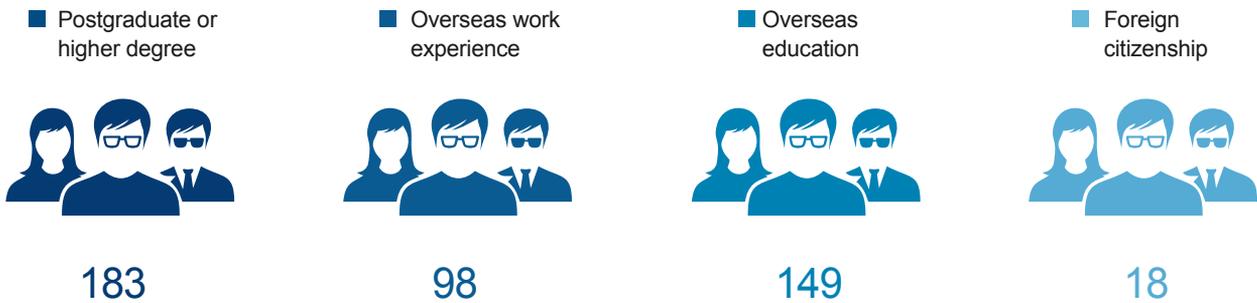
As of now, CIC's overall staff strength is 644, including global investment staff of 191. Among global investment staff, more than 82% have overseas education or working experiences.

Professional Development

CIC encourages further professional development. The company has a flexible career development system comprising the dual paths of management and professional positions, with a focus on the latter. The company also has a general competency model and one specific to invest-

ment positions. With a uniform human resource management language and competency standard, the company is able to provide the staff with more effective and targeted professional development, so that the individual and the company will grow together.

Table 8. Background summary of global investment staff



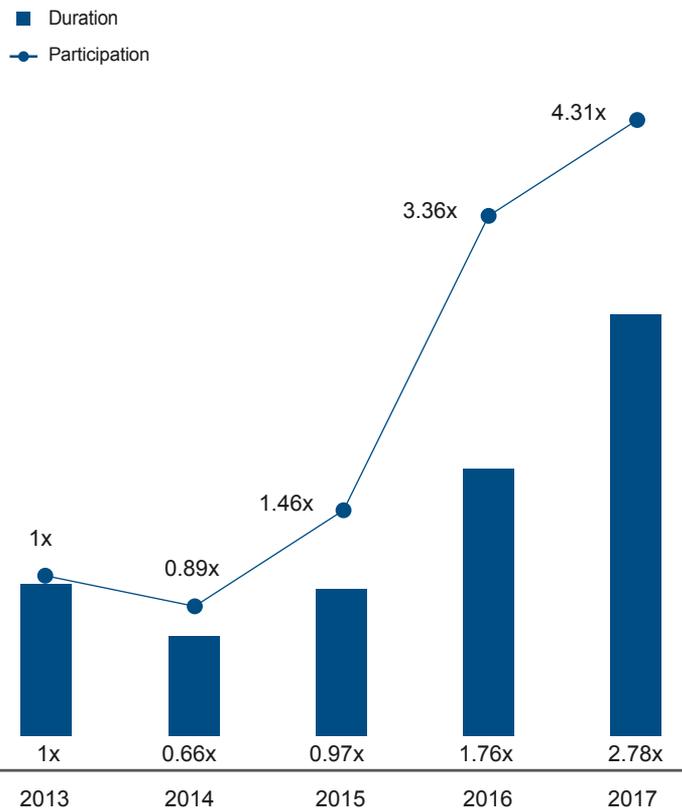
Team Development

Talent training and development is essential for sustaining corporate development. CIC is people-oriented and values staff education and training. CIC employees are encouraged to pursue their dreams and improve their capabilities to enable both personal and corporate development.

Based on its development strategies and team-building needs, CIC has constantly enriched and refined its employee training system. The training curriculum covers mission and responsibility, corporate value, investment capabilities, leadership and professionalism, and basic skills. Training is in the form of lectures, practical exercises, online training and exchanges and discussions, and the partner institutions are local and foreign universities, professional organizations and industry associations. CIC has also developed training courses in-house as a way to crystallize and share its knowledge and experience.

In 2017, CIC has organized 74 training programmes, totaling 64,519 hours and benefiting 2,510 participants.

Table 9. 2013 - 2017 Training Growth



Training Participation in 2017

Table 10. By content

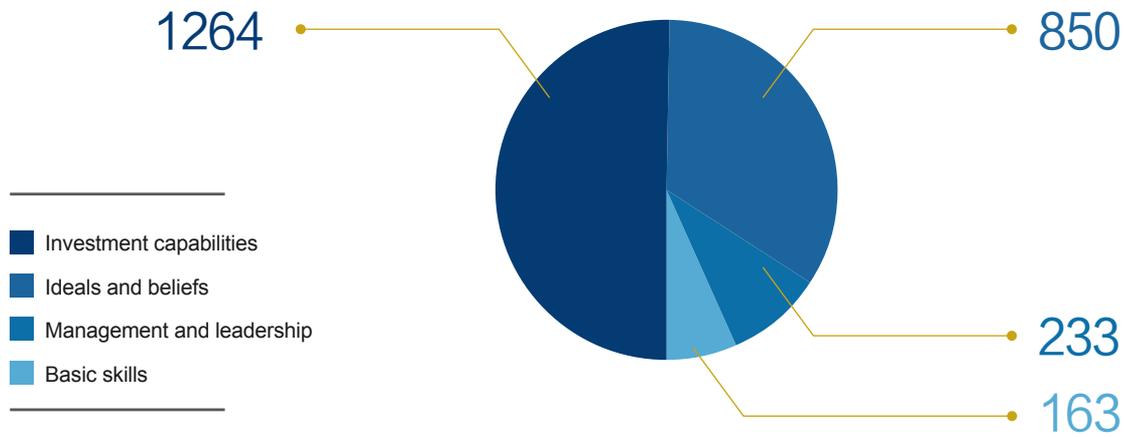
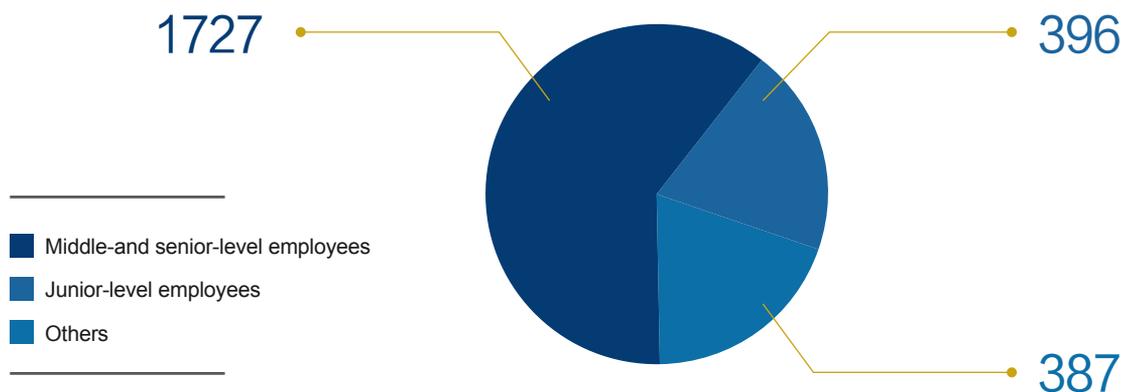


Table 11. By trainee



Incentives and Constraints

The company encourages value creation and recognizes the contribution of employees. It promotes full-cycle performance management that includes tracking, guidance, evaluation and feedback for the performance plan to help the people improve and the company achieve its performance targets. Performance evaluation is based on management by targets and 360-degree performance appraisal for a full and objective assessment of the performance, competency, and working style of the people. The company emphasizes the appraisal results when planning for specific work-related training programmes and when implementing incentives and constraints.

Observing market norms and international practices, CIC continually optimized its remuneration system towards a

market-oriented incentive scheme that suits its development strategy and culture. The system features compatible, fair and performance-oriented incentives in both tangible and intangible forms. CIC also implemented government guidance on reforming the remuneration system for senior executives of central state-owned enterprises and managed the remuneration of senior executives in strict accord with the regulations.

Talent powers CIC's development. Given that the company aims to be a world-class sovereign wealth fund, it upholds the "people-oriented" management philosophy to explore more sound and effective human resource management methods, and to jointly build the future with its people.

Box 9: Systematic Improvement of Human Resource Management

During the early days, the focus of CIC's human resource efforts was to swiftly develop a basic system and to build a professional team of high-caliber individuals to support the company's business. By learning from international peers and through its own practice, CIC put in place a human resource system and a team of high-caliber talents for the start-up period.

As of 2009, CIC began to transform its human resource management. With the "3x2 and 1x1" programme, the company began a series of systematic endeavors: it streamlined the human resource management system and processes to evolve a system of "basic laws" that guide and regulate human resource operations; it published the "CIC Human Resource Strategic Plan (2012-2016)" that outlined the tenets for the company's human resource operations, and defined the objectives, guidelines and basic principles of human resource

management; between 2012 and 2014, it launched the key project that included a "job position system", career planning schemes and a "competency model" that significantly optimized its human resource management; it built a global database of talents and remuneration to provide the basic reference for recruiting top talents and remunerating them based on market rate; it leveraged information technology to create a human resource information system incorporating different components and use it as an effective means to strengthen internal control, improve work efficiency, achieve information synergy, and to assist in decision-making analysis.

The "3x2 and 1x1" programme has laid a strong foundation to build a more strategic and professional human resource management system, and to increase its development capabilities that underpin the company's growth.

The "3x2 and 1x1" programme

- Human Resource Strategic Plan
- Staff Career Plan

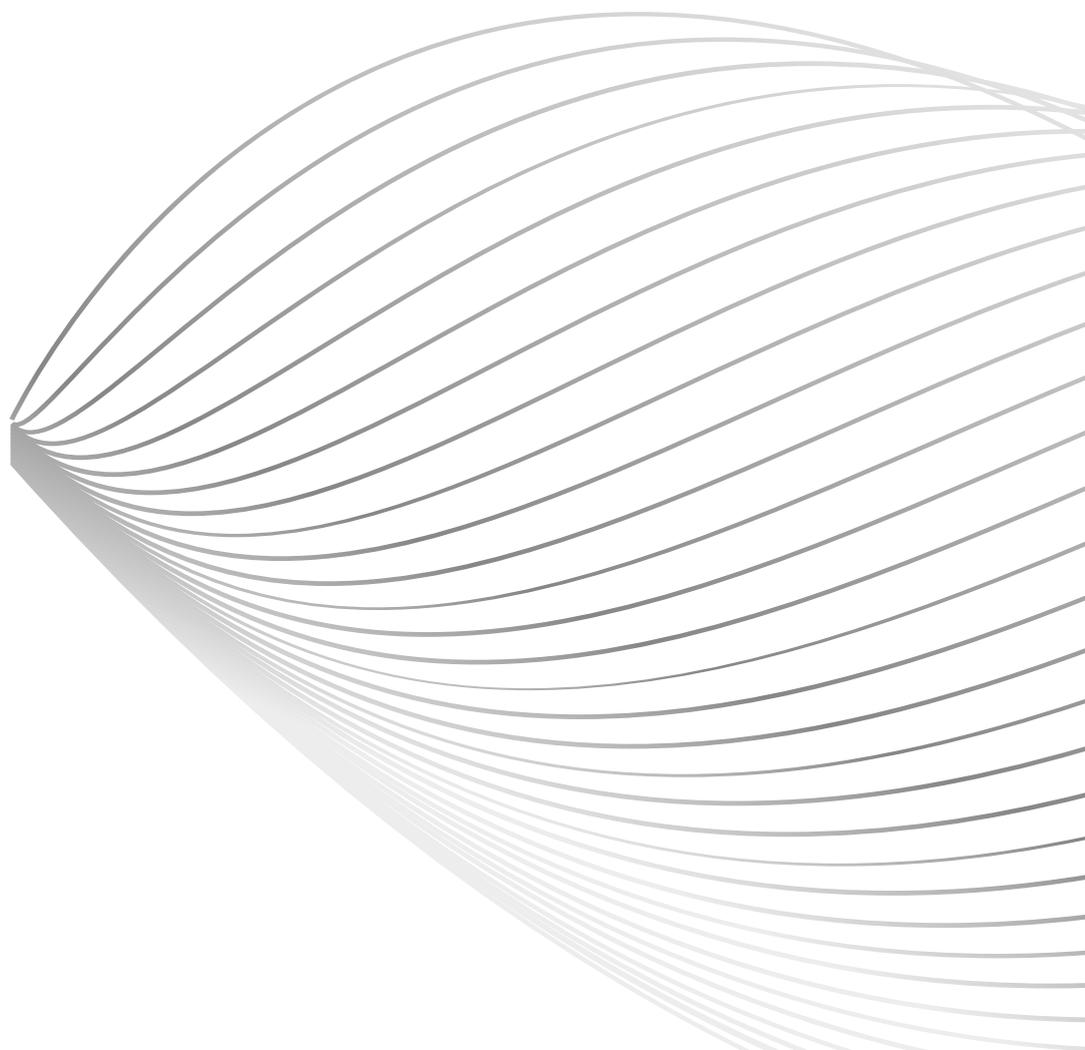
- Manual on Human Resource Management System
- Manual for Human Resource Processes

- Global Talent Database
- Market-Rate Remuneration Database



DOMESTIC EQUITY MANAGEMENT

Central Huijin undertakes equity investments in key state-owned financial institutions in China. It 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.



10
2007-
2017



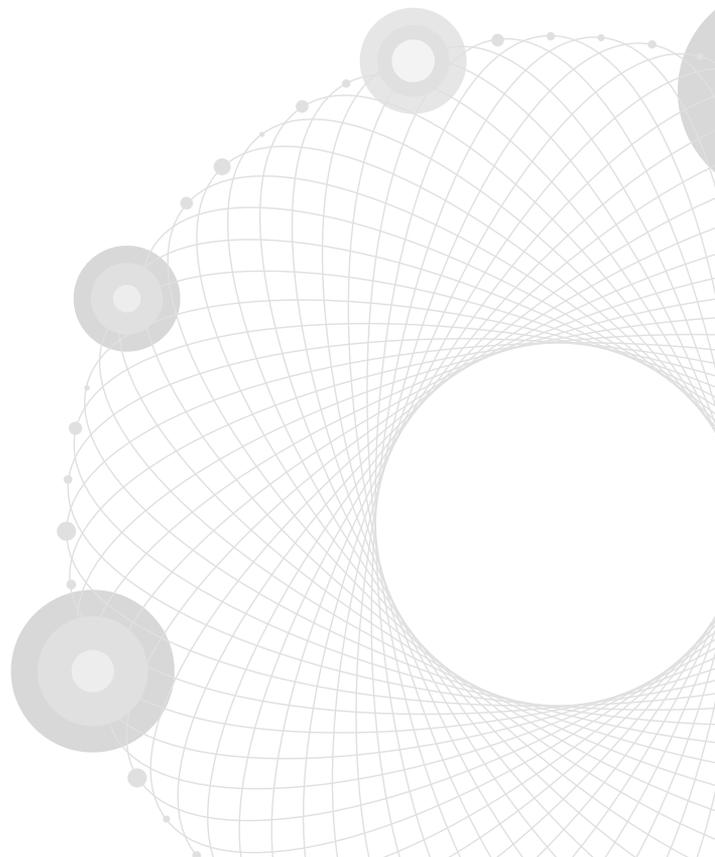
History of Development

In 2003, the State Council decided to establish Central Huijin as a special vehicle for using China's large foreign exchange reserves to inject capital into key state-owned financial institutions as part of the reform of the shareholding system of state-owned commercial banks.

By exercising its function as representative of the investor of state capital, Central Huijin ensured the State's controlling stakes in major financial institutions and improved their corporate governance to preserve and enhance the value of state-owned financial assets.

Central Huijin was incorporated as a wholly-state-owned company on 16 December 2003 under the Company Law. CIC was established on 29 September 2007 and Central Huijin's entire equity was purchased from the People's Bank of China with the proceeds of the government bond issued by the Ministry of Finance and injected into CIC, making Central Huijin CIC's wholly-owned subsidiary.

Since its inception, Central Huijin has injected capital into 19 institutions, including commercial banks, securities companies, insurance companies, development and policy financial institutions, to strengthen their capital base and risk tolerance and to support sustainable development. By exercising its shareholder rights and performing its obligations, Central Huijin has improved their operational efficiency and corporate governance and developed a market-oriented model for managing state-owned financial capital—the Huijin Model.



Governance and Structure

Approved by the State Council, the Articles of Association provide for the company's organizational structure, duties, business scope, and governance framework. Any amendment to these Articles shall be proposed by the Board of Directors and come into effect upon approval by the State Council, which authorizes the company's Board of Directors to interpret the Articles of Association.

Under the Articles, 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.

Central Huijin has no shareholders' meeting. The Board of Directors and Board of Supervisors exercise decision-making powers and supervisory powers respectively. The members of the two boards are appointed by the State Council and Central Huijin's President is in charge of the company's operations and the management and implementation of the Board of Directors' resolutions.

To manage its equity holdings and to support the company's business operations, Central Huijin has the Banking Institutions Department I, the Securities Institutions Department/ Insurance Institutions Department and the Comprehensive Management Department/ Banking Institutions Department II.

Equity management departments in Central Huijin

Banking Institutions Department I

- manages the equity holdings in Industrial and Commercial Bank of China Ltd. (ICBC), Agricultural Bank of China Ltd. (ABC), Bank of China Ltd. (BOC), and China Construction Bank Corporation (CCB).

Securities Institutions Department/ Insurance Institutions Department

- manages Central Huijin's holdings in securities institutions and insurance institutions.

Comprehensive Management Department/ Banking Institutions Department II

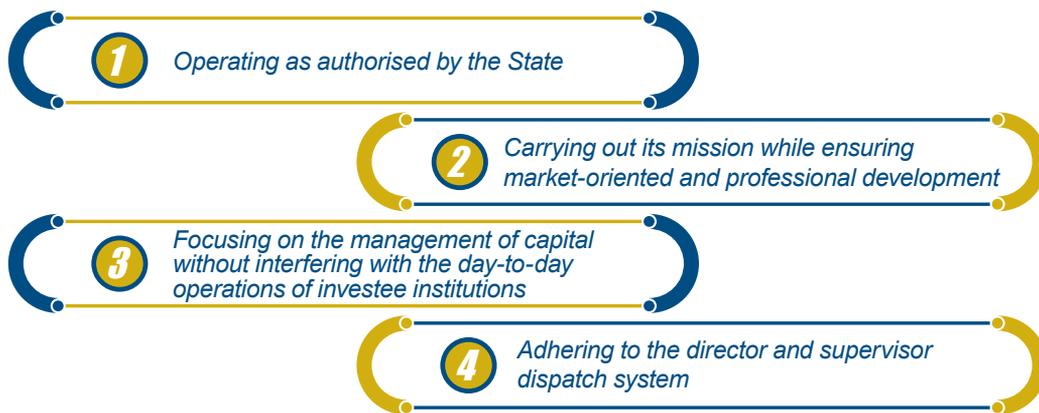
- manages equity holdings in China Development Bank, China Everbright Group, China Everbright Bank and China Export & Import Credit Insurance Corporation
- manages general affairs of Central Huijin.

The Huijin Model

After many years of practice, Central Huijin has evolved a market-oriented model for managing state-owned financial capital. The model enables Central Huijin to observe market practice and perform its obligations as the authorized representative of the state-owned capital investor. It has thus encouraged state-owned financial institutions to serve the real economy, prevent and control financial risks, and deepen financial reform.

Guided by four underlying principles, Central Huijin serves as three key platforms.

Four underlying principles



Three key platforms



Since 2003, Central Huijin has injected capital into the five commercial banks, namely, ICBC, ABC, BOC, CCB and China Everbright Bank. It also initiated a series of market-oriented reforms, such as facilitating financial restructuring, revamping the shareholding system, bringing in strategic investors and supporting their public offering. Since 2005, it has helped nine securities companies out of difficulties through market-oriented approaches, and injected capital into the China Reinsurance (Group) Corporation and New China Life Insurance Co., Ltd. Since 2007, it has also injected capital into China Development Bank and China Export & Import Credit Insurance Corporation actively looking into governance models suitable for development and policy financial institutions.

Central Huijin has facilitated the public offerings of 11 holding companies, including ICBC, ABC, BOC, CCB, China Everbright Bank, China Reinsurance (Group) Corporation, New China Life Insurance Co., Ltd, China Galaxy Securities, Shenwan Hongyuan Securities, China International Capital Corporation, and China Securities. It also assisted in the merger of Shenyin & Wanguo Securities Co., Ltd and Hongyuan Securities, and the merger of China International Capital Corporation and China Investment Securities. It has exited from some non-systemically-important financial institutions through share swaps and listing transfers. And it has taken steady steps to trade, in the secondary market, the A shares of its holding companies and exchange-traded funds.

Central Huijin manages its equity holdings through market-oriented and professional methods and exercises its shareholder rights granted by the law to participate in the decision-making of its holding companies without interfering in their day-to-day operations. As the representative of the investor in state-owned capital, it dispatches directors to its holding companies to the extent of its capital contribution, closely tracks the operations and risks of the companies, organizes periodic assessments, and issues "management recommendation letters" and "risk warning letters".

Performance in 2017

By the end of 2017, state-owned financial capital under Central Huijin's management had reached RMB 4.1 trillion with a sterling performance on the part of Central Huijin in preserving and enhancing the value of state-owned capital.

At the end of 2017, Central Huijin held shares directly in 17 financial institutions (including banks, securities companies, insurance companies and other financial institutions). The total assets of Central Huijin's holding companies were RMB 112 trillion, representing year-on-year growth of 8%. Net profit realized by the holding companies was RMB 1.1 trillion, a 3.4% increase from 2016. The total market capitalization of 11 publicly listed holding companies was RMB 6.7 trillion, and the market capitalization of shares owned by Central Huijin was RMB 3.1 trillion, a 22% increase from 2016. The respective global rankings of Industrial and Commercial Bank, China Construction Bank, Agricultural Bank of China and Bank of China in market capitalization were second, fifth, eighth and ninth.

For the six banks, the loans denominated in local and foreign currencies increased by RMB 5.2 trillion, accounting for nearly 40% of the country's incremental loans with better asset quality.

For the four securities companies, total equity and bonds underwritten for the year exceed RMB 1 trillion, and the securities received AA rating.

For the two commercial insurance companies, premium income exceeded RMB 210 billion, a 7.7% growth from 2016, the key indicators meeting regulatory requirements.

In addition, Central Huijin wholly owns Central Huijin Asset Management Ltd. as a subsidiary.



Table 12. Portfolio Holdings of Central Huijin

As of December 31, 2017

No.	Financial Institutions ¹	Shares
1	China Development Bank	34.68%
2	Industrial and Commercial Bank of China Limited ★ ☆	34.71%
3	Agricultural Bank of China Limited ★ ☆	40.03%
4	Bank of China Limited ★ ☆	64.02%
5	China Construction Bank Corporation ★ ☆	57.11%
6	China Everbright Group Ltd.	55.67%
7	China Everbright Bank Company Limited ★ ☆	19.53%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation ☆	71.56%
10	New China Life Insurance Company Limited ★ ☆	31.34%
11	China Jiayin Investment Limited	100.00%
12	China Galaxy Financial Holding Co., Ltd.	78.57%
13	Shenwan Hongyuan Group Co., Ltd. ★	25.03%
14	China International Capital Corporation Limited ☆	58.58%
15	China Securities Co., Ltd. ☆	32.93%
16	Jiantou Zhongxin Assets Management Co., Ltd	70.00%
17	Guotai Junan Investment Management Co., Ltd.	14.54%

1.★: listed on Shanghai Stock Exchange; ☆: listed on Hong Kong Stock Exchange

Box 10: Full-time Director Dispatch System

To the extent of its capital contribution, Central Huijin dispatches full-time directors to sit on the board of directors of its holding companies. Through corporate governance, the directors exercise Central Huijin's shareholder rights and perform the obligations according to laws and regulations and to the Articles of Association, with a view to safeguarding the investor's rights and interests. Since inception, more than 260 directors and supervisors have been dispatched, and more than 60 directors are currently active. Identified and appointed through a market-oriented approach, the dispatched directors are trained professionally and supported by dedicated teams to exercise rights and perform obligations, strengthening Central Huijin's role as the steward and trustee of its holding companies. The directors have ensured robust corporate governance in state-owned financial institutions.

Box 11: Bond Issuance by Central Huijin

In 2010, Central Huijin issued bonds of RMB 109 billion in the interbank market. The proceeds were used to buy additional shares offered by the Industrial and Commercial Bank of China, Bank of China, and China Construction Bank. Part of the proceeds was injected into China Export & Import Credit Insurance Corporation to strengthen its capital base. By integrating market-oriented financing with policy-driven capital injections, Central Huijin created a new bond category called "Government-Backed Agency Bond." In November 2017, based on its own credit rating, Central Huijin issued its first credit bond with three-year maturity, totaling RMB 15 billion. Central Huijin's issuance of the Government-Backed Agency Bond and credit bonds established a stable financing mechanism.

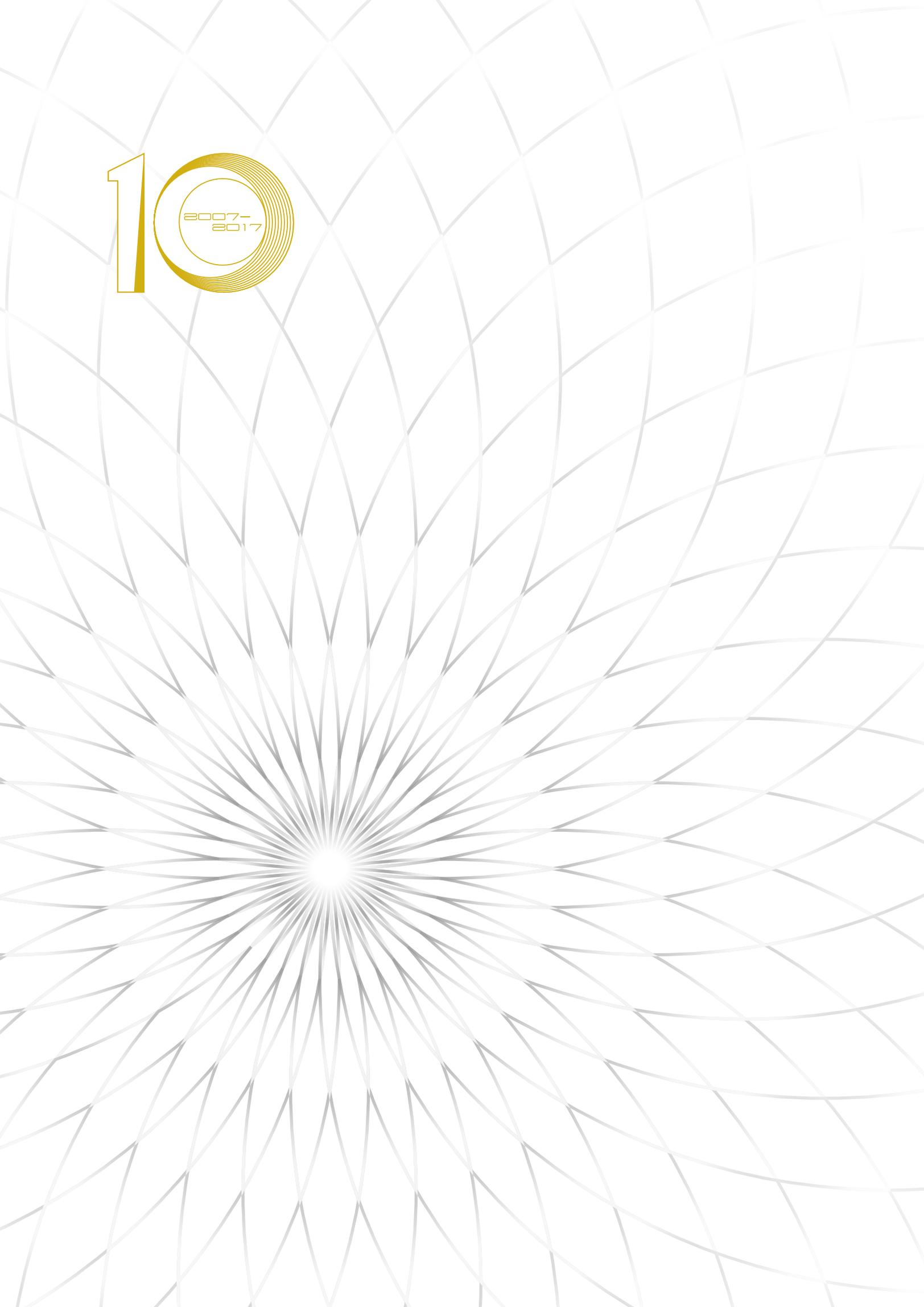
In the first half of 2018, Central Huijin won the Bond Connect Best Issuers award from China Foreign Exchange Trade System and Hong Kong Exchanges and Clearing Limited.

2017 FINANCIALS

CIC pursues overseas investments through CIC International and CIC Capital and domestic investments through Central Huijin.



10
2007-
2017



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. The independent auditor has issued an unqualified opinion for the CIC's consolidated financial statements which represent a true and fair view of the company's financial position, operating results, and cash flows for the year that ended on December 31, 2017.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the preparing of

CIC's financial statements. These judgments, assumptions, and estimates are mainly 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, CIC International and CIC Capital is the U.S. dollar. The reporting and functional currency of Central Huijin is the RMB.

Central Huijin does not consolidate any financial statements on its long-term equity investees. It accounts for its long-term equity investments mainly using the equity method.

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) financial 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 financial 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 financial 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 financial 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-oriented 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 at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled..

Financial Statements

Consolidated Balance Sheet (as of December 31, 2017)

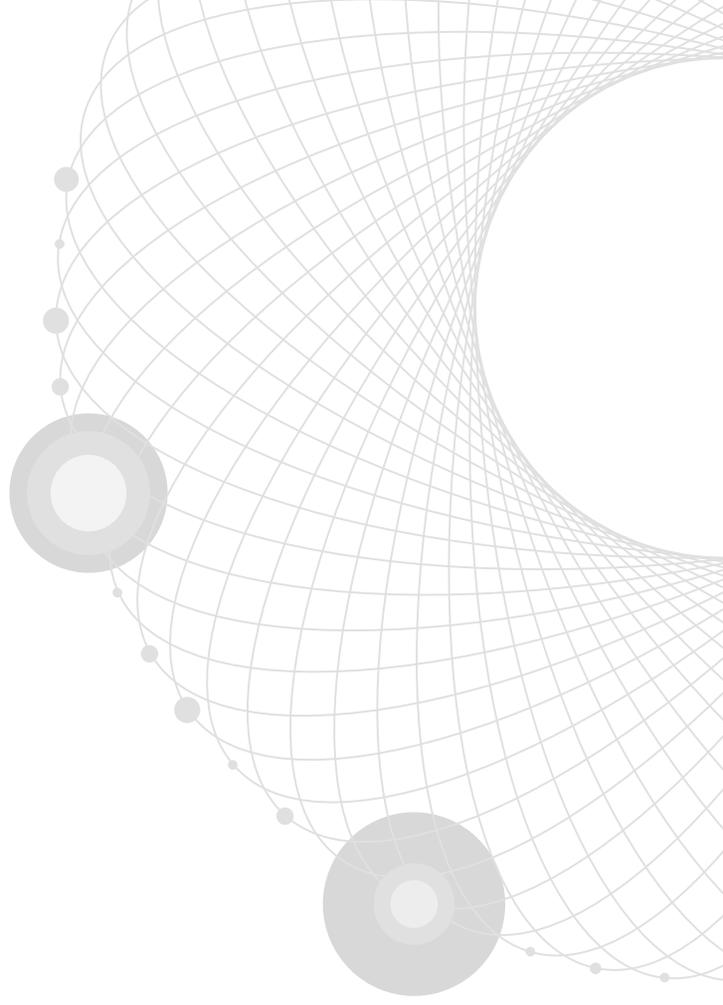
(Amount in millions of US dollars)

	2017	2016
Assets		
Cash and deposits	14,816	8,814
Financial assets at fair value through profit or loss	257,317	219,775
Receivables and prepayments	2,635	3,782
Available-for-sale investments	59	730
Long-term equity investments	597,445	515,959
Deferred tax assets	33	860
Other assets	69,112	63,593
Total assets	941,417	813,513
Liabilities		
Loan	28,578	12,121
Financial liabilities at fair value through profit or loss	229	43
Bonds payable	19,165	15,874
Deferred tax liabilities	7,309	3,295
Other liabilities	40,122	47,224
Total liabilities	95,403	78,557
Owner's equity		
Owner's capital	200,000	200,000
Capital reserves and others	646,014	534,956
Total owner's equity	846,014	734,956
Total liabilities and owner's equity	941,417	813,513

Consolidated Income Statement (for the year ended December 31, 2017)

(Amount in millions of US dollars)

	2017	2016
Investment income		
Interest income	4,437	4,133
Dividend income	3,264	2,955
Net realized gains on investments	11,724	3,497
Unrealized gains (losses) from changes in fair value of investments	23,535	5,835
Investment income from long-term equity investments	71,411	68,029
Foreign exchange gains (losses)	(18)	(1,529)
Other income	102	109
Total investment income	114,455	83,029
Expenses		
Investment expense	(346)	(304)
General and administrative expense	(184)	(171)
Finance expense	(3,192)	(2,865)
Total expense	(3,722)	(3,340)
Operating income	110,733	79,689
Others, net	-	(3)
Income before taxes	110,733	79,686
Income taxes	(7,110)	(4,350)
Net income	103,623	75,336



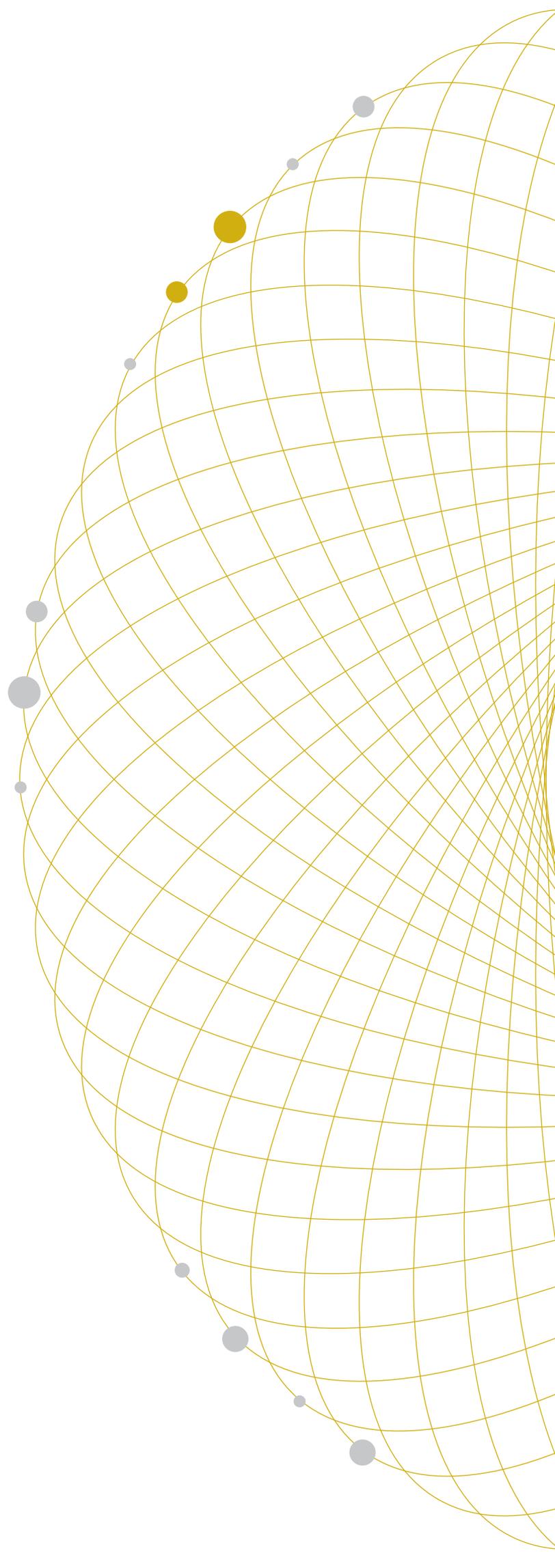
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CIC Annual Report 2017



CIC official account on WeChat





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